



**Lakefront
Utilities
Inc.**

207 Division Street, Cobourg, ON K9A 4L3 • www.lusi.on.ca • Tel: (905) 372-2193 • Fax: (905) 372-2581

January 20, 2009

Mr. Michael Buonaguro – Counsel for VECC
Vulnerable Energy Consumers Coalition
c/o Public Interest Advocacy Centre
34 King Street East, Suite 1102
Toronto, Ontario
M5C 2X8
Email: mbuonaguro@piac.ca

Dear Mr. Buonaguro:

**RE: Lakefront Utilities Inc – EB-2008-0193 – 2009 Incentive Regulation
Mechanism Rate Application**

In response to your correspondence dated January 05, 2009, please find attached Lakefront Utilities Inc. response to Vulnerable Energy Consumers Coalition (VECC).

Should you have any questions regarding the above, please call me at (905) 372-2193, ext 5226.

Yours truly,

Original signed

Dereck C. Paul
Lakefront Utilities Inc.

Cc: Bruce Craig; President - LUI
John Vrantidis – Regulatory Policy and Compliance - OEB

**Lakefront Utilities Inc. (LUI) Response
2009 Incentive Regulation Mechanism Rate Application**

Board File: EB-2008-0193

LUI's Response to VECC Interrogatories

IN THE MATTER OF the Ontario Energy Board Act, 1998, being
Schedule B to the Energy Competition Act, 1998, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Lakefront Utilities Inc.
("LUI"), Licence # ED-2002-0545, EB-2008-0193 pursuant to section
78 of the *Ontario Energy Board Act* for an Order or Orders approving
just and reasonable rates and other service charges for the
distribution of electricity as of May 1, 2009.

**Vulnerable Energy Consumers Coalition (VECC) Interrogatories and LUI's
reply submission:**

Question #1 Reference: Lakefront Utilities Inc., 3GIRM Supplementary Filing Model

- a) With respect to Tabs C3.1 and C4.1, why is all of the revenue re-allocation adjustment due to cost allocation changes applied only to the variable charges? Why aren't the service charges for the customer classes involved also adjusted?

- b) With respect to Tab B3.1, please confirm that the OEB Cost Allocation Model included the cost of the Transformer Ownership Allowance in the Base Revenue Requirement and allocated it to all customer classes.

- c) Please confirm that in its 2008 Rate Order Lakefront excluded the cost of the transformer ownership allowance from the base revenue requirement allocated to all customer classes based on its proposed revenue to cost ratios and assigned the cost of the Transformer Ownership Allowance only to the GS>50 class.

d) Given the price cap adjustment is applied to the all rates, why shouldn't it also be applied to the transformer ownership allowance for 2009?

LUI's response:

- a) LUI adjusted the revenue re-allocation to the variable charges only in Tab C3.1 to allow the model to work and for simplicity rather than adjusting two sets of charges. We do not believe adjusting the re-allocation would have any material difference whether applied to both the service charges and variable charges or one set of charges only due to the value of the adjustment.
- b) The Cost Allocation Model used in LUI's 2008 rate application (EB-2007-0761 with a balance of **\$3,985,395**) was exclusive of Transformer Allowance and Low Voltage charges whereas Tab B3.1 in the 3rd GIRM Supplementary Model includes Transformer Allowance and Low Voltage charges in the figure of **\$4,509,534**.
- c) As mentioned in 1b above, in its 2008 Rate Order, LUI excluded Transformer Allowance and Low Voltage charges for **ALL** customer classes from the base revenue requirement of \$3,985,395. Please refer to the two tables below with and without Transformer Allowance and LV charges:

Without Transformer Allowance and Low Voltage Charges in EB-2007-0761

Lakefront Utilities Inc.


	VECC Rev/Cost Ratio	Revenue in Cost Allocation Excluding \$296,166 incorrect Misc rev \$	Proportion of Revenue	Rev/Cost Ratio at 100%	100% Alloc on New Rev	Proposed Rev/Cost Ratio	Proposed Revenue Allocation
Residential	94.90%	\$ 1,672,296	46.94%	\$ 1,757,190	\$ 1,965,462	97.51%	\$ 1,916,428
GS <50 kW	124.40%	\$ 621,988	17.46%	\$ 498,578	\$ 557,673	118.00%	\$ 658,054
GS >50-2999 kW	146.80%	\$ 1,128,237	31.67%	\$ 766,383	\$ 857,220	140.95%	\$ 1,208,251
GS 3000-4999 kW	35.10%	\$ 87,078	2.44%	\$ 247,385	\$ 276,706	35.10%	\$ 97,124
Street Lights	9.30%	\$ 24,469	0.69%	\$ 262,365	\$ 293,461	25.00%	\$ 73,365
Sentinel Lights	39.40%	\$ 2,119	0.06%	\$ 5,363	\$ 5,999	55.00%	\$ 3,299
Unmetered Scatered Load	103.90%	\$ 26,758	0.75%	\$ 25,681	\$ 28,725	100.00%	\$ 28,725
		\$ 3,562,945	100.00%	\$ 3,562,945	\$ 3,985,246		\$ 3,985,246


If Transformer Allowance and LV Charges were added in EB-2007-0761

Lakefront Utilities Inc.

	VECC Rev/Cost Ratio	Revenue in Cost Allocation Excluding		Proportion of Revenue	Rev/Cost Ratio at 100%	100% Alloc on New Rev	Proposed Rev/Cost Ratio	Revenue Allocation including TA & LV	TA & LV Chrgs figures included in \$4,509,522	
		\$296,166 incorrect Misc rev \$							Transformer Allow	Low Voltage
Residential	94.90%	\$ 1,672,296	46.94%	\$ 1,757,190	\$ 1,965,462	102.66%	\$ 2,017,712			\$ 101,285
GS <50 kW	124.40%	\$ 621,988	17.46%	\$ 498,578	\$ 557,673	125.91%	\$ 702,163			\$ 44,109
GS >50-2999 kW	146.80%	\$ 1,128,237	31.67%	\$ 766,383	\$ 857,220	168.56%	\$ 1,444,904	\$ 106,625	\$ 130,026	
GS 3000-4999 kW	35.10%	\$ 87,078	2.44%	\$ 247,385	\$ 276,706	85.46%	\$ 236,476	\$ 71,455	\$ 67,897	
Street Lights	9.30%	\$ 24,469	0.69%	\$ 262,365	\$ 293,461	25.67%	\$ 75,323			\$ 1,955
Sentinel Lights	39.40%	\$ 2,119	0.06%	\$ 5,363	\$ 5,999	55.50%	\$ 3,329			\$ 37
Unmetered Scatered Load	103.90%	\$ 26,758	0.75%	\$ 25,681	\$ 28,725	103.10%	\$ 29,615			\$ 887
		\$ 3,562,945	100.00%	\$ 3,562,945	\$ 3,985,246		\$ 4,509,522			

- d) LUI has not made any change to the Transformer Allowance rate for 2009. It remains the same as 2008. Please refer to Tabs P1.1 in LUI's 2009 3GIRM Rate Generator model (copy below).


Ontario Energy Board
 Commission de l'énergie de l'Ontario
3rd Generation Incentive Regulation Mechanism


 Email the Board

Previous

Forward

Table of Contents

Current Tariff Sheet

Proposed Tariff Sheet

Current & Proposed Tariff Sheets

Bill Impacts Generator

Purpose of this worksheet:
 This worksheet is for the applicant to enter the Allowances as found on the current Tariff Sheet.

Allowances

Metric Current

Transformer Allowance for Ownership - per kW of billing demand/month

\$/kW -0.60

Primary Metering Allowance for transformer losses - applied to measured demand and energy

% -1.0

Question #2 Reference: Lakefront Utilities Inc., 3GIRM Rate Generator Model & Manager's Summary

a) Why wasn't the Z-Factor tax change incorporated in 2009 proposed rates?

LUI's response:

- a) LUI agrees that any reduction in taxes from 2008 to 2009 should be shared 50/50 between the distributor and its customer and has updated our application to reflect the tax sharing rate rider for the \$3,518.

The results are as per below:

Rate Rider	Tax Change Rate Rider
Sunset Date	April 30, 2010 <small>DD/MM/YYYY</small>
Metric Applied To	All Customers
Method of Application	Both Distinct

Rate Class	Applied to Class	Fixed Amount	Fixed Metric	Vol Amount	Vol Metric
Residential	Yes	0.000000	NA	-0.000020	kWh
General Service Less Than 50 kW	Yes	0.000000	Customer - 12 per year	-0.000015	kWh
General Service 50 to 2,999 kW	Yes	0.000000	Customer - 12 per year	-0.004042	kW
General Service 3,000 to 4,999 kW	Yes	0.000000	Customer - 12 per year	-0.001496	kW
Unmetered Scattered Load	Yes	0.000000	Customer - 12 per year	-0.000037	kWh
Sentinel Lighting	Yes	0.000000	Connection - 12 per year	-0.033671	kW
Street Lighting	Yes	0.000000	Connection - 12 per year	-0.017258	kW

A copy of the OEB 2009 3GIRM Rate Generator (**revised as of Jan/19/09 to include the reduction in taxes**) is included with these responses and filed electronically on the Ontario Energy Board's RESS Filing System.