# EXHIBIT 7 – COST ALLOCATION

## 2027 Cost of Service

Rideau St-Lawrence Inc.
EB-2020-0069

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# 7.1 COST ALLOCATION STUDY REQUIREMENTS

## 7.1.1 Overview of Cost Allocation

RSL is submitting this cost allocation informational filing in accordance with the Board's Cost Allocation Reports of November 28, 2007, and March 31, 2011 (EB-2010-0219), and all subsequent updates.

The filing identifies cross-subsidization among rate classifications and supports future rate applications, with updated parameters and inputs used to adjust rates accordingly.
RSL notes that it is not requesting to eliminate existing or introduce new classes. RSL confirms that it does not have any embedded distributors, does not propose a MicroFIT rate different from the existing rate, and does not propose new or revised standby rates. RSL also confirms that it is not proposing to continue rebalancing beyond the test year. RSL also confirms that it does not have any embedded distributors and, as such, the embedded distributor requirements are not applicable.

## 7.1.2 Previously Approved Cost Allocation

The Previously Board Approved ratios are presented as a reference point to the proposed 2027 ratios. As part of its last Cost of Service Rate Application, RSL updated the cost allocation revenue to cost ratios with 2022 base revenue requirement information. The revenue to cost ratios from the 2022 as well as the proposed ratios are presented below. RSL notes that there have been no changes in its class composition since 2022.

**Table 1 – Previously Approved Ratios vs Proposed Ratio (2022 CoS)**

| Customer Class Name | Previously Approved Ratios (2022) | Proposed Ratios |
|---|---|---|
| **Residential** | 91.08% | 100.30% |
| **GS<50** | 120.00% | 113.10% |
| **GS 500-4999kW** | 120.00% | 93.30% |
| **USL** | 108.68% | 120.00% |
| **Sentinel** | 89.99% | 80.00% |
| **Street Lighting** | 107.28% | 80.00% |

# 7.2 PROPOSED COST ALLOCATION (2027)

The Cost Allocation Study allocates the 2027 test year costs to the various customer classes using allocators based on the forecast class loads (kW and kWh) by class, customer counts, etc.

RSL has used the most up to date 2027 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**

RSL 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 (2022) | 2027 Proposed Particulars |
|---|---|---|
| **Return on Deemed Equity** | $272,994 | $566,485 |
| **Income Taxes (Grossed up)** | $0 | $0 |
| **Deemed Interest Expense** | $166,335 | $354,688 |
| **Service Revenue Requirement** | $3,359,280 | $0 |
| **Revenue Requirement to be Used in RSLs model ($)** | $3,359,280 | $0 |
| **Rate Base ($)** | $7,880,877 | $15,545,678 |
| **Rate Base to be Used in CA model ($)** | $7,880,877 | $15,545,678 |

**Table 3 – 2027 Grouped Accounts (Sheet I3 TB Data)**

| Grouped Account | 2022 Balance | 2027 Balance | Variance |
|---|---|---|---|
| **Land and Buildings** | $189,711 | $337,160 | $147,449 |
| **TS Primary Above 50** | $0 | $0 | $0 |
| **DS** | $1,357,639 | $3,396,834 | $2,039,195 |
| **Poles, Wires** | $5,035,654 | $8,086,377 | $3,050,723 |
| **Line Transformers** | $1,309,712 | $4,662,084 | $3,352,372 |
| **Services and Meters** | $1,733,013 | $2,586,583 | $853,570 |
| **General Plant** | $15,717 | $44,218 | $28,501 |
| **Equipment** | $1,078,056 | $2,023,839 | $945,783 |
| **IT Assets** | $627,860 | $811,234 | $183,374 |
| **CDM Expenditures and Recoveries** | $0 | $0 | $0 |
| **Other Distribution Assets** | $0 | $212,500 | $212,500 |
| **Contributions and Grants** | -$1,325,485 | ($3,261,465) | -$1,935,980 |
| **Accumulated Amortization** | -$3,185,039 | ($4,826,714) | -$1,641,675 |
| **Non-Distribution Asset** | $0 | $0 | $0 |
| **Unclassified Asset** | $0 | $0 | $0 |
| **Liability** | $0 | $0 | $0 |
| **Equity** | -$272,994 | ($566,485) | -$293,491 |
| **Sales of Electricity** | -$11,405,913 | ($15,887,077) | -$4,481,164 |
| **Distribution Services Revenue** | $0 | $0 | $0 |
| **Late Payment Charges** | -$59,000 | ($77,582) | -$18,582 |
| **Specific Service Charges** | -$23,550 | ($92,845) | -$69,295 |
| **Other Distribution Revenue** | -$109,831 | ($196,226) | -$86,395 |
| **Other Revenue - Unclassified** | $0 | $0 | $0 |
| **Other Income & Deductions** | $4,500 | ($33,653) | -$38,153 |
| **Power Supply Expenses (Working Capital)** | $11,405,913 | $15,887,077 | $4,481,164 |
| **Other Power Supply Expenses** | $0 | $0 | $0 |
| **Operation (Working Capital)** | $362,465 | $654,159 | $291,694 |
| **Maintenance (Working Capital)** | $450,600 | $692,022 | $241,422 |
| **Billing and Collection (Working Capital)** | $491,220 | $555,293 | $64,073 |
| **Community Relations (Working Capital)** | $31,300 | $22,913 | -$8,387 |
| **Community Relations - CDM (Working Capital)** | $1,200 | $1,314 | $114 |
| **Administrative and General Expenses (Working Capital)** | $1,060,727 | $1,677,724 | $616,997 |
| **Insurance Expense (Working Capital)** | $23,000 | $47,692 | $24,692 |
| **Bad Debt Expense (Working Capital)** | $60,000 | $63,268 | $3,268 |
| **Advertising Expenses** | $0 | $0 | $0 |
| **Charitable Contributions** | $0 | $0 | $0 |
| **Amortization of Assets** | $405,339 | $685,012 | $279,673 |
| **Other Amortization - Unclassified** | $0 | $0 | $0 |
| **Interest Expense - Unclassified** | $166,335 | $354,688 | $188,353 |
| **Income Tax Expense - Unclassified** | $0 | $0 | $0 |
| **Other Distribution Expenses** | $34,100 | $38,928 | $4,828 |
| **Non-Distribution Expenses** | $0 | $0 | $0 |
| **Unclassified Expenses** | $0 | $0 | $0 |
| **Total** | $9,462,249 | $17,898,871 | $8,436,622 |

**Sheet I4 BO Assets**,

In sheet I4, Break-out of Assets, RSL reviewed its primary and secondary assets to ensure that the model uses the most up-to-date information. The table below shows RSL's updated breakout between primary and secondary from its last cost of service in 2022.

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

| Account | Description | BREAK OUT (%) 2022 CoS | BREAK OUT (%) 2027 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) | 81.13% | 100% |
| **1820-3** | Distribution Station Equipment - Normally Primary below 50 kV (Wholesale Meters) | 18.87% | 0% |
| **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 | 57.00% | 52.00% |
| **1830-5** | Poles, Towers, and Fixtures - Secondary | 43.00% | 48.00% |
| **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 | 57.00% | 52.00% |
| **1835-5** | Overhead Conductors and Devices - Secondary | 43.00% | 48.00% |
| **1840** | Underground Conduit | | |
| **1840-3** | Underground Conduit - Bulk Delivery | 0.00% | 0.00% |
| **1840-4** | Underground Conduit - Primary | 26.00% | 37.00% |
| **1840-5** | Underground Conduit - Secondary | 74.00% | 63.00% |
| **1845** | Underground Conductors and Devices | | |
| **1845-3** | Underground Conductors and Devices - Bulk Delivery | 0.00% | 0.00% |
| **1845-4** | Underground Conductors and Devices - Primary | 26.00% | 37.00% |
| **1845-5** | Underground Conductors and Devices - Secondary | 74.00% | 63.00% |
| **1850** | Line Transformers | | |
| **1855** | Services | | |
| **1860** | Meters | | |

**Sheet I5.1 Misc Data**

In Sheet I5.1, Miscellaneous data, RSL 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)**

| | 2022 CoS | 2027 CoS |
|---|---|---|
| **Structure KM (kms of Roads in Service Area that have distribution line)** | 107 | 109 |
| **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 (%)** | 72% | 72% |

As instructed by the Board, in Sheet I5.2, Weighting Factors, RSL has used LDC-specific factors rather than continue to use OEB-approved default factors. RSL 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.

**Sheet I5.2 Weighting Factors**

**Table 6 –2022 BA 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 | 1.3 | 4 | 0.4 | 0.6 | 0.8 |
| **Insert Weighting Factor for Billing and Collecting** | 1.0 | 1.0 | 2.7 | 0.8 | 0.7 | 0.8 |

**Table 7 –2027 Proposed 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 | 1.3 | 4 | 0.4 | 0.6 | 0.8 |
| **Insert Weighting Factor for Billing and Collecting** | 1.0 | 1.06 | 1.65 | 0.94 | 0.94 | 0.94 |

## Account 1855 – Services (Overhead and Underground)

RSL undertook a review to determine whether Account 1855 costs could be disaggregated by customer class for the purpose of deriving an updated weighting factor. At present, RSL does not track these costs at a level of detail that would allow for a reliable allocation by class. As a result, an updated weighting factor cannot be derived for the test year.

In the absence of this information, RSL proposes to continue using the 2022 Board-approved weighting factors for Account 1855. This approach is considered reasonable as the nature of the activities recorded in the account has not materially changed and the existing factors continue to provide a representative basis for cost allocation.

RSL acknowledges the importance of improving cost causality in this area and, on a go-forward basis, will take steps to enhance tracking of Account 1855 costs. This will include reviewing internal processes, implementing appropriate system changes, and providing guidance and training to operations staff to support more detailed cost capture by customer class.

RSL will revisit the development of a class-based weighting factor in a future rebasing application once sufficient data becomes available.

## Table 8 – Determination of billing and collecting weighting factors.

*Yellow cells = inputs. Each sub-account row can use different allocation. Use 'Applicable only' methods to exclude classes and re-normalize.*

**Relvant Billing Balances**

*Bad Debt & Meter Reading have their own allocation in the CA Model*

| Account | 2027 Balance | |
|---|---|---|
| 5315-Cust Bill | 482,494 | |
| 5320-Collecting | 38,262 | |
| 5325-Cash O/S | 0 | |
| 5330-Collection Charges | 0 | |
| 5340-Misc Cust Acct | 8,771 | |
| **TOTAL** | **529,528** | ***Balanced*** |
| | | $0 |

**A) Customer & Billing Volumes**

| Class | 2027 Customers | 2027Bills / Year | Total Bills | Bill Share % |
|---|---|---|---|---|
| Residential | 5,376 | 12 | 64,512 | 85.09% |
| GS < 50 | 742 | 12 | 8,904 | 11.74% |
| GS > 50 | 66 | 12 | 792 | 1.04% |
| Unmetered | 60 | 12 | 720 | 0.95% |
| Street Lighting | 5 | 12 | 60 | 0.08% |
| Sentinel Lights | 69 | 12 | 828 | 1.09% |
| **TOTAL** | 6,318 | | 75,816 | 100.00% |

**B) Time Allocation (used for rows marked Time %)**

**B) Time Allocation**

| Class | Time % | Previous | Check | ıst Equal 10 |
|---|---|---|---|---|
| Residential | 80.00% | 90.00% | H13 & K13 | OK |
| GS < 50 | 22.00% | 7.50% | | |
| GS > 50 | 11.50% | 0.50% | | |
| Unmetered | 0.50% | 0.50% | **Notes:** | |
| Street Lighti | 0.50% | 0.50% | • *'Applicable only' methods re-normalize across* | |
| Sentinel Ligh | 0.50% | 1.00% | • *'Direct $' uses the Direct $ columns (enter dollc* | |
| **TOTAL** | 115.00% | 100.00% | • *For Direct $, blanks/zeros mean no allocation* | |

**C) Sub-Account Expenses (each row can have its own allocation, applicability, and/or direct $ split)**

| Primary Acct | Sub-Account Description | 2027 Projected Annual Cost | Allocation Method | Applies: Residential | Applies: GS < 50 | Applies: GS > 50 | Applies: USL | Applies: Street Lighting | Applies: Sentinel Lights | Direct $: Residential | Direct $: GS < 50 | Direct $: GS > 50 | Direct $: USL | Direct $: Street Lighting | Direct $: Sentinel Lights |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 5315 | Staff payroll time | $482,494 | Per Bill (Applicable only) | Y | Y | Y | Y | Y | Y | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| 5320 | Staff payroll time | $37,834 | Time % (Applicable only) | Y | Y | Y | N | N | N | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| 5320 | Collection call fee | $428 | Time % (Applicable only) | Y | Y | Y | N | N | N | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| 5330 | Collection fee | $0 | Time % (Applicable only) | Y | Y | Y | N | N | N | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| 5340 | Billing services | $8,771 | Per Bill | Y | Y | Y | Y | Y | Y | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| | | $0 | | Y | Y | Y | Y | Y | Y | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| | **TOTAL** | **$529,528** | | **Y** | **Y** | **Y** | **Y** | **Y** | **Y** | **$0.00** | **$0.00** | **$0.00** | **$0.00** | **$0.00** | **$0.00** |

**Calculated Results**

*Allocations are calculated per sub-account row and summed by class.*

| Class | Customers | Allocated Cost | Cost per Customer | Weighting (Res=1.00) |
|---|---|---|---|---|
| Residential | 5,376 | $444,987.72 | $82.77 | 1.00 |
| GS < 50 | 742 | $65,111.79 | $87.75 | 1.06 |
| GS > 50 | 66 | $9,008.74 | $136.50 | 1.65 |
| Unmetered | 60 | $4,665.39 | $77.76 | 0.94 |
| Street Lighting | 5 | $388.78 | $77.76 | 0.94 |
| Sentinel Lights | 69 | $5,365.19 | $77.76 | 0.94 |

**Allocation Detail (first 80 sub-accounts)**

| Primary Acct | Sub-Account Description | Total Cost | Method | Denom Bills | Denom Time | Residential | GS < 50 | GS > 50 | USL | Street Lighting | Sentinel Lights |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 5315 | Staff payroll time | $482,493.84 | Per Bill (Applicable only) | 75,816 | 1.1500 | $410,555.07 | $56,665.15 | $5,040.30 | $4,582.09 | $381.84 | $5,269.40 |
| 5320 | Staff payroll time | $37,834.17 | Time % (Applicable only) | 74,208 | 1.1350 | $26,667.26 | $7,333.50 | $3,833.42 | $0.00 | $0.00 | $0.00 |
| 5320 | Collection call fee | $428.30 | Time % (Applicable only) | 74,208 | 1.1350 | $301.88 | $83.02 | $43.40 | $0.00 | $0.00 | $0.00 |
| 5330 | Collection fee | $0.00 | Time % (Applicable only) | 74,208 | 1.1350 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| 5340 | Billing services | $8,771.29 | Per Bill | 75,816 | 1.1500 | $7,463.51 | $1,030.12 | $91.63 | $83.30 | $6.94 | $95.79 |
| 0 | 0 | $0.00 | 0 | 75,816 | 1.1500 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| 0 | TOTAL | $529,528.00 | 0 | 75,816 | 1.1500 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |

## Billing and Collecting Weighting Factors

RSL derives billing and collecting weighting factors using a combination of billing determinants (number of bills) and time-based allocation depending on the nature of the underlying activity.

Billing-related costs (e.g., billing services) are allocated based on the number of bills by customer class, reflecting that these costs are primarily driven by billing volumes.

Customer service and collection-related activities (e.g., call handling, staff time) are allocated using a time-based approach, which reflects the relative level of effort required to serve each customer class.

Each cost within billing and collecting is reviewed individually to determine the most appropriate allocator (i.e., bills or time). The resulting allocated costs are then used to calculate cost per customer by class, which forms the basis for the derivation of the billing and collecting weighting factors (normalized to Residential = 1.00).

A working Excel model has been filed in support of this application, providing transparency of the calculations, assumptions, and allocation methodologies used.

This approach is considered reasonable as it aligns the allocation of costs with the underlying cost drivers and reflects differences in both billing volumes and customer service requirements across classes.

**Sheet I6.1 Revenue**

RSL has populated the I6.1 Revenue Tab with the 2027 proposed load forecast. RSL confirms that the revenue sufficiency/deficiency reconciles with the RRWF, as does the Miscellaneous Revenues.

2027 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** | 118,790,474 |
| **Total kWs from Load Forecast** | 123,617 |
| **Deficiency/sufficiency ( RRWF 8. cell F51)** | - 930,298 |
| **Miscellaneous Revenue (RRWF 5. cell F48)** | 400,306 |

| | | | 1 | 2 | 3 | 7 | 8 | 9 |
|---|---|---|---|---|---|---|---|---|
| | **ID** | **Total** | **Residential** | **GS <50** | **GS 50 to 4,999 kW** | **Street Light** | **Sentinel** | **Unmetered Scattered Load** |
| **Billing Data** | | | | | | | | |
| Forecast kWh | **CEN** | 118,790,474 | 50,042,036 | 22,686,577 | 44,638,220 | 647,807 | 137,577 | 638,257 |
| Forecast kW | **CDEM** | 123,617 | | | 121,844 | 1,621 | 152 | |
| Forecast kW, included in CDEM, of customers receiving line transformer allowance | | 55,855 | | | 55,855 | | | |
| 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** | 118,790,474 | 50,042,036 | 22,686,577 | 44,638,220 | 647,807 | 137,577 | 638,257 |
| | | | | | | | | |
| Existing Monthly Charge | | | $36.56 | $37.49 | $357.29 | $4.85 | $4.32 | $6.22 |
| Existing Distribution kWh Rate | | | | $0.0188 | | | | $0.0285 |
| Existing Distribution kW Rate | | | | | $3.5360 | $18.4352 | $31.5569 | |
| Existing TOA Rate | | | | | ($0.60) | | | |
| Additional Charges | | | | | | | | |
| Distribution Revenue from Rates | | $3,993,090 | $2,358,669 | $760,152 | $713,558 | $129,603 | $8,404 | $22,703 |
| Transformer Ownership Allowance | | ($33,513) | $0 | $0 | ($33,513) | $0 | $0 | $0 |
| Net Class Revenue | **CREV** | $4,026,603 | $2,358,669 | $760,152 | $747,072 | $129,603 | $8,404 | $22,703 |
| | | | | | | | | |
| | | | | | | | | |

### Sheet I6.2 Customer Data

RSL has populated the I6.2 Customer Data with the required information using the 2027 proposed customer forecast to determine the number of customers, devices, and bills. The RSL 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)**

| | | | 1 | 2 | 3 | 7 | 8 | 9 |
|---|---|---|---|---|---|---|---|---|
| | ID | Total | Residential | GS <50 | GS 50 to 4,999 kW | Street Light | Sentinel | Unmetered Scattered Load |
| **Billing Data** | | | | | | | | |
| Bad Debt 3 Year Historical Average | BDHA | $60,687 | $60,687 | $0 | $0 | $0 | $0 | $0 |
| Late Payment 3 Year Historical Average | LPHA | $73,632 | $56,697 | $13,990 | $2,945 | | | |
| Number of Bills | CNB | 96,325 | 64,515 | 8,899.56 | 791.29 | 20,561.34 | 832.20 | 725.44 |
| Number of Devices | CDEV | | | | | | | |
| Number of Connections (Unmetered) | CCON | - | | | | | | |
| Total Number of Customers | CCA | 8,027 | 5,376 | 742 | 66 | 1,713 | 69 | 60 |
| Bulk Customer Base | CCB | - | | | | | | |
| Primary Customer Base | CCP | 6,270 | 5,376 | 742 | 66 | - | 26 | 60 |
| Line Transformer Customer Base | CCLT | 6,270 | 5,376 | 742 | 66 | - | 26 | 60 |
| Secondary Customer Base | CCS | 6,271 | 5,376 | 742 | 66 | 1 | 26 | 60 |
| Weighted - Services | CWCS | 6,668 | 5,376 | 964 | 264 | 0 | 16 | 48 |
| Weighted Meter -Capital | CWMC | 2,649,910 | 1,612,876 | 652,634 | 384,400 | - | - | - |
| Weighted Meter Reading | CWMR | 14,583 | 5,376 | 742 | 8,465 | - | - | - |
| Weighted Bills | CWNB | 96,046 | 64,515 | 9,434 | 1,306 | 19,328 | 782 | 682 |

**Bad Debt Data**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Historic Year:** | 2023 | 59,637 | 59,637 | | | | | |
| **Historic Year:** | 2024 | 61,425 | 61,425 | | | | | |
| **Historic Year:** | 2025 | 61,000 | 61,000 | | | | | |
| **Three-year average** | | **60,687** | **60,687** | - | - | - | - | - |

**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** | 5,376 | 34,279 | 5,376 | 34,279 |
| **Street Light** | - | 632 | - | 632 |

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

**Sheet I7.1 Meter Capital**

RSL 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)**

| List of Types of Meters Installed | 2022 Cost Installed | 2027 Cost Installed |
|---|---|---|
| Smart Meters | $156.00 (count of 5,126) | $300 |
| Demand without IT (usually three-phase) | $2,915 (count of 60) | $6200 |
| Smart Meters (GS<50) | $357 (count of 728) | $880 |

**Sheet I7.2 Meter Reading**

RSL has updated the meter capital to reflect current and accurate costs per meter. RSL notes that there have been no changes to its meter reading factors since its last cost of service in 2022.

**Table 12 – Meter Reading Weighting Factors (I7.2 Meter Reading)**

| Meter Details | 2022 | 2027 |
|---|---|---|
| Smart Meter | 1.00 | 1.00 |
| Smart Meter with Demand | 1.00 | 1.00 |
| GS-Vehicle with other services | 41.42 | 41.42 |
| Interval | 128.37 | 128.37 |

## Sheet I8 Demand Data

### Updated Load Profile Methodology

In prior cost of service applications, RSL relied on load profiles developed by Hydro One Networks Inc. ("HONI") in 2006 using 2004 data. These legacy profiles were scaled to the Test Year using the ratio of forecasted load to base year load by rate class.

Consistent with the expectations outlined in Chapter 2, Section 2.1.7 of the Filing Requirements, and reinforced in the OEB's 2022 Decision and Order, RSL has undertaken an update of its load profiles using the most recent data available. The updated approach replaces the legacy scaling methodology with a utility-specific, data-driven model based on actual hourly load and weather conditions.

This approach reflects current customer usage patterns, incorporates weather sensitivity, and produces class-specific hourly load shapes, representing a material improvement over the legacy scaled profiles derived from 2004 data.

### Overview of Approach

RSL developed a weather-normalized hourly load model using the most recent complete year of available data. The objective of this approach is to produce representative load shapes and peak demand metrics that reflect typical (i.e., "normal") weather conditions, rather than anomalies present in any single year.

This methodology allows RSL to derive both coincident and non-coincident peak demand measures directly from normalized hourly load data, improving the accuracy and relevance of cost allocation inputs.

### Data Inputs

The analysis is based on hourly data and includes:

- Actual hourly load for the study year (2025)
- Hourly Heating Degree Days (HDD) and Cooling Degree Days (CDD) using the same weather station as the Load Forecast.
- 10-year average hourly HDD and CDD (representing normal weather)
- Calendar variables, including:
- Weekend indicators
- Hour-of-day effects (H0–H23)

A consistent weather station (Ottawa International Airport), base temperature, and calculation methodology were used for both historical and normal weather data to ensure comparability. Use of a single year is appropriate given normalization to 10-year weather.

**Data Sources and Availability**

RSL confirms that the hourly load data used in the development of the load profiles was obtained from its billing and data management systems, including NorthStar and Utilismart Corporation, which represent the authoritative sources of interval consumption data within its service territory. RSL notes that extracting and validating hourly data is both time-intensive and involves additional cost, as it requires coordination with third-party service providers. In this case, obtaining a complete and reliable dataset took approximately three months. As a result, RSL relied on the most recent complete and quality-assured dataset available at the time of the application, being the 2025 study year.

RSL notes that this approach is somewhat consistent with historical practice in that the original load profiles developed by Hydro One were based on the most recent year of available data at the time and were relied upon across the sector for an extended period. In that context, the use of a single, recent and validated study year is considered appropriate or until a time when Hydro One or IESO makes the hourly data easily available.

RSL further notes that the application of 10-year average weather normalization mitigates the impact of any year-specific anomalies and ensures that the resulting load shapes are representative of typical system conditions. Accordingly, RSL submits that this approach is reasonable and consistent with the intent of the Filing Requirements to rely on the most recent and reliable data available.

**Implementation of the Regression Model**

In implementing the regression model, RSL specified hourly load as a function of weather and calendar effects, together with intra-day load variation. The model includes hourly Heating Degree Days (HDD) and Cooling Degree Days (CDD), a weekend indicator, and a set of hourly indicator variables (H0–H23).

For the purposes of this analysis, hourly HDD and CDD were constructed using hourly temperature data relative to a standard base temperature of 18°C. HDD and CDD values were calculated for each hour based on the deviation of actual temperature from this base, consistent with standard industry practice. These variables capture the relationship between temperature and electricity demand.

The hourly indicator variables (H0–H23) are used to capture intra-day load variation. RSL initially tested a specification that included a full set of hourly indicators in combination with an intercept term. As these indicators sum to one for each observation, this specification results in perfect multicollinearity (i.e., the “dummy variable trap”).

To address this, RSL adopted a standard regression formulation that omits one hourly indicator variable and estimates the model using Excel’s LINEST function. This approach allows for stable estimation of the regression coefficients, including the intercept.

Under this specification:

- One hourly indicator (H5) is omitted and serves as the reference hour
- The intercept represents the baseline load level corresponding to the reference hour
- The remaining hourly coefficients represent deviations from that reference hour

- HDD, CDD, and weekend variables are estimated concurrently within the same regression framework

Following estimation, the coefficients are recombined to produce a complete 24-hour load profile for each rate class. The full regression model, including the underlying data, constructed variables, and resulting coefficients, is provided in the accompanying Excel model to ensure transparency and reproducibility.

**Development of Hourly Load Profiles**

Using the estimated regression coefficients, RSL constructed hourly load profiles by:

- Combining the intercept and hourly indicator coefficients to derive the average load for each hour of the day
- Incorporating weather normalization (as described above) to ensure profiles reflect typical conditions
- Producing a continuous 24-hour load shape for each customer class

This approach allows the model to capture both:

- Intra-day load variation (through hourly effects), and
- Weather sensitivity (through HDD/CDD coefficients)

The resulting profiles are smooth, internally consistent, and grounded in observed system data.

**Resulting Insight**

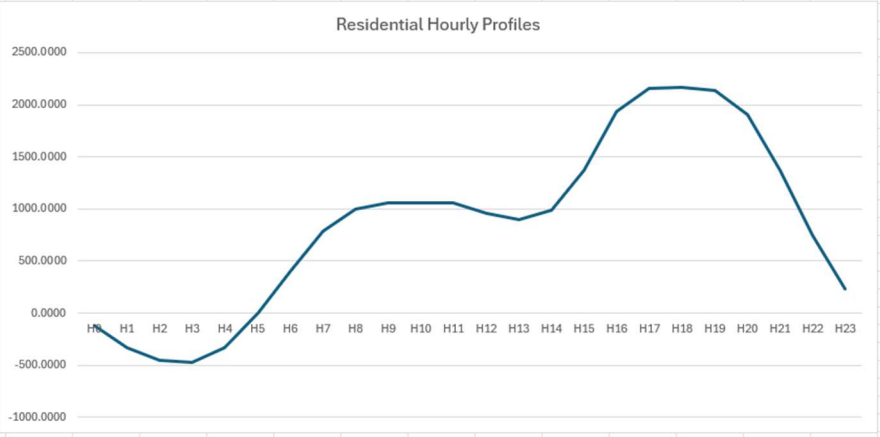
The regression-based approach produces intuitive and realistic hourly load shapes. For example, as illustrated in the figure below for the Residential class, the model captures:

- Lower overnight consumption
- Gradual morning ramp-up
- Midday stabilization
- Pronounced evening peak

These patterns are consistent with expected customer usage behavior and provide a strong empirical basis for cost allocation.

**Table 13 – Residential Load Profile**

| | |
|---|---|
| Intercept | 2994.0028 |
| HDD | 110.0031 |
| CDD | 367.1368 |
| Weekend | 278.4744 |
| H0 | -118.0594 |
| H1 | -331.0276 |
| H2 | -448.7372 |
| H3 | -475.8154 |
| H4 | -329.7617 |
| H5 | 0.0000 |
| H6 | 405.8476 |
| H7 | 789.8751 |
| H8 | 1002.1522 |
| H9 | 1055.2688 |
| H10 | 1062.6118 |
| H11 | 1062.4519 |
| H12 | 960.8340 |
| H13 | 898.4894 |
| H14 | 984.7791 |
| H15 | 1371.4494 |
| H16 | 1932.1676 |
| H17 | 2155.6213 |
| H18 | 2167.3275 |
| H19 | 2137.6977 |
| H20 | 1902.7907 |
| H21 | 1367.3533 |
| H22 | 743.1552 |
| H23 | 234.6959 |




## Weather Normalization

Weather normalization is performed by applying the estimated regression coefficients to 10-year average (normal) HDD and CDD values, while maintaining the original calendar structure (hour-of-day and weekend indicators).

The regression model is estimated once using study-year data and is not re-estimated using normal weather conditions. Instead, the estimated coefficients are held constant and only the weather inputs (HDD and CDD) are replaced with their 10-year average values.

This approach produces an hourly load series that reflects expected consumption under typical weather conditions, while preserving actual system usage characteristics. The structural relationships embedded in the model remain unchanged.

## Peak Demand Determination

All peak demand metrics used for cost allocation are derived from the weather-normalized hourly load series.

### Non-Coincident Peak (NCP):

Represents each class's own peak demand, independent of system conditions. RSL has calculated:

- NCP1 (maximum hourly load)
- NCP4 (fourth highest hour)
- NCP12 (sum of top 12 hours)
- Monthly NCP values (maximum hourly load within each month)

**Coincident Peak (CP):**

Represents demand during system peak hour(s). Class-level coincident demand is determined by selecting normalized load during the identified system peak intervals, consistent with the applicable cost allocation framework.

**Validation**

As a validation step, RSL reviewed the resulting weather-normalized load profiles to ensure they produce reasonable and intuitive results under typical weather conditions. The normalized profiles reflect expected customer usage patterns, including daily load variation and seasonal effects, without being driven by extreme weather observed in the study year.

RSL also confirmed that the calculation of non-coincident and coincident peak demand metrics remains consistent with the established approach historically used in cost allocation studies, including the methodology underlying the legacy HONI load profiles. While the underlying load shapes have been updated using more recent data and weather normalization, the peak extraction itself has not changed.

This provides continuity with prior applications, while improving the accuracy and relevance of the underlying load data.

The methodology is transparent, reproducible, and based on observable system data.

**Resulting Output**

The final output of this process is a weather-normalized hourly load profile for each rate class. These profiles form the basis of the demand allocators used in the cost allocation model.

A working model has been developed and filed with this application. It is simple and intuitive. Within the model, one can find the methodology, data Inputs, regression, intercepts for each class and profiles. RSL has also created a tab showing a comparison of the profiles going back to the original HONI in 2004, escalated 2012-2016 and 2022.

Given the clear direction in the Filing Requirements to update load profiles using the most recent data available, RSL has proceeded with the implementation of this methodology in the current application. RSL remains open to feedback and will incorporate any guidance provided by the OEB through the course of this proceeding.

## Table 14 – Proposed Demand Data (Load Profiles)

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Transformer Allow** | 0.00 | 0.00 | 55318.56 | 0.00 | 0.00 | 0.00 |
| **Customer Classes** | | **Total** | **Residential** | **GS <50** | **GS 50 to 4,999 kW** | **Streetlight** | **Sentinel** | **Unmetered Scattered Load** |
| | | **CP Sanity Check** | **Pass** | **Pass** | **Pass** | **Pass** | **Pass** | **Pass** |
| **CO-INCIDENT PEAK** | | | | | | | | |
| **1 CP** | | | | | | | | |
| Transformation CP | TCP1 | 17934.09 | 7614.47 | 3588.85 | 6640.49 | 0.00 | 80.27 | 9.99 |
| Bulk Delivery CP | BCP1 | 17934.09 | 7614.47 | 3588.85 | 6640.49 | 0.00 | 80.27 | 9.99 |
| Total System CP | DCP1 | 17934.09 | 7614.47 | 3588.85 | 6640.49 | 0.00 | 80.27 | 9.99 |
| **4 CP** | | | | | | | | |
| Transformation CP | TCP4 | 70116.18 | 29842.56 | 14104.72 | 25805.71 | 0.00 | 322.06 | 41.13 |
| Bulk Delivery CP | BCP4 | 70116.18 | 29842.56 | 14104.72 | 25805.71 | 0.00 | 322.06 | 41.13 |
| Total System CP | DCP4 | 70116.18 | 29842.56 | 14104.72 | 25805.71 | 0.00 | 322.06 | 41.13 |
| **12 CP** | | | | | | | | |
| Transformation CP | TCP12 | 197244.65 | 82963.94 | 39136.31 | 74067.56 | 0.00 | 954.24 | 122.60 |
| Bulk Delivery CP | BCP12 | 197244.65 | 82963.94 | 39136.31 | 74067.56 | 0.00 | 954.24 | 122.60 |
| Total System CP | DCP12 | 197244.65 | 82963.94 | 39136.31 | 74067.56 | 0.00 | 954.24 | 122.60 |
| **NON-CO_INCIDENT PEAK** | | | | | | | | |
| | | **NCP Sanity Check** | **Pass** | **Pass** | **Pass** | **Pass** | **Pass** | **Pass** |
| **1 NCP** | | | | | | | | |
| Classification NCP from Load Data Provider | DNCP1 | 19813.19 | 9257.34 | 3652.02 | 6646.38 | 157.89 | 88.50 | 11.06 |
| Primary NCP | PNCP1 | 19813.19 | 9257.34 | 3652.02 | 6646.38 | 157.89 | 88.50 | 11.06 |
| Line Transformer NCP | LTNCP1 | 17724.06 | 9257.34 | 3652.02 | 4557.25 | 157.89 | 88.50 | 11.06 |
| Secondary NCP | SNCP1 | 17724.06 | 9257.34 | 3652.02 | 4557.25 | 157.89 | 88.50 | 11.06 |
| **4 NCP** | | | | | | | | |
| Classification NCP from Load Data Provider | DNCP4 | 75731.01 | 34279.12 | 14224.08 | 26222.45 | 631.56 | 331.66 | 42.13 |
| Primary NCP | PNCP4 | 75731.01 | 34279.12 | 14224.08 | 26222.45 | 631.56 | 331.66 | 42.13 |
| Line Transformer NCP | LTNCP4 | 67488.62 | 34279.12 | 14224.08 | 17980.06 | 631.56 | 331.66 | 42.13 |
| Secondary NCP | SNCP4 | 67488.62 | 34279.12 | 14224.08 | 17980.06 | 631.56 | 331.66 | 42.13 |
| **12 NCP** | | | | | | | | |
| Classification NCP from Load Data Provider | DNCP12 | 213075.83 | 94381.88 | 40029.66 | 75692.79 | 1894.67 | 954.24 | 122.60 |
| Primary NCP | PNCP12 | 213075.83 | 94381.88 | 40029.66 | 75692.79 | 1894.67 | 954.24 | 122.60 |
| Line Transformer NCP | LTNCP12 | 189283.64 | 94381.88 | 40029.66 | 51900.60 | 1894.67 | 954.24 | 122.60 |
| Secondary NCP | SNCP12 | 189283.64 | 94381.88 | 40029.66 | 51900.60 | 1894.67 | 954.24 | 122.60 |

## 7.2.2 Outputs to the Cost Allocation Model

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

**Table 15 –Outputs to the CA model (O1 Revenue to Cost|RR)**

| | Total | 1<br>Residential | 2<br>GS <50 | 3<br>GS 50 to 4,999 kW | 7<br>Street Light | 8<br>Sentinel | 9<br>Unmetered Scattered Load |
|---|---|---|---|---|---|---|---|
| Distribution Revenue at Existing Rates | $4,026,603 | $2,358,669 | $760,152 | $747,072 | $129,603 | $8,404 | $22,703 |
| Miscellaneous Revenue (mi) | $400,306 | $261,012 | $59,695 | $43,527 | $32,441 | $1,997 | $1,633 |
| | Miscellaneous Revenue Input equals Output | | | | | | |
| **Total Revenue at Existing Rates** | **$4,426,909** | **$2,619,682** | **$819,847** | **$790,599** | **$162,043** | **$10,402** | **$24,336** |
| Factor required to recover deficiency (1 + D) | 1.2316 | | | | | | |
| Distribution Revenue at Status Quo Rates | $4,959,191 | $2,904,953 | $936,209 | $920,099 | $159,620 | $10,351 | $27,961 |
| Miscellaneous Revenue (mi) | $400,306 | $261,012 | $59,695 | $43,527 | $32,441 | $1,997 | $1,633 |
| **Total Revenue at Status Quo Rates** | **$5,359,497** | **$3,165,966** | **$995,904** | **$963,626** | **$192,060** | **$12,348** | **$29,594** |
| **Expenses** | | | | | | | |
| Distribution Costs (di) | $1,224,043 | $689,833 | $221,025 | $295,695 | $8,212 | $5,399 | $3,879 |
| Customer Related Costs (cu) | $740,699 | $508,136 | $69,953 | $27,914 | $125,211 | $5,068 | $4,418 |
| General and Administration (ad) | $1,788,571 | $1,085,126 | $268,165 | $301,961 | $116,452 | $9,447 | $7,418 |
| Depreciation and Amortization (dep) | $685,012 | $376,553 | $132,748 | $167,075 | $4,345 | $2,693 | $1,597 |
| PILs (INPUT) | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Interest | $354,688 | $190,802 | $66,626 | $92,317 | $2,493 | $1,555 | $895 |
| **Total Expenses** | **$4,793,013** | **$2,850,450** | **$758,518** | **$884,962** | **$256,714** | **$24,162** | **$18,207** |
| **Direct Allocation** | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Allocated Net Income (NI) | $566,485 | $304,736 | $106,410 | $147,443 | $3,982 | $2,484 | $1,430 |
| **Revenue Requirement (includes NI)** | $5,359,497 | $3,155,186 | $864,928 | $1,032,405 | $260,696 | $26,646 | $19,637 |
| | Revenue Requirement Input equals Output | | | | | | |
| **Rate Base Calculation** | | | | | | | |
| **Net Assets** | | | | | | | |
| Distribution Plant - Gross | $19,069,038 | $10,500,006 | $3,648,348 | $4,673,027 | $122,875 | $77,528 | $47,253 |
| General Plant - Gross | $3,091,791 | $1,693,497 | $581,829 | $773,974 | $21,054 | $13,311 | $8,125 |
| Accumulated Depreciation | ($4,826,714) | ($2,685,717) | ($967,692) | ($1,121,120) | ($26,184) | ($16,318) | ($9,683) |
| Capital Contribution | ($3,261,465) | ($1,920,867) | ($618,460) | ($679,984) | ($19,194) | ($12,955) | ($10,005) |
| **Total Net Plant** | **$14,072,649** | **$7,586,919** | **$2,644,026** | **$3,645,897** | **$98,551** | **$61,566** | **$35,691** |
| **Directly Allocated Net Fixed Assets** | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Cost of Power (COP) | $15,887,077 | $6,706,746 | $3,031,959 | $5,958,344 | $86,470 | $18,364 | $85,195 |
| OM&A Expenses | $3,753,313 | $2,283,095 | $559,144 | $625,570 | $249,875 | $19,914 | $15,715 |
| Directly Allocated Expenses | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| ***Subtotal*** | ***$19,640,390*** | ***$8,989,840*** | ***$3,591,103*** | ***$6,583,913*** | ***$336,345*** | ***$38,278*** | ***$100,910*** |
| **Working Capital** | $1,473,029 | $674,238 | $269,333 | $493,794 | $25,226 | $2,871 | $7,568 |
| **Total Rate Base** | **$15,545,678** | **$8,261,157** | **$2,913,359** | **$4,139,690** | **$123,777** | **$64,437** | **$43,259** |
| | Rate Base Input Does Not Equal Output | | | | | | |
| **Equity Component of Rate Base** | $6,218,271 | $3,304,463 | $1,165,344 | $1,655,876 | $49,511 | $25,775 | $17,304 |
| **Net Income on Allocated Assets** | $566,485 | $315,516 | $237,386 | $78,664 | ($64,653) | ($11,814) | $11,387 |
| **Net Income on Direct Allocation Assets** | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **Net Income** | $566,485 | $315,516 | $237,386 | $78,664 | ($64,653) | ($11,814) | $11,387 |
| **RATIOS ANALYSIS** | | | | | | | |
| **REVENUE TO EXPENSES STATUS QUO%** | 100.00% | 100.34% | 115.14% | 93.34% | 73.67% | 46.34% | 150.71% |
| EXISTING REVENUE MINUS ALLOCATED COSTS | ($932,588) | ($535,505) | ($45,080) | ($241,806) | ($98,652) | ($16,244) | $4,699 |
| | Deficiency Input equals Output | | | | | | |
| STATUS QUO REVENUE MINUS ALLOCATED COSTS | ($0) | $10,779 | $130,976 | ($68,779) | ($68,636) | ($14,298) | $9,957 |
| RETURN ON EQUITY COMPONENT OF RATE BASE | 9.11% | 9.55% | 20.37% | 4.75% | -130.58% | -45.84% | 65.80% |

**Table 16 –Outputs to the CA model (O2 Fixed Charge|Floor|Ceiling)**

| Summary | 1<br>Residential | 2<br>GS <50 | 3<br>GS 50 to 4,999 kW | 7<br>Street Light | 8<br>Sentinel | 9<br>Unmetered Scattered Load |
|---|---|---|---|---|---|---|
| Customer Unit Cost per month - Avoided Cost | $5.92 | $7.19 | $29.75 | $5.72 | $5.45 | $5.50 |
| Customer Unit Cost per month - Directly Related | $12.15 | $14.52 | $63.62 | $10.96 | $10.87 | $10.87 |
| Customer Unit Cost per month - Minimum System with PLCC Adjustment | $26.37 | $27.73 | $83.49 | $11.13 | $15.25 | $26.54 |
| Existing Approved Fixed Charge | $36.56 | $37.49 | $357.29 | $4.85 | $4.32 | $6.22 |

# 7.3 ALLOCATION OF REVENUE REQUIREMENT TO EACH CLASS

## 7.3.1 Class Revenue Analysis

Table 17 below shows the results of the cost allocation. These results compare and analyze the distribution costs and help the RSL determine its 2027 proposed ratios.

**Table 17 - Results of the Cost Allocation Study**

| Customer Class Name | Service Rev Req (row40) | | Misc. Revenue (mi) (row19) | | Base Rev Req | | Rev2Cost Expenses % |
|---|---|---|---|---|---|---|---|
| **Residential** | 3,155,186 | 58.87% | 261,012 | 65.20% | 2,894,174 | 58.36% | 100.34% |
| **General Service < 50 kW** | 864,928 | 16.14% | 59,695 | 14.91% | 805,232 | 16.24% | 115.14% |
| **General Service > 50 to 4999 kW** | 1,032,405 | 19.26% | 43,527 | 10.87% | 988,878 | 19.94% | 93.34% |
| **Unmetered Scattered Load** | 19,637 | 0.37% | 1,633 | 0.41% | 18,004 | 0.36% | 150.71% |
| **Sentinel** | 26,646 | 0.50% | 1,997 | 0.50% | 24,648 | 0.50% | 46.34% |
| **Streetlights** | 260,696 | 4.86% | 32,441 | 8.10% | 228,255 | 4.60% | 73.67% |
| **other** | | | | | | | |
| | | | | | | | |
| **T O T A L** | 5,359,497 | 100.00% | 400,306 | 100.00% | 4,959,191 | 100.00% | |

Table 18 below shows the allocation percentage and base revenue requirement allocation under existing rates, cost allocation results, and proposed 2027 proposed allocation.

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

| | **Proposed Base Revenue Requirement %** | | | | | |
|---|---|---|---|---|---|---|
| Customer Class Name | **Cost Allocation Results** | | **Existing Rates** | | **Proposed Allocation** | |
| **Residential** | 58.36% | 2,894,174 | 60.10% | 2,980,473 | 58.55% | 2,903,640 |
| **General Service < 50 kW** | 16.24% | 805,232 | 14.75% | 731,342 | 18.52% | 918,479 |
| **General Service > 50 to 4999 kW** | 19.94% | 988,878 | 20.12% | 997,841 | 18.55% | 919,707 |
| **Unmetered Scattered Load** | 0.36% | 18,004 | 0.49% | 24,356 | 0.44% | 21,931 |
| **Sentinel** | 0.50% | 24,648 | 0.29% | 14,166 | 0.39% | 19,319 |
| **Streetlights** | 4.60% | 228,255 | 4.25% | 211,013 | 3.55% | 176,116 |
| **other** | | | | | | |
| | | | | | | |
| **T O T A L** | 100.00% | 4,959,191 | 100.00% | 4,959,191 | 100.00% | 4,959,191 |

Table **19** below shows the revenue offset allocation which resulted from the Cost Allocation Study (Sheet O1).

**Table 19 - Revenue Offset Allocation as per Cost Allocation Study**

| | Revenue Offsets | |
|---|---|---|
| Customer Class Name | **%** | **$** |
| **Residential** | 65.20% | 261,012 |
| **General Service < 50 kW** | 14.91% | 59,695 |
| **General Service > 50 to 4999 kW** | 10.87% | 43,527 |
| **Unmetered Scattered Load** | 0.41% | 1,633 |
| **Sentinel** | 0.50% | 1,997 |
| **Streetlights** | 8.10% | 32,441 |
| **other** | | |
| | | |
| **TOTAL** | 100.00% | 400,306 |

Table 20 shows the allocation of the service revenue requirement under the same three scenarios.

**Table 20 - Service Revenue Requirement Under 3 Scenarios**

| | Service Revenue Requirement $ | | |
|---|---|---|---|
| Customer Class Name | **Existing Rates** | **Cost Allocation** | **Proposed Allocation** |
| **Residential** | 3,241,486 | 3,155,186 | 3,164,652 |
| **General Service < 50 kW** | 791,037 | 864,928 | 978,174 |
| **General Service > 50 to 4999 kW** | 1,041,368 | 1,032,405 | 963,234 |
| **Unmetered Scattered Load** | 25,989 | 19,637 | 23,564 |
| **Sentinel** | 16,164 | 26,646 | 21,317 |
| **Streetlights** | 243,454 | 260,696 | 208,557 |
| **other** | | | |
| | | | |
| **TOTAL** | 5,359,497 | 5,359,497 | 5,359,497 |

# 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 ratios were determined using a step-based approach consistent with the OEB's policy range of 0.80 to 1.20.

As a first step, all customer classes with calculated ratios outside of the policy range were adjusted to bring them within the range. Specifically, classes above the upper bound were reduced, and classes below the lower bound were increased. This includes adjustments to General Service < 50 kW and Unmetered Scattered Load, which were reduced, and Sentinel, which was increased.

The magnitude of adjustments varies by class and reflects the starting position of each class. For example, Sentinel required a larger adjustment due to its initial ratio of 0.463, while other classes such as Residential required minimal change given their proximity to 0.80.

The resulting proposed ratios are all within the OEB's policy range and represent a progression toward improved cost alignment. The associated revenue shifts are reflected in the shortfall reconciliation and are revenue neutral in aggregate.

RSL acknowledges that the pace of adjustment for certain classes, most notably Sentinel, is more pronounced than typically observed. However, this reflects the magnitude of the initial variance, and the resulting shortfall redistribution remains reasonable and manageable.

Table 22 on the next page shows Appendix 2-P of the Board Appendices, while Table 19 below shows the RSL'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 21 – Proposed Revenue Allocation**

| Customer Class Name | Calculated R/C Ratio | Proposed R/C Ratio | Variance | Shortfall Allocation |
|---|---|---|---|---|
| **Residential** | 1.003 | 1.003 | 0.000 | 1,314 |
| **General Service < 50 kW** | 1.151 | 1.131 | -0.020 | 17,730 |
| **General Service > 50 to 4999 kW** | 0.933 | 0.933 | 0.000 | 392 |
| **Unmetered Scattered Load** | 1.507 | 1.200 | -0.307 | 6,030 |
| **Sentinel** | 0.463 | 0.800 | 0.337 | -8,969 |
| **Streetlights** | **0.737** | **0.800** | **0.063** | **-16,496** |

* 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 ratios were determined using a step-based approach consistent with the OEB's policy range of 0.80 to 1.20.

As a first step, all customer classes with calculated ratios outside of the policy range were adjusted to bring them within the range. Specifically, classes above the upper bound were reduced, and classes below the lower bound were increased. This includes adjustments to General Service < 50 kW and Unmetered Scattered Load, which were reduced, and Sentinel, which was increased.

The magnitude of adjustments varies by class and reflects the starting position of each class. For example, Sentinel required a larger adjustment due to its initial ratio of 0.463, while other classes such as Residential required minimal change given their proximity to 0.80.

The resulting proposed ratios are all within the OEB's policy range and represent a progression toward improved cost alignment. The associated revenue shifts are reflected in the shortfall reconciliation and are revenue neutral in aggregate.

RSL acknowledges that the pace of adjustment for certain classes, most notably Sentinel, is more pronounced than typically observed. However, this reflects the magnitude of the initial variance, and the resulting shortfall redistribution remains reasonable and manageable.

## Table 22 - OEB Appendix 2-P

### A) Allocated Costs

| Classes | Costs Allocated from Previous Study | % | Costs Allocated in Test Year Study (Column 7A) | % |
|---|---|---|---|---|
| **Residential** | | | $3,155,186 | 58.87% |
| **General Service < 50 kW** | | | $864,928 | 16.14% |
| **General Service > 50 to 4999 kW** | | | $1,032,405 | 19.26% |
| **Unmetered Scattered Load** | | | $19,637 | 0.37% |
| **Sentinel** | | | $26,646 | 0.50% |
| **Streetlights** | | | $260,696 | 4.86% |
| Total | | | **$5,359,497** | 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** | $2,358,669 | $2,904,953 | $2,903,640 | $261,012 |
| **General Service < 50 kW** | $760,152 | $936,209 | $918,479 | $59,695 |
| **General Service > 50 to 4999 kW** | $747,072 | $920,099 | $919,707 | $43,527 |
| **Unmetered Scattered Load** | $22,703 | $27,961 | $21,931 | $1,633 |
| **Sentinel** | $8,404 | $10,351 | $19,319 | $1,997 |
| **Streetlights** | $129,603 | $159,620 | $176,116 | $32,441 |
| Total | $4,026,603 | $4,959,191 | $4,959,191 | $400,306 |

### 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)** | |
| | **2022** | | | |
| | **%** | **%** | **%** | **%** |
| **Residential** | 91.08% | | 100.34% | |
| **General Service < 50 kW** | 120.00% | | 115.14% | |
| **General Service > 50 to 4999 kW** | 120.00% | | 93.34% | |
| **Unmetered Scattered Load** | 108.68% | | 150.71% | |
| **Sentinel** | 89.99% | | 46.34% | |
| **Streetlights** | 107.28% | | 73.67% | |

**D) Proposed Revenue-to-Cost Ratios**

| Class | Proposed Revenue-to-Cost Ratios | Policy Range |
|---|---|---|
| **Residential** | 100.30% | |
| **General Service < 50 kW** | 113.09% | |
| **General Service > 50 to 4999 kW** | 93.30% | |
| **Unmetered Scattered Load** | 120.00% | |
| **Sentinel** | 80.00% | |
| **Streetlights** | 80.00% | |

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