COST ALLOCATION

1. COST ALLOCATION OVERVIEW

This represents the first rebasing and cost allocation completed for Elexicon, following the merger of Whitby Hydro Electric Corporation ("Whitby") and Veridian Connections Inc. ("Veridian") on April 1, 2019. As detailed in Section 2 of Exhibit 8 - Tab 1 - Schedule 1, Elexicon is proposing to harmonize distribution rates for its two rate zones in 2027. This schedule provides an overview of Elexicon's allocation of costs to harmonized rate classes. Elexicon has fully complied with the OEB's Filing Requirements for Exhibit 7 - Cost Allocation, as outlined in Section 2.7.

For this Application, Elexicon has used the 2026 CA Model for test year 2027, following the internal documentation contained in that model, to determine the proportion of Elexicon's revenue requirement that is recoverable from each rate class. The revenue-to-cost ratios for each class have been determined using the revenues over costs in the test year.

2. COST ALLOCATION MODEL

Elexicon has populated the OEB's 2026 Cost Allocation Model ("CA Model") for the 2027 forecast test year. This is the latest version of the model, dated February 5, 2025, and was used in accordance with Section 2.7 of the OEB Filing Requirements. The 2027 base revenue requirement has been allocated to Elexicon's harmonized rate classes, which are described in Section 3 and detailed further in Exhibit 8 - Tab 1 - Schedule 1. The CA Model was completed in full compliance with the prescribed guidelines. A description of how the revenue requirement by rate class is determined for the 2028 to 2031 forecast years is also provided in Exhibit 8 - Tab 1 - Schedule 1.

Elexicon's base revenue requirement for the 2027 forecast test year is described in Exhibit 6 - Tab 1 - Schedule 1. Capital contributions, depreciation and accumulated depreciation by USoA align with the 2027 test year continuity statement shown in OEB Appendix 2-BA, which is filed as Attachment 1 to Exhibit 2A - Tab 1 - Schedule 1. The rate class customer, usage and demand data applied in the CA Model is consistent with the 2027 test year customer forecast outlined in Exhibit 3 - Tab 1 - Schedule 1. The cost data used in

the CA Model aligns with these inputs, and the completed CA Model is provided as an Excel file in Attachment 1 to this schedule.

2.1 Modifications to the Cost Allocation Model

Elexicon has made changes to the CA model to apply density weighting factors to the costs of poles, overhead and underground conductor, and transformers for the Seasonal rate class. Changes are made in Tabs I6.2 Customer Data, E2 Allocators, E3 PLCC, and E4 TB Allocation Details within the CA Model. The changes are highlighted in yellow throughout the CA model and described in more detail in Section 2.4 below.

2.2 Cost Allocation Model Input Tabs

2.2.1 Rate Classes (Tab I2)

The cost allocation model was developed for Elexicon's harmonized rate classes using consolidated inputs, including the combined load forecast, customer counts, and charge determinants established in Exhibit 3 - Tab 1 - Schedule 1. Additional inputs from actuals, such as for meter capital, billing, late payment and bad debt, are aggregated from the existing rate zones into each respective harmonized class. The rate harmonization plan is further described in Exhibit 8 - Tab 1 - Schedule 1, and the harmonized rate classes in the CA model consist of:

- Residential
- General Service < 50 kW
- General Service 50 to 2,999 kW
- General Service 3,000 to 4,999 kW
- Large Use
- Street Lighting
- Sentinel Lighting
- Unmetered Scattered Load
- Seasonal Residential

2.2.2 Trial Balance Data (Tab I3)

Elexicon has included amounts in the "Model Adjustments" column of Tab I3 TB Data to ensure alignment between the figures in this tab and those reported in the Fixed Asset Continuity Schedule, (OEB Appendix 2-BA), filed as Attachment 1 to Exhibit 2A - Tab 1 - Schedule 1 and Cost of Power (OEB Appendix 2-ZB), filed as Attachment 1 to Exhibit 2A - Tab 3 - Schedule 1. The adjustments made in the CA Model are noted in Tab I3 for clarity and summarized below by USoA Account number ("Account"):

- Amounts in Account 1609 Capital Contributions Paid and Account 1610 Miscellaneous Intangible Plant have been reclassified and are added to Tab I3 Account 1810 Leasehold Improvements, in accordance with OEB guidance[1],
- The asset value of Socialized Renewable Energy Generation Investments, which is deducted from total Property Plant and Equipment for Rate Base Purposes in the Fixed Asset Continuity Schedule, has also been subtracted from the corresponding Accounts. Specifically, the asset values have been removed from Tab I3 Accounts 1830 Poles, Towers and Fixtures, 1835 Overhead Conductors and Devices, 1850 Line Transformers, 1855 Services, and 1980 System Supervisory Equipment.
- Amounts in Account 2440 Deferred Revenue have been reclassified and added to Tab I3 1995 Contributions and Grants – Credit
- Account 4245 Government Assistance Directly Credited to Income (amortization of deferred revenue) is set to $0 in Tab I3, by adding a positive amount equal to the negative balance in this Account. As discussed in Exhibit 2A - Tab 2 - Schedule 1, for the purposes of this application, deferred revenue has not been removed from Account 5705 Amortization Expense – Property, Plant, and Equipment, therefore no amounts associated with deferred revenue are included in revenue offsets.

[1] Ontario Energy Board, "Orientation Session for Electricity Distributors Rebasing in 2022/2023", (July 14, 2021)

- Account 4707 Global Adjustment has been combined with added Tab I3 Account 4705 Purchased Power

2.2.3 Breakdown of Functional Assets (Tab I4)

The breakout of distribution assets, capital contributions, accumulated depreciation and depreciation expense into primary, and secondary voltage categories was developed using mid-year 2025 data available on physical assets in the field extracted from Elexicon's GIS, as well as the best available customer information and financial records. Accumulated depreciation and amortization expense related to Socialized Renewable Energy Generation Investments have been removed from the Amortization of deferred revenue and disposals and from the applicable USoA accounts, as described above in Section 2.2.2.

2.2.4 Miscellaneous Data (Tab I5.1)

Elexicon's mid-year 2025 GIS was used to update the kilometres of roads containing distribution plant. In addition, the portion of pole leasing revenue from secondary is also calculated using GIS data based on the number of attachments on primary and secondary poles and the number of poles with attachments.

2.2.5 Weighting Factors (Tab I5.2)

In accordance with Section 2.6.4 of the OEB's March 31, 2011, Cost Allocation Report[2], distributors are expected to develop their own weighting factors. Default weighting factors may only be applied in exceptional circumstances. Consistent with this requirement, Elexicon has established weighting factors for allocating certain costs to rate classes, as outlined below, from Section 2.2.6 to 2.2.9.

2.2.6 Weighting Factor for Services (Account 1855)

Elexicon has used a weighting factor of 1.0 for the Residential and Seasonal Residential rate classes in its CA model, as these are the only classes with services owned and maintained by Elexicon. As per Elexicon's Conditions of Service, all General Service customer classes are responsible for installing and paying for

[2] Ontario Energy Board, EB-2010-0219, (March 31, 2011)

their own service connection assets. Elexicon does not own or perform any maintenance work on customer-owned services.

Table 1: Weighting Factors for Services

Rate Class	Weighting Factor for Services
Residential	1.0
General Service < 50 kW	0.0
General Service 50 to 2,999 kW	0.0
General Service 3,000 to 4,999 kW	0.0
Large Use	0.0
Street Lighting	0.0
Sentinel Lighting	0.0
Unmetered Scattered Load	0.0
Seasonal Residential	1.0

2.2.7 Weighting Factor for Billing and Collecting and Meter Capital

Weighting Factors for Billing and Collecting

An analysis of billing and collecting costs in Accounts 5305-5340 was conducted to assign weighting factors to each rate class. This analysis consisted of a detailed review of expenses within these accounts resulting in specific weighting factors for each rate class for each group of accounts. These weighting factors are multiplied by the total customers in each rate class to allocate costs per customer in each rate class. With the total cost per customer for the Residential rate class set to one, the relative weight of each of the other rate classes were calculated.

An equal weighting factor was assigned to each rate class for Canada Post expenses. Customer Service Experience expenses are weighted slightly higher for General Service rate classes to recognize the additional time spent providing support to an average General Service customer. Key Accounts expenses are allocated only to rate classes that have key account managers. Billing Department expenses are slightly higher for General Service 50 to 2,999kW, General Service 3,000 to 4,999 kW, and Large Use rate classes to account for additional time spent on the bills of customers in those rate classes. Collections Department expenses are allocated to all classes except unmetered rate classes.

Table 2: Weighting Factors for Billing and Collecting Expense Groups

Rate Class	Canada Post	Customer Service Expenses	Key Accounts	Billing Dept.	Collections Dept.
Residential	1	1		1	1
General Service < 50 kW	1	1.2		1	1
General Service 50 to 2,999 kW	1	1.2	1	1.2	1
General Service 3,000 to 4,999 kW	1	1.2	1	1.2	1
Large Use	1	1.2	1	1.2	1
Street Lighting	1	1		1	
Sentinel Lighting	1	1		1	
Unmetered Scattered Load	1	1		1	
Seasonal Residential	1	1		1	1

The weighting factors for billing and collecting are set out in the table below.

Table 3: Weighting Factors for Billing and Collecting

Rate Class	Weighting Factor Billing and Collecting
Residential	1.0
General Service < 50 kW	1.1
General Service 50 to 2,999 kW	1.6
General Service 3,000 to 4,999 kW	1.8
Large Use	2.8
Street Lighting	0.9
Sentinel Lighting	0.9
Unmetered Scattered Load	1.1
Seasonal Residential	1.0

Weighting Factors for Meter Capital

Elexicon's installation costs per meter were calculated based on current installed meter costs, labour rates, and fleet rates. The installed costs of general service meters include higher capital and installation costs. The total meter installation cost for each rate class was determined by summing the product of the current installation cost and the number of meters by meter type. A weighting factor was then established for each rate class based on its average meter cost, relative to the average meter cost for the residential rate class. Customers without meters, including those in the Street Lighting, Sentinel Lighting, and USL rate

classes, do not incur meter capital costs. The installation cost per meter and meter capital weighting factors are provided in Tables 4 and 5 below.

2.2.8 Meter Capital (Tab I7.1)

Table 4: Installation Cost per Meter

Meter Types	Cost Per Meter (Installed) ($)
SM - 200 amp	268
SM - 200 amp (GS<50Kw)	316
SM - 200 amp network (Apartments)	444
SM - Transformer Rated/400 amp	576
Suite Meter	647
SM - 3 ph 120/480 v no IT's	827
Polyphase Meter 3 ph 120/480v with IT's	930
Interval Meter - 3 ph 120/480v with IT's	1,426
Primary Metered Interval (ION metered accounts)	17,456

Table 5: Weighting Factors for Meter Capital

Rate Class	Weighting Factor for Meter Capital
Residential	1.0
General Service < 50 kW	2.1
General Service 50 to 2,999 kW	3.4
General Service 3,000 to 4,999 kW	37.2
Large Use	63.2
Street Lighting	-
Sentinel Lighting	-
Unmetered Scattered Load	-
Seasonal Residential	1.02

2.2.9 Weighting Factors for Meter Reading

Elexicon's meters are read through automated processes using Advanced Meter Infrastructure (AMI) for residential and commercial smart meters, and MV90, an industry-standard data collection and management system for interval meters, for advanced interval and large commercial meters. The AMI smart meter reads are automated and relatively routine, whereas MV90 interval meter reads require greater data collection and reconciliation activities. To ensure accurate cost allocation, Elexicon analyzed the costs included in meter reading and assigned costs to the appropriate type of meter, based on the

nature of the cost. Customers without meters, including those in Street Lighting, Sentinel Lighting, and USL rate classes, do not incur meter reading costs. The weighting factors, calculated based on the proportion of each meter type within the customer classes, are set out in Table 6 below.

Table 6: Weighting Factors for Meter Reading

Rate Class	Weighting Factor for Meter Reading
Residential	1.0
General Service < 50 kW	1.0
General Service 50 to 2,999 kW	50.0
General Service 3,000 to 4,999 kW	50.0
Large Use	50.0
Street Lighting	0.0
Sentinel Lighting	0.0
Unmetered Scattered Load	0.0
Seasonal Residential	1.0

2.2.10 Revenue (Tab I6)

The Revenue tab requires existing monthly charges, kWh rates, and kW rates for the purpose of calculating revenue at current rates. Because the currently approved rates apply to the two separate legacy rate zones, Elexicon established proxy 2026 charges to serve as consolidated existing charges. These charges for each class were calculated as the weighted average rates for the two separate rate zones, the Whitby Rate Zone ("WRZ") and the Veridian Rate Zone ("VRZ"), using the 2026 rates calculated in Elexicon's 2026 IRM application[3]. The rates are weighted by the relevant 2027 forecast billing determinant and calculated separately for each rate class. The existing fixed charges are weighted by the number of customers in each rate zone, while the existing variable rates are weighted by the appropriate variable billing determinant in each rate zone (kWh for energy charges and kW for demand charges). The weighted average existing fixed and variable charges are provided in Tables 7 and 8. The derivation of the existing charges is provided in Tab I6.

[3] Ontario Energy Board, EB-2025-0046 (July 15, 2025)

Table 7: Derivation of Weighted Average Existing Fixed Charges

	Veridian Rate Zone		Whitby Rate Zone		Weighted Average 2026 Fixed Charge ($/month)
	Forecast 2027 Customer Count	2026 Fixed Charge ($/month)	Forecast 2027 Customer Count	2026 Fixed Charge ($/month)	
Residential	124,619	32.79	48,234	38.56	34.40
GS <50	9,685	21.26	2,572	32.41	23.60
GS 50 - 2,999 kW	1,094	135.84	407	246.85	165.94
GS 3,000 - 4,999 kW	12	7,137.67	6	246.85	4,758.36
Large Use >5MW	7	10,722.24	-	-	10,722.24
Street Light	33,737	0.89	14,399	2.17	1.27
Sentinel	226	5.71	47	7.05	5.94
USL	721	8.68	393	11.99	9.85
Seasonal Residential	1,552	59.89	-	-	59.89

Table 8: Derivation of Weighted Average Existing Variable Charges

	Veridian Rate Zone		Whitby Rate Zone		Weighted Average 2026 Variable Charge ($/kW or $/kWh)	kW/ kWh
	Forecast 2027 Variable Charge Determinant (kW/kWh)	2026 Variable Charge ($/kW or $/kWh)	Forecast 2027 Variable Charge Determinant (kW/kWh)	2026 Variable Charge ($/kW or $/kWh)		
Residential	1,139,476,592	-	439,097,043	-	-	kWh
GS <50	284,059,625	0.0214	92,220,583	0.0240	0.0220	kWh
GS 50 - 2,999 kW	2,439,391	4.1908	858,662	4.9301	4.3833	kW
GS 3,000 - 4,999 kW	409,834	2.6549	225,033	4.9301	3.4614	kW
Large Use >5MW	700,460	3.7393	-	-	3.7393	kW
Street Light	33,370	4.7202	10,320	8.3048	5.5669	kW
Sentinel	571	17.2626	94	18.9807	17.5056	kW
USL	4,443,188	0.0213	1,946,357	0.0383	0.0265	kWh
Seasonal Residential	13,651,253	-	-	-	-	kWh

Forecast billing determinants are also entered in this tab, and these are developed as part of the load forecast provided in Exhibit 3. The forecast kW for customers receiving the line transformer allowance is based on the historical proportions by rate class, which includes 39.4% of General Service 50 to 2,999 kW load and all General Service 3,000 kW to 4,999 kW and Large Use loads. The bulk, primary, line transformer,

and secondary customer counts are also based on the historical proportions for each rate class. The forecasted consumption and demand by rate class are provided in Table 9, below.

Table 9: 2027 Forecast Consumption and Demand

	Forecast Consumption (Annual kWh)	Forecast Demand (Annual kW)	Forecast Transformer Allowance (Annual kW)
Residential	1,578,573,635		
GS <50	376,280,208		
GS 50 - 2,999 kW	1,365,439,860	3,298,053	1,299,433
GS 3,000 - 4,999 kW	308,941,637	634,867	634,867
Large Use >5MW	408,628,327	700,460	700,460
Street Light	16,417,838	43,690	
Sentinel	237,983	665	
USL	6,389,545		
Seasonal Residential	13,651,253		

2.3 Load Profile Derivation

Elexicon's load profiles have been established for all harmonized rate classes. Load profiles were derived using weather-normalized January 2021 to December 2024 hourly load data. Adjustments were then made to align the January 2021 to December 2021, January 2022 to December 2022, January 2023 to December 2023, and January 2024 to December 2024 load profiles with the proposed 2027 Load Forecast (i.e. consumption forecast). An excel file demonstrating how the demand allocators are derived is provided as Attachment 2 to this schedule. The weather-normalization process involves three steps:

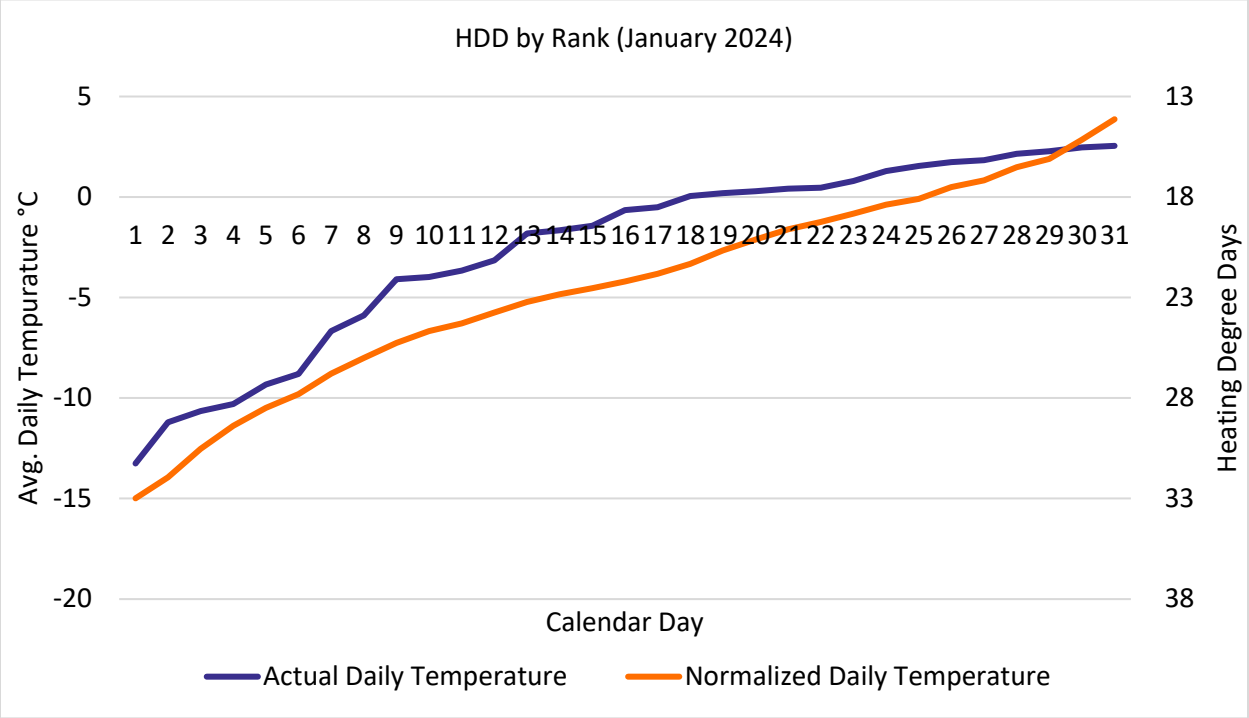
a) Derive weather profile of a typical year;
b) Derive the impact of heating degree days ("HDD") and cooling degree days ("CDD") on hourly load; and
c) Adjust actual load to typical load with the degree day impacts.

The weather profile of a typical year in Elexicon's service territory is calculated using average daily temperatures from January 2015 to December 2024. 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 2015 to 2024), 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.

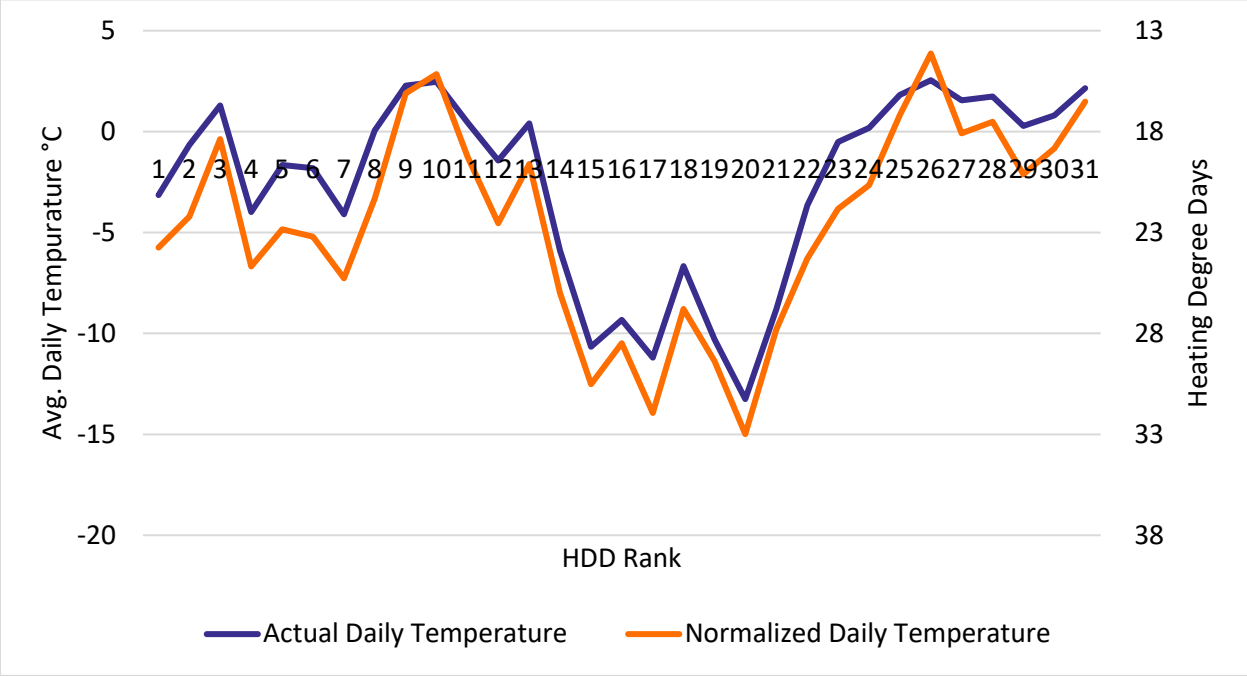
Average daily temperatures are derived by first ranking each day in each month from January 2015 to January 2024 from highest to lowest by HDD as measured at Environment Canada's Oshawa Weather Station. HDD and CDD base values other than relative to 18°C are considered, which is discussed in further detail in Exhibit 3 - Tab 1 - Schedule 1 - Appendix A. 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 2015 are ranked from 1 to 31 by HDD and this is repeated for each year from 2016 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. An example of average daily temperatures from January 2015 to January 2024 and actual temperatures in January 2024 ranked from 1 to 31 is provided in Figure 1 below. The temperature is shown on the left y-axis and the corresponding HDD is shown on the right y-axis. The base temperature is 18°C so the HDD value is equal to 18 minus the temperature.

Figure 1: 10-Year Avg. Daily HDD and Actual January 2024 HDD by Rank



Average daily temperatures reflect the January normal-weather profile in Elexicon's service area. Figure 2 below displays the same information by calendar date using the average and actual temperatures associated with each ranked day.

Figure 2: 10-Year Avg. Daily HDD and Actual June 2024 HDD by Calendar Date



Typical daily HDDs are determined by the same ranking and averaging methodology described above, using average daily CDD data from January 2015 to December 2024.

The impact of HDDs and CDDs on hourly load is calculated with a regression of four years of actual hourly loads (January 2021 to December 2024) 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. Consequently, HDD and CDD variables are converted to interaction variables between degree days, the hour of the day, and whether the day is a weekday or a weekend/holiday. There are 24 variables for each weekday HDD, weekday CDD, weekend/holiday HDD, 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, a binary weekend flag, and a binary holiday flag variables are also included. The resulting coefficients reflect the impact of one HDD or CDD that considers different impacts depending on the hour of the day and type of day.

Actual January 2024 to December 2024 hourly load is adjusted by calculating the difference between actual hourly temperatures and the corresponding ranked typical hourly temperature and applying the regression coefficient to the difference. After January 2024 to December 2024 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 is equal to the proposed 2027 Load Forecast (i.e. consumption forecast) excluding incremental EV and heating loads. Incremental EV and heating loads were then added based on an average hourly use profile for EVs and a weather-normal HDD profile for heating loads.

Table 10 below provides the calculations used to adjust actual January 1, 2024 weather variables to typical weather for the Residential class.

Table 10: January 1 Noon Residential Example[4,5]

Date	Hour	Temp °C	HDD (18)	HDD Rank	Average HDD at Rank	CDD (16)	CDD Rank	Average CDD at Rank
		A	B = 18 – A	C	D	E = A - 16	F	G
1-Jan	13	-3.4	21.4	12	22.5	0	20	0

Date	Hour	2024 Load (kW)	HDD Diff.	HDD18 Coef.	CDD Diff.	CDD16 Coef.	2024 Normal Load (kW)
		H	I = D - B	J	K = G - E	L	M = H + (I * J) + (K * L)
1-Jan	13	198,673	1.1	4,119	0	15,260	203,122

Date	Hour	2024 Normal Load (kW)	Sum of 2024 Normal Loads	2027 Forecast Consumption Excluding EVs & Heating	2024 to 2027 Load Adjustment	2027 Normal Load (kW) Excluding EV & Heating
		M	N	O	P = O / N	Q = M * P
1-Jan	13	203,122	1,472,280,539	1,526,636,209	1.037	210,621

Date	Hour	2027 Normal Load (kW) Excl. EV&H	2027 EV Load (kWh)	Hourly EV Load	2027 Heating Load	HDD in Hour as % of total annual HDD	Hourly Heating Load (kWh)	Total 2027 Normal Load (kW)
		Q	R	S = R * 0.0162%	T	U	V = T * U	W = Q + S + V
1-Jan	13	210,621	31,925,612	5,176.4	20,011,814	0.024868%	4,976.5	220,774

The HDD at noon on January 1st, 2024 was 21.4 HDD, which was the 12th highest HDD in the month. The 12th highest January HDD in each year from 2015 to 2024 was, on average, 22.5 HDD. The difference, 1.1 HDD, is multiplied by the weekday HDD Hour 13 coefficient of 4,119 kW/CDD from the load profile regression to produce the 4,449 kW adjustment. This adjustment is applied to actual load in the noon hour of January 1, 2024 (198,673 kW) to reach the weather-normalized load (203,122 kW). The 2027 Residential

[4] Numbers may not sum due to rounding.
[5] This table is included in excel format in Attachment 2 to this schedule

load forecast, excluding additional EV and heating loads, is 3.7% higher than the sum of 2024 weather-normalized hourly loads and as such, the initial January 1, 2027 weather-normalized demand increases to 210,621. Incremental EV load of 5,176.4 kW is added based on an indicative Residential EV load profile in which half of EV load is spread equally to all ULO off-peak hours in the year and the other half is spread equally across all hours of the year. Incremental hourly heating load is added by multiplying the total annual incremental heating load by the share of total weather-normal HDD in the noon hour of January 1, which is 0.025% or 4,976.5 kW.

Seasonal Residential, General Service < 50 kW, General Service 50 to 2,999 kW, and General Service 3,000 to 4,999 kW load profiles are derived by the same methodology. A correlation between hourly demand and weather variables was not found for the Large Use class so the loads of the Large Use class are not weather-adjusted. The Street Light and Sentinel Light classes are not weather sensitive and as such their loads are not weather-normalized. The USL class 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 the January 2022 to December 2022, January 2023 to December 2023, January 2024 to December 2024 load profiles. The average of the resulting CP and NCP figures based on both profiles is used in Tab "I8 Demand Data" of the OEB's CA Model. A live excel model illustrating how demand data was derived is provided as Attachment 2 to this schedule.

The following Table 11 outlines the scaling factors used by rate class:

Table 11: Load Profiling Scaling Factors

	Residential	Seasonal Residential	GS < 50	GS 50 to 2,999	GS 3,000 to 4,999
1CP	389,230	1,808	78,296	219,734	34,817
4CP	1,416,279	6,284	293,387	858,127	140,486
12CP	3,464,817	21,335	730,205	2,314,352	424,799
1NCP	424,218	3,216	81,050	231,340	46,628
4NCP	1,560,406	12,017	309,708	904,393	183,827
12NCP	3,771,685	31,174	820,329	2,518,730	531,574
	Large Use	Street Light	Sentinel Light	USL	Total
1CP	49,017	-	-	729	693,932
4CP	196,134	-	-	2,918	2,602,369
12CP	599,373	22,390	325	8,753	7,041,688
1NCP	60,645	3,986	58	730	851,871
4NCP	232,613	15,471	224	2,918	3,221,577
12NCP	659,271	45,820	664	8,753	8,388,001

2.4 Density Factors

The cost allocation model in Veridian's 2014 rebasing application (EB-2013-0174) included density weighting factors applicable to its Seasonal Residential rate class. The weighting factors are applied to the following accounts:

- USoA #1830 Poles, Towers and Fixtures
- USoA #1835 Overhead Conductors and Devices
- USoA #1845 Underground Conductors and Devices
- USoA #1850 Line Transformers

In its 2014 cost of service settlement agreement, Veridian agreed to undertake an assessment of the Seasonal Residential density factors used in its Cost Allocation study and committed to review the plans for the density assessment with intervenors.[6] Elexicon held an engagement with the intervenors that were party to Veridian's 2014 settlement agreement on July 23, 2025. In the engagement Elexicon provided an

[6] EB-2013-0174, "Decision and Order", (April 10, 2014), Appendix A - Settlement Proposal, page 13 of 54.

overview of the Seasonal Residential rate class, provided an assessment that the density factors should be updated, and presented a plan for updating the density factors. Elexicon has updated the density weighting factors in its 2027 CA model according to the methodology used to derive the density factors described below, consistent with the planned methodology presented to intervenors.

The density factors used in Veridian's 2014 cost allocation model were the same factors used by Gravenhurst Hydro in the 2006 Cost Allocation Information Filing[7] and in Veridian's 2010 cost of service proceeding[8], which maintained Gravenhurst as a separate rate zone.

Gravenhurst Hydro had a Residential Suburban rate class where a different set of density factors were applied in its cost allocation model. Veridian continued this rate class within the Gravenhurst rate zone in its 2010 cost of service application, applying the same density factors used in the 2006 Cost Allocation Information Filing to the Gravenhurst rate zone 2010 cost allocation model. In Veridian's 2014 cost of service proceeding the Residential Suburban rate class was harmonized with the Residential rate class.

The density factors applied to the Seasonal Residential rate class in Veridian's 2014 cost of service proceeding were originally calculated based only the Gravenhurst rate zone and considered the density of a rate class that no longer exists. Since the historical density factors do not reflect the relative costs between the Seasonal Residential customers in Gravenhurst and Elexicon's broader customer base, Elexicon determined that it is appropriate to update the density factors applied to the Seasonal Residential rate class.

The Residential Seasonal classification applies to premises that are not the customer's principal residence. A principal residence is defined as meeting the following criteria:

- The occupant must live in this residence for at least 8 months of the year.
- The address of this residence must appear on the occupant's electric bill, driver's license, credit card invoice, property tax bill, etc.

[7] Ontario Energy Board, RP-2005-0020 / EB-2005-0368, (April 12, 2006)
[8] Ontario Energy Board, EB-2009-0140, (May 10, 2010)

- Occupants who are eligible to vote in Provincial or Federal elections must be enumerated for this purpose at the address of this residence.

The criteria are not specifically linked to density. Areas within the Gravenhurst service area include both Residential and Seasonal Residential customers, with no meaningful difference between the assets used to serve each customer and the cost of providing service to those customers. Elexicon has seen a decline in the number of Seasonal Residential customers as either existing or new move-in customers use the premise as their principal residence.

The updated density factors are calculated using 2025 GIS data, which reflect the quantity of poles and transformers and the length of overhead and underground conductors within the rural area of the Gravenhurst service area, where nearly all Seasonal Residential customers are located relative to Elexicon's total customer base. The density factors are calculated using the following four steps:

1. The Gravenhurst service area is divided into a Rural service area and an Urban service area based on existing area definitions used by Elexicon. The rural service area is used to represent the areas Seasonal Residential customers are located.
2. The quantity of poles and transformers and the length of overhead and underground conductors that are within the shortest feeder path from the customer to the closest supply point were determined for customers within the Rural Gravenhurst service area and for Elexicon's total service area.
3. The average quantity of poles and transformers and the length of overhead and underground conductors that supply customers in the Rural service area and Elexicon's remaining metered customers are calculated.
4. The density factors are derived as the ratio between the average customer in the Rural Gravenhurst service area and the average Elexicon customer across its service area, for each type of asset.

This calculation considered all metered customers, rather than only Residential customers, because the density factors for all other classes are set to 1.0 so the density factors are applied relative to all other

classes equally. Stakeholders generally agreed with the need to update the Seasonal Residential density factors.

The resulting Seasonal Residential rate class density factors are provided in Table 12.

Table 12: Seasonal Residential Density Weighting Factors

Asset Group	EB-2013-0174 Density Factors	Updated Density Factors
Poles	4.0	10.0
O/H Conductors	8.0	5.6
U/G Conductors	2.1	1.7
Transformers	4.0	5.1

All other rate classes are assigned a density weighting of 1.0. The density weighting factors are included in the CA Model in Tab I6.2 Customer Data, with corresponding adjustments made to Tabs E2 Allocators and E3 PLCC to reflect the density weightings. The allocators related to poles, overhead and underground conductor, and transformers in Tab E4 TB Allocation Details have been revised to reference the density weighted allocators.

3. CLASS-SPECIFIC DETAILS

3.1 Harmonized Rate Classes

As described further in Exhibit 8 - Tab 1 - Schedule 1, Elexicon is proposing to harmonize its two separate rate zones, VRZ and WRZ. The rate classes are consistent among rate zones, with the exception of the General Service > 50 kW rate classes which is multiple rate classes in the VRZ and one rate class in the WRZ. There are three customers in WRZ's General Service > 50 kW rate class with average demand volumes above 3,000 kW. These three customers have been classified to the harmonized General Service 3,000 to 4,999 kW rate class. The customer and load characteristics of the General Service 3,000 to 4,999 kW rate class include the existing VRZ General Service 3,000 to 4,999 kW customers and the three WRZ customers that have been classified to the harmonized General Service 3,000 to 4,999 kW rate class.

3.2 New Customer Class

Elexicon is not proposing to include any new customer classes.

3.3 Elimination of Customer Class

Elexicon is proposing to eliminate the General Service > 50 kW customer class currently used in WRZ, as those customers will transition to the appropriate harmonized rate class, either the General Service 50 to 2,999 kW rate class or General Service 3,000 to 4,999 kW rate class, based on their demand level.

3.4 Standby Rates

Elexicon currently does not have stand-by rates, and it is not proposing to establish stand-by rates in this Application.

3.5 MicroFIT

Elexicon is not proposing to include MicroFIT as a separate class in the Cost Allocation Model in the 2027 to 2031 rebasing period.

3.6 Embedded Distributor Class

Elexicon confirms that it is not a host utility and does not have an Embedded Distributor rate class.

4. COST ALLOCATION RESULTS

4.1 Class Revenue Requirements

The allocated cost by rate class for the 2027 Cost of Service filing and OEB-approved results are provided in Table 13 below. The OEB-approved values are the sum of the Veridian's 2014 cost allocation study figures and Whitby's 2010 cost allocation study figures escalated by IRM price cap index adjustments to 2014.

Table 13: 2027 Allocated Costs and Share of Total Costs by Rate Class[9]

Rate Class	OEB-Approved 2014 Veridian plus 2010 Whitby Cost Allocation (escalated to 2014) ($)	Class Share (%)	2027 Cost Allocation Study ($)	Class Share (%)
Residential	47,393,414	63.06%	100,196,130	68.41%
GS < 50	8,064,096	10.73%	13,180,182	9.00%
GS 50 - 2,999 kW	15,357,270	20.43%	22,371,196	15.27%
GS 3,000 - 4,999 kW	923,370	1.23%	3,481,796	2.38%
Large Use >5MW	785,869	1.05%	4,452,916	3.04%
Street Light	1,194,421	1.59%	819,196	0.56%
Sentinel Light	68,940	0.09%	44,295	0.03%
USL	271,429	0.36%	304,289	0.21%
Seasonal Residential	1,101,804	1.47%	1,616,205	1.10%
Total	75,160,614	100.0%	146,466,205	100.0%

Table 14 presents the calculated class revenues. Revenue at Existing Rates is determined by applying Elexicon's proxy 2026 distribution rates, as outlined above in Section 2, to the 2027 forecast charge determinants for load and customer counts. This amount corresponds to the net class revenue shown in the CA Model on Tab I6.1 (Revenue). Revenue at Status Quo Rates (1 + d) is determined by applying a uniform escalation factor of 1.3087 to the Revenue at Existing Rates for each rate class. This factor is set so that the total revenue equals the Base Distribution Revenue Requirement. These values are determined in the CA Model on Tab O1 (Revenue to Cost | RR).

[9] Numbers may not sum due to rounding.

Table 14: 2027 Proposed Base Revenue by Rate Class[10]

Rate Class	Revenue at Existing Rates ($)	Revenue at Status Quo Rates (1+d) ($)
Residential	71,354,222	93,378,930
GS < 50	11,763,248	15,394,177
GS 50 - 2,999 kW	16,666,612	21,811,048
GS 3,000 - 4,999 kW	2,867,515	3,752,623
Large Use >5MW	3,116,026	4,077,841
Street Light	978,483	1,280,509
Sentinel Light	31,160	40,778
USL	300,855	393,718
Seasonal Residential	1,115,321	1,459,584
Total	108,193,441	141,589,208

4.2 Revenue-to-Cost Ratios

The results of a cost allocation study are typically presented in the form of revenue-to-cost ratios. The ratios are shown by rate class and represent the distribution revenue collected by rate class, based on the proposed test year load forecast with a status quo rate increase, compared to the costs allocated to each rate class. The percentage indicates which rate classes are being subsidized and which are over-contributing. A percentage of less than 100% means the rate class is under-contributing and is being subsidized by other classes of customers. A percentage of greater than 100% indicates the rate class is over-contributing and is subsidizing other classes of customers.

In the March 31, 2011 Cost Allocation Report, the OEB established what it considered to be the appropriate ranges of revenue-to-cost ratios. Table 15 provides the revenue-to-cost ratios from the legacy utility's last rebasing[11]; the results of the 2027 test year CA Model, and the proposed 2027 test year revenue-to-cost ratios. This table is consistent with Table C of Tab 11 Cost Allocation tab in the 2027 Revenue Requirement Workform (RRWF), filed as Attachment 1 in Exhibit 6 - Tab 1 - Schedule 1.

[10] Numbers may not sum due to rounding.
[11] Ontario Energy Board, EB-2013-0174, for Veridian's approved ratios from its 2014 cost of service application and EB-2009-0274 for Whitby's approved ratios from its 2010 cost of service application (after the phase-in to 2013)

Table 15: Revenue-to-Cost Ratios

Rate Class	Veridian 2014 Approved Ratios	Whitby 2013 Approved Ratios	2027 Cost Allocation Study	Proposed 2027 Ratios	Policy Range
Residential	100.88%	103.65%	96.84%	97.08%	85% - 115%
GS < 50	115.33%	102.10%	120.16%	120.00%	80% - 120%
GS 50 - 2,999 kW	93.65%	93.53%	99.63%	99.63%	80% - 120%
GS 3,000 - 4,999 kW	80.00%		109.54%	109.54%	80% - 120%
Large Use >5MW	85.00%		93.24%	97.08%	85% - 115%
Street Light	80.96%	70.00%	167.65%	120.00%	80% - 120%
Sentinel Light	80.00%	70.00%	96.28%	91.87%	80% - 120%
USL	115.10%	98.00%	134.73%	120.00%	80% - 120%
Seasonal Residential	85.00%		93.82%	97.08%	80% - 120%

The General Service < 50 kW, Street Lighting, and Unmetered Scattered Load rate classes have revenue-to-cost ratios that exceed the policy range of 80% to 120% for those classes. These ratios have therefore been adjusted to the upper limit of 120%. As discussed further in Exhibit 8 - Tab 1 - Schedule 1, rates for the Sentinel Light rate class at the cost allocation study ratio of 96.28% result in total bill impact that exceeds 10%. Accordingly, the revenue-to-cost ratio of this class is reduced such that the total bill impact for an average customer is equal to 10%. To maintain revenue-neutrality, the revenue-to-cost ratios of the classes with the lowest ratios, except Sentinel Lighting, are increased such that the additional revenues from those classes are equal to the reduction in revenues from the Street Lighting, Sentinel Lighting, and Unmetered Scattered Load classes. The revenue-to-cost ratios of the Residential, Large Use, and Seasonal Residential classes are increased to the same revenue-to-cost ratio of 97.08%. With these adjustments the revenue to cost ratios for all classes will be within the OEB-prescribed ranges.

Elexicon is not proposing revenue-to-cost ratio adjustments in the 2028 to 2031 period. The revenues from the Sentinel Lighting rate class are sufficiently small that increasing the revenue-to-cost ratio of this class in future years will have little to no impact to the rates on other rate classes.

Table 16 below provides the 2027 Proposed Base Revenue by rate class following the revenue adjustments aligned with the proposed revenue-to-cost ratios in Table 15. This table is consistent with Table B in Tab

11 Cost Allocation in the RRWF completed for 2027, and filed as Exhibit 6 - Tab 1 - Schedule 1 - Attachment 1.

Table 16: 2027 Proposed Base Revenue by Rate Class Following Revenue-to-Cost Ratio Adjustments[12]

Rate Class	Revenue at Existing Rates ($)	Revenue at Status Quo Rates (1+d) ($)	2027 Proposed Base Revenue ($)	Miscellaneous Revenues ($)
Residential	71,354,222	93,378,930	93,613,621	3,652,558
GS < 50	11,763,248	15,394,177	15,373,084	443,135
GS 50 - 2,999 kW	16,666,612	21,811,048	21,811,048	478,103
GS 3,000 - 4,999 kW	2,867,515	3,752,623	3,752,623	61,509
Large Use >5MW	3,116,026	4,077,841	4,248,776	73,927
Street Light	978,483	1,280,509	890,183	92,852
Sentinel Light	31,160	40,778	38,827	1,870
USL	300,855	393,718	348,901	16,246
Seasonal Residential	1,115,321	1,459,584	1,512,145	56,799
Total	108,193,441	141,589,208	141,589,208	4,876,997

5. LIST OF ATTACHMENTS

- Attachment 1 (Excel): Cost Allocation Model (2027)
- Attachment 2 (Excel): Load Profiles for Demand Allocators

[12] Numbers may not sum due to rounding.