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Cost Allocation Study Requirements

Ex.7/Tab 1/Sch.1 - Overview of Cost Allocation

Rideau St. Lawrence Distribution Inc. (“RSL”) 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 objective of the original informational filing in 2006 was to provide information on any apparent cross-subsidization among a distributor’s rate classifications and to support future rate applications. As part of its 2012 Cost of Service Rate Application, RSL updated the cost allocation revenue to cost ratios with 2012 base revenue requirement information. The revenue to cost ratios from the 2012 application (EB-2011-0274) is presented below.

Table 7.1: Previously Approved Ratios (2012 COS)

Rate Class	2012 Approved Revenue to Cost Ratio
Residential	94.80%
General Service < 50 kW	120.00%
General Service > 50 to 4999 kW	102.10%
Street Lighting	94.80%
Sentinel Lights	94.80%
Unmetered Scattered Load	120.00%

The Cost Allocation Study for 2016 allocates the 2016 test year costs (i.e., the 2016 Test Year forecast revenue requirement) to the LDC’s customer classes using allocators that are based on the forecast class kW and kWh by class, customer counts and weighting factors (such as billing, collecting and metering costs).

RSL has used the updated OEB-approved Cost Allocation Model (version 3.3 – issued July 16th, 2015) and adhered to the instructions and guidelines issued by the OEB to enter the 2016 Test Year data into this model. RSL has filed a copy of the Cost Allocation Model (version 3.3) as part of its filing submission

Ex.7/Tab 1/Sch.1 – Input to the Cost Allocation Model

Below is a summary of the process that RSL applied in completing the 2016 Cost Allocation Model:

RSL populated the information on Sheet I3, Trial Balance Data with the 2016 forecasted data, Target Net Income, PILs, deemed interest on long term debt, and the targeted Revenue Requirement and Rate Base.

On Sheet I4, Break-out of Assets, RSL updated the allocation of the accounts based on the review of historical values.

In Sheet I5.1, Miscellaneous data, RSL updated the deemed equity component of rate base, kilometers of roads in the service area, working capital allowance, and the proportion of pole rental revenue from secondary poles..

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. The utility has applied services 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; they are discussed further below:

Table 7.2: Weighting Factors

	Residential	General Service < 50 kW	General Service > 50 to 4999 kW	Street Lighting	Sentinel Lights	Unmetered Scattered Load
Insert Weighting Factor for Services Account 1855	1.0	1.3	4.0	0.4	0.6	0.8
Insert Weighting Factor for Billing and Collecting	1.0	1.0	2.3	0.8	0.8	0.8

Proposed Services Weighting Factors

RSL has reviewed the service weighting factors used in the 2012 COS application and concluded that it is appropriate to use them in this application.

Residential: The weighting factor is set to “1” as per the Cost Allocation instruction sheet.

General Service <50 kW, General Service 50 to 4,999 kW: The proposed services weighting factor of 1.3 and 4.0 reflects that these customers require greater capacity than do residential customers including increased levels of engineering and planning.


Street Lighting, Sentinel lights and Unmetered Scattered Load: The weighting factor of 0.4, 0.6 and 0.8 is proposed for these rate classes because these customers require less time and effort compared to a Residential customer.

Proposed Billing and Collecting Weighting Factors

In determining the weighting factors for Billing and Collecting, an analysis of Accounts 5315 – 5340, except 5335, was conducted. Sub weightings for each cost item composing the Billing and Collecting USoA accounts were developed with the consideration of the nature of the cost and the effort to service the customer class. The costs were then allocated to classes based on the sub weighting factors and customer numbers. Through this analysis, RSL was able to more closely assign a total cost per class. Weighting factors were then determined relative to the Residential factor of 1 as shown in Table 7.2 above.

In Sheet I6.1 Revenue has been populated with the 2016 Test Year forecast data as well as existing rates. This is illustrated in Table 7.3 below:

Table 7.3: Worksheet I6 – Revenue

 Ontario Energy Board 2016 Cost Allocation Model	
EB-2015-0100	
Sheet I6.1 Revenue Worksheet -	
Total kWhs from Load Forecast	103,331,704
Total kW from Load Forecast	119,218
Deficiency/sufficiency (RRWF 8, cell F51)	320,746
Miscellaneous Revenue (RRWF 5, cell F48)	267,572

		1	2	3	7	8	9	
	ID	Total	Residential	GS <50	General Service 50 to 4,999 kW	Street Light	Sentinel	Unmetered Scattered Load
Billing Data								
Forecast kWh	CEN	103,331,704	41,307,918	20,781,605	39,831,072	730,852	107,884	572,371
Forecast kW	CDEM	119,218			116,927	1,992	299	
Forecast kW, included in CDEM, of customers receiving line transformer allowance		55,495			55,495			
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	103,331,704	41,307,918	20,781,605	39,831,072	730,852	107,884	572,371
Existing Monthly Charge			\$ 13.19	\$ 30.52	\$ 290.85	\$ 3.44	\$ 2.13	\$ 3.99
Existing Distribution kWh Rate			\$ 0.0150	\$ 0.0092				\$0.0183
Existing Distribution kW Rate					\$ 1.9538	\$ 13.1338	\$ 15.5572	
Existing TOA Rate					\$0.60			
Additional Charges								
Distribution Revenue from Rates		\$2,451,791	\$1,421,465	\$461,842	\$451,824	\$96,795	\$6,565	\$13,299
Transformer Ownership Allowance		\$33,297	\$0	\$0	\$33,297	\$0	\$0	\$0
Net Class Revenue	CREV	\$2,418,494	\$1,421,465	\$461,842	\$418,527	\$96,795	\$6,565	\$13,299

Sheet I6.2 has been updated with the required Bad Debt and Late Payment revenue data as well as customer/connection number information devices. Below is the worksheet “I6.2 – Customer Data”:

Table 7.4: Worksheet I6.2 – Customer Data

Ontario Energy Board		2016 Cost Allocation Model						
EB-2015-0100		Sheet I6.2 Customer Data Worksheet -						
	ID	Total	1 Residential	2 GS <50	3 General Service 50 to 4,999 kW	7 Street Light	8 Sentinel	9 Unmetered Scattered Load
Billing Data								
Bad Debt 3 Year Historical Average	BDHA	\$87,190	\$53,170	\$8,549	\$25,471	\$0	\$0	\$0
Late Payment 3 Year Historical Average	LPHA	\$66,202	41,499	\$12,758	\$11,343	\$436	\$37	\$129
Number of Bills	CNB	71,616	60,792	8,868	768	72	408	708
Number of Devices	CDEV					1,711	75	59
Number of Connections (Unmetered)	CCON	1,845				1,711	75	59
Total Number of Customers	CCA	5,968	5,066	739	64	6	34	59
Bulk Customer Base	CCB	-						
Primary Customer Base	CCP	6,043	5,066	739	64	81	34	59
Line Transformer Customer Base	CCLT	6,030	5,066	738	52	81	34	59
Secondary Customer Base	CCS	5,938	5,065	736	38	6	34	59
Weighted - Services	CWCS	7,034	5,065	956	151	766	47	49
Weighted Meter -Capital	CWMC	1,539,519	1,028,962	323,187	187,370	-	-	-
Weighted Meter Reading	CWMR	114,885	60,792	8,868	35,983	9,243	-	-
Weighted Bills	CWNB	72,237	60,792	8,749	1,784	61	312	538
Bad Debt Data								
Historic Year:	2013	94,888	82,552	12,335	-			
Historic Year:	2014	87,535	28,746	5,476	53,313			
Historic Year:	2015	79,148	48,211	7,837	23,100			
Three-year average		87,190	53,170	8,549	25,471	-	-	-
Street Lighting Adjustment Factors								
NCP Test Results	4 NCP							
Class	Primary Asset Data			Line Transformer Asset Data				
	Customers/ Devices	4 NCP		Customers/ Devices	4 NCP			
Residential	5,066	41,971		5,066	41,971			
Street Light	1,711	673		1,711	673			
Street Lighting Adjustment Factors								
Primary		21.0631						
Line Transformer		21.0631						

RSL updated the capital cost meter information on Sheet I7.1. RSL has developed a model called “Meter Capital Cost Analysis” for its 2012 COS application. The model tracks purchase costs of smart meters for residential and commercial customers. The rest installation costs (supporting networks, systems and servers etc.) are allocated to residential and commercial based on customer count. This provides an allocation of the total smart meter installation costs to residential meters and to commercial meters. The value from the total cost for residential divided by residential count will be entered in Sheet I7 as a unit cost for residential. The unit cost for commercial .is derived in the same manner. This internal model has been updated to reflect the changes in purchase and installation costs since 2012.

Sheet I7.2 Meter Reading: the weighting factors for Meter Reading are determined in the similar way to those for Billing and Collecting. An analysis of Accounts 5310 was conducted. Sub weightings for each cost item composing the Meter Reading USoA account were developed with the consideration of the nature of the cost and the effort to service the customer class. The costs were then allocated to classes based on the sub weighting factors and customer numbers. Through this analysis, RSL was able to more closely assign a total cost per class. Weighting factors were then determined relative to the Residential factor of 1

The data entered on sheet I8 reflects the findings of the 2004 hour by hour load data being scaled to be consistent with the 2016 load forecast and the inspection of the scaled data to identify the system peaks and class specific peaks.

Table 7.5: Scaling Factors

Rate Class	2016 Forecast	2004 Actual	Scaling Factor
	(kWh)	(kWh)	
	A	B	A/B
Residential	41,307,918	48,632,258	0.8494
General Service < 50 kW	20,781,605	25,399,719	0.8182
General Service > 50 to 4999 kW	39,831,072	60,372,863	0.6598
Street Lighting	730,852	1,431,602	0.5105
Sentinel Lights	107,884	96,156	1.1220
Unmetered Scattered Load	572,371	223,066	2.5659
	103,331,704	136,155,665	

The table below shows the Demand Data for 2016 Test Year (adjusted for 2016 Load Forecast) as reflected in the worksheet “I8 – Demand Data” of the Cost Allocation model.

Table 7.6: Worksheet I8 – Demand Data



EB-2015-0100
Sheet I8 Demand Data Worksheet -

This is an input sheet for demand allocators.

CP TEST RESULTS	4 CP
NCP TEST RESULTS	4 NCP

Co-incident Peak	Indicator
1 CP	CP 1
4 CP	CP 4
12 CP	CP 12

Non-co-incident Peak	Indicator
1 NCP	NCP 1
4 NCP	NCP 4
12 NCP	NCP 12

Customer Classes	Total	1	2	3	7	8	9
		Residential	GS <50	General Service 50 to 4,999 kW	Street Light	Sentinel	Unmetered Scattered Load
CO-INCIDENT PEAK							
1 CP							
Transformation CP TCP1	19,559	9,481	3,554	6,274	168	25	57
Bulk Delivery CP BCP1	19,559	9,481	3,554	6,274	168	25	57
Total Sytem CP DCP1	19,559	9,481	3,554	6,274	168	25	57
4 CP							
Transformation CP TCP4	73,513	35,014	13,566	24,044	547	81	262
Bulk Delivery CP BCP4	73,513	35,014	13,566	24,044	547	81	262
Total Sytem CP DCP4	73,513	35,014	13,566	24,044	547	81	262
12 CP							
Transformation CP TCP12	190,956	82,977	36,146	70,279	673	99	782
Bulk Delivery CP BCP12	190,956	82,977	36,146	70,279	673	99	782
Total Sytem CP DCP12	190,956	82,977	36,146	70,279	673	99	782
NON CO_INCIDENT PEAK							
1 NCP							
Classification NCP from Load Data Provider DNCP1	23,831	10,803	4,954	7,808	168	25	74
Primary NCP PNCP1	23,831	10,803	4,954	7,808	168	25	74
Line Transformer NCP LTNCP1	20,541	10,803	4,954	4,518	168	25	74
Secondary NCP SNCP1	18,708	10,775	4,875	2,792	168	25	74
4 NCP							
Classification NCP from Load Data Provider DNCP4	91,187	41,971	18,643	29,514	673	99	287
Primary NCP PNCP4	91,187	41,971	18,643	29,514	673	99	287

MicroFIT Charge

Currently RSL charges microFIT customers a province-wide rate of \$5.40 per month. As per the Report of the Board (the “Report”, Board File No. EB-2010-0219), distributors wishing to seek approval for a distributor-specific microFIT charge may identify additional cost elements that should be included in the determination of that charge. Proposed additions could be reflected in the microFIT administrative costs worksheet filed with the Board in a cost of service proceeding, and will be considered at that time.

After reviewing the costs in Sheet O3.6 MicroFIT Charge, RSL found it does not reflect a \$10 monthly fee per microFIT meter point incurred from RSL’s vendor, Utilismart, for settlement service. To address this deficiency, RSL has added an adjustment calculation in Sheet O3.6. The actual number of microFIT connection accounts has been added to the number of Residential customer accounts. Dividing the total cost by a revised meter count of 5,073, and then replacing the monthly unit cost of meter reading with the \$10.00 per month for settlement provider costs (highlighted cell) results in a microFIT monthly unit cost of \$17.76. Based on this calculation, RSL is proposing to increase monthly microFIT charge to \$17.76 for the 2016 Test Year. The calculation of proposed microFIT charge is illustrated in Table 7.7 below.

Table 7.7: Calculation of MicroFIT Charge

Description	Residential	Monthly Unit Cost	Adjust Number of Customers	Adjust Meter Reading Expenses
Customer Premises - Operations Labour (5070)	\$ 13,821.89	\$ 0.23	\$ 0.23	\$ 0.23
Customer Premises - Materials and Expenses (5075)	\$ -	\$ -	\$ -	\$ -
Meter Expenses (5065)	\$ -	\$ -	\$ -	\$ -
Maintenance of Meters (5175)	\$ 7,265.59	\$ 0.12	\$ 0.12	\$ 0.12
Meter Reading Expenses (5310)	\$ 32,802.11	\$ 0.54	\$ 0.54	\$ 10.00
Customer Billing (5315)	\$ 298,762.63	\$ 4.91	\$ 4.91	\$ 4.91
Amortization Expense - General Plant Assigned to Meters	\$ 22,348.15	\$ 0.37	\$ 0.37	\$ 0.37
Admin and General Expenses allocated to O&M expenses for meters	\$ 126,322.31	\$ 2.08	\$ 2.08	\$ 2.08
Allocated PILS (general plant assigned to meters)	\$ 174.95	\$ 0.00	\$ 0.00	\$ 0.00
Interest Expense	\$ 1,184.96	\$ 0.02	\$ 0.02	\$ 0.02
Income Expenses	\$ 2,236.56	\$ 0.04	\$ 0.04	\$ 0.04
Total Cost	\$504,919.15	\$ 8.31	\$ 8.29	\$ 17.76
Number of Residential Customers	5066		5073	

Unmetered Loads

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

RSL determined that there were no direct allocations necessary in “I9. - Direct Allocations” as all assets and operating expenses are attributable to all rate classes. Consequently this worksheet has no data beneath the rate classes.

The revenue to cost ratios calculated in worksheet “O1 – Revenue to Cost” of the Cost Allocation model updated for the 2016 Test Year is shown below:

Table 7.8: Worksheet O1 – Revenue to Cost of the Cost Allocation Model



2016 Cost Allocation Model

EB-2015-0100

Sheet O1 Revenue to Cost Summary Worksheet -


Instructions:
 Please see the first tab in this workbook for detailed instructions

Class Revenue, Cost Analysis, and Return on Rate Base

		Total	1	2	3	7	8	9
			Residential	GS <50	General Service 50 to 4,999 kW	Street Light	Sentinel	Unmetered Scattered Load
Rate Base Assets								
crev	Distribution Revenue at Existing Rates	\$2,418,494	\$1,421,465	\$461,842	\$418,527	\$96,795	\$6,565	\$13,299
mi	Miscellaneous Revenue (mi)	\$267,572	\$176,636	\$43,643	\$34,811	\$10,272	\$944	\$1,267
		Miscellaneous Revenue Input equals Output						
Total Revenue at Existing Rates		\$2,686,066	\$1,598,101	\$505,485	\$453,339	\$107,067	\$7,509	\$14,566
Factor required to recover deficiency (1 + D)		1.1326						
Distribution Revenue at Status Quo Rates		\$2,739,240	\$1,609,983	\$523,093	\$474,033	\$109,632	\$7,436	\$15,063
Miscellaneous Revenue (mi)		\$267,572	\$176,636	\$43,643	\$34,811	\$10,272	\$944	\$1,267
Total Revenue at Status Quo Rates		\$3,006,812	\$1,786,619	\$566,735	\$508,845	\$119,904	\$8,380	\$16,330
Expenses								
di	Distribution Costs (di)	\$678,363	\$398,443	\$127,101	\$115,989	\$30,488	\$2,860	\$3,482
cu	Customer Related Costs (cu)	\$576,737	\$444,001	\$65,949	\$51,560	\$10,003	\$1,988	\$3,237
ad	General and Administration (ad)	\$946,086	\$630,893	\$147,491	\$128,630	\$30,446	\$3,620	\$5,005
dep	Depreciation and Amortization (dep)	\$389,439	\$230,781	\$77,346	\$69,036	\$9,915	\$1,010	\$1,351
INPUT	PIUs (INPUT)	\$20,245	\$11,763	\$3,966	\$3,753	\$621	\$61	\$81
INT	Interest	\$137,125	\$79,672	\$26,863	\$25,418	\$4,207	\$416	\$549
Total Expenses		\$2,747,996	\$1,795,553	\$448,716	\$394,386	\$85,681	\$9,956	\$13,705
Direct Allocation		\$0	\$0	\$0	\$0	\$0	\$0	\$0
NI	Allocated Net Income (NI)	\$258,816	\$150,376	\$50,702	\$47,974	\$7,941	\$785	\$1,037
Revenue Requirement (includes NI)		\$3,006,812	\$1,945,929	\$499,418	\$442,360	\$93,622	\$10,741	\$14,742
		Revenue Requirement Input equals Output						
Rate Base Calculation								
Net Assets								
dp	Distribution Plant - Gross	\$8,611,730	\$5,055,497	\$1,691,154	\$1,539,987	\$262,674	\$27,298	\$35,120
gp	General Plant - Gross	\$1,727,632	\$1,009,323	\$338,419	\$314,300	\$52,912	\$6,527	\$7,150
accum dep	Accumulated Depreciation	(\$3,840,881)	(\$2,263,027)	(\$756,401)	(\$676,795)	(\$117,610)	(\$11,830)	(\$15,217)
co	Capital Contribution	(\$750,603)	(\$460,854)	(\$147,160)	(\$113,490)	(\$21,641)	(\$3,485)	(\$3,972)
Total Net Plant		\$5,747,878	\$3,340,939	\$1,126,011	\$1,064,002	\$176,335	\$17,510	\$23,082
Directly Allocated Net Fixed Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0
COP	Cost of Power (COP)	\$15,036,505	\$6,037,025	\$3,020,012	\$5,774,880	\$105,962	\$15,642	\$82,985
OM&A Expenses		\$2,201,187	\$1,473,337	\$340,541	\$296,179	\$70,938	\$8,468	\$11,724
Directly Allocated Expenses		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal		\$17,237,691	\$7,510,361	\$3,360,553	\$6,071,059	\$176,900	\$24,110	\$94,709
Working Capital		\$1,292,827	\$563,277	\$252,041	\$455,329	\$13,267	\$1,808	\$7,103
Total Rate Base		\$7,040,705	\$3,904,216	\$1,378,052	\$1,519,332	\$189,602	\$19,318	\$30,185
		Rate Base Input equals Output						
Equity Component of Rate Base		\$2,816,282	\$1,561,687	\$551,221	\$607,733	\$75,841	\$7,727	\$12,074
Net Income on Allocated Assets		\$258,816	(\$8,934)	\$118,019	\$114,459	\$34,223	(\$1,576)	\$2,625
Net Income on Direct Allocation Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income		\$258,816	(\$8,934)	\$118,019	\$114,459	\$34,223	(\$1,576)	\$2,625
RATIOS ANALYSIS								
REVENUE TO EXPENSES STATUS QUO%		100.00%	91.81%	113.48%	115.03%	128.07%	78.01%	110.77%
EXISTING REVENUE MINUS ALLOCATED COSTS		(\$320,746)	(\$347,828)	\$6,066	\$10,979	\$13,445	(\$3,232)	(\$176)
		Deficiency Input equals Output						
STATUS QUO REVENUE MINUS ALLOCATED COSTS		(\$0)	(\$159,310)	\$67,317	\$66,485	\$26,282	(\$2,362)	\$1,588
RETURN ON EQUITY COMPONENT OF RATE BASE		9.19%	-0.57%	21.41%	18.83%	45.12%	-20.40%	21.74%

The table below is taken from the OEB Cost Allocation Model worksheet “O2 – Fixed Charge [Floor] Ceiling” and illustrates the minimum and maximum level for the Monthly Fixed Charge for each rate class.

Table 7.9: Worksheet O2 – Fixed Charge [Floor] Ceiling

 Ontario Energy Board 2016 Cost Allocation Model						
EB-2015-0100 Sheet O2 Monthly Fixed Charge Min. & Max. Worksheet -						
Output sheet showing minimum and maximum level for Monthly Fixed Charge						
Summary						
	1	2	3	7	8	9
	Residential	GS <50	General Service 50 to 4,999 kW	Street Light	Sentinel	Unmetered Scattered Load
Customer Unit Cost per month - Avoided Cost	\$7.43	\$8.53	\$46.75	\$0.45	\$2.13	\$4.31
Customer Unit Cost per month - Directly Related	\$12.80	\$14.54	\$83.86	\$0.82	\$3.78	\$7.72
Customer Unit Cost per month - Minimum System with PLCC Adjustment	\$21.74	\$24.95	\$159.04	\$4.24	\$11.79	\$15.07
Existing Approved Fixed Charge	\$13.19	\$30.52	\$290.85	\$3.44	\$2.13	\$3.99

Information to be Used to Allocate PILs, ROD, ROE and A&G							
	1	2	3	7	8	9	
	Total	Residential	GS <50	General Service 50 to 4,999 kW	Street Light	Sentinel	Unmetered Scattered Load
General Plant - Gross Assets	\$1,727,632	\$1,009,323	\$338,419	\$314,300	\$52,912	\$5,527	\$7,150
General Plant - Accumulated Depreciation	(\$1,311,630)	(\$766,285)	(\$256,930)	(\$238,619)	(\$40,171)	(\$4,197)	(\$5,428)
General Plant - Net Fixed Assets	\$416,002	\$243,038	\$81,489	\$75,681	\$12,741	\$1,331	\$1,722
General Plant - Depreciation	\$187,097	\$109,307	\$36,650	\$34,038	\$5,730	\$599	\$774
Total Net Fixed Assets Excluding General Plant	\$5,331,876	\$3,097,901	\$1,044,522	\$988,321	\$163,594	\$16,179	\$21,360
Total Administration and General Expense	\$946,086	\$630,893	\$147,491	\$128,630	\$30,446	\$3,620	\$5,005
Total O&M	\$1,255,101	\$842,444	\$193,049	\$167,549	\$40,491	\$4,848	\$6,719

Class Revenue Requirements

Ex.7/Tab 2/Sch.1 - Class Revenue Requirements

The allocated cost by rate class for the 2012 Cost of Service filing and 2016 updated study are provided in the following Table 7.10 which is consistent with Appendix 2-P.

Table 7.10: Chapter 2 Appendix 2-P: Cost Allocation – A) Allocated Costs

Classes	Costs Allocated from Previous Study	%	Costs Allocated in Test Year Study (Column 7A)	%
Residential	\$ 1,630,620	61.98%	\$ 1,945,929	64.72%
GS < 50 kW	\$ 402,187	15.29%	\$ 499,418	16.61%
GS 50 to 4,999 kW	\$ 443,641	16.86%	\$ 442,360	14.71%
Street Lighting	\$ 137,693	5.23%	\$ 93,622	3.11%
Sentinel Lighting	\$ 7,477	0.28%	\$ 10,741	0.36%
Unmetered Scattered Load (USL)	\$ 9,230	0.35%	\$ 14,742	0.49%
Total	\$ 2,630,848	100.00%	\$ 3,006,812	100.00%

The following Table 7.11 provides information on calculated class revenue which is consistent with Appendix 2-P. The revenue allocated to rate classes are shown in “Column 7D” and “Column 7E” of Table 7.11. The resulting 2016 Proposed Base Revenue will be the amount used in Exhibit 8 to design the proposed distribution charges in this application.

Table 7.11: Chapter 2 Appendix 2-P: Cost Allocation – B) Calculated Class Revenues

Classes (same as previous table)	Column 7B	Column 7C	Column 7D	Column 7E	Total Proposed Revenue
	Load Forecast (LF) X current	L.F. X current approved rates	LF X proposed rates	Miscellaneous Revenue	
Residential	\$ 1,421,465	\$ 1,609,983	\$ 1,617,328	\$ 176,636	\$ 1,793,963
GS < 50 kW	\$ 461,842	\$ 523,093	\$ 523,093	\$ 43,643	\$ 566,735
GS 50 to 4,999 kW	\$ 418,527	\$ 474,033	\$ 474,033	\$ 34,811	\$ 508,845
Street Lighting	\$ 96,795	\$ 109,632	\$ 102,074	\$ 10,272	\$ 112,346
Sentinel Lighting	\$ 6,565	\$ 7,436	\$ 7,649	\$ 944	\$ 8,593
Unmetered Scattered Load (USL)	\$ 13,299	\$ 15,063	\$ 15,063	\$ 1,267	\$ 16,330
Total	\$ 2,418,494	\$ 2,739,240	\$ 2,739,240	\$ 267,572	\$ 3,006,812

Revenue-to-Cost Ratios

Ex.7/Tab 3/Sch.1 - Cost Allocation Results and Analysis

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. The percentage identifies the rate classifications that are being subsidized and those that are over-contributing. A percentage of less than 100% means the rate classification is under-contributing and is being subsidized by other classes of customers. A percentage of greater than 100% indicates the rate classification is over contributing and is subsidizing other classes of customers.

In the Board Report dated March 31, 2011 (EB-2010-0219), the Board established what it considered to be the appropriate ranges of Revenue to Cost Ratios which are summarized in Table 7.12 below. In addition, Table 7.12 provides RSL's Revenue to Cost Ratios from the 2012 COS Application and the updated proposed 2016 Cost Allocation.

Table 7.12: Chapter 2 Appendix 2-P: Cost Allocation– C) Rebalancing Revenue-to-Cost (R/C) Ratios

Class	Previously Approved Ratios	Status Quo Ratios	Proposed Ratios	Policy Range
	Most Recent Year: 2012	(7C + 7E) / (7A)	(7D + 7E) / (7A)	
	%	%	%	%
Residential	94.80	91.81	92.19	85 - 115
GS < 50 kW	120.00	113.48	113.48	80 - 120
GS 50 to 4,999 kW	102.10	115.03	115.03	80 - 120
Street Lighting	94.80	128.07	120.00	80 - 120
Sentinel Lighting	94.80	78.01	80.00	80 - 120
Unmetered Scattered Load (USL)	120.00	110.77	110.77	80 - 120

In reviewing the calculated revenue to cost results from the Cost Allocation study, it was found that customer classes for Street Lighting and Sentinel Lighting are outside of the Board's floor/ceiling parameters. RSL proposes in this application to re-align its revenue to cost ratios by adjusting the allocations of revenue among rate classes in order to reduce some of the cross-subsidization that was occurring. The utility reviewed and assessed the bill impacts for each class before and after adjusting the Revenue to Cost ratios.

- a) For Street Lighting rate class, RSL adjusted the revenue-to-cost ratio to 120% (the ceiling limit set by the Board);
- b) For Sentinel Lighting rate class, RSL adjusted the revenue-to-cost ratio to 80% (the floor limit set by the Board);
- c) To neutralize the total revenue-to-cost ratio to be 100%, RSL adjusted the Residential class' ratio to 92.19%.

RSL has proposed to adjust the revenue to cost ratios over the period of the 2016 Test Year and recommends that these ratios be held constant until the next Cost of Service application is filed. The proposed ratios are displayed in Table 7.13.

Table 7.13: Chapter 2 Appendix 2-P: Cost Allocation – D) Proposed Revenue-to-Cost Ratios

Class	Proposed Revenue-to-Cost Ratios			Policy Range
	2016	2017	2018	
	%	%	%	
Residential	92.19	92.19	92.19	85 - 115
GS < 50 kW	113.48	113.48	113.48	80 - 120
GS 50 to 4,999 kW	115.03	115.03	115.03	80 - 120
Street Lighting	120.00	120.00	120.00	80 - 120
Sentinel Lighting	80.00	80.00	80.00	80 - 120
Unmetered Scattered Load (USL)	110.77	110.77	110.77	80 - 120

Per the Filing Requirements for Transmission and Distribution Applications dated July 16, 2015, RSL has completed OEB Appendix 2-P with the results of the 2016 cost allocation study. The Table A) Allocated cost table, Table B) Calculated class revenues, Table C) Rebalancing Revenue- to-Cost, and Table D) Proposed Revenue-to-Cost Ratios are summarized in Tables 7.9 to 7.12 of this Exhibit.

Note:

The Board's filing requirements associated with the Host Distributor, Standby Rates and New customer or Eliminated customer class are not applicable to RSL's application. RSL is an embedded distributor, has no customers with Standby Rates, has not introduced a new customer class and has not eliminated a customer class since the Applicant filed its Cost of Service rate application in 2012.