# EXHIBIT 7 – COST ALLOCATION

## 2024 Cost of Service

Westario Power Inc.
EB-2023-0058

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# 7.1 COST ALLOCATION STUDY REQUIREMENTS

## 7.1.1 Overview of Cost Allocation

WPI is submitting cost allocation informational filing consistent with the utility's 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 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.

WPI's information is updated to reflect new parameters and inputs and then used to adjust any cross-subsidization in the proposed rates. WPI seeks to recover a weighted average cost of capital of 5.96% through rates in the 2024 Test Year. The utility has followed the "Report of the Board on Cost of Capital for Ontario's Regulated Utilities" (December 11, 2009), as well as the "Review of the Existing Methodology of the Cost of Capital for Ontario's Regulated Utilities" (January 14, 2016) in determining the applicable cost of capital.

WPI notes that it is not requesting to eliminate or introduce new classes.

## 7.1.2 Previously Approved Cost Allocation

The Previously Board Approved ratios are presented as a reference point to the proposed 2024 ratios. As part of its last Cost of Service Rate Application, WPI updated the cost allocation revenue to cost ratios with 2018 base revenue requirement information. The revenue to cost ratios from the 2018 application are presented below. WPI notes that there have been no changes in its class composition since 2018.

**Table 1 – Previously Approved Ratios (2018 CoS)**

| Particulars | Settlement Proposal April 25 2018 |
|---|---|
| **Customer Class Name** | Proposed R/C Ratio |
| Residential | 106% |
| General Service < 50 kW | 90% |
| General Service > 50 to 4999 kW | 86% |
| Unmetered Scattered Load | 120% |
| Sentinel Lighting | 120% |
| Street Lighting | 120% |

# 7.2 PROPOSED COST ALLOCATION (2024)

The Cost Allocation Study allocates the 2024 test year costs to the various customer classes using allocators based on the forecast class loads (kW and kWh) by class, customer counts, etc.

WPI has used the most up to date 2024 OEB-approved Cost Allocation Model and followed the instructions and guidelines issued by the OEB to enter the 2024 data into WPIs model.

## 7.2.1 Inputs to the Cost Allocation Model

**Sheet I3, Trial Balance Data**

WPI populated the information on Sheet I3, Trial Balance Data with the 2024 forecasted data, Target Net Income, PILs, long-term debt interest, and the targeted Revenue Requirement and Rate Base.

**Table 2 – Cost Allocation Integrity Check against RRWF (Sheet I3 TB Data)**

| | From RRWF | From CA Model |
|---|---|---|
| **Return on Deemed Equity** | $2,690,550 | |
| **Income Taxes (Grossed up)** | $218,219 | |
| **Deemed Interest Expense** | $1,594,360 | |
| **Service Revenue Requirement** | $13,932,989 | |
| **Revenue Requirement to be Used in WPIs model ($)** | $13,932,989 | **$13,932,989** |
| **Rate Base ($)** | $71,862,982 | |
| **Rate Base to be Used in WPIs model ($)** | $71,862,982 | **$71,862,982** |

## Table 3 – 2023 Grouped Accounts (Sheet I3 TB Data)

| Grouped Accounts | 2018 Balance | 2024 Balance |
|---|---|---|
| Land and Buildings | $2,848,240 | $2,979,397 |
| TS Primary Above 50 | $0 | $0 |
| DS | $11,865,447 | $16,827,127 |
| Poles, Wires | $41,714,207 | $50,203,420 |
| Line Transformers | $9,774,312 | $9,373,499 |
| Services and Meters | $12,449,425 | $13,166,538 |
| General Plant | $0 | $0 |
| Equipment | $4,535,698 | $4,885,147 |
| IT Assets | $2,522,618 | $1,605,308 |
| CDM Expenditures and Recoveries | $0 | $0 |
| Other Distribution Assets | $258,631 | $212,935 |
| Contributions and Grants | ($11,529,027) | ($13,157,207) |
| Accumulated Amortization | ($28,320,932) | ($18,547,003) |
| Non-Distribution Asset | $0 | $0 |
| Unclassified Asset | $0 | $0 |
| Liability | $0 | $0 |
| Equity | ($1,812,904) | ($2,690,550) |
| Sales of Electricity | $0 | $0 |
| Distribution Services Revenue | $0 | $0 |
| Late Payment Charges | ($200,000) | ($97,137) |
| Specific Service Charges | ($100,000) | ($304,838) |
| Other Distribution Revenue | ($249,780) | ($383,614) |
| Other Revenue - Unclassified | $0 | $0 |
| Other Income & Deductions | $88,156 | ($57,480) |
| Power Supply Expenses (Working Capital) | $50,685,050 | $50,496,893 |
| Other Power Supply Expenses | $0 | $0 |
| Operation (Working Capital) | $580,760 | $670,580 |
| Maintenance (Working Capital) | $1,386,773 | $1,879,524 |
| Billing and Collection (Working Capital) | $1,032,000 | $715,617 |
| Community Relations (Working Capital) | $31,000 | $35,422 |
| Community Relations - CDM (Working Capital) | $0 | $0 |
| Administrative and General Expenses (Working Capital) | $2,545,000 | $3,371,170 |
| Insurance Expense (Working Capital) | $110,000 | $131,692 |
| Bad Debt Expense (Working Capital) | $100,000 | $134,580 |
| Advertising Expenses | $12,500 | $8,132 |
| Charitable Contributions | $0 | $0 |
| Amortization of Assets | $1,982,755 | $2,409,135 |
| Other Amortization - Unclassified | $0 | $0 |
| Interest Expense - Unclassified | $1,242,349 | $1,594,360 |
| Income Tax Expense - Unclassified | $247,130 | $218,219 |
| Other Distribution Expenses | $48,000 | $74,008 |
| Non-Distribution Expenses | $0 | $0 |
| Unclassified Expenses | $20,000 | $0 |
| Total | $103,867,406 | $125,754,873 |

**On Sheet I4 BO Assets**,

I4 Break-out of Assets, WPI reviewed its primary and secondary assets to ensure that the model uses the most up-to-date information. The table below shows the utility's updated breakout between primary and secondary from its last cost of service in 2018.

**Table 4 – Breakout of Assets (Sheet I4 BO Assets)**

| Account | Description | BREAK OUT (%) 2018 CoS | BREAK OUT (%) 2024 CoS |
|---|---|---|---|
| **1565** | Conservation and Demand Management | | |
| **1805** | Land | | |
| **1805-1** | Land Station >50 kV | | |
| **1805-2** | Land Station <50 kV | 100.00% | 100.00% |
| **1806** | Land Rights | | |
| **1806-1** | Land Rights Station >50 kV | | |
| **1806-2** | Land Rights Station <50 kV | 100.00% | 100.00% |
| **1808** | Buildings and Fixtures | | |
| **1808-1** | Buildings and Fixtures > 50 kV | | |
| **1808-2** | Buildings and Fixtures < 50 KV | 100.00% | 100.00% |
| **1810** | Leasehold Improvements | | |
| **1810-1** | Leasehold Improvements >50 kV | | |
| **1810-2** | Leasehold Improvements <50 kV | 100.00% | 100.00% |
| **1815** | Transformer Station Equipment - Normally Primary above 50 kV | | |
| **1820** | Distribution Station Equipment - Normally Primary below 50 kV | | |
| **1820-1** | Distribution Station Equipment - Normally Primary below 50 kV (Bulk) | | |
| **1820-2** | Distribution Station Equipment - Normally Primary below 50 kV Primary) | 3.50% | 3.50% |
| **1820-3** | Distribution Station Equipment - Normally Primary below 50 kV (Wholesale Meters) | 96.50% | 96.50% |
| **1825** | Storage Battery Equipment | | |
| **1825-1** | Storage Battery Equipment > 50 kV | | |
| **1825-2** | Storage Battery Equipment <50 kV | 100.00% | 100.00% |
| **1830** | Poles, Towers and Fixtures | | |
| **1830-3** | Poles, Towers, and Fixtures - Sub transmission Bulk Delivery | | |
| **1830-4** | Poles, Towers and Fixtures - Primary | 40% | 40% |
| **1830-5** | Poles, Towers, and Fixtures - Secondary | 60.00% | 60.00% |
| **1835** | Overhead Conductors and Devices | | |
| **1835-3** | Overhead Conductors and Devices - Sub transmission Bulk Delivery | | |
| **1835-4** | Overhead Conductors and Devices - Primary | 40.00% | 40.00% |
| **1835-5** | Overhead Conductors and Devices - Secondary | 60.00% | 60.00% |
| **1840** | Underground Conduit | | |
| **1840-3** | Underground Conduit - Bulk Delivery | | |
| **1840-4** | Underground Conduit - Primary | 50.00% | 50.00% |
| **1840-5** | Underground Conduit - Secondary | 50.00% | 50.00% |
| **1845** | Underground Conductors and Devices | | |
| **1845-3** | Underground Conductors and Devices - Bulk Delivery | | |
| **1845-4** | Underground Conductors and Devices - Primary | 50.00% | 50.00% |
| **1845-5** | Underground Conductors and Devices - Secondary | 50.00% | 50.00% |
| **1850** | Line Transformers | | |
| **1855** | Services | | |
| **1860** | Meters | | |

**Sheet I5 Misc Data**

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

**Table 5 – Miscellaneous Data (Sheet I5 Misc Data)**

| | 2018 CoS | 2024 CoS |
|---|---|---|
| **Structure KM (kms of Roads in Service Area that have distribution line)** | 466.9 | 589 |
| **Deemed Equity Component of Rate Base (ref: RRWF 7. cell F24)** | 40% | 40% |
| **Working Capital Allowance to be included in Rate Base (%)** | 7.5% | 7.5% |
| **A portion of pole leasing revenue from Secondary - Remainder assumed to be Primary (%)** | 10% | 10% |

As instructed by the Board, in Sheet I5.2, Weighting Factors, WPI 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.

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

**Table 6 –2018 Board Approved Weighting Factors (Sheet I5.2 Weighting Factors)**

| | Residential | GS<50 | GS>50 | Streetlights | Sentinel | USL |
|---|---|---|---|---|---|---|
| **Service Account 1855** | 1.0 | 1.5 | 6.5 | 0.4 | 0.6 | 0.9 |
| | | | | | | |
| **Billing and collecting** | 1.0 | 1.0 | 5.6 | 3.2 | 0.6 | 0.6 |
| | | | | | | |

**Table 7 – 2024 Weighting Factors (Sheet I5.2 Weighting Factors)**

| | Residential | GS<50 | GS>50 | Streetlights | Sentinel | USL |
|---|---|---|---|---|---|---|
| **Service Account 1855** | 1.0 | 1.0 | 5.2 | 0.8 | 0.8 | 0.8 |
| | | | | | | |
| **Billing and collecting** | 1.0 | 5.1 | 27.2 | 0.1 | | |
| | | | | | | |

**Table 8 – Derivation of Weighting Factors (Sheet I5.2 Weighting Factors)**

| | Res. | GS < 50 * | GS > 50 | Street Lighting | Sentinel Lighting | USL | |
|---|---|---|---|---|---|---|---|
| **2024 Projected # of Customer/Connections (load forecast)** | 21,879 | 2,690 | 154 | 6,283 | 9 | 49 | **31,064** |
| **# bills (per tab I6.2 of CA model)** | 262,546 | 32,280 | 1,848 | 132 | 72 | 588 | **297,466** |
| | | | | | | | **Total Annual Cost** |
| ***5305 - Supervision*** | $0 | $0 | $0 | $0 | $0 | $0 | *$0* |
| ***5310 - Meter Reading Expense*** | $0 | $0 | $0 | $0 | $0 | $0 | *$2* |
| ***5315 - Customer Billing*** | $227,104 | $136,248 | $56,898 | $1,660 | $0 | $0 | *$421,911* |
| ***5320 - Collecting*** | $66,020 | $55,017 | $1,223 | $0 | $0 | $0 | *$122,260* |
| ***5325 - Collecting - Cash Over and Short*** | $0 | $0 | $0 | $0 | $0 | $0 | *$0* |
| ***5330 - Collecting - Charges*** | $14,288 | $4,515 | $743 | $0 | $0 | $0 | *$19,546* |
| ***5335 - Bad Debt Expense*** | $0 | $0 | $0 | $0 | $0 | $0 | *$0* |
| ***5340 - Misc. Cust Account Exp.*** | $0 | $0 | $0 | $0 | $0 | $0 | *$0* |
| ***Other*** | $0 | $0 | $0 | $0 | $0 | $0 | *$0* |
| | | | | | | | |
| | | | | | | | |
| **5315 - Customer Billing** | $307,412.83 | $195,780.79 | $58,863.65 | $1,660.64 | $0.00 | $0.91 | $563,718.83 |
| | | | | | | | |
| **Total** | 1.17 | 6.07 | 31.85 | 0.26 | 0.00 | 0.00 | |
| | | | | | | | |
| **Weighting (Residential set as standard)** | 1.00 | 5.18 | 27.20 | 0.23 | 0.00 | 0.00 | 33.61 |

### Sheet I6.1 Revenue

WPI has populated the I6.1 Revenue Tab with the 2024 proposed load forecast. The utility confirms that the revenue sufficiency/deficiency reconciles with the RRWF, as does the Miscellaneous Revenues.

2024 Board Approved existing rates were entered at rows 33 to 37 of the table.

## Table 9 – Revenue Inputs to the CA Model (I6.1 Revenues)

| | |
|---|---|
| Total kWhs from Load Forecast | 443,557,720 |
| Total kWs from Load Forecast | 451,238 |
| Deficiency/sufficiency ( RRWF 8. cell F51) | - 830,894 |
| Miscellaneous Revenue (RRWF 5. cell F48) | 843,069 |

0

| | | | 1 | 2 | 3 | 7 | 8 | 9 |
|---|---|---|---|---|---|---|---|---|
| | ID | Total | Residential | GS <50 | GS>50-Regular | Street Light | Sentinel | Unmetered Scattered Load |
| **Billing Data** | | | | | | | | |
| Forecast kWh | CEN | 443,557,720 | 193,221,398 | 70,181,854 | 177,439,811 | 2,494,298 | 7,210 | 213,149 |
| Forecast kW | CDEM | 451,238 | | | 444,572 | 6,650 | 16 | |
| Forecast kW, included in CDEM, of customers receiving line transformer allowance | | 183,035 | | | 183,035 | | | |
| 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 | 443,557,720 | 193,221,398 | 70,181,854 | 177,439,811 | 2,494,298 | 7,210 | 213,149 |
| | | | | | | | | |
| Existing Monthly Charge | | | $31.30 | $30.40 | $258.64 | $6.38 | $6.39 | $5.65 |
| Existing Distribution kWh Rate | | | | $0.0135 | | | | $0.0210 |
| Existing Distribution kW Rate | | | | | $2.7296 | $5.3299 | $33.0736 | |
| Existing TOA Rate | | | | | $0.60 | | | |
| Additional Charges | | | | | | | | |
| Distribution Revenue from Rates | | $12,368,847 | $8,217,703 | $1,928,692 | $1,692,392 | $521,217 | $1,168 | $7,676 |
| Transformer Ownership Allowance | | $109,821 | $0 | $0 | $109,821 | $0 | $0 | $0 |
| Net Class Revenue | CREV | $12,259,026 | $8,217,703 | $1,928,692 | $1,582,571 | $521,217 | $1,168 | $7,676 |

### Sheet I6.2 Customer Data

WPI has populated the I6.2 Customer Data with the required information using the 2024 proposed customer forecast to determine the number of customers, devices, and bills. The utility confirms using a three-year historical average to calculate the late payment charges and bad debt by class.

**Table 10 – Customer Inputs to the CA Model (I6.2 Customer Data)**

**Sheet I6.2 Customer Data Worksheet -**

| | | | 1 | 2 | 3 | 7 | 8 | 9 |
|---|---|---|---|---|---|---|---|---|
| | ID | Total | Residential | GS <50 | GS>50-Regular | Street Light | Sentinel | Unmetered Scattered Load |
| **Billing Data** | | | | | | | | |
| Bad Debt 3 Year Historical Average | BDHA | $75,557 | $71,287 | $4,270 | $0 | $0 | $0 | $0 |
| Late Payment 3 Year Historical Average | LPHA | $74,458 | $53,402 | $6,453 | $14,603 | | | |
| Number of Bills | CNB | 297,474 | 262,546 | 32,277.52 | 1,851.57 | 132.00 | 99.92 | 566.37 |
| Number of Devices | CDEV | | | | | 6,345 | 8 | |
| Number of Connections (Unmetered) | CCON | 6,400 | | | | 6,345 | 8 | 47 |
| Total Number of Customers | CCA | 24,789 | 21,879 | 2,690 | 154 | 11 | 8 | 47 |
| Bulk Customer Base | CCB | - | | | | | | |
| Primary Customer Base | CCP | 25,073 | 21,879 | 2,690 | 154 | 295 | 8 | 47 |
| Line Transformer Customer Base | CCLT | 25,073 | 21,879 | 2,690 | 154 | 295 | 8 | 47 |
| Secondary Customer Base | CCS | 24,779 | 21,879 | 2,690 | 154 | 1 | 8 | 47 |
| Weighted - Services | CWCS | 30,491 | 21,879 | 2,690 | 802 | 5,076 | 7 | 38 |
| Weighted Meter -Capital | CWMC | 22,562,392 | 18,919,705 | 3,299,729 | 342,958 | - | - | - |
| Weighted Meter Reading | CWMR | 25,147 | 21,879 | 2,690 | 579 | - | - | - |
| Weighted Bills | CWNB | 478,186 | 262,546 | 165,261 | 50,363 | 16 | - | - |

**Bad Debt Data**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Historic Year: | 2020 | 29,127 | 25,850 | 3,277 | | | | |
| Historic Year: | 2021 | 47,478 | 45,984 | 1,494 | | | | |
| Historic Year: | 2022 | 150,065 | 142,027 | 8,038 | | | | |
| Three-year average | | 75,557 | 71,287 | 4,270 | - | - | - | - |

**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 | 21,879 | 180,169 | 21,879 | 180,169 |
| Street Light | 6,345 | 2,429 | 6,345 | 2,429 |

| Street Lighting Adjustment | |
|---|---|
| Primary | 21.5085 |
| Line Transformer | 21.5085 |

## Sheet I7.1 Meter Capital

WPI has updated the meter capital to reflect current and accurate costs per meter.

**Table 11 – Meter Capital inputs to the CA Model (I7.1 Meter Capital)**

| | | Residential | | | GS <50 | | | GS>50-Regular | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 1 | 2 | 3 | 1 | 2 | 3 |
| | | Number of Meters | Weighted Metering Costs | Weighted Average Costs | Number of Meters | Weighted Metering Costs | Weighted Average Costs | Number of Meters | Weighted Metering Costs | Weighted Average Costs |
| | Allocation Percentage Weighted Factor | | | 83.86% | | | 15% | | | 2% |
| | Cost Relative to Residential Average Cost | | | 1.00 | | | 1.42 | | | 2.58 |
| | Total | 21878.86897 | 18919705.44 | 864.7478743 | 2689.792953 | 3299729.021 | 1226.759486 | 154 | 342958 | 2227 |
| **Meter Types** | Cost per Meter (Installed) | | | | | | | | | |
| Single Phase 200 Amp - Urban | | | 0 | | | 0 | | | 0 | |
| Single Phase 200 Amp - Rural | | | 0 | | | 0 | | | 0 | |
| Central Meter | | | 0 | | | 0 | | | 0 | |
| Network Meter (Costs to be updated) | 1,700 | 877 | 1490900 | | 46 | 78200 | | | 0 | |
| Three-phase - No demand | 2,227 | 6 | 13362 | | 736 | 1639072 | | | 0 | |
| Smart Meters | 829 | 20,996 | 17415443.44 | | 1,908 | 1582457.021 | | | 0 | |
| Demand without IT (usually three-phase) | 2,227 | | 0 | | | 0 | | | 0 | |
| Demand with IT | 2,227 | | 0 | | | 0 | | | 0 | |
| Demand with IT and Interval Capability - Secondary | 2,227 | | 0 | | | 0 | | 152 | 338504 | |
| Demand with IT and Interval Capability - Primary | 2,227 | | 0 | | | 0 | | 2 | 4454 | |

**Sheet I7.2 Meter Reading**

WPI has updated the meter capital to reflect current and accurate costs per meter. WPI notes that there have been no changes to its meter reading factors since its last cost of service in 2013.

**Table 12 – Meter Reading Inputs to CA Model (I7.2 Meter Reading)**

| Description | | | Residential | | | GS <50 | | | GS>50-Regular | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Units | Weighted Factor | Weighted Average Costs | Units | Weighted Factor | Weighted Average Costs | Units | Weighted Factor | Weighted Average Costs |
| | Allocation Percentage Weighted Factor | | | | 87.00% | | | 10.70% | | | 2.30% |
| | Cost Relative to Residential Average Cost | | | | 1.00 | | | 1.00 | | | 3.75 |
| | Total | | 21,879 | 21,879 | 1.00 | 2,690 | 2,690 | 1.00 | 154 | 579 | 3.75 |
| | Factor | | | | | | | | | | |
| Residential - Urban - Outside | | | | 0 | | | 0 | | | 0 | |
| Residential - Urban - Outside with other services | | | | 0 | | | 0 | | | 0 | |
| Residential - Urban - Inside | | | | 0 | | | 0 | | | 0 | |
| Residential - Urban - Inside - with other services | | | | 0 | | | 0 | | | 0 | |
| Residential - Rural - Outside | | | | 0 | | | 0 | | | 0 | |
| Residential - Rural - Outside with other services | | | | 0 | | | 0 | | | 0 | |
| Smart Meter | | 1.00 | 21,879 | 21,879 | | 2,690 | 2,690 | | | 0 | |
| Smart Meter with Demand | | | | 0 | | | 0 | | | 0 | |
| GS - Walking | | | | 0 | | | 0 | | | 0 | |
| GS - Walking - with other services | | | | 0 | | | 0 | | | 0 | |
| GS - Vehicle with other services --- TOU Read | | | | 0 | | | 0 | | | 0 | |
| GS - Vehicle with other services | | | | 0 | | | 0 | | | 0 | |
| LDC Specific 3 | | | | 0 | | | 0 | | | 0 | |
| LDC Specific 4 | | | | 0 | | | 0 | | | 0 | |
| Interval | | 3.75 | | 0 | | | 0 | | 154 | 579 | |

**Sheet I8 Demand Data**

In its previous cost of service rate applications, WPI relied on load profiles produced by Hydro One Networks Inc. in 2006 using data from 2004 (HONI method). The process involved scaling the initial cost allocation informational filing, using the ratio of the Test Year load forecast to the base year load for each rate class.

Section 2.1.7 of Chapter 2 filing requirements states that distributors should make their best efforts to update all classes' load profiles using the most recent available data.

WPI is aware of several processes and methodologies filed in recent applications, ranging from a simple exercise, as is being proposed in this application, to a time-consuming data mining exercise which WPI does not have the resources at this time to perform. Given WPI's recent turnover in staffing and its relatively " new to the industry" workforce, the utility opted to use the HONI method.

| Customer Classes | | Total | Residential | GS <50 | GS>50-Regular | Streetlight | Sentinel | Unmetered Scattered Load |
|---|---|---|---|---|---|---|---|---|
| **CO-INCIDENT PEAK** | | | | | | | | |
| | | | | | | | | |
| **1 CP** | | | | | | | | |
| Transformation CP | TCP1 | 84,623 | 42,122 | 13,815 | 28,662 | - | - | 24 |
| Bulk Delivery CP | BCP1 | 84,623 | 42,122 | 13,815 | 28,662 | - | - | 24 |
| Total System CP | DCP1 | 84,623 | 42,122 | 13,815 | 28,662 | - | - | 24 |
| | | | | | | | | |
| **4 CP** | | | | | | | | |
| Transformation CP | TCP4 | 320,017 | 165,299 | 47,706 | 106,849 | 66 | 0 | 97 |
| Bulk Delivery CP | BCP4 | 320,017 | 165,299 | 47,706 | 106,849 | 66 | 0 | 97 |
| Total system CP | DCP4 | 320,017 | 165,299 | 47,706 | 106,849 | 66 | 0 | 97 |
| | | | | | | | | |
| **12 CP** | | | | | | | | |
| Transformation CP | TCP12 | 820,592 | 385,805 | 123,853 | 309,390 | 1,250 | 4 | 291 |
| Bulk Delivery CP | BCP12 | 820,592 | 385,805 | 123,853 | 309,390 | 1,250 | 4 | 291 |
| Total System CP | DCP12 | 820,592 | 385,805 | 123,853 | 309,390 | 1,250 | 4 | 291 |

| **Customer Classes** | | Total | Residential | GS <50 | GS>50-Regular | Streetlight | Sentinel | Unmetered Scattered Load |
|---|---|---|---|---|---|---|---|---|
| **NON-CO_INCIDENT PEAK** | | | | | | | | |
| **1 NCP** | | | | | | | | |
| Classification NCP from Load Data Provider | DNCP1 | 93,848 | 48,440 | 15,539 | 29,276 | 566 | 2 | 24 |
| Primary NCP | PNCP1 | 93,848 | 48,440 | 15,539 | 29,276 | 566 | 2 | 24 |
| Line Transformer NCP | LTNCP1 | 93,848 | 48,440 | 15,539 | 29,276 | 566 | 2 | 24 |
| Secondary NCP | SNCP1 | 93,848 | 48,440 | 15,539 | 29,276 | 566 | 2 | 24 |
| | | | | | | | | |
| **4 NCP** | | | | | | | | |
| Classification NCP from Load Data Provider | DNCP4 | 359,946 | 180,169 | 57,769 | 119,465 | 2,429 | 7 | 107 |
| Primary NCP | PNCP4 | 359,946 | 180,169 | 57,769 | 119,465 | 2,429 | 7 | 107 |
| Line Transformer NCP | LTNCP4 | 359,946 | 180,169 | 57,769 | 119,465 | 2,429 | 7 | 107 |
| Secondary NCP | SNCP4 | 359,946 | 180,169 | 57,769 | 119,465 | 2,429 | 7 | 107 |
| | | | | | | | | |
| **12 NCP** | | | | | | | | |
| Classification NCP from Load Data Provider | DNCP12 | 927,353 | 426,513 | 157,564 | 336,118 | 6,846 | 20 | 291 |
| Primary NCP | PNCP12 | 927,353 | 426,513 | 157,564 | 336,118 | 6,846 | 20 | 291 |
| Line Transformer NCP | LTNCP12 | 927,353 | 426,513 | 157,564 | 336,118 | 6,846 | 20 | 291 |
| Secondary NCP | SNCP12 | 927,353 | 426,513 | 157,564 | 336,118 | 6,846 | 20 | 291 |

## 7.2.2 Outputs to the Cost Allocation Model

The tables below show the output of the Cost Allocation Study.

**Table 13 –Outputs to the CA model (O1 Revenue to Cost|RR)**

| | Total | 1<br>Residential | 2<br>GS <50 | 3<br>GS>50-Regular | 7<br>Street Light | 8<br>Sentinel | 9<br>Unmetered Scattered Load |
|---|---|---|---|---|---|---|---|
| Distribution Revenue at Existing Rates | **$12,259,026** | $8,217,703 | $1,928,692 | $1,582,571 | $521,217 | $1,168 | $7,676 |
| Miscellaneous Revenue (mi) | **$843,069** | $519,816 | $176,160 | $117,601 | $29,078 | $60 | $355 |
| | **Miscellaneous Revenue Input equals Output** | | | | | | |
| **Total Revenue at Existing Rates** | **$13,102,095** | **$8,737,519** | **$2,104,851** | **$1,700,172** | **$550,295** | **$1,227** | **$8,031** |
| Factor required to recover deficiency (1 + D) | **1.0678** | | | | | | |
| Distribution Revenue at Status Quo Rates | **$13,089,920** | $8,774,684 | $2,059,415 | $1,689,835 | $556,544 | $1,247 | $8,196 |
| Miscellaneous Revenue (mi) | **$843,069** | $519,816 | $176,160 | $117,601 | $29,078 | $60 | $355 |
| **Total Revenue at Status Quo Rates** | **$13,932,989** | **$9,294,500** | **$2,235,574** | **$1,807,436** | **$585,622** | **$1,306** | **$8,551** |
| **Expenses** | | | | | | | |
| Distribution Costs (di) | **$1,998,032** | $1,172,333 | $267,623 | $427,111 | $129,281 | $235 | $1,449 |
| Customer Related Costs (cu) | **$1,402,270** | $1,001,025 | $285,930 | $68,949 | $45,964 | $60 | $342 |
| General and Administration (ad) | **$3,620,424** | $2,302,698 | $585,140 | $545,129 | $185,209 | $316 | $1,932 |
| Depreciation and Amortization (dep) | **$2,409,135** | $1,447,901 | $338,622 | $525,552 | $95,415 | $205 | $1,440 |
| PILs (INPUT) | **$218,219** | $125,529 | $30,602 | $52,423 | $9,499 | $21 | $145 |
| Interest | **$1,594,360** | $917,145 | $223,588 | $383,016 | $69,400 | $153 | $1,058 |
| **Total Expenses** | **$11,242,439** | **$6,966,630** | **$1,731,505** | **$2,002,180** | **$534,769** | **$990** | **$6,366** |
| **Direct Allocation** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |
| Allocated Net Income (NI) | **$2,690,550** | $1,547,721 | $377,314 | $646,355 | $117,116 | $258 | $1,786 |
| **Revenue Requirement (includes NI)** | **$13,932,989** | $8,514,351 | $2,108,819 | $2,648,535 | $651,885 | $1,248 | $8,152 |
| | **Revenue Requirement Input equals Output** | | | | | | |
| **Rate Base Calculation** | | | | | | | |
| **Net Assets** | | | | | | | |
| Distribution Plant - Gross | **$92,548,346** | $53,924,742 | $12,904,645 | $21,489,133 | $4,159,704 | $8,896 | $61,226 |
| General Plant - Gross | **$6,705,024** | $3,882,595 | $937,505 | $1,582,711 | $297,121 | $645 | $4,448 |
| Accumulated Depreciation | **($18,547,003)** | ($11,021,560) | ($2,563,362) | ($4,078,420) | ($869,743) | ($1,772) | ($12,146) |
| Capital Contribution | **($13,157,207)** | ($7,922,634) | ($1,806,560) | ($2,772,502) | ($645,539) | ($1,285) | ($8,688) |
| **Total Net Plant** | **$67,549,160** | **$38,863,142** | **$9,472,228** | **$16,220,923** | **$2,941,543** | **$6,484** | **$44,840** |
| **Directly Allocated Net Fixed Assets** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |
| Cost of Power (COP) | **$50,496,893** | $22,053,647 | $7,983,828 | $20,151,126 | $283,267 | $819 | $24,206 |
| OM&A Expenses | **$7,020,725** | $4,476,056 | $1,138,693 | $1,041,189 | $360,455 | $611 | $3,722 |
| Directly Allocated Expenses | **$0** | $0 | $0 | $0 | $0 | $0 | $0 |
| ***Subtotal*** | ***$57,517,618*** | ***$26,529,702*** | ***$9,122,520*** | ***$21,192,315*** | ***$643,722*** | ***$1,430*** | ***$27,929*** |
| **Working Capital** | **$4,313,821** | **$1,989,728** | **$684,189** | **$1,589,424** | **$48,279** | **$107** | **$2,095** |
| **Total Rate Base** | **$71,862,981** | **$40,852,870** | **$10,156,417** | **$17,810,346** | **$2,989,822** | **$6,591** | **$46,934** |
| | **Rate Base Input equals Output** | | | | | | |
| **Equity Component of Rate Base** | **$28,745,192** | **$16,341,148** | **$4,062,567** | **$7,124,139** | **$1,195,929** | **$2,637** | **$18,774** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Net Income on Allocated Assets** | **$2,690,550** | **$2,327,870** | **$504,070** | **($194,744)** | **$50,853** | **$316** | **$2,185** |
| **Net Income on Direct Allocation Assets** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |
| **Net Income** | **$2,690,550** | **$2,327,870** | **$504,070** | **($194,744)** | **$50,853** | **$316** | **$2,185** |
| **RATIOS ANALYSIS** | | | | | | | |
| **REVENUE TO EXPENSES STATUS QUO%** | **100.00%** | **109.16%** | **106.01%** | **68.24%** | **89.84%** | **104.65%** | **104.90%** |
| EXISTING REVENUE MINUS ALLOCATED COSTS | **($830,894)** | $223,168 | ($3,968) | ($948,363) | ($101,590) | ($21) | ($121) |
| | **Deficiency Input equals Output** | | | | | | |
| STATUS QUO REVENUE MINUS ALLOCATED COSTS | **($0)** | $780,149 | $126,756 | ($841,099) | ($66,263) | $58 | $399 |
| RETURN ON EQUITY COMPONENT OF RATE BASE | 9.36% | 14.25% | 12.41% | -2.73% | 4.25% | 11.99% | 11.64% |

## Table 14 –Outputs to the CA model (O2 Fixed Charge|Floor|Ceiling)

| | 1 | 2 | 3 | 7 | 8 | 9 |
|---|---|---|---|---|---|---|
| **Summary** | **Residential** | **GS <50** | **GS>50-Regular** | **Streetlight** | **Sentinel** | **Unmetered Scattered Load** |
| Customer Unit Cost per month - Avoided Cost | $5.11 | $12.98 | $41.96 | $0.59 | $0.58 | $0.58 |
| | | | | | | |
| Customer Unit Cost per month - Directly Related | $8.77 | $23.39 | $90.93 | $1.15 | $1.15 | $1.15 |
| Customer Unit Cost per month - Minimum System with PLCC Adjustment | $19.51 | $34.30 | $155.18 | $7.95 | $11.92 | $9.57 |
| Existing Approved Fixed Charge | $31.30 | $30.40 | $258.64 | $6.38 | $6.39 | $5.65 |

# 7.3 ALLOCATION OF REVENUE REQUIREMENT TO EACH CLASS

## 7.3.1 Class Revenue Analysis

Table 15 below shows the results of the cost allocation. These results compare and analyze the distribution costs and help the utility determine its 2024 proposed ratios.

**Table 15 - Results of the Cost Allocation Study**

| Cost Allocation Results | REVENUE ALLOCATION (sheet O1) | | | | | | |
|---|---|---|---|---|---|---|---|
| Customer Class Name | **Service Rev Req (row40)** | | **Misc. Revenue (mi) (row19)** | | **Base Rev Req** | | **Rev2Cost Expenses %** |
| Residential | 8,475,408 | 60.83% | 518,692 | 61.52% | 7,956,716 | 60.79% | 109.65% |
| General Service < 50 kW | 2,187,813 | 15.70% | 178,440 | 21.17% | 2,009,373 | 15.35% | 102.29% |
| General Service > 50 to 4999 kW | 2,631,005 | 18.88% | 117,095 | 13.89% | 2,513,910 | 19.20% | 68.68% |
| Unmetered Scattered Load | 7,924 | 0.06% | 348 | 0.04% | 7,576 | 0.06% | 107.83% |
| Sentinel Lighting | 1,211 | 0.01% | 58 | 0.01% | 1,152 | 0.01% | 107.80% |
| Street Lighting | 629,628 | 4.52% | 28,435 | 3.37% | 601,193 | 4.59% | 92.91% |
| | | | | | | | |
| TOTAL | **13,932,989** | **100.00%** | **843,069** | **100.00%** | **13,089,920** | **100.00%** | |

Table 16 below shows the allocation percentage and base revenue requirement allocation under existing rates, cost allocation results, and proposed 2018 proposed allocation.

**Table 16- Base Revenue Requirement Under 3 Scenarios**

| | Proposed Base Revenue Requirement % | | | | | |
|---|---|---|---|---|---|---|
| Customer Class Name | **Cost Allocation Results** | | **Existing Rates** | | **Proposed Allocation** | |
| Residential | 60.79% | 7,955,668 | 67.03% | 8,773,548 | 62.66% | 8,200,697 |
| General Service < 50 kW | 15.35% | 2,009,108 | 15.73% | 2,059,148 | 15.73% | 2,059,169 |
| General Service > 50 to 4999 kW | 19.20% | 2,513,578 | 12.91% | 1,689,616 | 17.29% | 2,262,446 |
| Unmetered Scattered Load | 0.06% | 7,575 | 0.06% | 8,195 | 0.06% | 8,195 |
| Sentinel Lighting | 0.01% | 1,152 | 0.01% | 1,247 | 0.01% | 1,247 |
| Street Lighting | 4.59% | 601,113 | 4.25% | 556,442 | 4.25% | 556,442 |
| **TOTAL** | | | | | | |

Table 17 below shows the revenue offset allocation which resulted from the Cost Allocation Study (Sheet O1).

**Table 17 - Revenue Offset Allocation as per Cost Allocation Study**

| | | Revenue Offsets | |
|---|---|---|---|
| Customer Class Name | | % | $ |
| | | | |
| Residential | | 61.52% | 518,692 |
| General Service < 50 kW | | 21.17% | 178,440 |
| General Service > 50 to 4999 kW | | 13.89% | 117,095 |
| Unmetered Scattered Load | | 0.04% | 348 |
| Sentinel Lighting | | 0.01% | 58 |
| Street Lighting | | 3.37% | 28,435 |
| | | | |
| **TOTAL** | | **100.00%** | **843,069** |

Table 18 shows the allocation of the service revenue requirement under the same three scenarios.

**Table 18 - Service Revenue Requirement Under 3 Scenarios**

| | Service Revenue Requirement $ | | |
|---|---|---|---|
| Customer Class Name | **Existing Rates** | **Cost Allocation** | **Proposed Allocation** |
| Residential | 9,294,520 | 8,514,351 | 8,721,594 |
| General Service < 50 kW | 2,235,579 | 2,108,819 | 2,235,600 |
| General Service > 50 to 4999 kW | 1,807,440 | 2,648,535 | 2,380,345 |
| Unmetered Scattered Load | 8,551 | 8,152 | 8,551 |
| Sentinel Lighting | 1,306 | 1,248 | 1,306 |
| Street Lighting | 585,593 | 651,885 | 585,593 |
| **TOTAL** | **13,932,989** | **13,932,989** | **13,932,989** |

# 7.4 REVENUES-TO-COST RATIOS

## 7.4.1 Adjustment to Revenue to Cost Ratios

Table 20 on the next page shows Appendix 2-P of the Board Appendices, while Table 13 below shows the utility's proposed ratios. 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.

**Table 19 – Proposed Revenue Allocation**

| | | | | | Target Range | |
|---|---|---|---|---|---|---|
| Customer Class Name | **Calculated R/C Ratio** | **Proposed R/C Ratio** | **Variance** | | **Floor** | **Ceiling** |
| Residential | 1.0965 | 1.0289 | 0.0676 | | 0.85 | 1.15 |
| General Service < 50 kW | 1.0229 | 1.0229 | 0.0000 | | 0.80 | 1.20 |
| General Service > 50 to 4999 kW | 0.6868 | 0.9045 | -0.2178 | | 0.80 | 1.20 |
| Unmetered Scattered Load | 1.0783 | 1.0783 | 0.0000 | | 0.80 | 1.20 |
| Sentinel Lighting | 1.0780 | 1.0780 | 0.0000 | | 0.80 | 1.20 |
| Street Lighting | 0.9291 | 0.9290 | 0.0000 | | 0.80 | 1.20 |

**Table 20 - OEB Appendix 2-P**

| A) Allocated Costs | | | | |
|---|---|---|---|---|
| | | | | |
| **Classes** | **Costs Allocated from Previous Study** | **%** | **Costs Allocated in Test Year Study (Column 7A)** | % |
| Residential | $6,992,777.50 | 65.52% | $8,475,408.28 | 60.83% |
| General Service < 50 kW | $1,650,943.69 | 15.47% | $2,187,813.28 | 15.70% |
| General Service > 50 to 4999 kW | $1,561,506.20 | 14.63% | $2,631,004.84 | 18.88% |
| Unmetered Scattered Load | $8,117.70 | 0.08% | $7,924.15 | 0.06% |
| Sentinel Lighting | $1,047.30 | 0.01% | $1,210.90 | 0.01% |
| Street Lighting | $458,047.90 | 4.29% | $629,627.98 | 4.52% |
| | | | | |
| **Total** | $10,672,440.29 | 100.00% | $13,932,989.42 | 100.00% |

| B) Calculated Class Revenues | | | | |
|---|---|---|---|---|
| | (from CA - O1 row 18) | | | |
| | **Column 7B** | **Column 7C** | **Column 7D** | **Column 7E** |
| **Classes (same as previous table)** | **Load Forecast (LF) X current approved rates** | **L.F. X current approved rates X (1 + d)** | **LF X proposed rates** | **Miscellaneous Revenue** |
| | | | | |
| Residential | $8,217,703.19 | $8,836,388.43 | $8,200,696.88 | $518,691.81 |
| General Service < 50 kW | $1,941,318.07 | $2,087,473.86 | $2,059,168.58 | $178,440.12 |
| General Service > 50 to 4999 kW | $1,425,001.03 | $1,532,284.92 | $2,262,446.20 | $117,095.09 |
| Unmetered Scattered Load | $8,013.22 | $8,616.51 | $8,195.35 | $348.06 |
| Sentinel Lighting | $1,134.60 | $1,220.02 | $1,246.64 | $58.50 |
| Street Lighting | $520,474.32 | $559,659.21 | $556,441.67 | $28,435.42 |
| | | | | |
| Total | $12,113,644.43 | $13,025,642.94 | $13,088,195.33 | $843,069.00 |

| 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)** | |
| | | **2018** | | | |
| | | **%** | **%** | **%** | **%** |
| Residential | | 1.06 | 109.73 | 102.73 | 85 - 115 |
| General Service < 50 kW | | 0.90 | 107.19 | 104.88 | 80 - 120 |
| General Service > 50 to 4999 kW | | 0.86 | 62.18 | 89.84 | 80 - 120 |
| Unmetered Scattered Load | | 1.20 | 109.86 | 104.88 | 80 - 120 |
| Sentinel Lighting | | 1.20 | 106.25 | 104.88 | 80 - 120 |
| Street Lighting | | 1.20 | 90.19 | 89.84 | 80 - 120 |

| D) Proposed Revenue-to-Cost Ratios | | | | | |
|---|---|---|---|---|---|
| **Class** | | **Proposed Revenue-to-Cost Ratios** | | | **Policy Range** |
| | | **2024** | **2025** | **2026** | |
| | | **%** | **%** | **%** | **%** |
| Residential | | 102.88 | | | 85 - 115 |
| General Service < 50 kW | | 102.28 | | | 80 - 120 |
| General Service > 50 to 4999 kW | | 90.44 | | | 80 - 120 |
| Unmetered Scattered Load | | 107.81 | | | 80 - 120 |
| Sentinel Lighting | | 107.78 | | | 80 - 120 |
| Street Lighting | | 92.89 | | | 80 - 120 |

Table 21 below shows the utility's proposed Revenue to Cost reallocation based on an analysis of the suggested results from the Cost Allocation Study vs. the Board imposed floor and ceiling ranges.

**Table 21 – 2024 Allocation**

| | | | | Target Range | | |
|---|---|---|---|---|---|---|
| Customer Class Name | **Calculated R/C Ratio** | **Proposed R/C Ratio** | **Variance** | **Floor** | **Ceiling** | **Shortfall Reconciliation** |
| Residential | 1.0916 | 1.0243 | 0.0645 | 0.85 | 1.15 | 572,906 |
| General Service < 50 kW | 1.0601 | 1.0601 | 0.0114 | 0.80 | 1.20 | -25.4 |
| General Service > 50 to 4999 kW | 0.6824 | 0.8987 | -0.2162 | 0.80 | 1.20 | -572,909 |
| Unmetered Scattered Load | 1.0490 | 1.0490 | 0.0000 | 0.80 | 1.20 | -0.0 |
| Sentinel Lighting | 1.0465 | 1.0464 | 0.0376 | 0.80 | 1.20 | 0.0 |
| Street Lighting | 0.8984 | 0.8983 | 0.0000 | 0.80 | 1.20 | 29.1 |

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 "calculated" ratios for all classes with the exception of the GS 50-4999 kW fell within the board determined ranges.

The Residential class shows a level of cross-subsidization; therefore, WPI proposes to apply the shortfall of approximately 500K in the GS 50-4999 kW to offset its over contribution in terms of revenues to costs.

The revenue to cost ratios for the other classes were marginally adjusted in accordance with board policy. The collective adjustments of the non-weather sensitive classes were relatively small; therefore, the impact on rates is minimal.

The proposed cost re-allocation results in the shortfall allocation shown in the table below.

**Table 22 Table of Shortfall reallocation**

| Customer Class Name | Shortfall Reconciliation |
|---|---|
| Residential | 572,908.0 |
| General Service < 50 kW | -24.8 |
| General Service > 50 to 4999 kW | -572,911.3 |
| Unmetered Scattered Load | -0.0 |
| Sentinel Lighting | 0.0 |
| Street Lighting | 28.9 |