



EXHIBIT 7: COST ALLOCATION

2027 Cost of Service

InnPower Corporation
EB-2026-0052



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7-1-1 COST ALLOCATION STUDY REQUIREMENTS

InnPower has prepared and is filing a cost allocation approach that is 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 following Exhibit outlines the previously approved cost allocation, proposed cost allocation factors, proposed cost allocation adjustments and proposed cost allocation requested for approval.

The Cost Allocation Model is filed as IPC_2027COS_Cost_Allocation_Model_20260724.

1.1 Previously Approved Cost Allocation Study (2024)

The previously Board Approved revenue to cost ratios are presented as a point of reference to the proposed 2027 Test Year ratios. As part of its last Cost of Service Rate Application (EB-2023-0033), InnPower updated the cost allocation revenue to cost ratios with 2024 base revenue requirement information. The revenue to cost ratios from the 2024 Application and Settlement are presented below.

Table 7-1: Previously Approved Ratios (2024 COS)

Customer Class	2024 Approved Revenue to Cost Ratio
Residential	103.2%
GS<50 kW	88.2%
GS>50 to 4,999 kW	81.3%
Sentinel Lighting	120.0%
Street Lighting	120.0%
Unmetered Scattered Load	120.0%
Embedded Distributor	114.7%



1.2 Proposed Cost Allocation Study (2027 using the 2027 Model)

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

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

In light of InnPower's 2027 application representing an early rebasing request, and given the prior cost allocation study was completed recently to inform 2024, wherever possible InnPower reviewed the prior 2024 values approved as part of EB-2023-0033 in the completion of the 2027 Cost Allocation Model, and relied upon those values provided they continue to yield reasonable results.

1.3 Trial Balance Input

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

InnPower confirms that the values balanced and align with the Revenue Requirement Workform.

1.4 Break-out of Assets

InnPower updated the allocation of the accounts in the worksheet "I4 Break-out of Assets" with the 2027 forecasted data.

InnPower confirms that the values balanced as per the Cost Allocation model.

InnPower referred to the OEB's "Cost Allocation Information Filing Guidelines for Electricity Distributor's" to confirm the understanding of bulk assets and definitions of primary and secondary assets. The values relied upon are consistent with InnPower's EB-2023-0033 model, and continue to yield reasonable results.



1.5 Miscellaneous Data

InnPower has relied upon the same data used in EB-2023-0033 for the completion of Tab "I5 Miscellaneous Data", as these values continue to yield reasonable results. The values relied upon are as follows:

- Structure KM of road (580 km)
- Deemed Equity component of 40% of the rate base
- Working Capital Allowance of 7.5%
- The proportion of pole rental income from secondary lines of 19%

1.6 Weighting Factors

InnPower has relied upon the same data used in EB-2023-0033 for the completion of Tab "I5.2 Weighting Factors", as these values continue to yield reasonable results. InnPower has not made material changes in its policies or practices relating to the costs of services or the relative costs of billing and collecting since EB-2023-0033. The utility has applied service costs across all classes except Sentinel Lighting and Unmetered Scattered Load where no services costs are incurred. Billing & Collecting weightings for each customer classification have been applied. A review of the allocation of the costs to the customer classes on worksheet "O4 Summary by Class & Accounts" in the Cost Allocation Model based on the weightings is reasonable in the opinion of InnPower Corporation.

1.8 Revenue

In Worksheet "I6.1 - Revenue", InnPower has inputted the 2027 Test Year load forecast data (kWh and kW), its existing approved 2026 rates per EB-2025-0027, the proposed revenue deficiency and miscellaneous revenue. The resulting calculation of Distribution Revenue from Rates Existing Rates less Transformer Ownership Allowance (i.e. "Net Class Revenue" in row 41 of Tab I6.1) of \$17,460,102 is aligned with InnPower's calculation of Revenue at Existing Rates as presented in Exhibit 6, Tab 1, Schedule 1.



1.9 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. InnPower has reviewed 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.

1.10 Meter Capital and Meter Reading

InnPower has updated the number of meters in the Worksheet "I7.1 Meter Capital" and the meter reading information in Worksheet "I7.2 Meter Reading" relying on 2027 Test Year forecasted number of units. InnPower has not changed the Cost per Meter installed relative to EB-2023-0033, as the utility does not expect the costs of different installed meters relative to one another has materially changed since that time.

1.11 Demand Data and Load Profiles

In a letter dated June 12, 2015, the OEB advised that distributors are expected to be mindful of material changes to load profiles and to propose updates in their respective Cost of Service applications where warranted. In its 2024 Cost of Service application, InnPower relied on the load profiles originally provided by Hydro One. In the OEB-approved Settlement Proposal within that proceeding, InnPower agreed to update its load profiles at its next rebasing application.

In preparing this Application, InnPower assessed available methodologies to prepare updated load profiles for its rate classes based on recent data and is of the view that the most appropriate methodology is the Historical Average approach using weather-actual data outlined in section 2.7.1.1 of the Filing Requirements. To prepare updated Load Profiles utilizing this method using non-normalized data, a minimum of three years of hourly data is required. InnPower has retrieved 3 full years of hourly interval data and meets this requirement.

As described in section 2.7.1.1, the Historical Average method requires the utility to prepare load profiles for each rate class, for each historical year, in order to derive coincident and non-coincident peak (CP and NCP) demand allocators for each rate class, for each historical year. Subsequently, the resulting historical demand allocators for each rate class are averaged across



the historical years, with the resulting average values used as inputs in Tab I8.1 of the cost allocation model.

Relying on this method, InnPower retrieved actual hourly load by rate class for the years 2023, 2024 and 2025. In order to adjust for any data variances amongst the rate classes (e.g. missing data due to meter errors or other factors), the load profiles for each rate class, for each year were adjusted such that the sum of all hours for each rate class is equal to the total actual annual consumption by rate class relied on for historical years in InnPower's load forecasting. Relying on the resulting 'scaled up' load profiles, InnPower developed CP and NCP demand allocators for each rate class, for each of the three years identified above. The average of these three years' CP and NCP values produced average demand allocators. In the case of the Embedded Distributor rate class, this rate class did not exist prior to 2024, and as such only two years of data and CP/NCP demand allocators were relied upon to establish average CP/NCP demand allocators.

Finally, the averaged CP and NCP demand allocators were scaled to align with InnPower's 2027 load forecast, by pro-rating demand allocators by rate class based on the difference between average annual kWh by rate class for the historical period, and forecast kWh by rate class in the 2027 Test Year. The resulting CP and NCP demand allocators were relied upon in Tab I8.1 of the 2027 Cost Allocation Model.

InnPower has provided an excel spreadsheet `IPC_2027COS_Load_Profiles_20260724` to demonstrate how the 2027 demand allocators were derived.

1.12 Direct Allocation

InnPower confirms that no Direct Allocations were entered in the Worksheet "I9 Direct Allocation".

1.13 Worksheet O1-O2

The revenue to cost ratios calculated in Worksheets "O1 Revenue to Cost/RR" and "O2 Fixed Charge/Floor/Ceiling" of the Cost Allocation Model have been updated for the 2027 Test Year in accordance with the inputs described above.



7-1-2 SPECIFIC CUSTOMER CLASSES

InnPower consulted with its lone embedded distributor customer, Hydro One Networks Inc. (“HONI”), in the preparation of its cost allocation in EB-2023-0033, and HONI agreed to InnPower’s cost allocation approach at that time. EB-2023-0033 was also the proceeding in which InnPower established a separate rate class for embedded distributors. InnPower has not materially changed its approach to cost allocation since EB-2023-0033, and has not made any change explicit to the treatment of the embedded distributor rate class in its cost allocation.

7-1-3 NEW CUSTOMER CLASSES

InnPower Corporation is not proposing to establish any new customer rate classes nor to amend the definitions of existing customer classes as part of this application.

7-1-4 ELIMINATED CUSTOMER CLASSES

InnPower is not requesting the elimination of any customer classes in this application.

7-1-5 MICROFIT

InnPower has not included microFIT as a separate class, rather it intends to use the generic rate for 2027.

7-1-6 CLASS REVENUE REQUIREMENTS

The data used in the updated cost allocation study is consistent with InnPower’s cost data that supports the proposed InnPower revenue requirement outlined in this application. The breakout of assets, capital contributions, depreciation, accumulated depreciation, customer data and load data by primary, line transformer and secondary categories were developed from the best data available to InnPower, its engineering records, and its customer and financial information systems. Capital contributions, depreciation and accumulated depreciation by USoA are



consistent with the information provided in the InnPower continuity statement shown in Exhibit 2. The rate class customer data used in the updated cost allocation study is consistent with the InnPower customer forecast outlined in Exhibit 3.

The following table provides the allocated cost by rate class from the OEB-Approved cost allocation study and the updated 2027 study.

Table 7-12: 2024 Test Year Results of the Cost Allocation Study (EB-2023-0033)

Rate Class	2024 OEB Approved Cost Allocation Study	%	Cost Allocated in the 2027 Study	%
Residential	\$14,346,921	78.1%	\$21,454,694	80.1%
GS < 50	\$1,995,755	10.9%	\$2,369,897	8.8%
GS > 50 kW	\$1,674,477	9.1%	\$2,377,914	8.9%
Unmetered Scattered Load	\$22,026	0.1%	\$28,387	0.1%
Sentinel	\$33,773	0.2%	\$47,331	0.2%
Street Light	\$267,662	1.5%	\$481,825	1.8%
Embedded Distributor	\$18,719	0.1%	\$33,389	0.1%
Total	\$18,359,333	100%	\$26,793,437	100%

7-1-7 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 and Large User 85-115% and 80-120% for all other classes. InnPower does not have a Large User rate class.

The table below presents InnPower’s OEB-approved revenue-to-cost ratios from InnPower’s 2024 Cost of Service application, relative to the results of InnPower’s updated 2027 study, InnPower’s proposed revenue-to-cost ratios for the Test Year, and InnPower’s proposed revenue-



to-cost ratios beyond the Test Year (InnPower does not propose any alteration of revenue-to-cost ratios beyond the 2027 Test Year).

Table 7-17: Revenue to Cost Ratios

Rate Class	2024 OEB Approved	2027 Updated Cost Allocation Study	2027 Proposed Ratios	2028-2031 Proposed Ratios	Board Targets Min to Max	
Residential	103.2%	103.6%	103.6%	103.6%	85.0%	115.0%
GS < 50	88.2%	87.9%	87.9%	87.9%	80.0%	120.0%
GS > 50 kW	81.3%	82.0%	82.0%	82.0%	80.0%	120.0%
Unmetered Scattered Load	120.0%	108.6%	103.6%	103.6%	80.0%	120.0%
Sentinel	120.0%	102.4%	102.4%	102.4%	80.0%	120.0%
Street Light	120.0%	88.7%	88.7%	88.7%	80.0%	120.0%
Embedded Distributor	114.7%	71.2%	80.0%	80.0%	80.0%	120.0%

As shown above, the lone rate class which falls outside of the OEB's defined ranges for revenue-to-cost ratios is the Embedded Distributor rate class, which has a revenue-to-cost ratio of 71.1%. To rebalance revenue-to-cost ratios within the OEB's identified ranges, InnPower first adjusted the ratio of the Embedded Distributor class to the bottom end of the OEB range of 80%. Absent further adjustment, this would result in over-recovery for InnPower relative to its proposed Revenue Requirement. To balance overall costs and revenues, InnPower identified the rate class with the highest revenue-to-cost ratio and adjusted its revenue-to-cost ratio downwards until it was equal to the next highest revenue-to-cost ratio, and continued this practice until the additional revenues were neutralized to zero. In practice, this resulted in adjustment of the Unmetered Scattered Load rate class revenue-to-cost ratio downwards from 108.6% to 103.6%, and decreases to Residential revenue-to-cost ratio in an amount of less than 0.1%.

The following table provides information on the calculated class revenue. The resulting InnPower proposed base revenue will be the amount used in Exhibit 8 to design the proposed distribution rates in this application. InnPower submits that this is a fair and reasonable approach to define the revenue requirement by rate class.



Table 7-17: Calculated Class Revenue

Rate Class	2027 Base Revenue at Existing Rates	2027 Proposed Base Revenue Allocated at Existing Rates Proportion	2027 Proposed Base Revenue	Miscellaneous Revenue
Residential	\$14,520,697	\$18,848,402	\$18,846,855	\$3,382,445
GS < 50	\$1,331,859	\$1,728,803	\$1,728,803	\$354,281
GS > 50 kW	\$1,261,864	\$1,637,946	\$1,637,946	\$311,269
Unmetered Scattered Load	\$19,607	\$25,450	\$24,046	\$5,366
Sentinel	\$31,827	\$41,312	\$41,312	\$7,161
Street Light	\$278,812	\$361,908	\$361,908	\$65,332
Embedded Distributor	\$15,436	\$20,036	\$22,987	\$3,724
Total	\$17,460,102	\$22,663,859	\$22,663,859	\$4,129,578