

EXHIBIT 7 – COST ALLOCATION

2025 Cost of Service

Hydro 2000 Inc.
EB-2023-0030

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7.1 COST ALLOCATION STUDY REQUIREMENTS

7.1.1 Overview of Cost Allocation

H2000 is submitting cost allocation informational filing consistent with the H2000'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. H2000's information is updated to reflect new parameters and inputs and then used to adjust any cross-subsidization in the proposed rates.

H2000 notes that it is not requesting to eliminate existing 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 2025 ratios. As part of its last Cost of Service Rate Application, H2000 updated the cost allocation revenue to cost ratios with 2018 base revenue requirement information. The revenue to cost ratios from the 2020 application are presented below. H2000 notes that there have been no changes in its class composition since 2020.

Table 1 – Previously Approved Ratios vs Proposed Ratio (2020 CoS)

Particulars			
Customer Class Name		Previously Approved Ratios (2020)	Proposed Ratios
Residential		0.97	0.965
GS<50		1.20	1.176
GS 500-4999kW		1.05	1.200
USL		0.97	0.906
Street Lighting		1.20	1.200

7.2 PROPOSED COST ALLOCATION (2025)

The Cost Allocation Study allocates the 2025 test year costs to the various customer classes using allocators based on the forecast class loads (kW and kWh) by class, customer counts, etc.

H2000 has used the most up to date 2025 OEB-approved Cost Allocation Model and followed the instructions and guidelines issued by the OEB.

7.2.1 Inputs to the Cost Allocation Model

Sheet I3, Trial Balance Data

H2000 populated the information on Sheet I3, Trial Balance Data with the 2025 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)

Particulars	Previously Approved Particulars (2020)	Proposed Particulars
Return on Deemed Equity	\$32,745	\$47,384
Income Taxes (Grossed up)	\$1,924	\$8,977
Deemed Interest Expense	\$18,329	\$36,194
Service Revenue Requirement	\$589,471	\$842,382
Revenue Requirement to be Used in H2000s model (\$)	\$589,471	\$842,382
Rate Base (\$)	\$960,830	\$1,286,198
Rate Base to be Used in CA model (\$)	\$960,830	\$1,286,198

Table 3 – 2025 Grouped Accounts (Sheet I3 TB Data)

Grouped Accounts	2020 Balance	2025 Balance	Variance
Land and Buildings	\$2,427	\$5,799	\$3,372
TS Primary Above 50	\$0	\$0	\$0
DS	\$0	\$0	\$0
Poles, Wires	\$644,696	\$918,042	\$273,346
Line Transformers	\$235,357	\$474,926	\$239,569
Services and Meters	\$244,073	\$306,953	\$62,880
General Plant	\$0	\$0	\$0
Equipment	\$15,706	\$17,596	\$1,890
IT Assets	\$86,393	\$132,391	\$45,998
CDM Expenditures and Recoveries	\$0	\$0	\$0
Other Distribution Assets	\$0	\$0	\$0
Contributions and Grants	-\$177,253	(\$229,221)	-\$51,968
Accumulated Amortization	-\$317,219	(\$567,595)	-\$250,376
Non-Distribution Asset	\$0	\$0	\$0
Unclassified Asset	\$0	\$0	\$0
Liability	\$0	\$0	\$0
Equity	-\$32,745	(\$47,384)	-\$14,639
Sales of Electricity	\$0	\$0	\$0
Distribution Services Revenue	\$0	\$0	\$0
Late Payment Charges	\$0	(\$4,516)	-\$4,516
Specific Service Charges	-\$7,596	(\$3,872)	\$3,724
Other Distribution Revenue	-\$22,804	(\$28,424)	-\$5,620
Other Revenue - Unclassified	\$0	\$0	\$0
Other Income & Deductions	-\$7,172	(\$19,163)	-\$11,991
Power Supply Expenses (Working Capital)	\$2,529,321	\$2,343,290	-\$186,031
Other Power Supply Expenses	\$0	\$0	\$0
Operation (Working Capital)	\$10,000	\$24,872	\$14,872
Maintenance (Working Capital)	\$31,146	\$44,220	\$13,074
Billing and Collection (Working Capital)	\$150,231	\$244,311	\$94,080
Community Relations (Working Capital)	\$0	\$0	\$0
Community Relations - CDM (Working Capital)	\$0	\$0	\$0
Administrative and General Expenses (Working Capital)	\$288,489	\$342,069	\$53,580
Insurance Expense (Working Capital)	\$5,733	\$11,851	\$6,118
Bad Debt Expense (Working Capital)	\$5,000	\$18,151	\$13,151
Advertising Expenses	\$100	\$0	-\$100
Charitable Contributions	\$0	\$0	\$0
Amortization of Assets	\$43,774	\$62,361	\$18,587
Other Amortization - Unclassified	\$0	\$0	\$0
Interest Expense - Unclassified	\$18,329	\$36,194	\$17,865
Income Tax Expense - Unclassified	\$1,924	\$8,969	\$7,045
Other Distribution Expenses	\$2,000	\$2,000	\$0
Non-Distribution Expenses	\$0	\$0	\$0
Unclassified Expenses	\$0	\$0	\$0
Total	\$3,749,908	\$4,093,820	\$343,920

Sheet I4 BO Assets,

In sheet I4, Break-out of Assets, H2000 reviewed its primary and secondary assets to ensure that the model uses the most up-to-date information. The table below shows H2000's updated breakout between primary and secondary from its last cost of service in 2020.

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

Account	Description	BREAK OUT (%) 2020 CoS	BREAK OUT (%) 2025 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)	0.00%	0.00%
1820-2	Distribution Station Equipment - Normally Primary below 50 kV Primary)	100.00%	100.00%
1820-3	Distribution Station Equipment - Normally Primary below 50 kV (Wholesale Meters)	0.00%	0.00%
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	0.00%	0.00%
1830-4	Poles, Towers and Fixtures - Primary	65.00%	65.00%
1830-5	Poles, Towers, and Fixtures - Secondary	35.00%	35.00%
1835	Overhead Conductors and Devices		
1835-3	Overhead Conductors and Devices - Sub transmission Bulk Delivery	0.00%	0.00%
1835-4	Overhead Conductors and Devices - Primary	65.00%	65.00%
1835-5	Overhead Conductors and Devices - Secondary	35.00%	35.00%
1840	Underground Conduit		
1840-3	Underground Conduit - Bulk Delivery	0.00%	0.00%
1840-4	Underground Conduit - Primary	33.00%	33.00%
1840-5	Underground Conduit - Secondary	67.00%	67.00%
1845	Underground Conductors and Devices		
1845-3	Underground Conductors and Devices - Bulk Delivery	0.00%	0.00%
1845-4	Underground Conductors and Devices - Primary	36.00%	36.00%

1845-5	Underground Conductors and Devices - Secondary	64.00%	64.00%
1850	Line Transformers		
1855	Services		
1860	Meters		

Sheet I5 Misc Data

In Sheet I5.1, Miscellaneous data, H2000 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)

	2020 CoS	2025 CoS
Structure KM (kms of Roads in Service Area that have distribution line)	20.1	20.1
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 (%)	30%	30%

As instructed by the Board, in Sheet I5.2, Weighting Factors, H2000 has used LDC-specific factors rather than continue to use OEB-approved default factors. H2000 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; the details are shown at the next page and results shown below.

Table 6 –2020 Board Approved Weighting Factors (Sheet I5.2 Weighting Factors)

	1	2	3	7	9
	Residential	GS <50	GS 50 to 4,999 kW	Streetlight	Unmetered Scattered Load
Insert Weighting Factor for Services Account 1855	1.0	2.0	10.0	1.0	1.0
Insert Weighting Factor for Billing and Collecting	1.0	0.9	1.6	0.9	0.9

Table 7 – 2025 Proposed Weighting Factors (Sheet 15.2 Weighting Factors)

	1	2	3	7	9
	Residential	GS <50	GS 50 to 4,999 kW	Streetlight	Unmetered Scattered Load
Insert Weighting Factor for Services Account 1855	1.0	2.0	10.0	1.0	1.0
Insert Weighting Factor for Billing and Collecting	1.0	0.90	0.81	2.38	2.38

Table 8 – Determination of billing and collecting weighting factors.

Accounts 5305 - 5340		2025						
5305-Supervision		-						
5310-Meter Reading Expense		-						
5315-Customer Billing	238,391.00	1) Hydro 2000 2025 budget						
5320-Collecting	3,263.00	2) Hydro 2000 2025 budget						
5325-Collecting- Cash Over and Short		-						
5330-Collection Charges	2,433.00	3) Hydro 2000 2025 budget						
5340-Miscellaneous Customer Accounts Expenses		-						
		Residential	GS < 50 *	GS > 50	Unmetered	Street Light	Total	Acct
2025 Projected # of Customers (load forecast)		1145	139	15	1	1	1,301.00	
# bills (per tab 16.2 of CA model)		13740	1668	180	12	12	15,612.00	
Bill		0.88	0.11	0.01	0.00	0.00	1.00	
Time allocation		0.90	0.08	0.01	0.01	0.01	1.00	
							Total Annual Cost	Acct
Examples of Expenses								
5315 - Compensation (combined row for privacy)	\$135,634	\$119,370	\$14,491	\$1,564	\$104	\$104	\$135,634	5315
5315 - Customer Billing Supplies (by bills all class)	\$3,500	\$3,150	\$280	\$35	\$18	\$18	\$3,500	5315
5315 - ITM- Web Portal (by bill counts for Res and GS<50)	\$2,800	\$2,464	\$299				\$2,763	5315
5315 - Meter Sense (Monthly Fee) Harris (by bill counts for Res and GS<50)	\$5,320	\$4,682	\$568				\$5,250	5315
5315 - ORPC - Outside Contract Billing Process	\$61,882	\$55,694	\$4,951	\$619	\$309	\$309	\$61,882	5315
5315 - Util-Assist Sync Operator	\$10,620	\$9,347	\$1,135				\$10,481	5315
5315 - Connexo AML - Honeywell	\$9,500	\$8,361	\$1,015				\$9,376	5315
5315- Harris Option In-Out	\$2,500	\$2,200	\$267				\$2,467	
5315- Harris Work Shop	\$1,500	\$1,350	\$120	\$15	\$8	\$8	\$1,500	
5320-Collecting	\$3,263	\$3,263					\$3,263	
5330-Collection Charges	\$2,500	\$2,290	\$180	\$30	\$0	\$0	\$2,500	5330

Sheet I6.1 Revenue

H2000 has populated the I6.1 Revenue Tab with the 2025 proposed load forecast. H2000 confirms that the revenue sufficiency/deficiency reconciles with the RRWF, as does the Miscellaneous Revenues.

2025 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	19,234,467
Total kW from Load Forecast	10,121
Deficiency/sufficiency (RRWF 8. cell F51)	- 146,331
Miscellaneous Revenue (RRWF 5. cell F48)	55,975

			1	2	3	7	9
	ID	Total	Residential	GS <50	GS 50 to 4,999 kW	Street Light	Unmetered Scattered Load
Billing Data							
Forecast kWh	CEN	19,234,467	11,782,231	3,672,224	3,610,880	152,620	16,511
Forecast kW	CDEM	10,121			9,698	423	
Forecast kW, included in CDEM, of customers receiving line transformer allowance		-					
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	19,234,467	11,782,231	3,672,224	3,610,880	152,620	16,511
Existing Monthly Charge			\$36.97	\$26.49	\$96.43	\$1.50	\$5.46
Existing Distribution kWh Rate				\$0.0115			\$0.0154
Existing Distribution kW Rate					\$1.7203	\$8.7122	
Existing TOA Rate							
Additional Charges							
Distribution Revenue from Rates		\$640,077	\$507,825	\$86,400	\$33,854	\$10,351	\$1,647
Transformer Ownership Allowance		\$0	\$0	\$0	\$0	\$0	\$0
Net Class Revenue	CREV	\$640,077	\$507,825	\$86,400	\$33,854	\$10,351	\$1,647

Sheet I6.2 Customer Data

H2000 has populated the I6.2 Customer Data with the required information using the 2025 proposed customer forecast to determine the number of customers, devices, and bills. The H2000 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	9
ID	Total	Residential	GS <50	GS 50 to 4,999 kW	Street Light	Unmetered Scattered Load
Billing Data						
Bad Debt 3 Year Historical Average	BDHA	\$15,397	\$15,397	\$0	\$0	\$0
Late Payment 3 Year Historical Average	LPHA	\$5,813	\$4,476	\$1,104	\$233	
Number of Bills	CNB	15,606	13,736	1,667	178	12
Number of Devices	CDEV					-
Number of Connections (Unmetered)	CCON	392				370
Total Number of Customers	CCA	1,300	1,145	139	15	1
Bulk Customer Base	CCB	-				
Primary Customer Base	CCP	1,299	1,145	139	15	-
Line Transformer Customer Base	CCLT	1,299	1,145	139	15	-
Secondary Customer Base	CCS	1,300	1,145	139	15	1
Weighted - Services	CWCS	1,963	1,145	278	148	370
Weighted Meter -Capital	CWMC	376,181	335,089	40,330	762	-
Weighted Meter Reading	CWMR	1,299	1,145	139	15	-
Weighted Bills	CWNB	15,438	13,736	1,501	144	28
Bad Debt Data						
Historic Year:	2021	3,018	3,018			
Historic Year:	2022	12,333	12,333			
Historic Year:	2023	30,840	30,840			
Three-year average		15,397	15,397	-	-	-
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	1,145	13,324	1,145	13,324		
Street Light	-	142	-	142		
Street Lighting Adjustment Factors						
Primary						
Line Transformer						

Sheet I7.1 Meter Capital

H2000 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)

Meters	Cost Installed
Smart meters (single phase 200 Amps)	\$293.68
Transformer Type with CT	\$381.05
1 phase Transformer type kwh/kw	\$978.47
self contained 3 phase kwh/kw	\$978.47
Delta Meter	\$978.47
3 phase Demand kwh/kw	\$978.47
2.5 el. Kwhr & Kva & Kw	\$1,019.77
Bi-Directional MicroFit/Net Metering	\$293.68

Sheet I7.2 Meter Reading

H2000 has updated the meter capital to reflect current and accurate costs per meter. H2000 notes that there have been no changes to its meter reading factors since its last cost of service in 2020.

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

Meter Details	
Smart Meter	1.00
Smart Meter with Demand	1.00
Interval	1.20
LDC Specific 5	1.20
LDC Specific 6	1.00

Sheet I8 Demand Data

In the previous cost of service rate applications, H2000 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.

The filing requirements outlined in Section 2.1.7 of Chapter 2; distributors stipulate that utilities are to make every effort to update the load profiles of all classes with the most recent data available. Unfortunately, H2000 has not conducted any load profiles that are specifically designed to meet the H2000 requirements of this application. Instead, H2000 proposes to keep using the Hydro One scaling method of updating the load profiles. The primary justification for continuing to use the Hydro One scaling approach is that there has been no material change in

the composition of H2000 consumers and their respective load per class since the initial load profiles were established in 2004.

The second reason is that H2000 operates at a minimal cost. H2000 considered analyzing and modifying its load profiles using the USF methodology, which has been implemented and approved by a small number of utilities. However, it was determined that the USF technique is a resource-intensive and laborious procedure and, after an examination of the effort and resources required to implement it, H2000 determined it would not be in the best interests of the current staff and customers.

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)

		1	2	3	7	9
	Total	Residential	GS <50	GS 50 to 4,999 kW	Street Light	Unmetered Scattered Load
Distribution Revenue at Existing Rates	\$640,077	\$507,825	\$86,400	\$33,854	\$10,351	\$1,647
Miscellaneous Revenue (mi)	\$55,975	\$44,430	\$7,011	\$2,697	\$1,622	\$215
Miscellaneous Revenue Input equals Output						
Total Revenue at Existing Rates	\$696,052	\$552,255	\$93,410	\$36,552	\$11,973	\$1,862
Factor required to recover deficiency (1 + D)	1.2286					
Distribution Revenue at Status Quo Rates	\$786,407	\$623,921	\$106,152	\$41,594	\$12,717	\$2,023
Miscellaneous Revenue (mi)	\$55,975	\$44,430	\$7,011	\$2,697	\$1,622	\$215
Total Revenue at Status Quo Rates	\$842,382	\$668,351	\$113,163	\$44,291	\$14,339	\$2,238
Expenses						
Distribution Costs (di)	\$63,227	\$44,670	\$9,966	\$5,904	\$2,348	\$340
Customer Related Costs (cu)	\$268,328	\$240,754	\$24,379	\$2,295	\$450	\$450
General and Administration (ad)	\$355,920	\$304,795	\$37,516	\$9,447	\$3,281	\$881
Depreciation and Amortization (dep)	\$62,361	\$45,937	\$9,520	\$4,526	\$2,081	\$297
PILs (INPUT)	\$8,969	\$6,440	\$1,438	\$737	\$306	\$49
Interest	\$36,194	\$25,988	\$5,804	\$2,972	\$1,233	\$196
Total Expenses	\$794,999	\$668,584	\$88,623	\$25,880	\$9,699	\$2,213
Direct Allocation	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Net Income (NI)	\$47,384	\$34,022	\$7,598	\$3,891	\$1,615	\$257
Revenue Requirement (includes NI)	\$842,382	\$702,606	\$96,222	\$29,771	\$11,314	\$2,470
Revenue Requirement Input equals Output						
Rate Base Calculation						
Net Assets						
Distribution Plant - Gross	\$1,705,719	\$1,253,695	\$263,011	\$126,887	\$53,866	\$8,261
General Plant - Gross	\$149,987	\$108,807	\$23,730	\$11,884	\$4,790	\$776
Accumulated Depreciation	(\$567,595)	(\$425,122)	(\$83,787)	(\$37,842)	(\$18,368)	(\$2,477)
Capital Contribution	(\$229,221)	(\$176,954)	(\$33,187)	(\$14,027)	(\$4,236)	(\$817)
Total Net Plant	\$1,058,890	\$760,427	\$169,767	\$86,903	\$36,051	\$5,742
Directly Allocated Net Fixed Assets	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Power (COP)	\$2,343,290	\$1,437,208	\$446,843	\$438,690	\$18,542	\$2,006
OM&A Expenses	\$687,474	\$590,219	\$71,861	\$17,645	\$6,078	\$1,671
Directly Allocated Expenses	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$3,030,764	\$2,027,426	\$518,705	\$456,336	\$24,620	\$3,677
Working Capital	\$227,307	\$152,057	\$38,903	\$34,225	\$1,847	\$276
Total Rate Base	\$1,286,198	\$912,484	\$208,670	\$121,128	\$37,898	\$6,018
Rate Base Input equals Output						
Equity Component of Rate Base	\$514,479	\$364,994	\$83,468	\$48,451	\$15,159	\$2,407
Net Income on Allocated Assets	\$47,384	(\$232)	\$24,539	\$18,411	\$4,640	\$25
Net Income on Direct Allocation Assets	\$0	\$0	\$0	\$0	\$0	\$0
Net Income	\$47,384	(\$232)	\$24,539	\$18,411	\$4,640	\$25
RATIOS ANALYSIS						
REVENUE TO EXPENSES STATUS QUO%	100.00%	95.12%	117.61%	148.77%	126.74%	90.61%
EXISTING REVENUE MINUS ALLOCATED COSTS	(\$146,330)	(\$150,350)	(\$2,811)	\$6,781	\$659	(\$608)
Deficiency Input equals Output						
STATUS QUO REVENUE MINUS ALLOCATED COSTS	\$0	(\$34,254)	\$16,941	\$14,520	\$3,025	(\$232)
RETURN ON EQUITY COMPONENT OF RATE BASE	9.21%	-0.06%	29.40%	38.00%	30.61%	1.05%

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

Summary

	1	2	3	7	9
	Residential	GS <50	GS 50 to 4,999 kW	Street Light	Unmetered Scattered Load
Customer Unit Cost per month - Avoided Cost	\$16.13	\$14.27	\$11.07	\$0.09	\$1.70
Customer Unit Cost per month - Directly Related	\$33.44	\$30.25	\$25.92	\$0.21	\$3.67
Customer Unit Cost per month - Minimum System with PLCC Adjustment	\$40.82	\$35.78	\$38.33	\$2.30	\$9.63
Existing Approved Fixed Charge	\$36.97	\$26.49	\$96.43	\$1.50	\$5.46

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 H2000 determine its 2025 proposed ratios.

Table 15 - Results of the Cost Allocation Study

<u>Cost Allocation Results</u>			REVENUE ALLOCATION (sheet O1)				
Customer Class Name	Service Rev Req (row40)		Misc. Revenue (mi) (row19)		Base Rev Req		Rev2Cost Expenses %
Residential	702,606	83.41%	44,430	79.37%	658,176	83.69%	95.12%
General Service < 50 kW	96,222	11.42%	7,011	12.52%	89,211	11.34%	117.61%
General Service > 50 to 4999 kW	29,771	3.53%	2,697	4.82%	27,073	3.44%	148.77%
Unmetered Scattered Load	2,470	0.29%	215	0.38%	2,255	0.29%	90.61%
Street Lighting	11,314	1.34%	1,622	2.90%	9,692	1.23%	126.74%
TOTAL	842,382	100.00%	55,975	100.00%	786,407	100.00%	

Table 16 below shows the allocation percentage and base revenue requirement allocation under existing rates, cost allocation results, and proposed 2025 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	83.69%	658,176	79.34%	623,921	80.52%	633,241
General Service < 50 kW	11.34%	89,211	13.50%	106,152	13.50%	106,152
General Service > 50 to 4999 kW	3.44%	27,073	5.29%	41,594	4.20%	33,033
Unmetered Scattered Load	0.29%	2,255	0.26%	2,023	0.26%	2,023
Street Lighting	1.23%	9,692	1.62%	12,717	1.52%	11,958
TOTAL	100.00%	786,407	100.00%	786,407	100.00%	786,407

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

Customer Class Name	Revenue Offsets	
	%	\$
Residential	79.37%	44,430
General Service < 50 kW	12.52%	7,011
General Service > 50 to 4999 kW	4.82%	2,697
Unmetered Scattered Load	0.38%	215
Street Lighting	2.90%	1,622
TOTAL	100.00%	55,975

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

Table 18 - Service Revenue Requirement Under 3 Scenarios

Customer Class Name	Service Revenue Requirement \$		
	Existing Rates	Cost Allocation	Proposed Allocation
Residential	668,351	702,606	677,671
General Service < 50 kW	113,163	96,222	113,163
General Service > 50 to 4999 kW	44,291	29,771	35,731
Unmetered Scattered Load	2,238	2,470	2,238
Street Lighting	14,339	11,314	13,579
TOTAL	842,382	842,382	842,382

7.4 REVENUES-TO-COST RATIOS

7.4.1 Adjustment to Revenue to Cost Ratios

- * Ratios highlighted in pink fell outside of the floor to ceiling range.
- * The slight variance from the floor and ceiling are due to rounding.

The proposed Revenue to Cost ratio is adjusted by changing the allocation percentage for each class. The H2000 reviews and assesses the bill impacts for each class before adjusting the Revenue to Cost ratios.

All classes, except for the USL and Streetlights, fell within the acceptable ranges.

Regarding the USL and Streetlights, the shortage/overage is offset against each other by adjusting them to their corresponding floor or ceiling levels. The shortage/overage is deemed quite insignificant, hence H2000 recommended changing it within one year instead of spreading the adjustments over multiple years.

Table 20 20 on the next page shows Appendix 2-P of the Board Appendices, while Table 19 below shows the H2000'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

Customer Class Name	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Shortfall Allocation
Residential	0.9512	0.9645	-0.0133	-9,320.0
General Service < 50 kW	1.1761	1.1761	0.0000	-0.0
General Service > 50 to 4999 kW	1.4877	1.2002	0.2875	8,560.3
Unmetered Scattered Load	0.9061	0.9061	0.0000	0.0
Street Lighting	1.2674	1.2002	0.0671	759.7

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

* The slight variance from the floor and ceiling are due to rounding.

The proposed Revenue to Cost ratio is adjusted by changing the allocation percentage for each class. The H2000 reviews and assesses the bill impacts for each class before adjusting the Revenue to Cost ratios.

All classes, except for the USL and Streetlights, fell within the acceptable ranges.

Regarding the USL and Streetlights, the shortage/overage is offset against each other by adjusting them to their corresponding floor or ceiling levels. The shortage/overage is deemed quite insignificant, hence H2000 recommended changing it within one year instead of spreading the adjustments over multiple years.

Table 20 - OEB Appendix 2-P

A) Allocated Costs				
Classes	Costs Allocated from Previous Study	%	Costs Allocated in Test Year Study (Column 7A)	%
Residential	\$432,482.81	78.36%	\$702,605.71	83.41%
General Service < 50 kW	\$80,126.00	14.52%	\$96,221.79	11.42%
General Service > 50 to 4999 kW	\$29,797.00	5.40%	\$29,770.77	3.53%
Unmetered Scattered Load	\$9,029.60	1.64%	\$2,470.09	0.29%
Street Lighting	\$463.60	0.08%	\$11,313.84	1.34%
Total	\$551,899.01	100.00%	\$842,382.19	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	\$507,825.25	\$623,921.23	\$633,241.41	\$44,430.04
General Service < 50 kW	\$86,399.61	\$106,151.78	\$106,151.81	\$7,010.77
General Service > 50 to 4999 kW	\$33,854.20	\$41,593.74	\$33,033.47	\$2,697.40
Unmetered Scattered Load	\$1,646.58	\$2,023.01	\$2,023.01	\$215.20
Street Lighting	\$10,350.94	\$12,717.31	\$11,957.60	\$1,621.72
Total	\$640,076.58	\$786,407.07	\$786,407.30	\$55,975.12

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)		
	2020				
	%	%	%		
Residential	0.97	95.12	96.45	85 - 115	
General Service < 50 kW	1.20	117.61	117.61	80 - 120	
General Service > 50 to 4999 kW	1.05	148.77	120.02	80 - 120	
Unmetered Scattered Load	0.97	90.61	90.61	80 - 120	
Street Lighting	1.20	126.74	120.02	80 - 120	

D) Proposed Revenue-to-Cost Ratios					
Class	Proposed Revenue-to-Cost Ratios			Policy Range	
	2025	2026	2026		
	%	%	%		
Residential	117.61			85 - 115	
General Service < 50 kW	120.02			80 - 120	
General Service > 50 to 4999 kW	90.61			80 - 120	
Unmetered Scattered Load	120.02			80 - 120	
Street Lighting	117.61			80 - 120	

- Note that certain ratios that are going down by fractions are due to rounding.