



EXHIBIT 7: COST ALLOCATION

2024 Cost of Service

InnPower Corporation
EB-2023-0033



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OEB Chapter 2 Appendices Mapped to InnPower COS Application

OEB Filing Requirements Mapping Exhibit 7			
OEB Chapter 2 Filing Requirements: Heading/Sub-Heading		InnPower Corporation Application: Heading/Sub-Heading	
2.7	Exhibit 7: Cost Allocation	7.0	Exhibit 7: Cost Allocation
2.7.1	Cost Allocation Study Requirements	7.1.1	Cost Allocation Study Requirements
2.7.1.	Load Profiles and Demand Allocators	7.1.1	Cost Allocation Study Requirements
2.7.1.	Specific Customer Class(es)	7.1.2	Specific Customer Classes
2.7.1.	New Customer Class(es)	7.1.3	New Customer Classes
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2.7.2	Class Revenue Requirements	7.1.6	Class Revenue Requirements
2.7.3	Revenue-to-Cost Ratios	7.1.7	Revenue To Cost Ratios



7-1-1 COST ALLOCATION STUDY REQUIREMENTS

1. INTRODUCTION

InnPower has prepared and is filing a cost allocation approach that is 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 following Exhibit outlines the previously approved cost allocation, proposed cost allocation factors, proposed cost allocation adjustments and proposed cost allocation requested for approval.

The Cost Allocation Model is filed as Appendix 7-1-1 (A) and the Revenue Requirement Workform is filed as Appendix 6-1-1 (A).

1.1 Previously Approved Cost Allocation Study (2017)

The previously Board Approved revenue to cost ratios are presented as a point of reference to the proposed 2024 Test Year ratios. As part of its last Cost of Service Rate Application (EB-2016-0085), InnPower updated the cost allocation revenue to cost ratios with 2017 base revenue requirement information. The revenue to cost ratios from the 2017 Application and Settlement are presented below.

Table 7-1: Previously Approved Ratios (2017 COS)

Customer Class	2017 Approved Revenue to Cost Ratio
Residential	99.44
GS<50 kW	103.54
GS>50 to 4,999 kW	98.41
Street Lighting	102.71
Sentinel Lighting	120.00
Unmetered Scattered Load	99.41
Embedded Distributor	98.41



1 **1.2 Proposed Cost Allocation Study (2024 using the 2023 Model)**

2 The Cost Allocation Study for 2024 allocates the 2024 Test Year's costs (i.e., the forecast revenue
3 requirement) to the various customer classes using allocators that are based on the forecast class
4 loads (kW and kWh) by class, customer counts, etc.

5
6 InnPower has used the latest OEB published Cost Allocation Model (issued May 27, 2022) and
7 has followed the instructions and guidelines issued by the OEB to enter the 2024 data into this
8 model.

9
10 **1.3 Trial Balance Input**

11 InnPower populated the information in worksheet "I3 Trial Balance Data" with the 2024 forecasted
12 data, Targeted Net Income, PILs, interest on long-term debt and the Targeted Revenue
13 Requirement and Rate Base.

14
15 InnPower confirms that the values balanced as per the Revenue Requirement Workform.

16
17 **1.4 Break-out of Assets**

18 InnPower updated the allocation of the accounts in the worksheet "I4 Break-out of Assets" with
19 the 2024 forecasted data.

20
21 InnPower confirms that the values balanced as per the Cost Allocation model.

22
23 InnPower referred to the OEB's "Cost Allocation Information Filing Guidelines for Electricity
24 Distributor's" to confirm the understanding of bulk assets and definitions of primary and secondary
25 assets.

26
27 **1.5 Miscellaneous Data**

28 InnPower updated the following information in the worksheet "I5 Miscellaneous Data":

- 29
30
- 31 • Structure KM of road (580 km)
 - 32 • Deemed Equity component of 40% of the rate base
 - Working Capital Allowance of 7.5%



- The proportion of pole rental income from secondary lines of 19%

1.6 Weighting Factors

As instructed by the Board, in Sheet "15.2 Weighting Factors", InnPower has used LDC specific factors rather than continue to use OEB approved default factors. The utility has applied service costs across all classes except Sentinel Lighting and Unmetered Scattered Load where no services costs are incurred. Billing & Collecting weightings for each customer classification have been applied. A review of the allocation of the costs to the customer classes on worksheet "O4 Summary by Class & Accounts" in the Cost Allocation Model based on the weightings is reasonable in the opinion of InnPower Corporation.

Table 7-2: Weighting Factors

	Residential	GS<50 kW	GS>50 to 4,999 kW	Street Lighting	Sentinel Lighting	Unmetered Scattered Load	Embedded Distributor
Weighting Factor for Services Account 1855	1.0	2.4	6.9	0.1	0.0	0.0	0.0
Weighting Factor for Billing and Collecting	1.0	1.4	1.2	1.3	0.5	0.6	1.2

Proposed Services Weighting Factors

In determining the Services Weighting Factors, InnPower has utilized the 2017 Cost of Service numbers filed (EB-2016-0085) to determine costs, rate class and primary/secondary connections charged to Account 1855. These amounts were approved by the Board and there have been no significant changes in InnPower's policies or practices that would impact the weightings.

Table 7-3: Summary of Costs for Account 1855

Rate Class	Total Primary		Total Secondary		Grand Total	Allocation
	%	\$	%	\$	\$	%
Residential	4.84%	\$26,388.89	32.81%	\$178,747.41	\$205,136.30	37.7%
GS<50	12.21%	\$66,501.63	34.26%	\$186,603.68	\$253,105.31	46.5%
GS>50	0.00%	\$0.00	11.60%	\$63,165.87	\$63,165.87	11.6%
Street Lights	0.00%	\$0.00	4.28%	\$23,317.55	\$23,317.55	4.3%
Total	17.05%	\$92,890.52	82.95%	\$451,834.51	\$544,725.03	100%



1 The next step was to determine the average cost per connection by rate class based on the overall
 2 number of layouts. The Residential Rate was assigned a weight factor of 1.00. The remaining
 3 weight factors were then determined by dividing the residential average connection costs into the
 4 rate class specific average connection costs.

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6

Table 7-4: Services Weight Factor Determination

Rate Class	Total	Primary	Secondary	Ave \$/Conn	Weight Factor
Residential	89	5	84	\$ 2,304.90	1.0
GS<50	45	7	38	\$ 5,624.56	2.4
GS>50	4	0	4	\$ 15,791.47	6.9
Street Lights	5	0	5	\$ 4,663.51	0.1
Total	143	12	131		

7
8

9 1.7 Proposed Billing and Collecting Weighting Factors

10 In determining the Billing and Collecting Weighting Factors, InnPower used the same
 11 methodology as the Services Weighting Factors, utilizing the costs for Billing and Collecting
 12 allocated to the appropriate rate classes. For example, collection costs are not equally applied to
 13 all rate classes.

14

15 A derivation of the billing and collecting weighting factors for the rate class is illustrated in the
 16 table below.

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Table 7-5: Billing and Collecting Weight Factors

Rate Class	% of Total Costs	Cost per Bill	Weight Factor
Residential	91.03%	\$ 3.56	1.0
GS<50 kW	7.86%	\$ 4.88	1.4
GS>50 to 4,999 kW	0.44%	\$ 4.23	1.2
Street Lighting	0.05%	\$ 4.66	1.3
Sentinel Lighting	0.41%	\$ 1.79	0.5
Unmetered Scattered Load	0.21%	\$ 2.26	0.6
Embedded Distributor	0.44%	\$ 4.23	1.2

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1 The above table shows:

2

- 3 • The annual costs to produce an electricity bill including, but not limited to, vendor
4 maintenance fees for Customer Information Systems, bill print solutions for document
5 management and e-billing, collecting meter readings and interval data, bill validation and
6 labour time to calculate, print and validate bills. Costs are allocated based on the number
7 of accounts and whether the expense is unique to a certain rate class.
- 8 • Collection costs mainly relate to InnPower labour, as the utility performs the majority of its
9 own collections. Final billed customers overdue in excess of 3 to 6 months are referred to
10 a third-party collection agency.

11

12 **1.8 Revenue**

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14 In Worksheet "16.1 - Revenue", InnPower has inputted the 2024 Test Year load forecast data
15 (kWh and kW), the proposed revenue deficiency and miscellaneous revenue. This is illustrated in
16 the table below.



1 **Table 7-6: Worksheet “I6.1 Revenue” of the Costs Allocation Model**

Total kWhs from Load Forecast		295,107,182							
Total kW from Load Forecast		157,348							
Deficiency/sufficiency (RRWF 8. cell F51)	-	307,693							
Miscellaneous Revenue (RRWF 5. cell F48)		3,937,483							
0			1	2	3	7	8	9	10
	ID	Total	Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load	Embedded Distributor
Billing Data									
Forecast kWh	CEN	295,107,182	190,211,161	45,901,003	56,653,142	869,952	95,254	441,081	935,589
Forecast kW	CDEM	157,348			152,108	2,623	263		2,355
Forecast kW, included in CDEM, of customers receiving line transformer allowance		36,361			36,361				
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	295,107,182	190,211,161	45,901,003	56,653,142	869,952	95,254	441,081	935,589
Existing Monthly Charge			\$48.13	\$46.24	\$236.52	\$4.61	\$15.08	\$14.31	\$236.52
Existing Distribution kWh Rate				\$0.0112				\$0.0241	
Existing Distribution kW Rate					\$4.7930	\$31.8708	\$68.7371		\$4.7930
Existing TOA Rate					\$0.60				
Additional Charges									
Distribution Revenue from Rates		\$14,135,973	\$11,526,164	\$1,248,674	\$956,110	\$323,333	\$44,690	\$22,876	\$14,125
Transformer Ownership Allowance		\$21,817	\$0	\$0	\$21,817	\$0	\$0	\$0	\$0
Net Class Revenue	CREV	\$14,114,157	\$11,526,164	\$1,248,674	\$934,294	\$323,333	\$44,690	\$22,876	\$14,125
		Fixed	\$0	\$514,091	\$729,052	\$83,595	\$18,077	\$10,630	\$11,287
		Var	\$11,526,164	\$734,583	\$227,058	\$239,738	\$26,613	\$12,246	\$2,838

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1.9 Customer Data

Worksheet “I6.2 Customer Data” has been updated with the required Bad Debt and Late Payment revenue data, as well as the 2024 Test Year forecasted number of customers, connections, and number of devices. InnPower has reviewed the Board’s letter dated June 12, 2015, “Review of Cost Allocation Policy for Unmetered Loads (EB-2012-0383)” and has inputted the number of devices and connections for its Street Lighting class.

Below is a summary of worksheet “I6.2 – Customer Data”:



1 **Table 7-7: Worksheet “I6-2 Customer Data” of the Cost Allocation Model**

	ID	Total	1 Residential	2 GS <50	3 GS>50- Regular	7 Street Light	8 Sentinel	9 Unmetered Scattered Load	10 Embedded Distributor
Billing Data									
Bad Debt 3 Year Historical Average	BDHA	\$113,064	\$105,435	\$6,999	\$630	\$0	\$0	\$0	\$0
Late Payment 3 Year Historical Average	LPHA	\$101,333	\$77,112	\$10,655	\$13,083	\$283	\$0	\$200	\$0
Number of Bills	CNB	259,055	239,480	15,886.31	960.00	96.00	1,764.77	855.79	12
Number of Devices	CDEY					4,334			
Number of Connections (Unmetered)	CCON	25,914	19,957	1,324	80	4,334	147	71	1
Total Number of Customers	CCA	21,588	19,957	1,324	80	8	147	71	1
Bulk Customer Base	CCB	-							
Primary Customer Base	CCP	21,680	19,957	1,324	80	100	147	71	1
Line Transformer Customer Base	CCLT	21,674	19,957	1,324	75	100	147	71	
Secondary Customer Base	CCS	19,554	18,959	331	38	8	147	71	
Weighted - Services	CVCS	24,119	19,957	3,177	552	433	-	-	-
Weighted Meter -Capital	CVMC	2,756,782	2,399,713	316,741	40,151	-	-	-	176
Weighted Meter Reading	CVMR	22,091	19,957	1,324	800	-	-	-	10
Weighted Bills	CVNB	263,948	239,480	21,764	1,142	126	882	539	14

Bad Debt Data

Historic Year:	2019	40,325	39,643	682	-				
Historic Year:	2020	240,069	219,753	18,425	1,891				
Historic Year:	2021	58,738	56,908	1,891	-				
Three-year average		113,064	105,435	6,999	630	-	-	-	-

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4 **1.10 Meter Capital and Meter Reading**

5 InnPower has updated the capital cost per meter information in the Worksheet “17.1 Meter Capital”
 6 and the meter reading information in Worksheet “17.2 Meter Reading”. InnPower used the 2024
 7 Test Year forecasted number of units, as well as the average cost per installed meter and
 8 weighting factor for meter reads.

9

10 **1.11 Demand Data and Load Profiles**

11 For previous InnPower Cost of Service applications, InnPower relied on load profiles produced
 12 by Hydro One Networks Inc., (HONI) which were based on sample data from 2004. The coincident
 13 peak and non-coincident peak values populated in worksheet I8 of the OEB’s Cost Allocation
 14 model were scaled from InnPower’s initial cost allocation informational filing, using the ratio of the
 15 Test Year load forecast to the base year load for each rate class.

16

16 In preparing this Application, InnPower assessed available methodologies to prepare updated load
 17 profiles for its rate classes based on more recent data, and is of the view that the most appropriate
 18 methodology is the Historical Average approach using weather-actual data outlined in section 2.7.1.1
 19 of the Filing Requirements. To prepare updated load profiles utilizing this method, a minimum of three
 20 years of hourly data is required, with five years of hourly data optimal. On assessment, InnPower



1 discovered it does not have the data required at this time.

2

3 InnPower determined that the most appropriate course of action was to leverage the 2004
4 HONI-developed demand profiles for the purpose of its 2024 Cost of Service application, with a
5 commitment to develop updated load profiles when a complete set of hourly data is available to
6 inform its next Cost of Service application

5

6 Please refer to Exhibit 3 for more details, including how load profiles have been normalized for
7 weather and notable events impacting usage patterns.

8

9 The tables below summarize the Coincident Peak (CP) and Non-Coincident Peak (NCP)
10 demand values for 2024 by customer class which are used in the Cost Allocation model:

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Table 7-8: Coincident Peak: Demand Data for 2024 Test Year

Customer Classes	Total	Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load	Embedded Distributor
CO-INCIDENT PEAK								
	CP Sanity Check	Pass	Pass	Pass	Pass	Pass	Pass	Pass
1 CP								
Transformation CP TCP1	59,889	46,595	5,875	7,051	217	24	50	77
Bulk Delivery CP BCP1	59,889	46,595	5,875	7,051	217	24	50	77
Total Sytem CP DCP1	59,889	46,595	5,875	7,051	217	24	50	77
4 CP								
Transformation CP TCP4	232,199	174,047	26,279	30,614	652	72	203	333
Bulk Delivery CP BCP4	232,199	174,047	26,279	30,614	652	72	203	333
Total Sytem CP DCP4	232,199	174,047	26,279	30,614	652	72	203	333
12 CP								
Transformation CP TCP12	593,749	416,807	78,614	95,477	1,088	120	603	1,040
Bulk Delivery CP BCP12	593,749	416,807	78,614	95,477	1,088	120	603	1,040
Total Sytem CP DCP12	593,749	416,807	78,614	95,477	1,088	120	603	1,040

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Table 7-9: Non-Coincident Peak: Demand Data for 2024 Test Year

NON CO INCIDENT PEAK								
	NCP Sanity Check	Pass	Pass	Pass	Pass	Pass	Pass	Pass
1 NCP								
Classification NCP from Load Data Provider DNCP1	66,039	46,595	8,653	10,380	221	24	52	113
Primary NCP PNCP1	66,039	46,595	8,653	10,380	221	24	52	113
Line Transformer NCP LTNCP1	63,557	46,595	8,653	7,899	221	24	52	113
Secondary NCP SNCP1	63,557	46,595	8,653	7,899	221	24	52	113
4 NCP								
Classification NCP from Load Data Provider DNCP4	249,072	176,587	31,788	39,086	883	96	206	426
Primary NCP PNCP4	249,072	176,587	31,788	39,086	883	96	206	426
Line Transformer NCP LTNCP4	239,728	176,587	31,788	29,743	883	96	206	426
Secondary NCP SNCP4	239,728	176,587	31,788	29,743	883	96	206	426
12 NCP								
Classification NCP from Load Data Provider DNCP12	626,833	424,734	86,378	110,996	2,626	287	603	1,209
Primary NCP PNCP12	626,833	424,734	86,378	110,996	2,626	287	603	1,209
Line Transformer NCP LTNCP12	600,299	424,734	86,378	84,462	2,626	287	603	1,209
Secondary NCP SNCP12	600,299	424,734	86,378	84,462	2,626	287	603	1,209

5

6

InnPower has inputted the CP and NCP values derived from the HONI method into Worksheet "I8 Demand Data" of the Cost Allocation Model.

9

InnPower confirms the following:

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- The Applicant proposes to use the CP and NCP data as calculated under the traditional HONI method.
- The Applicant has filed the Cost Allocation Model (as a live excel file) with this Application.

13

14



- 1 • The Applicant has populated sheets 10 and 11 of the Revenue Requirement Workform.
2 • The Applicant confirms that the inputs into the models are consistent with the 2024 Test
3 Year load forecast, changes to customer classes and load profiles.
4

5 **1.12 Direct Allocation**

6 InnPower confirms that no Direct Allocations were entered in the Worksheet "I9 Direct Allocation".
7

8 **1.13 Worksheet O1-O2**

9 The revenue to cost ratios calculated in Worksheets "O1 Revenue to Cost/RR" and "O2 Fixed
10 Charge/Floor/Ceiling" of the Cost Allocation Model have been updated for the 2024 Test Year
11 and are presented in the tables below:



1 **Table 7-10: Worksheet O1 Revenue to Cost Ratios of the Cost Allocation Model**

Rate Base Assets	Total	1	2	3	7	8	9	10
		Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load	Embedded Distributor
crev Distribution Revenue at Existing Rates	\$14,114,157	\$11,526,164	\$1,248,674	\$934,294	\$323,333	\$44,690	\$22,876	\$14,125
mi Miscellaneous Revenue (mi)	\$3,937,484	\$3,184,879	\$402,566	\$260,257	\$73,911	\$8,083	\$5,138	\$2,649
Miscellaneous Revenue Input equals Output								
Total Revenue at Existing Rates	\$18,051,641	\$14,711,043	\$1,651,241	\$1,194,551	\$397,244	\$52,773	\$28,015	\$16,774
Factor required to recover deficiency (1 - D)								
Distribution Revenue at Status Quo Rates	\$14,421,850	\$11,777,438	\$1,275,896	\$954,662	\$330,382	\$45,664	\$23,375	\$14,433
Miscellaneous Revenue (mi)	\$3,937,484	\$3,184,879	\$402,566	\$260,257	\$73,911	\$8,083	\$5,138	\$2,649
Total Revenue at Status Quo Rates	\$18,359,333	\$14,962,317	\$1,678,462	\$1,214,919	\$404,293	\$53,747	\$28,513	\$17,082
Expenses								
di Distribution Costs (di)	\$2,263,799	\$1,711,362	\$263,561	\$246,668	\$33,154	\$3,829	\$2,494	\$2,731
cu Customer Related Costs (cu)	\$2,021,339	\$1,784,940	\$176,958	\$15,426	\$36,396	\$4,755	\$2,752	\$112
ad General and Administration (ad)	\$4,171,660	\$3,388,107	\$431,322	\$268,849	\$67,057	\$8,291	\$5,103	\$2,930
dep Depreciation and Amortization (dep)	\$5,027,633	\$3,828,748	\$573,803	\$536,188	\$68,036	\$8,950	\$5,811	\$6,098
INPUT PILs (INPUT)	\$253,241	\$188,766	\$28,577	\$31,550	\$3,274	\$413	\$305	\$356
INT Interest	\$1,746,766	\$1,302,044	\$197,115	\$217,623	\$22,581	\$2,848	\$2,102	\$2,454
Total Expenses	\$15,484,438	\$12,203,966	\$1,671,336	\$1,316,305	\$230,498	\$29,086	\$18,566	\$14,681
NI Direct Allocation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Net Income (NI)	\$2,874,895	\$2,142,955	\$324,419	\$358,172	\$37,165	\$4,687	\$3,460	\$4,038
Revenue Requirement (includes NI)	\$18,359,333	\$14,962,317	\$1,995,755	\$1,674,477	\$267,662	\$33,773	\$22,026	\$18,719
Revenue Requirement Input equals Output								
Rate Base Calculation								
Net Assets								
dp Distribution Plant - Gross	\$180,535,642	\$136,779,849	\$20,537,766	\$19,933,159	\$2,510,172	\$330,711	\$217,140	\$226,845
gp General Plant - Gross	\$12,115,403	\$9,162,184	\$1,375,919	\$1,353,255	\$171,689	\$22,320	\$14,747	\$15,407
accum dep Accumulated Depreciation	(\$22,456,587)	(\$17,181,739)	(\$2,591,845)	(\$2,361,703)	(\$262,029)	(\$36,078)	(\$24,628)	(\$24,635)
co Capital Contribution	(\$95,416,709)	(\$73,774,303)	(\$11,005,686)	(\$3,747,050)	(\$146,720)	(\$19,445)	(\$18,460)	(\$12,055)
Total Net Plant	\$73,777,768	\$55,005,934	\$8,326,275	\$9,177,662	\$955,097	\$120,508	\$88,800	\$103,492
Directly Allocated Net Fixed Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
COP Cost of Power (COP)	\$31,662,671	\$20,439,607	\$4,914,805	\$6,057,845	\$93,023	\$10,185	\$47,164	\$100,041
OM&A Expenses	\$8,456,798	\$6,884,409	\$871,842	\$530,944	\$136,607	\$16,875	\$10,348	\$5,773
Directly Allocated Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$46,119,469	\$27,324,016	\$5,786,647	\$6,588,789	\$229,630	\$27,061	\$57,513	\$105,815
Working Capital	\$3,008,960	\$2,049,301	\$433,999	\$494,159	\$17,222	\$2,030	\$4,313	\$7,936
Total Rate Base	\$76,786,729	\$57,055,236	\$8,760,274	\$9,671,821	\$972,319	\$122,538	\$93,113	\$111,428
Rate Base Input equals Output								
Equity Component of Rate Base	\$30,714,691	\$22,822,094	\$3,504,110	\$3,868,728	\$388,928	\$49,015	\$37,245	\$44,571
Net Income on Allocated Assets	\$2,874,895	\$2,758,350	\$7,126	(\$101,386)	\$173,795	\$24,662	\$9,947	\$2,401
Net Income on Direct Allocation Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income	\$2,874,895	\$2,758,350	\$7,126	(\$101,386)	\$173,795	\$24,662	\$9,947	\$2,401
RATIOS ANALYSIS								
REVENUE TO EXPENSES STATUS QUO%	100.00%	104.29%	84.10%	72.56%	151.05%	159.15%	129.45%	91.25%
EXISTING REVENUE MINUS ALLOCATED COSTS	(\$307,693)	\$364,122	(\$344,515)	(\$479,926)	\$129,582	\$19,001	\$5,389	(\$1,945)
Deficiency Input equals Output								
STATUS QUO REVENUE MINUS ALLOCATED COSTS	(\$0)	\$615,396	(\$317,233)	(\$459,558)	\$136,631	\$19,975	\$6,487	(\$1,637)
RETURN ON EQUITY COMPONENT OF RATE BASE	9.36%	12.09%	0.20%	-2.62%	44.69%	50.31%	26.70%	5.39%

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4 **Table 7-11: Worksheet O2 Revenue to Cost Ratios of the Cost Allocation Model**

Summary	1	2	3	7	8	9	10
	Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load	Embedded Distributor
Customer Unit Cost per month - Avoided Cost	\$6.91	\$11.16	\$0.72	\$0.69	\$2.14	\$2.19	\$9.44
Customer Unit Cost per month - Directly Related	\$12.72	\$20.33	\$15.48	\$1.36	\$4.21	\$4.65	\$17.85
Customer Unit Cost per month - Minimum System with PLCC Adjustment	\$28.00	\$39.38	\$44.76	\$4.55	\$18.75	\$15.85	\$31.35
Existing Approved Fixed Charge	\$48.13	\$46.24	\$236.52	\$4.61	\$15.08	\$14.31	\$236.52



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7-1-2 SPECIFIC CUSTOMER CLASSES

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3 InnPower is requesting a new customer class in this application for an embedded distributor.

4 InnPower has included the new class in the cost allocation study and RRFW. Please see Exhibit

5 1-1-9 for more details.



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7-1-3 NEW CUSTOMER CLASSES

InnPower is requesting a new customer class in this application for an embedded distributor. InnPower has included the new class in the cost allocation study and RRFW. Please see Exhibit 1-1-9 for more details.



1

7-1-4 ELIMINATED CUSTOMER CLASSES

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3 InnPower is not requesting the elimination of any customer classes in this application.



1

7-1-5 MICROFIT

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3 InnPower has not included microFIT as a separate class, rather it intends to use the generic rate
4 for 2024.



7-1-6 CLASS REVENUE REQUIREMENTS

Class Revenue Analysis

The table below shows the results from the previous Cost Allocation Study from the 2017 Test Year as approved in InnPower's 2016 Cost of Service Rate Application (EB-2016-0085):

Table 7-12: 2017 Test Year Results of the Cost Allocation Study (EB-2016-0085)

Customer Class Name	REVENUE ALLOCATION (sheet O1)						CUSTOMER UNIT COST PER MONTH (sheet O2)				
	Service Rev Req (row40)		Misc. Revenue (mi) (row19)		Base Rev Req		Rev2Cost Expenses %	Avoided Costs (Minimum Charge)	Directly Related	Minimum System with PLCC adjustment	Maximum Charge
Residential	9,022,460	80.47%	907,881	82.95%	8,114,578	80.21%	99.44%	\$6.28	\$11.18	\$32.69	\$32.69
GS<50 kW	888,367	7.92%	84,664	7.74%	803,703	7.94%	103.54%	\$9.88	\$16.83	\$35.40	\$35.40
GS 50 to 4999 kW	1,054,533	9.41%	79,428	7.26%	975,104	9.64%	86.01%	\$32.33	\$58.69	\$97.43	\$97.43
Sentinel Lighting	47,408	0.42%	4,844	0.44%	42,564	0.42%	102.71%	\$3.05	\$5.59	\$24.50	\$24.50
Street Lighting	174,734	1.56%	15,210	1.39%	159,524	1.58%	194.81%	\$0.65	\$1.18	\$4.57	\$4.57
Unmetered Scattered Load	24,096	0.21%	2,444	0.22%	21,652	0.21%	97.92%	\$2.97	\$22.18	\$22.18	\$22.18
Embedded Distributor	0	0.00%	0	0.00%	0	0.00%	0.00%	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL	11,211,597	100.00%	1,094,472	100.00%	10,117,125	100.00%					

The table below shows the results from the current Cost Allocation Study from the 2024 Test Year:

Table 7-13: 2024 Test Year Results of the Cost Allocation Study (EB-2023-0033)

Customer Class Name	REVENUE ALLOCATION (sheet O1)						CUSTOMER UNIT COST PER MONTH (sheet O2)				
	Service Rev Req (row40)		Misc. Revenue (mi) (row19)		Base Rev Req		Rev2Cost Expenses %	Avoided Costs (Minimum Charge)	Directly Related	Minimum System with PLCC adjustment	Maximum Charge
Residential	14,346,921	78.15%	3,184,879	80.89%	11,162,042	77.40%	104.29%	\$6.91	\$12.72	\$28.00	\$28.00
GS<50 kW	1,995,755	10.87%	402,566	10.22%	1,593,189	11.05%	84.10%	\$11.16	\$20.33	\$39.38	\$39.38
GS 50 to 4999 kW	1,674,477	9.12%	260,257	6.61%	1,414,219	9.81%	72.56%	\$0.72	\$15.48	\$44.76	\$44.76
Sentinel Lighting	33,773	0.18%	8,083	0.21%	25,690	0.18%	159.15%	\$2.14	\$4.21	\$18.75	\$18.75
Street Lighting	267,662	1.46%	73,911	1.88%	193,751	1.34%	151.05%	\$0.69	\$1.36	\$4.55	\$4.55
Unmetered Scattered Load	22,026	0.12%	5,138	0.13%	16,888	0.12%	129.45%	\$2.19	\$4.65	\$15.85	\$15.85
Embedded Distributor	18,719	0.10%	2,649	0.07%	16,071	0.11%	91.25%	\$9.44	\$17.85	\$31.35	\$31.35
TOTAL	18,359,333	100.00%	3,937,484	100.00%	14,421,850	100.00%					

The table below shows the allocation percentage and base revenue requirement allocation under the three scenarios of (a) existing rates, (b) cost allocation results and (c) proposed 2024 allocation.



1

Table 7-14: Base Revenue Requirement under 3 Scenarios

Customer Class Name	Cost Allocation Results		Existing Rates		Proposed Allocation	
	%	\$	%	\$	%	\$
Residential	77.40%	11,162,043	81.66%	11,777,437	81.66%	11,777,402
GS<50 kW	11.05%	1,593,189	8.85%	1,275,896	8.85%	1,275,864
GS 50 to 4999 kW	9.81%	1,414,219	6.62%	954,662	7.48%	1,079,324
Sentinel Lighting	0.18%	25,690	0.32%	45,664	0.21%	29,708
Street Lighting	1.34%	193,751	2.29%	330,381	1.56%	225,610
Unmetered Scattered Load	0.12%	16,888	0.16%	23,376	0.14%	19,509
Embedded Distributor	0.11%	16,071	0.10%	14,433	0.10%	14,433
TOTAL	100.00%	14,421,850	100.00%	14,421,850	100.00%	14,421,850

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4 The table below shows the revenue offset allocation which resulted from Cost Allocation Study
 5 (Sheet O1).

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7

Table 7-15: Revenue Offset Allocation from the Cost Allocation Study

Customer Class Name	Revenue Offsets	
	%	\$
Residential	80.89%	3,184,879
GS<50 kW	10.22%	402,566
GS 50 to 4999 kW	6.61%	260,257
Sentinel Lighting	0.21%	8,083
Street Lighting	1.88%	73,911
Unmetered Scattered Load	0.13%	5,138
Embedded Distributor	0.07%	2,649
TOTAL	100.00%	3,937,484

8

9

10 The table below shows the allocation of the service revenue requirement under the same three
 11 scenarios.



1 **Table 7-16: Service Revenue Requirement Allocation from the Cost Allocation Study**

Customer Class Name	Service Revenue Requirement \$		
	Existing Rates	Cost Allocation	Rate Application
Residential	14,962,316	14,346,921	14,962,281
GS<50 kW	1,678,463	1,995,756	1,678,430
GS 50 to 4999 kW	1,214,920	1,674,477	1,339,581
Sentinel Lighting	53,747	33,773	37,791
Street Lighting	404,293	267,662	299,521
Unmetered Scattered Load	28,514	22,026	24,647
Embedded Distributor	17,082	18,719	17,081
TOTAL	18,359,334	18,359,334	18,359,334

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7-1-7 REVENUE-TO-COST RATIOS

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.

In the “Review of Electricity Distribution Cost Allocation Policy - EB-2010-0219” report (issued March 31, 2011), the Board established what it considered to be the appropriate ranges of revenue to cost ratios. The ranges are Residential 0.85 to 1.15 and all other classes 0.80 to 1.20.

Cost Allocation Results and Analysis

The table below illustrates InnPower’s proposed Revenue to Cost reallocation based on analysis of the proposed results from the Cost Allocation Study vs. the Board’s floor and ceiling ranges.

Table 7-17: Proposed Revenue Allocation

Customer Class Name	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Floor	Ceiling	Shortfall (\$)
Residential	1.0429	1.0429	0.00	0.85	1.15	36.5
GS<50 kW	0.8410	0.8410	0.00	0.80	1.20	31.7
GS 50 to 4999 kW	0.7256	0.8000	-0.07	0.80	1.20	-124,662.5
Sentinel Lighting	1.5915	1.1190	0.47	0.80	1.20	15,956.0
Street Lighting	1.5105	1.1190	0.39	0.80	1.20	104,771.5
Unmetered Scattered Load	1.2945	1.1190	0.18	0.80	1.20	3,866.2
Embedded Distributor	0.9125	0.9125	0.00	0.80	1.20	0.6

The information below addresses the method and logic used to update the revenue to cost ratios from the Cost Allocation study to determine the proposed ratios.

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.



1 In reviewing the calculated revenue to cost results from the Cost Allocation study, there were four
 2 customer classes that are outside of the Board’s floor/ceiling parameters. InnPower has applied
 3 the following methodology for adjusting revenue-to-cost ratio, namely:

- 4
- 5 • For General Service 50 to 4,999 kW customer class, the 2024 Cost Allocation model
 6 produced a revenue to cost ratio of 0.7256. The utility has adjusted this to 0.8000 in the
 7 Test Year 2024. The bill impact implications are discussed in detail in Exhibit 8.
- 8 • For Sentinel Lighting, Street Lighting and USL, InnPower adjusted the revenue-to-cost
 9 ratios down to the ceiling of 1.20 in accordance with Board policy. The bill impact
 10 implications are discussed in detail in Exhibit 8.

11

12 The following tables show the completed worksheet “11. Cost Allocation” from the OEB’s 2024
 13 Revenue Requirement Workform. Table 7-18 provides information on previously approved
 14 Revenue to Cost ratios and proposed ratios.

15

16 **Table 7-18: OEB Rev Requirement Workform: worksheet “11. Cost Allocation” –**
 17 **Allocated Costs**

Classes	Costs Allocated from Previous Study	%	Costs Allocated in Test Year Study (Column 7A)	%
Residential	8,064,053	79.54%	14,346,921	78.15%
GS<50 kW	835,151	8.24%	1,995,755	10.87%
GS 50 to 4999 kW	958,338	9.45%	1,674,477	9.12%
Sentinel Lighting	43,848	0.43%	33,773	0.18%
Street Lighting	194,479	1.92%	267,662	1.46%
Unmetered Scattered Load	21,269	0.21%	22,026	0.12%
Embedded Distributor	21,270	0.21%	18,719	0.10%
TOTAL	10,138,408	100.00%	18,359,333	100.00%

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1 Table 7-19 provides information on the calculated class revenues.

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3 **Table 7-19: OEB Rev Requirement Workform: worksheet “11. Cost Allocation” –**
 4 **Calculated Class Revenue**

Customer Class Name	Column 7B	Column 7C	Column 7D	Column 7E
	Load Forecast (LF) X current approved rates	L.F. X current approved rates X (1 + d)	LF X proposed rates	Miscellaneous Revenue
Residential	11,162,043	11,777,438	11,777,402	3,184,879
GS<50 kW	1,593,189	1,275,896	1,275,864	402,566
GS 50 to 4999 kW	1,414,219	954,662	1,079,324	260,257
Sentinel Lighting	25,690	45,664	29,708	8,083
Street Lighting	193,751	330,382	225,610	73,911
Unmetered Scattered Load	16,888	23,375	19,509	5,138
Embedded Distributor	16,071	14,433	14,433	2,649
TOTAL	14,421,850	14,421,850	14,421,850	3,937,484

5

6

7 Table 7-20 provides information on rebalancing revenue-to-cost ratios.

8

9 **Table 7-20: OEB Rev Requirement Workform: worksheet “11. Cost Allocation” –**
 10 **Rebalancing Revenue to Cost Ratios**

Customer Class Name	Previously Approved Ratios	Status Quo Ratios	Proposed Ratios	Policy Range
	Most Recent Year: 2016	$(7C + 7E) / (7A)$	$(7D + 7E) / (7A)$	
	%	%	%	
Residential	99.44	104.29	104.29	85 - 115
GS<50 kW	103.54	84.10	84.10	80 - 120
GS 50 to 4999 kW	98.41	72.56	80.00	80 - 120
Sentinel Lighting	102.71	159.15	111.90	80 - 120
Street Lighting	120.00	151.05	111.90	80 - 120
Unmetered Scattered Load	98.41	129.45	111.90	80 - 120
Embedded Distributor	99.41	91.25	91.25	80 - 120

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1 Table 7-21 provides information on proposed revenue-to-cost ratios.

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3 **Table 7-21: OEB Rev Requirement Workform: worksheet “11. Cost Allocation” –**
4 **Proposed Revenue to Cost Ratios**

Customer Class Name	Proposed Revenue to Cost Ratios			Policy Range
	2024	2025	2026	
	%	%	%	%
Residential	104.29	104.29	104.29	85 - 115
GS<50 kW	84.10	84.10	84.10	80 - 120
GS 50 to 4999 kW	80.00	80.00	80.00	80 - 120
Sentinel Lighting	111.90	111.90	111.90	80 - 120
Street Lighting	111.90	111.90	111.90	80 - 120
Unmetered Scattered Load	111.90	111.90	111.90	80 - 120
Embedded Distributor	91.25	91.25	91.25	80 - 120

5

6

7 Based on the results of the Tariff and Bill Impact model InnPower submits that rate mitigation is
8 not required, as the total bill impact on the rates of any particular class is not significant. As
9 such, InnPower is not proposing to continue to rebalance rates beyond the Test Year.

10



List of Appendices

Appendix 7-1-1 (A) 2024 OEB Cost Allocation Model



Appendix 7-1-1 (A) 2024 OEB Cost Allocation Model

InnPower Corporation has filed the 2024 OEB Cost Allocation Model separately in excel as Exhibit 7, Appendix 7-1-1 (A): 2024 OEB Cost Allocation Model.