



EXHIBIT 7 – COST ALLOCATION

2027 Cost of Service

Ottawa River Power Corporation
EB-2026-0066

TABLE OF CONTENTS

7.1	Cost Allocation Study Requirements	3
7.1.1	Overview of Cost Allocation.....	3
7.1.2	Previously Approved Cost Allocation Study	3
7.1.3	New Customer Class	4
7.1.4	Elimination of a Customer Class.....	4
7.2	Proposed Cost Allocation Study.....	4
7.2.1	Trial Balance Input	4
7.2.2	Break-out of Assets	5
7.2.3	Miscellaneous Data	5
7.2.4	Weighting Factors.....	5
7.2.5	Revenue	9
7.2.6	Customer Data	10
7.2.7	Meter Capital & Meter Reading	10
7.2.8	Demand Data.....	10
7.2.9	Direct Allocation.....	13
7.2.10	Worksheet O1-O2.....	13
7.3	Class Revenue Requirements.....	15
7.3.1	Class Revenue Analysis	15
7.4	Revenue-to-Cost Ratios.....	17
7.4.1	Cost Allocation Results and Analysis	18
7.4.2	Host Distributor	21
7.4.3	Unmetered Loads.....	21
7.4.4	MicroFIT Class.....	21
7.4.5	Standby Rates.....	21

LIST OF TABLES

1		
2	Table 1 - Previously Approved Ratios (2022 COS)	3
3	Table 2 - Weighting Factors.....	6
4	Table 3 – Breakdown of Weighting Factors	8
5	Table 4 - Worksheet "I6-1 Revenue" of the Cost Allocation Model	9
6	Table 5 - Worksheet "I6-2 Customer Data" of the Cost Allocation Model	10
7	Table 6 - Non-Coincident Peak: Demand Data for 2027 Test Year.....	12
8	Table 7 - Coincident Peak: Demand Data for 2027 Test Year	12
9	Table 8 – Worksheet O1 – Revenue to Cost Ratios of the Cost Allocation Model	14
10	Table 9 – Worksheet O2 – Revenue to Cost Ratios of the Cost Allocation Model	15
11	Table 10 – 2022 Test Year Results of the Cost Allocation Study (EB-2021-0052)	15
12	Table 11 - Results of the Cost Allocation Study	16
13	Table 12 - Base Revenue Requirement Under 3 Scenarios.....	16
14	Table 13 - Revenue Offset Allocation as per Cost Allocation Study.....	17
15	Table 14 - Service Revenue Requirement Under 3 Scenarios	17
16	Table 15 – Proposed Revenue Allocation	18
17	Table 16 – Revenue to Cost Ratios 2027 and 2028 to 2031	19
18	Table 17 - OEB Rev Reqt Workform: worksheet "11. Cost Allocation"	20

7.1 COST ALLOCATION STUDY REQUIREMENTS

7.1.1 OVERVIEW OF COST ALLOCATION

ORPC has prepared and is filing a cost allocation informational filing consistent with its understanding of the Directions and Policies in the Board's Reports of November 28, 2007 Application of Cost Allocation for Electricity Distributors, and March 31, 2011 Review of Electricity Distribution Cost Allocation Policy (EB-2010-0219) (the "Cost Allocation Reports") and all subsequent updates.

The main objectives of the original informational filing in 2006 were to provide information on any apparent cross-subsidization among a distributor's rate classifications and to support future rate applications. This information is updated to reflect new parameters and inputs and then used to adjust any cross-subsidization in the proposed rates.

7.1.2 PREVIOUSLY APPROVED COST ALLOCATION STUDY

The Previously Board Approved ratios are presented as a point of reference to the proposed Test Year (2027) ratios. As part of its last Cost of Service Rate Application¹, ORPC updated its cost allocation revenue to cost ratios using 2022 base revenue requirement information. The revenue to cost ratios from the 2022 application are presented below:

Table 1 - Previously Approved Ratios (2022 COS)

Customer Class Name	2022 Approved Revenue to Cost Ratio
<i>Residential</i>	95.04%
<i>General Service < 50 kW</i>	100.00%
<i>General Service 50 to 4,999 kW</i>	119.99%
<i>Street Lighting</i>	95.00%
<i>Sentinel Lights</i>	116.94%
<i>Unmetered Scattered Load</i>	95.00%

¹ EB-2021-0052 Ottawa River Power Inc. 2022 Cost of Service application.

7.1.3 NEW CUSTOMER CLASS

ORPC notes that there have been no changes in its class composition since 2022. The utility is not proposing to introduce any new customer classes.

7.1.4 ELIMINATION OF A CUSTOMER CLASS

ORPC is not proposing to eliminate any customer rate classes.

7.2 PROPOSED COST ALLOCATION STUDY

The Cost Allocation Study for 2027 allocates the Test Year 2027 costs (i.e. the 2027 forecasted revenue requirement) to the various customer classes using allocators that are based on the forecast class loads (kW and kWh) by class and customer counts.

ORPC has used the latest OEB published Cost Allocation Model (issued January 15, 2026) and followed the instructions provided by the OEB to enter the 2027 data into this model.

Below is a summary of the process that ORPC applied in completing the 2027 Cost Allocation Model.

7.2.1 TRIAL BALANCE INPUT

ORPC populated the information in worksheet "I3, Trial Balance Data" with the 2027 forecasted data, Target Net Income, PILs, interest on long term debt, and the targeted Revenue Requirement and Rate Base.

The Applicant confirmed that the values balanced with the Revenue Requirement and the Rate Workform as per the Revenue Requirement Workform.

7.2.2 BREAK-OUT OF ASSETS

In worksheet "I4, Break-out of Assets", ORPC updated the allocation of the accounts based on Test Year 2027 values.

The Applicant confirmed that all items balanced as per the Cost Allocation model.

7.2.3 MISCELLANEOUS DATA

In worksheet "I5.1, Miscellaneous data", ORPC inputted:

- Structure kilometers of 362.27km. This is consisting of the utility having 155.00km of primary overhead, 30.01km of primary underground and 177.26km of secondary along roads where there is no primary distribution line. ORPC referred to the OEB's "Cost Allocation Information Filing Guidelines for Electricity Distributors" to confirm the definition of km.²
- The 40% deemed equity component of the rate base.
- A working capital allowance of 7.5%.
- The proportion of pole rental revenue from secondary poles / distribution lines is based on the analysis of the overhead primary and secondary line.

7.2.4 WEIGHTING FACTORS

As instructed by the Board, in worksheet "I5.2, Weighting Factors", ORPC has used LDC specific factors rather than continue to use OEB approved default factors. The utility has applied service and billing & collecting weightings for each customer classification.

These weightings are based on a review of time and costs incurred in servicing its customer classes.

The table below summarizes the weighting factors assigned to the customer classes for (a) Services Account 1855 and (b) billing and collecting:

² Cost Allocation Information Filing Guidelines for Electricity Distributors issued November 15, 2006, section 7.4.2.4

Table 2 - Weighting Factors

	1	2	3	7	8	9
	Residential	GS <50 kW	GS 50-4,999 kW	Streetlight	Sentinel	Unmetered Scattered Load
<i>Weighting Factor for Services Account 1855</i>	1.0	0.0	0.0	0.0	0.0	0.0
<i>Weighting Factor for Billing and Collecting</i>	1.0	1.0	0.9	1.0	0.9	0.9

Proposed Services Weighting Factors

ORPC applies a weighting factor of 1.0 to the Residential class and 0.0 to all other customer classes, as non-residential customers are responsible for paying their connection costs directly.

Proposed Billing and Collecting Weighting Factors

- *Residential*: weighting factor set as "1" per Cost Allocation instruction sheet.
- *General Service <50 kW*: weighting factor is "0.98" (rounded to 1.0 in the CA model) as ORPC believes that no more time, attention and costs are spent on these customers as the residential class. Although the GS<50 kW customers are periodically monitored to assess if their kVA demand means that they qualify to move into the GS50 – 999 kW class, this is off-set by ORPC printing fewer bills and receiving fewer calls from customers in this rate class when compared to the Residential Class.
- *General Service 50-4,999 kW*: weighting factor "0.95" (rounded to 0.9 in the CA model). There is additional staff time required to prepare and validate each bill to ensure monthly consumption data aligns to the settlement data for the period. However, collection costs are lower than those incurred when dealing with General Service <50 kW customers and fewer bills are printed and fewer calls received from this rate class when compared to the Residential Class.
- *Street Lighting*: weighting factor "1.01" (rounded to 1.0 in the CA model) is proposed as this customer class does not give rise to collection activity so no collection costs have been allocated. The weighting factor reflects the extremely low volume of bills issued, but also the requirement to maintain a list of street lighting asset and wattages. ORPC discusses and

confirms load profile data and bill impact with the Municipalities and Townships when new rates and charges are introduced.

- *Sentinel Lighting*: weighting factor “0.91” (rounded to 0.9 in the CA model) is proposed because, similar to Street Lighting, this class does not give rise to collection costs. The weighting factor reflects that relatively fewer bills are issued to this customer class.
- *Unmetered Scattered Load*: weighting factor “0.95” (rounded to 0.9 in the CA model) is proposed because, similar to Sentinel Lighting, weighting factor reflects that relatively fewer bills are issued to this customer class.

A derivation of the billing and collecting weighting factors for the rate class is illustrated in the table below.

Table 3 – Breakdown of Weighting Factors

Accounts 5305 - 5340	2025						
5305-Supervision	67,587.24						
5315-Customer Billing	600,631.67						
5320-Collecting	218,498.02						
5325-Collecting- Cash Over and Short	-						
5330-Collection Charges	(13,690.00)						
5340-Miscellaneous Customer Accounts Expenses	52,395.93						

	Residential	GS < 50 *	GS > 50	Unmetered	Street Lighting	Sentinel Lighting	
2027 Projected # of Customers (load forecast)	10600	1267	133	19	5	81	12105
# bills	127194	14936	1507	216	61	885	144799
Examples of Expenses							Total Annual Cost
5305 - Supervision - Labour & Overheads	59,184.20	7,074.19	742.59	106.08	27.92	452.26	67,587.24
5315 - Customer Billing - Labor & overheads	100,507.69	12,013.51	1,261.09	180.16	47.41	768.03	114,777.88
5315 - Customer Billing - IT - Labor & overheads	4,843.65	578.95	60.77	8.68	2.28	37.01	5,531.36
5315 - Customer Billing expenses (ERTH)	4,259.46	8,765.84	1,790.21	308.66	123.46	1,358.09	16,605.72
5315 - Customer Billing expenses (ESRI)	17,866.67	2,135.57	224.18	32.03	8.43	136.53	20,403.40
5315 - Customer Billing expenses (E-Billing Hosting)	8,666.15	1,035.85					9,702.00
5315 - Customer Billing expenses (Internet and Utilities)	21,371.18	2,554.46	268.15	38.31	10.08	163.31	24,405.49
5315 - Customer Billing expenses (Postage and Folding Machine Leases)	2,074.99	248.02	26.04	3.72	0.98	15.86	2,369.60
5315 - Customer Billing expenses (Canada Post)	136,529.35	16,319.12	1,713.06	244.72	64.40	1,043.29	155,913.94
5315 - Customer Billing expenses (Letterhead)	12,032.16	1,438.18	150.97	21.57	5.68	91.94	13,740.50
5315 - Customer Billing expenses (Supplies)	6,254.28	747.56	78.47	11.21	2.95	47.79	7,142.27
5315 - Customer Billing expenses (NorthStar)	40,504.35	4,841.42	508.21	72.60	19.11	309.51	46,255.20
5315 - Customer Billing expenses (Utilismart - Settlements)	61,034.14	7,295.31	765.81	109.40	28.79	466.39	69,699.84
5315 - Customer Billing expenses (Training)	99,900.49	11,940.94	1,253.47	179.07	47.12	763.39	114,084.47
5320 - Collecting - Labour	191,617.74	13,512.25	349.45	-	-	-	205,479.45
5320 - Collecting - Credit Bureau Fees	8,845.90	623.78	16.13	-	-	-	9,485.82
5325 - Collecting - Cash Over and Short	3,294.43	232.31	6.01	-	-	-	3,532.75
5330 - Returned Cheques and Reconnection Charges	(12,073.72)	(1,443.15)	(151.49)	(21.64)			(13,690.00)
5340 - Misc. Cust Account Exp. - Health & Safety	1,115.56	133.34	14.00	2.00			1,264.90
5340 - Misc. Cust Account Exp. - General Clerical	45,094.34	5,390.05	565.81	80.83			51,131.03
5315 - Customer Billing	812,923.02	95,437.51	9,642.92	1,377.39	388.60	5,653.41	925,422.86
Total	6.39	6.28	6.04	6.04	6.48	5.82	
Weighting (Residential set as standard)	1.00	0.98	0.95	0.95	1.01	0.91	

The above table shows:

- The annual costs to produce an electricity bill including, but not limited to, vendor maintenance fees for Customer Information Systems, bill-print scanning solutions for document management and e-billing, collecting meter readings and interval data, bill data validation and labour time to calculate, print and validate bills. Costs are allocated based on the number of accounts and whether the expense is unique to a certain rate class.
- Collection costs mainly relate to ORPC labour as the utility performs the majority of its own collections. Final billed customers overdue in excess of 3 to 6 months are referred to collection agencies.

7.2.5 REVENUE

In worksheet "I6.1 – Revenue", ORPC has inputted the 2027 Test Year load forecast data (kWh and kW), the proposed revenue deficiency and miscellaneous revenue as well as current rates (derived from the LDC's 2025 IRM rate application – EB-2025-0013: Final Rate Order, March 19, 2026). This is illustrated in the table below:

Table 4 - Worksheet "I6-1 Revenue" of the Cost Allocation Model

Total kWhs from Load Forecast	189,778,950
Total kW from Load Forecast	199,337
Deficiency/sufficiency (RRWF 8. cell F51)	- 1,309,920
Miscellaneous Revenue (RRWF 5. cell F48)	464,587

			1	2	3	7	8	9
	ID	Total	Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load
Billing Data								
Forecast kWh	CEN	189,778,950	92,832,140	30,243,420	64,938,559	1,016,551	149,812	598,467
Forecast kW	CDEM	199,337			196,085	2,837	415	
Forecast kW, included in CDEM, of customers receiving line transformer allowance		27,420			27,420			
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	189,778,950	92,832,140	30,243,420	64,938,559	1,016,551	149,812	598,467
Existing Monthly Charge			\$29.81	\$27.68	\$104.16	\$2.98	\$4.37	\$28.65
Existing Distribution kWh Rate				\$0.0163				\$0.0096
Existing Distribution kW Rate					\$3.9863	\$16.3147	\$13.4466	
Existing TOA Rate					\$0.60			
Additional Charges								
Distribution Revenue from Rates		\$5,832,008	\$3,791,665	\$913,876	\$947,669	\$151,720	\$14,800	\$12,277
Transformer Ownership Allowance		\$16,452	\$0	\$0	\$16,452	\$0	\$0	\$0
Net Class Revenue	CREV	\$5,815,556	\$3,791,665	\$913,876	\$931,217	\$151,720	\$14,800	\$12,277

The red triangle in Unmetered Scattered Load "Distribution Revenues from Rates" denotes an adjustment made to the cost allocation model to use the USL customer count for the purpose of calculating fixed revenue at existing rates for the class. The default formula uses the maximum of the customer count, connection count, and device count to calculate fixed revenue at existing rates. The Unmetered Scattered Load class fixed charge is billed based on the number of customers so the default calculations would produce the incorrect fixed revenue at existing rates.

7.2.6 CUSTOMER DATA

Worksheet "I6.2 Customer Data" has been updated with the required Bad Debt and Late Payment revenue data as well as the 2027 Test Year forecasted number of customers, connections and number of devices. ORPC reviewed Navigant's report "Cost Allocation to Different Types of Street Lighting Configurations" (issued June 12, 2015) as well as the Board's letter dated June 12, 2015, "Review of Cost Allocation Policy for Unmetered Loads – EB-2012-0383" and has inputted the number of devices and connections for its' Street Lighting class.) Below is a summary of worksheet "I6.2 – Customer Data":

Table 5 - Worksheet "I6-2 Customer Data" of the Cost Allocation Model

			1	2	3	7	8	9
	ID	Total	Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load
Billing Data								
Bad Debt 3 Year Historical Average	BDHA	\$114,102	\$66,092	\$12,396	\$35,616	\$0	\$0	(\$3)
Late Payment 3 Year Historical Average	LPHA	\$58,713	\$36,565	\$11,771	\$10,206	\$30	\$3	\$138
Number of Bills	CNB	145,254	127,194	15,206.22	1,593.87	60.00	972.00	228.00
Number of Devices	CDEV					2,948	176	88
Number of Connections (Unmetered)	CCON	3,212				2,948	176	88
Total Number of Customers	CCA	12,105	10,600	1,267	133	5	81	19
Bulk Customer Base	CCB	12,105	10,600	1,267	133	5	81	19
Primary Customer Base	CCP	12,218	10,600	1,267	133	118	81	19
Line Transformer Customer Base	CCLT	12,212	10,600	1,267	127	118	81	19
Secondary Customer Base	CCS	12,099	10,600	1,267	127	5	81	19
Weighted - Services	CWCS	10,600	10,600	-	-	-	-	-
Weighted Meter - Capital	CWMC	2,033,290	1,632,027	318,841	82,422	-	-	-
Weighted Meter Reading	CWMR	15,106	10,627	2,835	1,644	-	-	-
Weighted Bills	CWNB	144,798	127,194	14,936	1,507	61	885	216

Bad Debt Data

Historic Year:	2023	63,709	54,227	8,560	902	-	-	20
Historic Year:	2024	124,611	104,954	18,367	1,283	-	5	2
Historic Year:	2025	153,985	39,094	10,261	104,664	-	4	31
Three-year average		114,102	66,092	12,396	35,616	-	0	3

7.2.7 METER CAPITAL & METER READING

ORPC has updated the capital cost per meter information in worksheet "I7.1 Meter Capital" and the meter reading information in worksheet "I7.2 Meter Reading".

7.2.8 DEMAND DATA

ORPC has updated load profiles for all rate classes. Load profiles were updated using three years of historic actual data from October 2022 to September 2025. This data period was selected

because complete data from January 2022 was not available and demands in November and December 2025 were significantly influenced by one large use customer with anomalous demands in those months that are not expected to continue into the future.

The coincident peak and non-coincident peak figures used in tab I8 Demand Data were calculated with a four-step process:

1. The annual load profiles (October 2022 to September 2023, October 2023 to September 2024, and October 2024 to September 2025) were scaled such that the sum of hourly loads in each of the three time periods of each class is equal to the class's consumption in each period.
2. The 1CP/4CP/12CP and 1NCP/4NCP/12NCP values were determined for each annual load profile.
3. The average of the 1CP/4CP/12CP and 1NCP/4NCP/12NCP values from step 2 were calculated.
4. The average 1CP/4CP/12CP and 1NCP/4NCP/12NCP values from step 3 were scaled to the 2027 Test Year forecast.

The tables below summarize the NCP and CP demand values for 2027 by customer class which are used in the Cost Allocation model:

Table 6 - Non-Coincident Peak: Demand Data for 2027 Test Year

Customer Classes	Total	1	2	3	7	8	9
		Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load
NON CO INCIDENT PEAK							
1 NCP Classification NCP from Load Data Provider DNCP1 Primary NCP LTNCP1 Secondary NCP SNCP1	NCP Sanity Check	Pass	Pass	Pass	Pass	Pass	Pass
4 NCP Classification NCP from Load Data Provider DNCP4 Primary NCP LTNCP4 Secondary NCP SNCP4							
12 NCP Classification NCP from Load Data Provider DNCP12 Primary NCP LTNCP12 Secondary NCP SNCP12							

Table 7 - Coincident Peak: Demand Data for 2027 Test Year

Customer Classes	Total	1	2	3	7	8	9	
		Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load	
		CP Sanity Check	Pass	Pass	Pass	Pass	Pass	Pass
CO-INCIDENT PEAK								
1 CP								
Transformation CP	TCP1	40,220	20,285	4,988	14,704	149	23	70
Bulk Delivery CP	BCP1	40,220	20,285	4,988	14,704	149	23	70
Total Sytem CP	DCP1	40,220	20,285	4,988	14,704	149	23	70
4 CP								
Transformation CP	TCP4	154,022	79,601	20,512	53,039	519	77	276
Bulk Delivery CP	BCP4	154,022	79,601	20,512	53,039	519	77	276
Total Sytem CP	DCP4	154,022	79,601	20,512	53,039	519	77	276
12 CP								
Transformation CP	TCP12	402,541	201,187	55,422	143,255	1,620	238	819
Bulk Delivery CP	BCP12	402,541	201,187	55,422	143,255	1,620	238	819
Total Sytem CP	DCP12	402,541	201,187	55,422	143,255	1,620	238	819

ORPC confirms the following:

- The Applicant proposes to use updated CP and NCP data, as described above.
- The Applicant has filed the Cost Allocation model, as a live excel file, with this application.
- The Applicant has populated sheets 11 and 13 of the Revenue Requirement Workform.
- The Applicant confirms that the inputs to the model are consistent with the test year load forecast, changes to customer classes and load profiles.

1 7.2.9 DIRECT ALLOCATION

2 ORPC confirms that no Direct Allocations were entered in worksheet "I9. Direct Allocation"

3 7.2.10 WORKSHEET O1-O2

4 The revenue to cost ratios calculated in worksheet "O1 Revenue to Cost|RR" of the Cost Allocation
5 model updated for the Test Year 2027 is presented in the table below:

1 **Table 8 – Worksheet O1 – Revenue to Cost Ratios of the Cost Allocation Model**

Rate Base Assets	Total	1	2	3	7	8	9
		Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load
crev Distribution Revenue at Existing Rates	\$5,815,556	\$3,791,665	\$913,876	\$931,217	\$151,720	\$14,800	\$12,277
mi Miscellaneous Revenue (mi)	\$464,587	\$310,125	\$57,307	\$77,531	\$16,231	\$2,180	\$1,214
Miscellaneous Revenue Input equals Output							
Total Revenue at Existing Rates	\$6,280,144	\$4,101,790	\$971,183	\$1,008,748	\$167,950	\$16,980	\$13,492
Factor required to recover deficiency (1 + D)	1.2252						
Distribution Revenue at Status Quo Rates	\$7,125,476	\$4,645,716	\$1,119,721	\$1,140,968	\$185,894	\$18,134	\$15,043
Miscellaneous Revenue (mi)	\$464,587	\$310,125	\$57,307	\$77,531	\$16,231	\$2,180	\$1,214
Total Revenue at Status Quo Rates	\$7,590,063	\$4,955,840	\$1,177,028	\$1,218,499	\$202,124	\$20,314	\$16,257
Expenses							
di Distribution Costs (di)	\$1,593,063	\$946,002	\$182,391	\$414,933	\$40,302	\$5,637	\$3,799
cu Customer Related Costs (cu)	\$1,479,109	\$1,209,706	\$159,267	\$70,765	\$28,989	\$8,000	\$2,382
ad General and Administration (ad)	\$2,142,934	\$1,495,664	\$238,781	\$346,267	\$48,448	\$9,441	\$4,333
dep Depreciation and Amortization (dep)	\$977,565	\$589,089	\$115,581	\$244,925	\$22,759	\$3,102	\$2,109
INPUT PILs (INPUT)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
INT Interest	\$578,262	\$338,319	\$68,142	\$154,671	\$13,817	\$1,971	\$1,342
Total Expenses	\$6,770,933	\$4,578,780	\$764,162	\$1,231,562	\$154,314	\$28,151	\$13,964
Direct Allocation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NI Allocated Net Income (NI)	\$819,130	\$479,242	\$96,526	\$219,098	\$19,572	\$2,792	\$1,900
Revenue Requirement (includes NI)	\$7,590,063	\$5,058,022	\$860,688	\$1,450,659	\$173,886	\$30,943	\$15,864
Revenue Requirement Input equals Output							
Rate Base Calculation							
Net Assets							
dp Distribution Plant - Gross	\$35,104,164	\$21,128,514	\$4,147,315	\$8,753,516	\$875,871	\$119,533	\$79,415
gp General Plant - Gross	\$3,866,657	\$2,275,246	\$455,399	\$1,020,299	\$93,533	\$13,241	\$8,939
accum dep Accumulated Depreciation	(\$13,226,691)	(\$8,223,510)	(\$1,571,280)	(\$3,014,648)	(\$343,871)	(\$44,466)	(\$28,916)
co Capital Contribution	(\$5,516,273)	(\$3,340,103)	(\$647,889)	(\$1,354,696)	(\$141,727)	(\$19,334)	(\$12,524)
Total Net Plant	\$20,227,857	\$11,840,147	\$2,383,546	\$5,404,470	\$483,806	\$68,975	\$46,913
Directly Allocated Net Fixed Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
COP Cost of Power (COP)	\$24,798,513	\$12,149,063	\$3,949,498	\$8,469,770	\$132,586	\$19,540	\$78,057
OM&A Expenses	\$5,215,106	\$3,651,372	\$580,439	\$831,965	\$117,739	\$23,079	\$10,514
Directly Allocated Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$30,013,619	\$15,800,435	\$4,529,937	\$9,301,735	\$250,325	\$42,618	\$88,570
Working Capital	\$2,251,021	\$1,185,033	\$339,745	\$697,630	\$18,774	\$3,196	\$6,643
Total Rate Base	\$22,478,878	\$13,025,179	\$2,723,291	\$6,102,100	\$502,580	\$72,171	\$53,556
Rate Base Input equals Output							
Equity Component of Rate Base	\$8,991,551	\$5,210,072	\$1,089,316	\$2,440,840	\$201,032	\$28,868	\$21,423
Net Income on Allocated Assets	\$819,130	\$377,060	\$412,866	(\$13,062)	\$47,810	(\$7,837)	\$2,293
Net Income on Direct Allocation Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income	\$819,130	\$377,060	\$412,866	(\$13,062)	\$47,810	(\$7,837)	\$2,293
RATIOS ANALYSIS							
REVENUE TO EXPENSES STATUS QUO%	100.00%	97.98%	136.75%	84.00%	116.24%	65.65%	102.48%
EXISTING REVENUE MINUS ALLOCATED COSTS	(\$1,309,920)	(\$956,232)	\$110,495	(\$441,911)	(\$5,936)	(\$13,963)	(\$2,372)
Deficiency Input equals Output							
STATUS QUO REVENUE MINUS ALLOCATED COSTS	\$0	(\$102,182)	\$316,340	(\$232,160)	\$28,238	(\$10,629)	\$393
RETURN ON EQUITY COMPONENT OF RATE BASE	9.11%	7.24%	37.90%	-0.54%	23.78%	-27.15%	10.70%

2

3

Table 9 – Worksheet O2 – Revenue to Cost Ratios of the Cost Allocation Model

Summary

	1	2	3	7	8	9
	Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load
Customer Unit Cost per month - Avoided Cost	\$8.18	\$8.65	\$6.79	\$0.81	\$3.38	\$1.91
Customer Unit Cost per month - Directly Related	\$13.90	\$14.87	\$15.90	\$1.40	\$5.82	\$3.41
Customer Unit Cost per month - Minimum System with PLCC Adjustment	\$26.65	\$24.79	\$78.48	\$4.51	\$14.33	\$9.90
Existing Approved Fixed Charge	\$29.81	\$27.68	\$104.16	\$2.98	\$4.37	\$28.65

7.3 CLASS REVENUE REQUIREMENTS

7.3.1 CLASS REVENUE ANALYSIS

The table below shows the results from the previous Cost Allocation study from the 2022 Test Year as approved in ORPC's 2022 Cost of Service rate application (EB-2021-0052):

Table 10 – 2022 Test Year Results of the Cost Allocation Study (EB-2021-0052)

Cost Allocation Results

REVENUE ALLOCATION (sheet O1)

CUSTOMER UNIT COST PER MONTH (sheet O2)

Customer Class Name	Service Rev Req (row40)	Misc. Revenue (mi) (row19)	Base Rev Req	Revenue to Cost %	Existing Charge	Minimum System with PLCC adjustment	Maximum Charge	Maximum Charge or Existing Rate
Residential	3,539,001	236,774	3,060,387	93.17%	\$24.63	\$17.59	\$24.63	N/A
GS<50 kW	833,501	50,580	779,960	99.64%	\$23.74	\$23.08	\$23.74	Existing
GS 50 to 4999 kW	783,459	44,701	972,531	129.84%	\$89.34	\$46.05	\$89.34	Existing
Street Lighting	119,616	6,209	133,673	116.94%	\$2.51	\$2.99	\$2.99	Min. Sys.
Sentinel Lighting	14,688	817	11,093	81.09%	\$3.11	\$7.10	\$7.10	Min. Sys.
Unmetered Scattered Load	11,954	675	4,818	45.95%	\$10.91	\$31.64	\$31.64	Min. Sys.
TOTAL	5,302,219	339,757	4,962,462	100.00%				

The table below shows the results from the latest 2027 Test Year Cost Allocation study. These results are used to compare and analyze the distribution costs under each option and help the utility determine its' 2027 proposed ratios.

Table 11 - Results of the Cost Allocation Study

Cost Allocation Results

REVENUE ALLOCATION (sheet O1)

CUSTOMER UNIT COST PER MONTH (sheet O2)

Customer Class Name	Service Rev Req (row40)	Misc. Revenue (row19)	Base Rev Req	Revenue to Cost %	Existing Charge	Minimum System with PLCC adjustment	Maximum Charge	Maximum Charge or Existing Rate	
<i>Residential</i>	5,058,022	310,125	4,747,897	97.98%	\$29.81	\$26.65	\$29.81	N/A	
<i>GS<50 kW</i>	860,688	57,307	803,381	136.75%	\$27.68	\$24.79	\$27.68	Existing	
<i>GS 50 to 4999 kW</i>	1,450,659	77,531	1,373,128	84.00%	\$104.16	\$78.48	\$104.16	Existing	
<i>Street Lighting</i>	173,886	16,231	157,655	116.24%	\$2.98	\$4.51	\$4.50	Min. Sys.	
<i>Sentinel Lighting</i>	30,943	2,180	28,764	65.65%	\$4.37	\$14.33	\$14.33	Min. Sys.	
<i>Unmetered Scattered Load</i>	15,864	1,214	14,650	102.48%	\$28.65	\$9.90	\$28.65	Existing	
TOTAL	7,590,063	464,587	7,125,476	100.00%					

The table below shows the allocation percentage and base revenue requirement allocation under the three scenarios of (a) cost allocation results, (b) revenues with uniform rate increases (Status Quo Revenues) and (c) proposed 2027 proposed allocation.

Table 12 - Base Revenue Requirement Under 3 Scenarios

Proposed Base Revenue Requirement %

Customer Class Name	Cost Allocation Results		Status Quo Revenues		Proposed Allocation	
<i>Residential</i>	4,747,897	66.63%	4,645,716	65.20%	4,645,716	65.20%
<i>GS<50 kW</i>	803,381	11.27%	1,119,721	15.71%	975,519	13.69%
<i>GS 50 to 4999 kW</i>	1,373,128	19.27%	1,140,968	16.01%	1,284,473	18.03%
<i>Street Lighting</i>	157,655	2.21%	185,894	2.61%	185,894	2.61%
<i>Sentinel Lighting</i>	28,764	0.40%	18,134	0.25%	18,832	0.26%
<i>Unmetered Scattered Load</i>	14,650	0.21%	15,043	0.21%	15,043	0.21%
TOTAL	7,125,476	100.00%	7,125,476	100.00%	7,125,476	100.00%

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

Table 13 - Revenue Offset Allocation as per Cost Allocation Study

Customer Class Name	Revenue Offsets	
	\$	%
<i>Residential</i>	310,125	66.75%
<i>GS<50 kW</i>	57,307	12.34%
<i>GS 50 to 4999 kW</i>	77,531	16.69%
<i>Street Lighting</i>	16,231	3.49%
<i>Sentinel Lighting</i>	2,180	0.47%
<i>Unmetered Scattered Load</i>	1,214	0.26%
TOTAL	464,587	100.00%

The table below shows the allocation of the service revenue requirement under the same three scenarios.

Table 14 - Service Revenue Requirement Under 3 Scenarios

Customer Class Name	Service Revenue Requirement \$		
	Existing Rates	Cost Allocation	Rate Application
<i>Residential</i>	5,058,022	4,955,840	4,955,840
<i>GS<50 kW</i>	860,688	1,177,028	1,032,826
<i>GS 50 to 4999 kW</i>	1,450,659	1,218,499	1,362,053
<i>Street Lighting</i>	173,886	202,124	202,124
<i>Sentinel Lighting</i>	30,943	20,314	20,963
<i>Unmetered Scattered Load</i>	15,864	16,257	16,257
TOTAL	7,590,063	7,590,063	7,590,063

7.4 REVENUE-TO-COST RATIOS

The results of a cost allocation study are typically presented in the form of revenue to cost ratios. The ratio is shown by rate classification and is the percentage of distribution revenue collected by rate classification compared to the costs allocated to the classification.

In the "Review of Electricity Distribution Cost Allocation Policy - EB-2010-0219" report (issued March 31, 2011), the Board established what it considered to be the appropriate ranges of revenue to cost ratios. The ranges are Residential 0.85 to 1.15 and all other classes 0.80 to 1.20.

7.4.1 COST ALLOCATION RESULTS AND ANALYSIS

The table below illustrates ORPC's proposed Revenue to Cost reallocation based on an analysis of the proposed results from the Cost Allocation Study vs. the Board's floor and ceiling ranges.

Table 15 – Proposed Revenue Allocation

<i>Customer Class Name</i>	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Floor	Ceiling	Variance
<i>Residential</i>	97.98%	97.98%	0.00%	85%	115%	-
<i>GS < 50 kW</i>	136.75%	120.00%	-16.75%	80%	120%	-\$144,202
<i>GS 50 to 4999 kW</i>	84.00%	93.89%	9.90%	80%	120%	\$143,505
<i>Street Lighting</i>	116.24%	116.24%	0.00%	80%	120%	-
<i>Sentinel Lighting</i>	65.65%	67.90%	2.25%	80%	120%	\$698
<i>Unmetered Scattered Load</i>	102.48%	102.48%	0.00%	80%	120%	-

* Ratios in bold fell outside of the floor to ceiling range under the Cost Allocation Model.

The information below addresses the method and logic used to update the revenue to cost ratios from the Cost Allocation study to determine the proposed ratios.

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

In reviewing the calculated revenue to cost results from the Cost Allocation study, there were two customer classes that are outside of the Board's floor/ceiling parameters. ORPC has applied the following methodology for adjusting revenue-to-cost ratio, namely:

- For the Sentinel Lighting rate class, the 2027 Cost Allocation model produced a revenue to cost ratio of 65.65%. Adjusting the Sentinel Lighting revenue to cost ratio to 80% would produce total bill impacts that exceed 10% so ORPC is proposing to limit the adjustment to 67.90% as a rate mitigation measure, which produces total bill impacts of exactly 10% and phase-in the remainder of the adjustment in 2028 and, if necessary, subsequent years. ORPC proposes to offset future Sentinel Lighting revenue to cost ratio increases by decreasing revenue to cost ratios for the General Service < 50 kW class, which is the rate class with the higher R/C ratio of 120%, as discussed below.

- For General Service < 50 kW class, the 2027 Cost Allocation model produced a revenue to cost ratio of 136.75%. The utility has adjusted this to 120% in the 2027. ORPC projects the total bill impact, including Rate Riders for disposition of Deferral / Variance accounts is 0.8% above the current monthly bill.
 - To maintain revenue neutrality, ORPC proposes to increase the General Service 50 to 4,999 kW revenue to cost ratio from 84.00% to 93.89%. This produces a -0.02% total bill Impact for the General Service 50 to 4,999 kW. If rate mitigation was not required for the Sentinel Lighting rate class, the revenue to cost ratios of the General Service 50 to 4,999 kW and Sentinel Lighting rate class would be 93.35%.
- ORPC is proposing to maintain the revenue to cost ratios for the Residential, Street Lighting, and Unmetered Scattered Load rate classes.
- ORPC is proposing to adjust the revenue to cost ratios over the period of the 2027 Test Year and 2028, as illustrated below:

Table 16 – Revenue to Cost Ratios 2027 and 2028 to 2031

Customer Class Name	Calculated R/C Ratio	Proposed 2027 R/C Ratio	Variance	Proposed 2028-2031 R/C Ratios	Variance
<i>Residential</i>	97.98%	97.98%	-	97.98%	-
<i>GS < 50 kW</i>	136.75%	120.00%	-16.75%	119.57%	-0.43%
<i>GS 50 to 4999 kW</i>	84.00%	93.89%	9.89%	93.89%	-
<i>Street Lighting</i>	116.24%	116.24%	-	116.24%	-
<i>Sentinel Lighting</i>	65.65%	67.90%	2.25%	80.00%	12.10%
<i>Unmetered Scattered Load</i>	102.48%	102.48%	-	102.48%	-

ORPC anticipates the Sentinel Lighting total bill impact will not exceed 10% in 2028, however, if the total bill impact exceeds 10% ORPC will phase-in the revenue to cost adjustments to reach the ratios listed under "Proposed 2028-2031 R/C Ratios".

For further details about the class specific bill impacts, please refer to Exhibit 8.

The table on the following page shows the completed worksheet "11. Cost Allocation" from the OEB's 2027 Revenue Requirement Workform. This table provides information on previously approved Revenue to Cost ratios and proposed ratios.

1

Table 17 - OEB Rev Reqt Workform: worksheet "11. Cost Allocation"

A) Allocated Costs

Classes	Costs Allocated from Previous Study	%	Costs Allocated in Test Year Study (Column 7A)	%
Residential	\$3,539,001	66.75%	\$5,058,022	66.64%
GS < 50 kW	\$833,501	15.72%	\$860,688	11.34%
GS 50 to 4999 kW	\$783,459	14.78%	\$1,450,659	19.11%
Street Lighting	\$119,616	2.26%	\$173,886	2.29%
Sentinel Lighting	\$14,688	0.28%	\$30,943	0.41%
Unmetered Scattered Load	\$11,954	0.23%	\$15,864	0.21%
Total	\$5,302,219	100.00%	\$7,590,063	100.00%

B) Calculated Class Revenues

Classes (same as previous table)	Column 7B Load Forecast (LF) X current approved rates	Column 7C L.F. X current approved rates X (1 + d)	Column 7D LF X proposed rates	Column 7E Miscellaneous Revenue
Residential	\$3,791,665	\$4,645,716	\$4,645,716	\$310,125
GS < 50 kW	\$913,876	\$1,119,721	\$975,519	\$57,307
GS 50 to 4999 kW	\$931,217	\$1,140,968	\$1,284,473	\$77,531
Street Lighting	\$151,720	\$185,894	\$185,894	\$16,231
Sentinel Lighting	\$14,800	\$18,134	\$18,832	\$2,180
Unmetered Scattered Load	\$12,277	\$15,043	\$15,043	\$1,214
Total	\$5,815,556	\$7,125,476	\$7,125,476	\$464,587

Class	Previously Approved Ratios	Status Quo Ratios	Proposed Ratios	Policy Range
	Most Recent Year:	(7C + 7E) / (7A)	(7D + 7E) / (7A)	
	2022			
	%	%	%	%
Residential	95.04%	97.98%	97.98%	85 - 115
GS < 50 kW	100.00%	136.75%	120.00%	80 - 120
GS 50 to 4999 kW	119.99%	84.00%	93.89%	80 - 120
Street Lighting	95.00%	116.24%	116.24%	80 - 120
Sentinel Lighting	116.94%	65.65%	67.90%	80 - 120
Unmetered Scattered Load	95.00%	102.48%	102.48%	80 - 120

Class	Proposed Revenue-to-Cost Ratios			Policy Range
	2027	2028	2029	
	%	%	%	%
Residential	97.98%	97.98%	97.98%	85 - 115
GS < 50 kW	120.00%	119.57%	119.57%	80 - 120
GS 50 to 4999 kW	93.89%	93.89%	93.89%	80 - 120
Street Lighting	116.24%	116.24%	116.24%	80 - 120
Sentinel Lighting	67.90%	80.00%	80.00%	80 - 120
Unmetered Scattered Load	102.48%	102.48%	102.48%	80 - 120

7.4.2 HOST DISTRIBUTOR

ORPC is not a Host Distributor therefore evidence of consultation with embedded distributors is not applicable.

7.4.3 UNMETERED LOADS

ORPC has not communicated with Unmetered Scattered Load, Street Lighting or Sentinel Lighting customers because there is no material change to the level of rates and charges currently applied.

7.4.4 MICROFIT CLASS

ORPC is proposing no change to the MicroFIT Monthly Service Charge of \$5.00.

7.4.5 STANDBY RATES

The utility is not seeking Standby Rates in this application.