EXHIBIT 7

COST ALLOCATION

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EXHIBIT 7 – COST ALLOCATION

7.0 OVERVIEW

This Exhibit 7 includes information on cost allocation study requirements, class revenue requirements and Revenue-to-Cost Ratios (“R-C Ratios”) in accordance with Section 2.7 of the Chapter 2 Filing Requirements.[1]

[1] OEB Filing Requirements for Electricity Distribution Rate Applications – 2025 Edition for 2026 Rate Applications, Chapter 2 Cost of Service, December 9, 2024

7.1 COST ALLOCATION STUDY REQUIREMENTS

BHI engaged Power Advisory LLC ("Power Advisory") to assist in completing a Cost Allocation Study for the 2026 Test Year using the OEB-approved model. The completed model is filed as a live Excel file Attachment10_2026_Cost_Allocation_Model_v1.0_BHI_04162025 (the "Cost Allocation Model"). BHI confirms that the cost allocation model is consistent with the test year load forecast.

BHI has completed its cost allocation model in accordance with the OEB's cost allocation polices in its reports of November 28, 2007 *Report of the Board on Application of Cost Allocation for Electricity Distributors*[2] and March 31, 2011 *Review of Electricity Distribution Cost Allocation Policy*[3] ("the Cost Allocation Reports").

BHI has also completed Tabs "*11. Cost Allocation*" and "*13. Rate Design*" of the OEB's Revenue Requirement Workform filed as Attachment7_2025_RRWF_BHI_04162025 ("RRWF"). BHI completed its transition to fully fixed rates for its residential rate class in 2019 and as such Tab "*12 .New Rate Design Policy for Residential Customers."* is not applicable.

7.1.1 Load Profiles, Demand Allocators and Weighting Factors

7.1.1.1 Load Profiles and Demand Allocators

In a letter dated June 12, 2015[4], the OEB stated that it expected distributors to be mindful of material changes to load profiles and to propose updates in their respective cost of service applications when warranted. In its last Cost of Service application EB-2020-0007, BHI used weather normalized 2018 load profiles that were scaled to the 2021 load forecast.

BHI has updated the load profiles for all rate classes using a similar methodology that was used in EB-2020-0007. Load profiles were derived using weather-normalized 2021-2023 hourly load data; adjustments were made to align the load profiles with the proposed 2026 Load Forecast (i.e., consumption forecast).

The weather-normalization process involves three steps:

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[2] EB-2007-0667
[3] EB-2010-0219
[4] EB-2012-0383, Review of Cost Allocation Policy for Unmetered Loads, Issuance of New Cost Allocation Policy for Street Lighting Rate Class

a) Derive weather profile of a typical year;

b) Derive the impact of heating degree days (“HDD”) and cooling degree days (“CDD”) on hourly load; and

c) Adjust actual load to typical load with the degree day impacts.

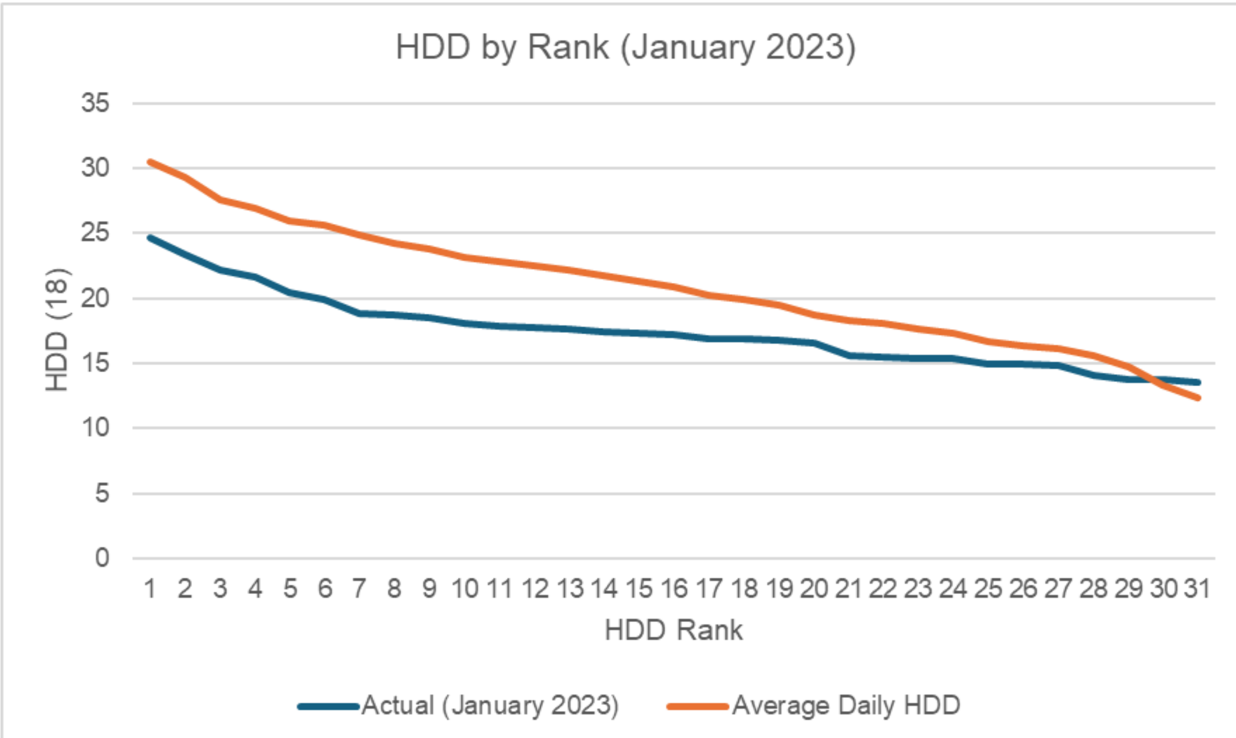
The weather normalization methodology used in BHI's last Cost of Service application has been refined to account for differences in weekday and weekend/holiday demands. The demand data used in the 2026 cost allocation model is based on an average of three years of weather-normalized demands scaled to test year consumption. In the 2021 Cost of Service demand data was based on a single year of weather-normalized demands scaled to the test year.

Derivation of Daily Temperatures

The weather profile of a typical year in the City of Burlington is calculated using average daily temperatures from 2014 to 2023. Average daily temperatures are defined as the average highest to lowest daily temperatures within a month (i.e., average of the coldest January day in each January from 2014 to 2023), rather than average temperatures on a specific calendar date (i.e., the average temperature on each January 1st). This process maintains the shape of the load profiles by determining typical monthly peaks and lows without smoothing those peaks.

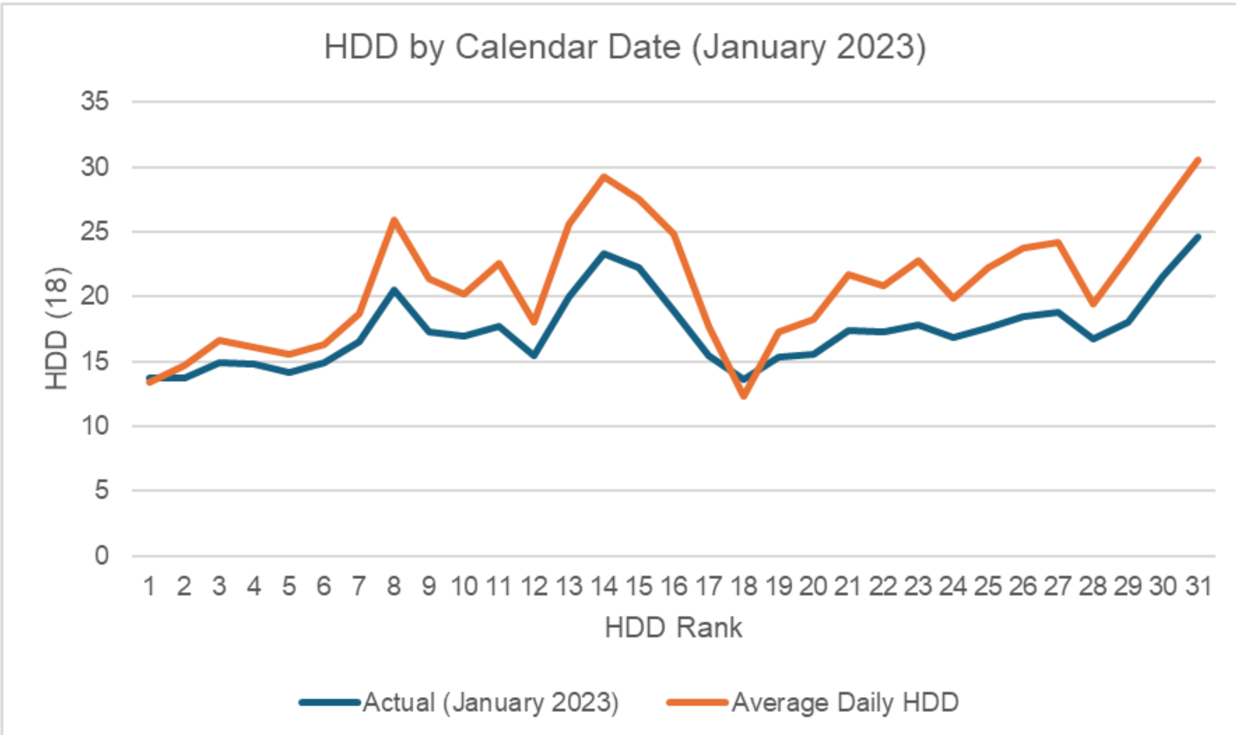
Average daily temperatures are derived by first ranking each day in each month from 2014 to 2023 from highest to lowest by HDD as measured at Environment Canada’s Burlington Piers Weather Station. HDDs and CDDs rely on the same base values as the proposed load forecast for each class instead of the default 18°C. HDD and CDD base values are discussed in further detail in Exhibit 3. The average HDDs among equivalently ranked days within a given month are then used as the average HDD for that ranked day in that month. For example, the days in January 2014 are ranked from 1 to 31 by HDD and this is repeated for each year from 2015 to 2024. The average HDD of the January days ranked 1 is calculated to provide the typical highest HDD day in January. All days in January ranked 1 are assigned this calculated average HDD. This process is repeated for the January days ranked 2 to 31. BHI provides an example of average daily temperatures from 2014 to 2023 and actual temperatures in January 2023 ranked from 1 to 31 in Figure 1 below.

Figure 1 – 10-Year Average HDD and January 2023 HDD by Rank



Average daily HDD reflects the January normal-weather profile in the City of Burlington. Figure 2 below displays the same information by calendar date using the average and actual temperatures associated with each ranked day. January 2023 was the mildest (lowest HDD) January in the last 10 years so average HDD is higher than actual 2023 HDD in most days. The weather-normalization process increases actual demands to reach weather normal demands.

Figure 2 – 10-Year Average HDD and January 2023 HDD by Calendar Date



Typical daily CDDs are determined by the same ranking and averaging methodology described above, using average daily CDD data from 2014 to 2023.

Impact of HDD and CDD on Hourly Load

The impact of HDDs and CDDs on hourly load is calculated with a regression of three years of actual hourly loads (2021 to 2023) on daily HDDs and CDDs. The regression results provide the estimated impact of a change in degree days on load.

Temperatures impact load differently depending on the time of the day and consequently HDD and CDD variables are converted to interaction variables between degree days and the hour of the day. There are 24 variables for each weekday HDD, weekend/holiday HDD, weekday CDD, and weekend/holiday CDD, equal to the actual degree days in the corresponding hour, and 0 in all other hours. A set of 24 binary variables, equal to 1 in the corresponding hour and 0 in all other hours, a time trend, and weekend/holiday flag are also included.[5] The resulting coefficients

[5] There are a total of 122 independent variables; however each observation has a maximum of five variables with non-zero values. The HDD, CDD, and hour values are 0 in each hour other than the HDD, CDD, and binary hour variables that correspond to the hour of the observation. This regression is roughly equivalent to 48 regressions, one for each hour of the day for each type of day.

reflect the impact of one HDD or CDD that considers different impacts depending on the hour of the day.

Adjust Actual Load to Typical Load

Actual 2021 to 2023 hourly load is adjusted by calculating the difference between actual daily temperatures and the corresponding ranked typical daily temperature (as identified in Figure 2) and applying the regression coefficient to the difference.

After 2021 to 2023 weather-normalized demand is derived for each hour, the load in each hour is adjusted by the same factor such that the sum of hourly loads in each year is equal to the proposed 2026 Load Forecast (i.e., consumption forecast).

Table 1 below provides the calculations used to adjust actual January 1, 2023 weather variables to typical weather for the Residential class.

Table 1 – January 1 Hour 13 Residential Example

Date	Hour	Temp °C	HDD (18)	HDD Rank	Average HDD at Rank	CDD (14)	CDD Rank	Average CDD at Rank
		A	B = 18 – A	C	D	E = A - 14	F	G
01-Jan	13	3.9	14.1	30	12.3	0	2	0

Date	Hour	2023 Load (kW)	HDD Diff.	HDD18 Coef.	CDD Diff.	CDD14 Coef.	2023 Normal Load (kW)
		H	I = D - B	J	K = G - E	L	M = H + (I * J) + (K * L)
01-Jan	13	65,579	-1.8	1,262	0	5,574	63,357

Date	Hour	2023 Normal Load (kW)	Sum of 2023 Normal Loads	2026 Forecast Consumption Excluding EVs & Heating	2023 to 2026 Load Adjustment	2026 Normal Load (kW) Excluding EV & Heating
		M	N	O	P = O / N	Q = M * P
01-Jan	13	63,357	532,617,155	552,246,705	1.04	65,692

Date	Hour	2026 Normal Load (kW) Excl. EV&H	2026 EV Load (kWh)	Hourly EV Load	2026 Heating Load	HDD in Hour as % of total annual HDD	Hourly Heating Load (kWh)	Total 2026 Normal Load (kW)
		Q	R	S = R * 0.013%	T	U	V = T * U	W = Q + S + V
01-Jan	13	65,692	6,300,188	834.5	2,691,658	0.023%	611.2	67,138

The HDD at base 18°C on January 1st, 2023 was 14.1 HDD, which was the 30th highest HDD in the month. The 30th highest January HDD in each year from 2014 to 2023 was, on average, 12.3 HDD. The difference, -1.8 HDD, is multiplied by the weekend/holiday “HDD Hour 13” coefficient of 1,262 from the load profile regression to produce a -2,222 kW adjustment. This adjustment is applied to actual load in the noon hour of January 1, 2023 (65,579 kW) to reach the weather-normalized load (63,357 kW). The 2026 residential load forecast, excluding EVs and electric heating, is 3.7% higher than the sum of 2023 weather-normalized hourly loads and as such, the initial noon January 1, 2026 weather-normalized demand increases to 65,692 kW. Incremental EV load of 834.5 kW is added using a typical Residential EV demand profile from New York state. Incremental hourly heating load is added by multiplying the total annual incremental heating load by the share of total weather-normal HDD in each hour, which adds 611.2 kW to the January 1, 2026 noon demand. With the additional loads, the total Residential weather-normalized demand at noon on January 1, 2026 is 67,138 kW.

GS<50 kW and GS>50 kW load profiles are derived by the same methodology. The Street Light class is not weather sensitive and as such its loads are not weather-normalized. The Unmetered Scattered Load (“USL”) hourly load was assumed to have a constant load. After load profiles are derived for all classes, total system and class-specific peaks within each month are compiled to produce Coincident Peak (“CP”) and Non-Coincident Peak (“NCP”) figures. Load profiles are derived separately based on weather normalization applied to 2021, 2022 and 2023. The average of the resulting CP and NCP figures in each year are used in Tab “I8 Demand Data” of the OEB’s Cost Allocation Model. BHI provides a model illustrating how demand data was derived as Attachment11_Load_Profile_Derivation_BHI_04162025. The figures referenced in Table 1 above are highlighted in the model.

7.1.1.2 Weighting Factors

In Section 2.6.4 of the OEB’s March 31, 2011 Cost Allocation Report, the OEB stated that “*default weighting factors should be utilized only in exceptional circumstances*”. Distributors are therefore now expected to develop their own weighting factors. As such, BHI has developed its own weighting factors for allocation of certain costs to rate classes, as outlined below.

Services (Account 1855)

To determine the service weighting factor used for each rate class, BHI calculated the cost of installing a typical service for each rate class. This cost included only amounts recorded in Account 1855 and excluded transformers and metering. Weighting factors were determined by assigning the residential rate class a factor of one (1) as required. The weighting factors for all other rate classes were determined relative to the residential rate class. Table 2 below identifies the services weighting factors. There is no factor assigned to the GS>50 kW rate class as service is supplied via a padmount transformer, not wires or cables.

Table 2 – Services Weighting Factors

Rate Class	Service Weighting Factor
Residential	1.00
GS<50 kW	2.59
GS>50 kW	0.00
Street Lights	0.02
Unmetered Scattered Load	0.24

Billing and Collecting

To calculate the billing and collecting weighting factors, BHI determined the billing and collecting costs directly attributable to each rate class. The remaining non-directly attributable costs were allocated to each rate class. Weighting factors were determined by assigning the residential rate class a factor of one (1) as required. The weighting factors for all other rate classes were determined relative to the residential rate class. BHI provides the billing and collecting weighting factors in Table 3 below.

Table 3 – Billing and Collecting Weighting Factors

Rate Class	Billing and Collecting Weighting Factor
Residential	1.00
GS<50 kW	1.59
GS>50 kW	4.79
Street Lights	0.91
Unmetered Scattered Load	0.89

Meter Capital

BHI determined the meter reading weighting factors using a four-step process as follows and as provided in Tab “I7.1 Meter Capital” of the Cost Allocation Model:

i. Determined the number of meters by type for each rate class (e.g., customers within the residential rate class can use one of four types of meters: Single Phase 200 Amp, Central Meter, Network Meter, and Smart Suite Meter);
ii. Determined the installation cost for each type of meter;
iii. Calculated the total meter installation cost for each rate class by summing the product of the installation cost and number of meters by meter type; and
iv. Calculated the average meter cost for each rate class and assigned a weighting factor for each rate class relative to the average residential cost.

BHI provides the meter capital weighting factors in Table 4 below.

Table 4 – Meter Capital Weighting Factors

Rate Class	Meter Capital Weighting Factor
Residential	1.00
GS<50 kW	3.65
GS>50 kW	16.42

Meter Reading

To calculate the meter reading weighting factors, BHI determined the meter reading costs directly attributable to each type of meter within each rate class. All residential and GS<50 kW customers have a smart meter. Approximately 3% of BHI's residential customers have a smart suite meter which costs approximately 2.4 times as much to read as a non-suite meter. Approximately 50% of BHI's GS>50 kW customers have an interval meter which costs significantly more to read than a smart meter. BHI provides the meter reading weighting factors in Table 5 below.

Table 5 – Meter Reading Weighting Factors

Rate Class	Meter Reading Weighting Factor
Residential	1.00
GS<50 kW	0.95
GS>50 kW	27.46

7.1.2 Specific Customer Class(es)

The OEB has provided policy guidance on cost allocation matters for specific customer classes (i) Large General Service and Large Use Classes and (ii) Embedded Distributor Class.

7.1.2.1 Large General Service and Large Use Classes

The treatment of the Transformer Ownership Allowance has been revised in the current version of the cost allocation model, as compared to the version that BHI used in its previous rebasing application. BHI confirms that it is using the OEB's 2025 Cost Allocation Model – Version 1.0 which incorporates the current treatment of the Transformer Ownership Allowance.

7.1.2.2 Embedded Distributor Class

BHI confirms that it is not a host utility or an embedded distributor and it does not have partially embedded distributor status. As such, BHI is not required to complete OEB Appendix 2-Q.

7.1.2.3 Unmetered Loads (Including Street Lighting)

On June 12, 2015 the OEB released their Issuance of New Cost Allocation Policy for Street Lighting Rate Class, outlining a new cost allocation policy for the street lighting rate class. A new "street lighting adjustment factor" is to be used to allocate costs to the street lighting rate class for primary and line transformer assets. The "street lighting adjustment factor" replaced the "number of connections" allocator. The OEB updated their cost allocation model to incorporate the street lighting adjustment factor. BHI implemented these changes in its cost allocation model in its 2021 Cost of Service application, and these changes are incorporated in its cost allocation model for this Application.

BHI communicates with its unmetered load customers, including Street Lighting customers, to assist them in understanding the regulatory context in which distributors operate and how it affects unmetered load customers. This communication takes place on an ongoing basis and is not driven by the rate application process, but regular business practice.

7.1.2.4 MicroFIT Class

BHI has not included microFIT as a separate class in its cost allocation model. BHI intends to continue to use the OEB-established generic rate.

7.1.2.5 Standby Rates

BHI does not currently have a standby charge and is not applying for one in this Application.

7.1.3 New Customer Class(es)

BHI is not proposing to establish a new customer class or change the definition(s) of existing customer classes.

7.1.4 Eliminated Customer Class(es)

BHI is not proposing to eliminate or combine existing customer classes.

7.2 CLASS REVENUE REQUIREMENTS

BHI provides its cost allocation information in Tab “11.Cost_Allocation” of the RRWF. This information is consistent with the information provided in Table 6 to Table 10 below.

Table 6 below identifies the revenue by class and R-C Ratios that would apply if all rates were changed by a uniform percentage; with a comparison to the R-C Ratios that will result from BHI’s proposed rates. The proposed adjustments are discussed in further detail in Section 7.3 below.

Table 6 – 2026 Test Year Class Service Revenue Requirements and R-C Ratios

Rate Class	Status Quo (Prior to Rebalancing)		Proposed Rates (After Rebalancing)		Increase/(Decrease) vs. Status Quo	
	Revenue $	R-C Ratio	2026 Cost Allocation Study	R-C Ratio	Revenue $	R-C Ratio
Residential	$34,021,089	100.90%	$34,021,089	100.90%	$0	— %
GS<50 kW	$7,231,892	108.48%	$7,231,892	108.48%	$0	— %
GS>50 kW	$11,118,730	91.83%	$11,170,132	92.25%	$51,402	0.42 %
Street Lighting	$284,559	126.47%	$270,012	120.00%	$(14,547)	(6.47)%
Unmetered Scattered Load (USL)	$184,386	149.98%	$147,531	120.00%	$(36,855)	(29.98)%
Total	**$52,840,656**		**$52,840,656**		**$0**	

BHI provides three revenue scenarios by rate class in Table 7 below as follows: (i) the 2026 load forecast quantities at existing rates; (ii) the 2026 load forecast at proposed rates, prior to any adjustment to R-C Ratios; and (iii) the 2026 load forecast at proposed rates, after the adjustment to R-C Ratios (i.e., the 2026 proposed class revenues in this Application). The table also identified the allocation of miscellaneous revenue to the rate classes, which is an output from the Cost Allocation Model; and the service revenue requirement by rate class.

Table 7 – 2026 Test Year Class Revenue Requirements

Rate Class	2026 Load Forecast @ 2025 Rates	2026 Load Forecast @ 2026 Proposed Rates		Miscellaneous Revenues	2026 Service Revenue Requirement After Rebalancing
		Before Rebalancing	After Rebalancing		
Residential	$24,721,308	$31,201,987	$31,201,987	$2,819,101	$34,021,089
GS<50 kW	$5,307,001	$6,698,228	$6,698,228	$533,664	$7,231,892
GS>50 kW	$8,039,433	$10,146,966	$10,198,368	$971,764	$11,170,132
Street Lighting	$208,872	$263,628	$249,081	$20,931	$270,012
Unmetered Scattered Load (USL)	$138,115	$174,321	$137,466	$10,065	$147,531
Total	**$38,414,728**	**$48,485,131**	**$48,485,131**	**$4,355,525**	**$52,840,656**

7.3 REVENUE-TO-COST RATIOS

The results of a cost allocation study are typically presented in the form of R-C Ratios which are identified by rate class and are calculated as the distribution revenue collected by rate class divided by the costs allocated to that rate class.

The OEB has established ranges for R-C Ratios. The range of acceptable R-C Ratios for all rate classes with the exception of Street Lighting is identified in Section 2.9.4 of the March 31, 2011 Cost Allocation Report. The OEB narrowed the R-C Ratio policy range for the street lighting rate class from 70-120% to 80-120% in its letter of June 12, 2015[6], consistent with views expressed in the December 19, 2013 *Report of the Board on Review of the Board's Cost Allocation Policy for Unmetered Loads*. These R-C Ratios are provided in Table 8 below for ease of reference.

Table 8 – OEB Ranges for Revenue to Cost Ratios

	OEB Target	
Rate Class	Min	Max
Residential	85%	115%
GS<50 kW	80%	120%
GS>50 kW	80%	120%
Street Lighting	80%	120%
Unmetered Scattered Load (USL)	80%	120%

A R-C Ratio lower than the OEB's floor for that rate class indicates the rate classification is under-contributing and is being subsidized by other classes of customers. A R-C Ratio greater than the OEB's ceiling indicates the rate classification is over-contributing and is subsidizing other classes of customers.

BHI is proposing to re-align its R-C Ratios by adjusting the R-C Ratios for those rate classes that are outside of the OEB's Policy Range to the upper or lower end of the range as applicable, and allocating the associated revenue surplus or shortfall, as applicable, to the remaining rate classes.

[6] EB-2012-0383, OEB Letter re: Review of Cost Allocation Policy for Unmetered Loads Issuance of New Cost Allocation Policy for Street Lighting Rate Class

Table 9 below summarizes the following R-C Ratios:

- The previously approved R-C Ratios in BHI's last Cost of Service application (EB-2020-0007);
- The R-C Ratios that would result from the most recent approved distribution rates and BHI's forecast of billing quantities in the 2026 Test Year, prorated upwards to match its proposed revenue requirement, and expressed as R-C Ratios with the class revenue requirements derived in the Cost Allocation Model; and
- The R-C Ratios that are proposed for the 2026 Test Year.

Table 9 – Rebalancing Revenue to Cost Ratios

Rate Class	Revenue to Cost Ratios			
	2021 Cost of Service	Status Quo	2026 Test Tear	Policy Range
Residential	98.75%	100.90%	100.90%	85-115%
GS<50 kW	118.51%	108.48%	108.48%	80-120%
GS>50 kW	94.42%	91.83%	92.25%	80-120%
Street Lighting	120.00%	126.47%	120.00%	80-120%
Unmetered Scattered Load (USL)	120.00%	149.98%	120.00%	80-120%

BHI's calculations in the Cost Allocation Model result in the R-C Ratios for the Street Lighting Class and USL being above the OEB-approved ceiling of 120%. BHI adjusted the revenue for these classes to decrease the R-C Ratios to 120% in the 2026 Test Year. This resulted in a shortfall in proposed revenue collected of ($51,402), as identified in Table 10 below, which BHI allocated to the GS>50 kW rate class, which was the only rate class with a R-C Ratio of less than 100%. The R-C Ratio for the GS>50 kW rate class increased by 0.42% as compared to the status quo as identified in Table 6 above. BHI is not proposing to continue to rebalance rates after the 2026 Test Year.

Table 10 – Impact of Rebalancing Revenue

Rate Class	Base Revenue Requirement		
	Before Rebalancing	After Rebalancing	Increase/ (Decrease)
Residential	$31,201,987	$31,201,987	$0
GS<50 kW	$6,698,228	$6,698,228	$0
GS>50 kW	$10,146,966	$10,198,368	$51,402
Street Lighting	$263,628	$249,081	$(14,547)
Unmetered Scattered Load (USL)	$174,321	$137,466	$(36,855)
Total	**$48,485,131**	**$48,485,131**	**$0**