Table of Contents

Cost Allocation Study Requirements

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

Rideau St. Lawrence Distribution Inc. ("RSL") has prepared and is filling 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.

The main objective of the original informational filing in 2006 was to provide information on any apparent cross-subsidization among a distributor's rate classifications and to support future rate applications. As part of its 2022 Cost of Service Rate Application, RSL updated the cost allocation revenue to cost ratios with 2022 base revenue requirement information. The 2022 Proposed revenue to cost ratios and previous approved ratios from the 2016 application (EB-2015-0100) are presented below.

Table 7.1: Proposed and Previously Approved Ratios

Rate Class	2016 Approved Revenue to Cost Ratio	2022 Proposed Revenue to Cost Ratio
Residential	92.63%	96.67%
General Service < 50 kW	111.95%	105.01%
General Service 50 to 4,999 kW	114.20%	110.00%
Street Lighting	120.00%	107.86%
Sentinel Lighting	92.63%	85.00%
Unmetered Scattered Load	108.83%	104.98%

The Cost Allocation Study for 2022 allocates the 2022 Test Year costs (i.e., the 2022 Test Year forecasted revenue requirement) to the LDC's customer classes using allocators that are based on the forecasted class kW and kWh by class, customer counts and weighting factors (such as billing, collecting and metering costs).

RSL has used the OEB-approved Cost Allocation Model (version 1.0, issued June 24, 2021) and adhered to the instructions and guidelines issued by the OEB to enter the 2022 Test Year

data into this model. RSL has filed a copy of the Cost Allocation Model (version 1.0) as part of its filing submission.

Ex.7/Tab 1/Sch. 2 - Input to the Cost Allocation Model

Below is a summary of the process that RSL applied in completing the 2022 Cost Allocation Model:

RSL populated the information on **Sheet I3, Trial Balance** Data with the 2022 forecasted data, Target Net Income, PILs, deemed interest on long term debt, and the Targeted Revenue Requirement and Rate Base.

In **Sheet I4, Break-out of Assets**, RSL updated the allocation of the asset accounts based on the review of historical values.

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

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

RSL has reviewed the service weighting factors and billing & collecting weighting factors used in the 2016 COS Application and concluded that it is appropriate to use them in this Application. The weighting factors are shown in Table 7.2 below. These weightings are based on a review of time and costs incurred in servicing RSL customer classes.

Table 7.2: Weighting Factors

	Residential	General Service < 50 kW	General Service 50 to 4999 kW	Street Lighting	Sentinel Lights	Unmetered Scattered Load
Insert Weighting Factor for Services Account 1855	1.0	1.3	4.0	0.4	0.6	0.8
Insert Weighting Factor for Billing and Collecting	1.0	1.0	2.3	0.8	0.8	0.8

Proposed Services Weighting Factors

RSL has reviewed the service weighting factors used in the 2016 COS Application and concluded that it is appropriate to use them in this application.

Residential: The weighting factor is set to "1" as per the Cost Allocation instruction sheet.

General Service <50 kW, General Service 50 to 4,999 kW: The proposed services weighting factors of 1.3 and 4.0 reflect that these customers require greater capacity than do residential customers including increased levels of engineering and planning.

Street Lights Sentinel lights and Unmetered Scattered Load: The weighting factors of 0.4, 0.6 and 0.8 are proposed for these rate classes because these customers require less time and effort compared to a Residential customer.

Proposed Billing and Collecting Weighting Factors

RSL has reviewed the billing and collecting weighting factors used in the 2016 COS Application and concluded that it is appropriate to use them in this application. The weighting factors are shown in Table 7.2 above.

In RSL's 2016 COS Application, an analysis of Accounts 5315 – 5340, except 5335, was conducted. Sub weightings for each cost item composing the Billing and Collecting USoA accounts were developed with the consideration of the nature of the cost and the effort to service the customer class. The costs were then allocated to classes based on the sub weighting factors and customer numbers. Through this analysis, RSL was able to more closely assign a total cost per class. Weighting factors were then determined relative to the Residential factor of 1.

In **Sheet I6.1 Revenue** has been populated with the 2022 Test Year forecasted data as well as the existing rates. This is illustrated in Table 7.3 below:

Table 7.3: Worksheet I6 – Revenue

Ontario Energy Board

2022 Cost Allocation Model

EB-2021-0056

Sheet I6.1 Revenue Worksheet -

Total kWhs from Load Forecast	95,531,364

Total kWs from Load Forecast	101,078

Deficiency/sufficiency (RRWF 8. cell F51)	- 497,493

Miscellaneous Revenue (RRWF 5. cell F48)	207,618

	ID	Total	1 Residential	2 GS <50	3 General Service 50 to 4,999 kW	7 Street Light	8 Sentinel	9 Unmetered Scattered Load
Billing Data								
Forecast kWh	CEN	95,531,364	43,536,196	17,290,656	33,433,327	642,914	92,955	535,316
Forecast kW	CDEM	101,078			99,076	1,744	258	
Forecast kW, included in CDEM, of customers receiving line transformer allowance		45,405			45,405			
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	95,531,364	43,536,196	17,290,656	33,433,327	642,914	92,955	535,316
Existing Monthly Charge			$26.59	$32.29	$307.78	$3.54	$2.82	$4.55
Existing Distribution kWh Rate				$0.0116				$0.0208
Existing Distribution kW Rate					$2.3698	$13.4847	$20.6153	
Existing TOA Rate					$0.60			
Additional Charges								
Distribution Revenue from Rates		$2,689,811	$1,636,561	$482,270	$452,699	$96,242	$7,793	$14,247
Transformer Ownership Allowance		$27,243	$0	$0	$27,243	$0	$0	$0
Net Class Revenue	CREV	$2,662,568	$1,636,561	$482,270	$425,455	$96,242	$7,793	$14,247

Sheet I6.2 Customer Data has been updated with the required Bad Debt and Late Payment revenue data as well as customer/connection numbers and devices information. Below is the worksheet "I6.2 – Customer Data":

Table 7.4: Worksheet I6.2 – Customer Data

Ontario Energy Board

2022 Cost Allocation Model

EB-2021-0056
Sheet I6.2 Customer Data Worksheet -

			1	2	3	7	8	9
	ID	Total	Residential	GS <50	General Service 50 to 4,999 kW	Street Light	Sentinel	Unmetered Scattered Load
Billing Data								
Bad Debt 3 Year Historical Average	BDHA	$45,740	$43,453	$2,287	$0	$0	$0	$0
Late Payment 3 Year Historical Average	LPHA	$60,909	$36,649	$10,825	$12,932	$239	$78	$186
Number of Bills	CNB	72,108	61,548	8,724	708	72.00	372.00	684.00
Number of Devices	CDEV					1,712	73	57
Number of Connections (Unmetered)	CCON	1,842				1,712	73	57
Total Number of Customers	CCA	6,009	5,129	727	59	6	31	57
Bulk Customer Base	CCB	-						
Primary Customer Base	CCP	6,072	5,129	727	59	69	31	57
Line Transformer Customer Base	CCLT	6,059	5,129	726	47	69	31	57
Secondary Customer Base	CCS	5,980	5,129	724	33	6	31	57
Weighted - Services	CWCS	6,976	5,129	941	132	685	44	46
Weighted Meter -Capital	CWMC	1,235,839	801,287	259,625	174,926	-	-	-
Weighted Meter Reading	CWMR	159,967	61,548	8,724	80,452	9,243	-	-
Weighted Bills	CWNB	72,803	61,548	8,724	1,628	58	298	547

Bad Debt Data

Historic Year:	2018	48,434	46,013	2,422				
Historic Year:	2019	30,447	28,925	1,522				
Historic Year:	2020	58,338	55,421	2,917				
Three-year average		**45,740**	**43,453**	**2,287**	-	-	-	-

Street Lighting Adjustment Factors

NCP Test Results	4 NCP

	Primary Asset Data		Line Transformer Asset Data	
Class	Customers/ Devices	4 NCP	Customers/ Devices	4 NCP
Residential	5,129	44,235	5,129	44,235
Street Light	1,712	592	1,712	592

Street Lighting Adjustment Factors	
Primary	24.9403
Line Transformer	24.9403

RSL updated the capital cost of meter information on **Sheet I7.1 Meter Capital**. RSL has developed a model called "Meter Capital Cost Analysis" for its 2016 COS Application. The model tracks purchase costs of smart meters for residential and commercial customers. The rest of installation costs (supporting networks, systems and servers etc.) are allocated to residential and commercial based on customer count. This approach provides an allocation of the total smart meter installation costs to residential meters and to commercial meters. The value from the total cost for residential divided by residential count is then entered in Sheet I7 as a unit cost for residential. The unit cost for commercial is derived in the same manner. This internal model has been updated to reflect the changes in purchase and installation costs since 2016.

Sheet I7.2 Meter Reading: RSL has reviewed the meter reading weighting factors used in the 2016 COS Application and concluded that it is appropriate to use them in this Application. Weighting factors were determined relative to the Residential factor of 1.

In a letter dated June 12, 2015, the OEB requested distributors to be mindful of material changes to load profiles and propose updates, as appropriate, in COS rate applications. RSL proposes to use the same method as was used in the 2016 COS Application to determine the demand data for the 2022 Model. The data entered on **sheet I8 Demand Data** reflects the findings of the 2004 hour by hour load data being scaled to be consistent with the 2022 load forecast and the inspection of the scaled data to identify the system peaks and class specific peaks

For the next COS Application, RSL will review other load profiling methodologies that are brought forward to the OEB and confirms that it intends to put plans in place to update its load profile the next time when a cost allocation model is filed. RSL anticipates that by the time the next COS Application is prepared, the OEB may prescribe a method to weather normalize actual hourly data which RSL will be able to follow.

Table 7.5: Scaling Factors

Rate Class	2022 Forecast (kWh)	2004 Actual (kWh)	Scaling Factor
	A	B	A/B
Residential	43,536,196	48,632,258	0.8952
General Service < 50 kW	17,290,656	25,399,719	0.6807
General Service > 50 to 4999 kW	33,433,327	60,372,863	0.5538
Street Lighting	642,914	1,431,602	0.4491
Sentinel Lights	92,955	96,156	0.9667
Unmetered Scattered Load	535,316	223,066	2.3998
	95,531,364	136,155,665	

The table below shows the Demand Data for 2022 Test Year (adjusted for 2022 Load Forecast) as reflected in the worksheet "I8 – Demand Data" of the Cost Allocation Model.

Table 7.6: Worksheet I8 – Demand Data

Ontario Energy Board

2022 Cost Allocation Model

EB-2021-0056

Sheet I8 Demand Data Worksheet -

This is an input sheet for demand allocators.

CP TEST RESULTS	4 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 Residential	2 GS <50	3 General Service 50 to 4,999 kW	7 Street Light	8 Sentinel	9 Unmetered Scattered Load
		CP Sanity Check	Pass	Pass	Pass	Pass	Pass	Pass
CO-INCIDENT PEAK								
1 CP								
Transformation CP	TCP1	18,438	9,992	2,957	5,266	148	21	53
Bulk Delivery CP	BCP1	18,438	9,992	2,957	5,266	148	21	53
Total Sytem CP	DCP1	18,438	9,992	2,957	5,266	148	21	53
4 CP								
Transformation CP	TCP4	69,347	39,537	9,474	19,542	481	70	245
Bulk Delivery CP	BCP4	69,347	39,537	9,474	19,542	481	70	245
Total Sytem CP	DCP4	69,347	39,537	9,474	19,542	481	70	245
12 CP								
Transformation CP	TCP12	178,246	92,043	27,991	56,803	592	86	731
Bulk Delivery CP	BCP12	178,246	92,043	27,991	56,803	592	86	731
Total Sytem CP	DCP12	178,246	92,043	27,991	56,803	592	86	731
NON CO_INCIDENT PEAK								
		NCP Sanity Check	Pass	Pass	Pass	Pass	Pass	Pass
1 NCP								
Classification NCP from Load Data Provider	DNCP1	22,299	11,385	4,122	6,554	148	21	69
Primary NCP	PNCP1	22,299	11,385	4,122	6,554	148	21	69
Line Transformer NCP	LTNCP1	19,311	11,385	4,105	3,582	148	21	69
Secondary NCP	SNCP1	18,129	11,355	4,103	2,433	148	21	69
4 NCP								
Classification NCP from Load Data Provider	DNCP4	85,465	44,235	15,511	24,773	592	86	269
Primary NCP	PNCP4	85,465	44,235	15,511	24,773	592	86	269
Line Transformer NCP	LTNCP4	74,169	44,235	15,450	13,539	592	86	269
Secondary NCP	SNCP4	69,699	44,118	15,440	9,195	592	86	269
12 NCP								
Classification NCP from Load Data Provider	DNCP12	216,880	105,350	39,371	69,396	1,776	257	731
Primary NCP	PNCP12	216,880	105,350	39,371	69,396	1,776	257	731
Line Transformer NCP	LTNCP12	185,253	105,350	39,214	37,926	1,776	257	731
Secondary NCP	SNCP12	172,783	105,072	39,189	25,758	1,776	257	731

MicroFIT Charge

RSL is proposing no change to the microFIT Monthly Service Charge of $17.2 - a non-provincial wide rate that was approved in the LDC's 2016 Cost of Service Application (EB-2015-0110).

In its' 2016 Cost of Service Application, RSL explained in Exhibit 7 that the utility incurred third-party settlement costs of $10.00 per microFIT account per month that specifically related to microFIT customers and calculated the updated microFIT charge by modifying the O3.6 microFIT Charge Worksheet. RSL continues to incur this third-party settlement cost of $10.00 per microFIT account per month. The microFIT charge would be $17.13 as calculated in Table 7.7 which uses the same methodology as in the 2016 COS. Since the calculated result is very close to the current microFIT monthly service charge, the Applicant is proposing to maintain the current rate of $17.2 for the microFIT Monthly Service Charge.

Table 7.7: Calculation of microFIT Charge

Description	Residential	Monthly Unit Cost		Adjust Number of Customers	Adjust Meter Reading Expenses
Customer Premises - Operations Lab	$ 24,120.91	$ 0.39		$ 0.39	$ 0.39
Customer Premises - Materials and	$ 1,653.02	$ 0.03		$ 0.03	$ 0.03
Meter Expenses (5065)	$ 13,797.42	$ 0.22		$ 0.22	$ 0.22
Maintenance of Meters (5175)	$ 3,202.97	$ 0.05		$ 0.05	$ 0.05
Meter Reading Expenses (5310)	$ 18,537.63	$ 0.30		$ 0.30	$ 10.00
Customer Billing (5315)	$ 319,230.72	$ 5.19		$ 5.19	$ 5.19
Amortization Expense - General Plan	$ 6,970.28	$ 0.11		$ 0.11	$ 0.11
Admin and General Expenses alloca	$ 68,305.02	$ 1.11		$ 1.11	$ 1.11
	$ -	$ -		$ -	$ -
Allocated PILS (general plant assigne	$ -	$ -		$ -	$ -
Interest Expense	$ 518.11	$ 0.01		$ 0.01	$ 0.01
Income Expenses	$ 850.33	$ 0.01		$ 0.01	$ 0.01
Total Cost	$ 457,186.42	$ 7.43		$ 7.43	$ 17.13
Number of Residential Customers	5129			5136	

Unmetered Loads

The Filing Requirements state: "The OEB expects distributors to document their communications with unmetered load customers including street lighting customers, and how the distributor assisted them in understanding the regulatory context in which distributors operate and how it affects unmetered load customers."

RSL communicates with unmetered scattered load customers, including Street Lighting customers, to assist them in understanding the regulatory context in which distributors operate and how it affects unmetered load customers. This communication takes place on an on-going basis. The largest customers in the unmetered scattered load customers are the municipalities in RSL's service area. During and after the municipalities converting their streetlights to energy efficient lights, RSL provided continuous interaction with these customers to help them understand their usage and savings. RSL has also communicated with the Street Lights customers with regard to the proposed rate changes and bill impact through this Application.

RSL determined that there were no direct allocations necessary in **"I9. - Direct Allocations"** as all assets and operating expenses are attributable to all rate classes. Consequently this worksheet has no data beneath the rate classes.

Note

The Board's filing requirements associated with the Host Distributor, Standby Rates and New customer or Eliminated customer class are not applicable to RSL's application. RSL is an embedded distributor, has no customers with Standby Rates, has not introduced a new customer class and has not eliminated a customer class since the Applicant filed its Cost of Service rate application in 2016.

The revenue to cost ratios calculated in worksheet "**O1 – Revenue to Cost**" of the Cost Allocation Model updated for the 2022 Test Year is shown below:

Table 7.8: Worksheet O1 – Revenue to Cost of the Cost Allocation Model

Ontario Energy Board

2022 Cost Allocation Model

EB-2021-0056

Sheet O1 Revenue to Cost Summary Worksheet - Initial submission

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

Class Revenue, Cost Analysis, and Return on Rate Base

			1	2	3	7	8	9
Rate Base Assets		**Total**	**Residential**	**GS <50**	**General Service 50 to 4,999 kW**	**Street Light**	**Sentinel**	**Unmetered Scattered Load**
crev	Distribution Revenue at Existing Rates	$2,662,568	$1,636,561	$482,270	$425,455	$96,242	$7,793	$14,247
mi	Miscellaneous Revenue (mi)	$207,618	$134,949	$32,615	$29,020	$9,195	$812	$1,026
				Miscellaneous Revenue Input equals Output				
	Total Revenue at Existing Rates	**$2,870,186**	**$1,771,511**	**$514,885**	**$454,475**	**$105,437**	**$8,606**	**$15,273**
	Factor required to recover deficiency (1 + D)	1.1840						
	Distribution Revenue at Status Quo Rates	$3,152,487	$1,937,693	$571,008	$503,740	$113,950	$9,227	$16,868
	Miscellaneous Revenue (mi)	$207,618	$134,949	$32,615	$29,020	$9,195	$812	$1,026
	Total Revenue at Status Quo Rates	**$3,360,105**	**$2,072,642**	**$603,624**	**$532,760**	**$123,145**	**$10,040**	**$17,894**
	Expenses							
di	Distribution Costs (di)	$747,865	$469,974	$124,771	$111,343	$34,940	$3,115	$3,723
cu	Customer Related Costs (cu)	$616,420	$492,861	$67,879	$38,149	$11,737	$2,178	$3,616
ad	General and Administration (ad)	$1,153,327	$807,152	$165,286	$130,979	$39,351	$4,432	$6,127
dep	Depreciation and Amortization (dep)	$403,368	$247,090	$74,262	$69,674	$9,986	$999	$1,356
INPUT	PILs (INPUT)	$0	$0	$0	$0	$0	$0	$0
INT	Interest	$166,258	$100,791	$29,273	$29,608	$5,359	$527	$700
	Total Expenses	**$3,087,238**	**$2,117,867**	**$461,471**	**$379,752**	**$101,374**	**$11,252**	**$15,522**
	Direct Allocation	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
NI	Allocated Net Income (NI)	$272,867	$165,421	$48,044	$48,593	$8,796	$865	$1,148
	Revenue Requirement (includes NI)	**$3,360,105**	**$2,283,288**	**$509,515**	**$428,346**	**$110,170**	**$12,117**	**$16,670**
				Revenue Requirement Input equals Output				
	Rate Base Calculation							
	Net Assets							
dp	Distribution Plant - Gross	**$9,457,726**	$5,785,676	$1,685,939	$1,630,377	$288,375	$29,217	$38,143
gp	General Plant - Gross	**$1,706,543**	$1,041,772	$299,726	$295,700	$56,243	$5,717	$7,386
accum dep	Accumulated Depreciation	**($3,189,227)**	($1,957,298)	($585,094)	($546,115)	($81,594)	($8,155)	($10,971)
co	Capital Contribution	**($1,135,914)**	($722,362)	($196,577)	($163,957)	($42,272)	($5,016)	($5,729)
	Total Net Plant	**$6,839,128**	**$4,147,788**	**$1,203,994**	**$1,216,004**	**$220,751**	**$21,763**	**$28,828**
	Directly Allocated Net Fixed Assets	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
COP	Cost of Power (COP)	**$11,323,764**	$5,177,370	$2,047,263	$3,948,985	$75,938	$10,979	$63,229
	OM&A Expenses	**$2,517,612**	$1,769,987	$357,935	$280,470	$86,028	$9,725	$13,466
	Directly Allocated Expenses	**$0**	$0	$0	$0	$0	$0	$0
	Subtotal	*$13,841,376*	*$6,947,357*	*$2,405,198*	*$4,229,455*	*$161,966*	*$20,704*	*$76,695*
	Working Capital	**$1,038,103**	**$521,052**	**$180,390**	**$317,209**	**$12,147**	**$1,553**	**$5,752**
	Total Rate Base	**$7,877,232**	**$4,668,840**	**$1,384,384**	**$1,533,213**	**$232,899**	**$23,316**	**$34,580**
				Rate Base Input equals Output				
	Equity Component of Rate Base	**$3,150,893**	**$1,867,536**	**$553,753**	**$613,285**	**$93,160**	**$9,326**	**$13,832**
	Net Income on Allocated Assets	**$272,867**	**($45,225)**	**$142,153**	**$153,008**	**$21,772**	**($1,212)**	**$2,372**
	Net Income on Direct Allocation Assets	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Net Income	**$272,867**	**($45,225)**	**$142,153**	**$153,008**	**$21,772**	**($1,212)**	**$2,372**
	RATIOS ANALYSIS							
	REVENUE TO EXPENSES STATUS QUO%	**100.00%**	**90.77%**	**118.47%**	**124.38%**	**111.78%**	**82.86%**	**107.34%**
	EXISTING REVENUE MINUS ALLOCATED COSTS	($489,919)	($511,777)	$5,370	$26,130	($4,733)	($3,511)	($1,397)
				Deficiency Input equals Output				
	STATUS QUO REVENUE MINUS ALLOCATED COSTS	$0	($210,646)	$94,109	$104,414	$12,976	($2,077)	$1,224
	RETURN ON EQUITY COMPONENT OF RATE BASE	8.66%	-2.42%	25.67%	24.95%	23.37%	-13.00%	17.15%

The table below is taken from the OEB Cost Allocation Model worksheet "**O2 – Fixed Charge [Floor] Ceiling**" and illustrates the minimum and maximum level for the Monthly Fixed Charge for each rate class.

Table 7.9: Worksheet O2 – Fixed Charge [Floor] Ceiling

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

Output sheet showing minimum and maximum level for Monthly Fixed Charge

Summary	1 Residential	2 GS <50	3 General Service 50 to 4,999 kW	7 Street Light	8 Sentinel	9 Unmetered Scattered Load
Customer Unit Cost per month - Avoided Cost	$7.56	$9.03	$59.77	$0.53	$2.27	$4.75
Customer Unit Cost per month - Directly Related	$13.50	$15.58	$109.16	$1.01	$4.30	$9.07
Customer Unit Cost per month - Minimum System with PLCC Adjustment	$24.66	$27.19	$138.08	$5.02	$13.61	$17.78
Existing Approved Fixed Charge	$26.59	$32.29	$307.78	$3.54	$2.82	$4.55

Class Revenue Requirements

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

The allocated cost by rate class for the 2022 Cost of Service filing and 2022 updated study are provided in the following Table 7.10 which is consistent with RRWF Sheet 11. Cost Allocation

Table 7.10: RRWF Sheet 11. Cost Allocation – A) Allocated Costs

A)   *Allocated Costs*

Name of Customer Class [3] From Sheet 10. Load Forecast	Costs Allocated from Previous Study [1]	%	Allocated Class Revenue Requirement [1] (7A)	%
1 Residential	$ 1,844,476	64.43%	$ 2,283,288	67.95%
2 General Service < 50 kW	$ 481,309	16.81%	$ 509,515	15.16%
3 General Service 50 to 4,999 kW	$ 425,452	14.86%	$ 428,346	12.75%
4 Street Lights	$ 87,751	3.07%	$ 110,170	3.28%
5 Sentinel Lights	$ 9,873	0.34%	$ 12,117	0.36%
6 Unmetered Loads	$ 13,826	0.48%	$ 16,670	0.50%
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
Total	$ 2,862,687	100.00%	$ 3,360,105	100.00%
		Service Revenue Requirement (from Sheet 9)	$ 3,360,105.12	

Chapter 2 Filing Requirements state that to support a proposal to rebalance rates, the distributor must provide information on the revenue by class that would apply if all rates were changed by a uniform percentage and ratios must be compared with the ratios that will result from the rates being proposed by the distributor. RSL has prepared the following Table 7.11 containing the required information. The information in Table 7.11 is consistent with RRWF Sheet 11.

Table 7.11: Results of the Cost Allocation Study

Class	Revenue Requirement - 2022 Cost Allocation Model - Line 40 from O1 in CA	2022 Base Revenue Allocated based on Proportion of Revenue at Existing Rates	Miscellaneous Revenue Allocated from 2022 Cost Allocation Model - Line 19 from O1 in CA	Total Revenue	Revenue Cost Ratio	Check Revenue Cost Ratios from 2022 Cost Allocation Model - Line 75 from O1 in CA	Proposed Revenue to Cost Ratio	Proposed Revenue	Miscellaneous Revenue	Proposed Base Revenue
Residential	2,283,288	1,937,693	134,949	2,072,642	90.77%	90.77%	96.67%	2,207,254	134,949	2,072,305
GS < 50 kW	509,515	571,008	32,615	603,624	118.47%	118.47%	105.01%	535,041	32,615	502,426
GS 50 to 4999 kW	428,346	503,740	29,020	532,760	124.38%	124.38%	110.00%	471,180	29,020	442,161
Street Lighting	110,170	113,950	9,195	123,145	111.78%	111.78%	107.86%	118,829	9,195	109,634
Sentinel Lighting	12,117	9,227	812	10,040	82.86%	82.86%	85.00%	10,300	812	9,487
Unmetered Scattered Load	16,670	16,868	1,026	17,894	107.34%	107.34%	104.98%	17,501	1,026	16,474
TOTAL	3,360,105	3,152,487	207,618	3,360,105				3,360,105	207,618	3,152,487

The following Table 7.12 is from RRWF Sheet 11. The revenue allocated to rate classes are shown in "Column 7D" and "Column 7E" of Table 7.12. The resulting 2022 Proposed Base Revenue will be the amount used in Exhibit 8 to design the proposed distribution charges in this Application.

Table 7.12: RRWF Sheet 11. Cost Allocation – B) Calculated Class Revenues

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	$ 1,636,561	$ 1,937,693	$ 2,072,305	$ 134,949
2	General Service < 50 kW	$ 482,270	$ 571,008	$ 502,426	$ 32,615
3	General Service 50 to 4,999 kW	$ 425,455	$ 503,740	$ 442,161	$ 29,020
4	Street Lights	$ 96,242	$ 113,950	$ 109,634	$ 9,195
5	Sentinel Lights	$ 7,793	$ 9,227	$ 9,487	$ 812
6	Unmetered Loads	$ 14,247	$ 16,868	$ 16,474	$ 1,026
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
	Total	$ 2,662,568	$ 3,152,487	$ 3,152,487	$ 207,618

Revenue-to-Cost Ratios

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

The results of a Cost Allocation Study are typically presented in the form of Revenue to Cost Ratios. The ratio is shown by rate classification and is the percentage of Distribution Revenue collected by rate classification compared to the costs allocated to the classification. The percentage identifies the rate classifications that are being subsidized and those that are over-contributing. A percentage of less than 100% means the rate classification is under-contributing and is being subsidized by other classes of customers. A percentage of greater than 100% indicates the rate classification is over contributing and is subsidizing other classes of customers.

In the Board Report dated March 31, 2011 (EB-2010-0219), the Board established what it considered to be the appropriate ranges of Revenue to Cost Ratios which are summarized in Table 7.13 below. In addition, Table 7.13 provides RSL's Revenue to Cost Ratios from the 2016 COS Application and the updated proposed 2022 Cost Allocation.

Table 7.13: RRWF Sheet 11. Cost Allocation – C) Rebalancing Revenue-to-Cost Ratios

C) *Rebalancing Revenue-to-Cost Ratios*

	Name of Customer Class	Previously Approved Ratios Most Recent Year: 2016 %	Status Quo Ratios (7C + 7E) / (7A) %	Proposed Ratios (7D + 7E) / (7A) %	Policy Range %
1	Residential	92.63%	90.77%	96.67%	85 - 115
2	General Service < 50 kW	111.95%	118.47%	105.01%	80 - 120
3	General Service 50 to 4,999 kW	114.20%	124.38%	110.00%	80 - 120
4	Street Lights	120.00%	111.78%	107.86%	80 - 120
5	Sentinel Lights	92.63%	82.86%	85.00%	80 - 120
6	Unmetered Loads	108.83%	107.34%	104.98%	80 - 120
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8					
9					
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11					
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17					
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19					
20					

In reviewing the calculated revenue to cost results from the Cost Allocation study, it was found that the customer class for GS 50 to 4,999 kW is outside of the Board's floor/ceiling parameters. RSL proposes in this Application to re-align its Revenue to Cost Ratios by adjusting the allocations of revenue among rate classes in order to reduce some of the cross-subsidization that was occurring. The Utility reviewed and assessed the bill impacts for each class before and after adjusting the Revenue to Cost Ratios.

a) For GS 50 to 4,999 kW Rate Class, RSL initially adjusted the revenue-to-cost ratio to 120% to meet the ceiling limit set by the Board and then further adjusted it down to 110% to help to minimize cross subsidization.

b) The revenue-to-cost ratio for Residential Rate Class was adjusted up to 96.67%.

c) RSL adjusted GS < 50 kW Rate Class's revenue-to-cost ratio down to 105.01%.

d) Sentinel Lights Class was moved up to 85%.

e) RSL reduced the Unmetered Loads class's ratio to 104.98%.

f) To neutralize the total revenue-to-cost ratio to be 100%, RSL adjusted the revenue-to-cost ratio for Street lights down to 107.86%.

RSL is proposing to make these adjustments to the revenue to cost ratios over 2022 Test Year and recommends that these ratios be held constant until the next Cost of Service Application is filed. The proposed ratios are displayed in Table 7.14.

Table 7.14: RRWF Sheet 11. Cost Allocation – D) Proposed Revenue-to-Cost Ratios

(D) *Proposed Revenue-to-Cost Ratios* [11]

Name of Customer Class	Proposed Revenue-to-Cost Ratio			Policy Range
	Test Year	Price Cap IR Period		
	2022	2023	2024	
1 Residential	96.67%	96.67%	96.67%	85 - 115
2 General Service < 50 kW	105.01%	105.01%	105.01%	80 - 120
3 General Service 50 to 4,999 kW	110.00%	110.00%	110.00%	80 - 120
4 Street Lights	107.86%	107.86%	107.86%	80 - 120
5 Sentinel Lights	85.00%	85.00%	85.00%	80 - 120
6 Unmetered Loads	104.98%	104.98%	104.98%	80 - 120

Per the Filing Requirements for Transmission and Distribution Applications dated June 24, 2021, RSL has completed RRWF Sheet 11. "Cost Allocation" with the results of the 2022 Cost Allocation Study. The Table A) Allocated cost table, Table B) Calculated class revenues, Table C) Rebalancing Revenue-to-Cost, and Table D) Proposed Revenue-to-Cost Ratios are summarized in Tables 7.10 to Table 7.14 of this Exhibit.

Also, RSL notes that in determining the proposed cost-to-revenue ratio adjustments, the LDC has considered the bill impact for each rate class. One class that fell outside of the 10% impact threshold is the Residential Class. For further details about the class specific bill impacts and the proposed rate mitigation for this class, please refer to Exhibit 8.