Lakefront Utilities Inc.

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February 11, 2009

Ms. Kristen Walli – Board Secretary
Ontario Energy Board
P.O. Box 2319, 2300 Yonge St.
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

RE: Lakefront Utilities Inc. (LUI) - EB-2008-0722
Request for Review and Vary Submission

Please find attached LUI's submission made in accordance with Procedural Order No. 3 in the above-referenced proceeding.

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

Yours truly,

Original signed

Dereck C. Paul – Manager; Compliance and Finance
Lakefront Utilities Inc.

Copy: Bruce Craig – President - LUI
Christie Clark – Case Manager – OEB
Andrew Taylor – Ogilvy Renault; Counsel for LUI
Michael Buonaguro – Counsel for VECC
John De Vellis – Counsel for SEC

THE ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, (Schedule B);

AND IN THE MATTER OF an application by Lakefront Utilities Inc. ("LUI") for an order approving or fixing just and reasonable rates and other charges for the distribution of electricity to be effective May 1, 2008.

SUBMISSION

Over the last three years, LUI had established its long term plan to continue its voltage conversion program to convert its 4 KV systems to 27.6 KV, initiated more than two decades ago. LUI must continue this investment in its distribution system to improve reliability and efficiency.

LUI's total capital expenditures for 2006 and 2007 were $1.6 million and $1.7 million respectively. The rates set out in the Order reflect an approved 2008 total capital expenditure in the amount of $900,000. This amounts to a significant decrease in LUI's total capital budget in 2008 relative to recent years.

In LUI's 2008 EDR application LUI had reduced its voltage conversion program by $325,000 to accommodate the increased spending for the Smart Meter Project in 2008.

LUI proposed, in its June 11, 2008 submission, to include back the $325,000 voltage conversion capital projects in the event the Board rejected LUI's proposed smart meter capital program.

In the May 9, 2008 Decision, the Board neither expressly approved nor denied LUI's request for the inclusion back of the $325,000 voltage conversion capital projects. Subsequently, LUI spent the above-mentioned $325,000 on voltage conversion that was used and useful in 2008.

LUI proposes that the Board include the $325,000 expenditure in our 2008 rate base. It is important that the Board do so in order to ensure that LUI's rates going forward into the IRM period are based on a reasonable capital budget. A $900,000 capital budget is well below historic amounts and is insufficient for capital investments required on LUI's system.

Even with the $325,000 added back in, LUI's 2008 capital budget would be $375,000 less than its 2006 capital expenditures and $475,000 less than its 2007 capital expenditures.

LUI submits that its capital expenditures and cost performance is reasonable, adequate and prudent, and in light of the absence of the Board's reason for excluding the $325,000 voltage conversion capital in the test year, and the fact that inclusion of the additional voltage conversion program in the test year will not cause LUI's 2008 capital budget to increase, the rates in the Order should be varied to accommodate a rate rider effective May 1, 2009 for this 2008 foregone and future (2009, 2010 and 2011) revenues.

LUI has calculated the addition of the $325,000 Voltage Conversion to its 2008 test year and the following tables in Appendix A below identifies the areas impacted in the 2008 test figures in comparison to the Board approved rate order dated July 17, 2008.

The rate riders and revenue values are as follow:

Foregone revenue	2008: $18,777 + interest	= $19,406
	2009, 2010 & 2011 at $18,777 per year	= $56,331
	Total:	= $75,737

The Rate Riders below were developed to collect $25,246 per year over the next 3 years (refer to section f in Appendix A).

Residential	General Service Less Than 50 kW	General Service 50 to 2,999 kW	General Service 3,000 to 4,999 kW	Unmetered Scattered Load	Sentinel Lighting	Street Lighting
0.00016	**0.00011**	**0.02830**	**0.00500**	**0.00075**	**0.20609**	**0.03360**
kWh	kWh	kW	kW	kWh	kW	kW

Appendix A

a) Fixed Asset Continuity Capital Additions - With the addition of $325,262 Voltage Conversion projects (highlighted), LUI's total capital expenditures increase from $908,753 to $1,229,008 ($5,007 is construction work in progress - "CWIP")

Updated Capital spending including the $325,262 Voltage Conversion Projects totaling $1,229,008.

CAPITAL BUDGET BY PROJECT - 2008 (Cont'd)

Project Description	Year	USoA Account	Expansion or Enhanceme	Amount		
WO#7594 Swayne St Conversion	2008	1830	Enhancement	11,076		528
WO#7594 Swayne St Conversion	2008	1835	Enhancement	25,065		1196
WO#7594 Swayne St Conversion	2008	1850	Enhancement	68,822		3283
					104,963	
Project Description		**USoA Account**	**Expansion or Enhanceme**	**Amount**		
Burwash St	2008	1830	Enhancement	13,825		
Burwash St	2008	1835	Enhancement	18,564		
Burwash St	2008	1850	Enhancement	6,765		
Hayden Cres	2008	1830	Enhancement	15,362		
Hayden Cres	2008	1835	Enhancement	19,932		
Hayden Cres	2008	1850	Enhancement	18,390		
Murray Cres	2008	1830	Enhancement	15,228		
Murray Cres	2008	1835	Enhancement	19,474		
Murray Cres	2008	1850	Enhancement	20,290		
Spragge Cres	2008	1830	Enhancement	3,408		
Spragge Cres	2008	1835	Enhancement	9,321		
Spragge Cres	2008	1850	Enhancement	7,598		
					168,157	
Project Description		**USoA Account**	**Expansion or Enhanceme**	**Amount**		
Harden Cres	2008	1830	Enhancement	9,216		
Harden Cres	2008	1835	Enhancement	16,642		
Harden Cres	2008	1850	Enhancement	13,795		
Harden St	2008	1830	Enhancement	19,968		
Harden St	2008	1835	Enhancement	25,884		
Harden St	2008	1850	Enhancement	12,167		
Marion St	2008	1830	Enhancement	3,990		
Marion St	2008	1835	Enhancement	5,322		
Sandra Cres	2008	1830	Enhancement	5,732		
Sandra Cres	2008	1835	Enhancement	7,268		
Sandra Cres	2008	1850	Enhancement	6,764		
Sinclair St	2008	1830	Enhancement	16,896		
Sinclair St	2008	1835	Enhancement	28,944		
Sinclair St	2008	1850	Enhancement	23,038		
					195,626	
Project Description		**USoA Account**	**Expansion or Enhanceme**	**Amount**		
Burnham St	2008	1830	Enhancement	32,256		
Burnham St	2008	1835	Enhancement	58,463		
Burnham St	2008	1850	Enhancement	79,935		
Burnham Manor	2008	1835	Enhancement	9,026		
Burnham Manor	2008	1850	Enhancement	4,500		
Barbara St	2008	1830	Enhancement	10,752		
Barbara St	2008	1835	Enhancement	17,580		
Barbara St	2008	1850	Enhancement	13,526		
Elizabeth St	2008	1830	Enhancement	13,658		
Elizabeth St	2008	1835	Enhancement	17,627		
Elizabeth St	2008	1850	Enhancement	22,792		
Shirley St	2008	1830	Enhancement	8,598		
Shirley St	2008	1835	Enhancement	11,352		
Shirley St	2008	1850	Enhancement	7,597		
Norma St	2008	1830	Enhancement	3,990		
Norma St	2008	1835	Enhancement	4,713		
Ruth St	2008	1830	Enhancement	3,990		
Ruth St	2008	1835	Enhancement	4,907		
					325,262	

CAPITAL BUDGET BY PROJECT - 2008 (Cont'd)

Project Description	Year	USoA Account	Expansion or Enhanceme	Amount		
Project Description		**USoA Account**	**Expansion or Enhanceme**	**Amount**		
MS 1 Security Card System	2008	1808	Enhancement	10,000		
					10,000	
Project Description		**USoA Account**	**Expansion or Enhanceme**	**Amount**		
Office Equipment - Storage & she	2008	1915	Expansion	25,000		
					25,000	
Project Description		**USoA Account**	**Expansion or Enhanceme**	**Amount**		
Computer Hardware/Software	2008	1925	Expansion	115,000		
					115,000	
Project Description		**USoA Account**	**Expansion or Enhanceme**	**Amount**		
Tools & Equipment	2008	1940	Expansion	25,000		
					25,000	
Project Description		**USoA Account**	**Expansion or Enhanceme**	**Amount**		
Truck	2008	1930	Expansion	260,000		
					260,000	
		TOTAL CAPITAL BUDGET BY PROJECT 2008			**1,229,008**	**5,007**

b) Accumulated Amortization - with the half year depreciation rule applied, depreciation for 2008 increased from $814,753 to $821,158 and the Net Book Value Balance – changed from $11,053,544 in July 17, 2008 rate order to $11,367,395.

Fixed Asset Continuities including Accumulated Amortization and Net Book Value

Per Board direction approved in LUI Rate Order Jul/17/08

FIXED ASSET CONTINUITY SCHEDULE
ACCOUNT: 1610:2005 TOTAL FIXED ASSETS IN SERVICE

		BRIDGE YEAR			TEST YEAR		
		Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
Opening Balance		**18,786,600**	**-8,604,722**	**10,181,877**	**19,695,509**	**-8,735,965**	**10,959,545**
Additions		1,543,932	0	1,543,932	908,753	0	908,753
Depreciation		0	-766,265	-766,265	0	-814,753	-814,753
Retirements & Sales		-635,022	635,022	0	-252,785	252,785	0
Other (specify)	ARO	0	0	0	0	0	0
		0	0	0	0	0	0
		0	0	0	0	0	0
Closing Balance		**19,695,509**	**-8,735,965**	**10,959,545**	**20,351,477**	**-9,297,933**	**11,053,544**
Average Balance		19,241,055	-8,670,344	10,570,711	20,023,493	-9,016,949	11,006,545
Change in Year		908,910	-131,242	777,667	655,968	-561,968	94,000

Revised Fixed Asset Continuity with addition of $325K Voltage Conversion Capital

		Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
Opening Balance		**18,786,600**	**-8,604,722**	**10,181,877**	**19,695,509**	**-8,735,965**	**10,959,545**
Additions		1,543,932	0	1,543,932	1,229,008	0	1,229,008
Depreciation		0	-766,265	-766,265	0	-821,158	-821,158
Retirements & Sales		-635,022	635,022	0	-252,785	252,785	0
Other (specify)	ARO	0	0	0	0	0	0
		0	0	0	0	0	0
		0	0	0	0	0	0
Closing Balance		**19,695,509**	**-8,735,965**	**10,959,545**	**20,671,732**	**-9,304,338**	**11,367,395**
Average Balance		19,241,055	-8,670,344	10,570,711	20,183,621	-9,020,151	11,163,470
Change in Year		908,910	-131,242	777,667	976,223	-568,373	407,850

c) Return on Capital - Rate Base changed from $14,413,176 to $14,570,101 and the Regulated Rate of Return – changed from $1,035,942 to $1,047,221

Return on Capital

Per Board direction approved in LUI Rate Order Jul/17/08

Test Year Balances, Fixed Assets in Service:		
Opening Balance	10,959,545	
Closing Balance	11,053,544	
Average Balance		11,006,545
Working Capital Allowance		3,406,631
Total Rate Base		14,413,176
Regulated Rate of Return		*7.19%*
Regulated Return On Capital		**1,035,942**

Revised Fixed Assets in Service with addition of $325K Voltage Conversion Capital

Test Year Balances, Fixed Assets in Service:		
Opening Balance	10,959,545	
Closing Balance	11,367,395	
Average Balance		11,163,470
Working Capital Allowance		3,406,631
Total Rate Base		14,570,101
Regulated Rate of Return		*7.19%*
Regulated Return On Capital		**1,047,221**
Deemed Interest Expense		*464,514*
Deemed Return on Equity		*582,707*

d) Taxable Income – changed from $717,129 to $719,581 and PILs – changed from $319,484 to $320,577

PILS Impact

Per Board direction approved in LUI Rate Order Jul/17/08

Line Item	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	Utility Amount
Income before PILs/Taxes	**A**	576,431	0	576,431
Additions:				
Amortization of tangible assets	104	814,753	0	814,753
Reserves from financial statements- balance at end of year	126	264,625	0	264,625
Other Additions (see OtherAdditions sheet)	295	459,910	0	459,910
Total Additions		**1,539,288**	**0**	**1,539,288**
Deductions:				
Capital cost allowance from Schedule 8	403	680,910	0	680,910
Reserves from financial statements - balance at beginning of year	414	256,917	0	256,917
Interest capitalized for accounting deducted for tax	390	1,252	0	1,252
Other Deductions (see OtherDeductions sheet)	394	459,511	0	459,511
Total Deductions		**1,398,590**	**0**	**1,398,590**
Net Income for Tax Purposes		**717,129**	**0**	**717,129**
TAXABLE INCOME		**717,129**	**0**	**717,129**

	Source or Input	Tax Payable	Inclusion in Revenue Req.	
Regulatory Taxable Income	TxblIncome	717,129		
Combined Income Tax Rate	TaxRates	30.820%		
Total Income Taxes		221,019		
Investment Tax Credits	-			
Miscellaneous Tax Credits	-			
Total Tax Credits		-		
Income Tax Provision		221,019	319,484	*grossed-up for income taxes*
Ontario Capital Tax	CapitalTaxes	-	-	*not grossed-up*
Large Corporations Tax	CapitalTaxes	-	-	*grossed-up for income taxes*
Total PILs		**221,019**	**319,484**	*amount for Output*

PILS RATE AND CALCULATION

Item	Description	Reference	Rates	$	PILs
1	Taxable Income	Page 12		$ 717,129	
2	Ontario				
3	Income tax payable		14.00%	$ 100,398	
4	Small business credit	400,000	8.50%	-$ 34,000	
5	Surtax on (1-4)	317,129	4.67%	$ 14,800	
6	Income tax			**$ 81,198**	
7	Effective Ontario Rate (6/1)				11.32%
8	Federal rate				19.50%
9	Combined tax rate				**30.82%**
10	Income tax PILs	(1) X (9)			$ 221,039
11	Grossed-up PILs	(10) / (1-30.82%)			**$ 319,484**

Revised PILS with addition of $325K Voltage Conversion Capital

Line Item	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	Utility Amount
Income before PILs/Taxes	**A**	582,707	0	582,707
Additions:				
Amortization of tangible assets	104	821,158	0	821,158
Reserves from financial statements- balance at end of year	126	264,625	0	264,625
Other Additions (see OtherAdditions sheet)	295	466,243	0	466,243
Total Additions		**1,552,026**	**0**	**1,552,026**
Deductions:				
Capital cost allowance from Schedule 8	403	693,720	0	693,720
Reserves from financial statements - balance at beginning of year	414	256,917	0	256,917
Other Deductions (see OtherDeductions sheet)	394	464,514	0	464,514
Total Deductions		**1,415,152**	**0**	**1,415,152**
Net Income for Tax Purposes		**719,581**	**0**	**719,581**
TAXABLE INCOME		**719,581**	**0**	**719,581**

	Source or Input	Tax Payable	Inclusion in Revenue Req.	
Regulatory Taxable Income	TxblIncome	719,581		
Combined Income Tax Rate	TaxRates	30.820%		
Total Income Taxes		221,775		
Investment Tax Credits	-			
Miscellaneous Tax Credits	-			
Total Tax Credits		-		
Income Tax Provision		221,775	320,577	*grossed-up for income taxes*
Ontario Capital Tax	CapitalTaxes	-	-	*not grossed-up*
Large Corporations Tax	CapitalTaxes	-	-	*grossed-up for income taxes*
Total PILs		**221,775**	**320,577**	*amount for Output*

e) Base Revenue Requirement – changed in 2008 from $3,985,246 to $4,004,023

<u>Service Revenue Requirement</u>

Per Board direction approved in LUI Rate Order Jul/17/08

OM&A Expenses	2,150,631
Amortization Expenses	814,753
Total Distribution Expenses	2,965,384
Regulated Return On Capital	1,035,942
PILs (with gross-up)	319,484
Service Revenue Requirement	**4,320,810**

Service Revenue Requirement	4,320,810	
Less: Revenue Offsets	-335,564	
Base Revenue Requirement		**3,985,246**
Directly Allocated CDM		0
Outstanding Base Revenue Requirement		**3,985,246**

<u>Revised with addition of $325K Voltage Conversion Capital</u>

OM&A Expenses	2,150,631
Amortization Expenses	821,158
Total Distribution Expenses	2,971,789
Regulated Return On Capital	1,047,221
PILs (with gross-up)	320,577
Service Revenue Requirement	**4,339,586**

Service Revenue Requirement	4,339,586	
Less: Revenue Offsets	-335,564	
Base Revenue Requirement		**4,004,023**
Directly Allocated CDM		0
Outstanding Base Revenue Requirement		**4,004,023**

Difference in 2008 outstanding base revenue requirement: $4,004,023 - 3,985,246 = $18,777

f) To calculate the rate rider to collect the revenues associated with the $325,262 voltage conversion capital projects done in 2008, LUI utilized the consumption values per customer class and the proportion of revenue percentages from the Revenue Cost ratios used in its 2008 EDR.

The $18,777 lost revenue in 2008 rate year with interest at the OEB prescribed interest rates up to April 30, 2009 is $19,406

From May 1, 2009 through April 30, 2012 until LUI's next scheduled full cost of service rebasing, the additional figures are $18,777 X 3 for a subtotal of $56,331.

The total revenue value of $75,737 ($19,406 + $56,331) was used to produce rate riders per customer classes that would allow LUI to collect revenues of $25,246 from May 1, 2009 to April 30, 2012.

Rate Rider Calculation

Test Year (2008) Forecast

Customer Class	Metric	kW	kWhs	# Customers	Dx Revenue	Number of Customers
Residential	kWhs		77,241,202	8,012	2,231,648	8,012
General Service Less Than 50 kW	kWhs		36,960,206	1,075	851,127	1,075
General Service 50 to 2,999 kW	kW	270,520	117,291,948	127	1,150,046	127
General Service 3,000 to 4,999 kW	kW	123,329	55,719,421	2	374,813	2
Unmetered Scattered Load	kWhs	0	620,588	79	33,524	79
Sentinel Lighting	kW	98	49,428	58	2,328	58
Street Lighting	kW	5,335	2,065,217	2,739	12,571	2

Test Year (2008) Allocations

Customer Class	Metric	Proportion of Revenue
Residential	kWhs	48.09%
General Service Less Than 50 kW	kWhs	16.51%
General Service 50 to 2,999 kW	kW	30.32%
General Service 3,000 to 4,999 kW	kW	2.44%
Unmetered Scattered Load	kWhs	1.84%
Sentinel Lighting	kW	0.08%
Street Lighting	kW	0.71%
Totals		**100.00%**

Annual Interest Rate: 3.35% Consult OEB website at:

http://www.oeb.gov.on.ca/html/en/industryrelations/rulesguidesandforms_regulatory_prescribedinterestrates.htm

Deferred Charge Accounts

	May1/08 to Dec31/08		Jan1 to Apr30/09			May1/09 to Apr30/12		
Account Description	Principal Portion	Balance	Interest	Other	Balance	Interest	Other	Balance
		-	-		-	-		-
Voltage Conversion revenue	18,777	18,777	210		18,987	419	56,331	75,737
Sub-totals	**18,777**	**-**	**210**	**-**	**18,987**	**419**	**56,331**	**75,737**

Account Description		Apr 30/08 Balance	Allocation Basis	Residential	General Service Less Than 50 kW	General Service 50 to 2,999 kW	General Service 3,000 to 4,999 kW	Unmetered Scattered Load	Sentinel Lighting	Street Lighting	Totals
(2008 Voltage Conv Cap of $325K) Revenue		75,737	KWh	36,422	12,507	22,963	1,851	1,395	61	538	75,737
		-	Dx Revenue	-	-	-	-	-	-	-	-
Sub-total to Dispose at Apr/30/12	Apr30/08	**75,737**	**Revenue**	**36,422**	**12,507**	**22,963**	**1,851**	**1,395**	**61**	**538**	**75,737**
Total to Dispose at Apr/30/12				**36,422**	**12,507**	**22,963**	**1,851**	**1,395**	**61**	**538**	**75,737**
Disposal amount per year	3 YEARS			12,141	4,169	7,654	617	465	20	179	**25,246**
Projected 2009 Rate Riders				**0.00016**	**0.00011**	**0.02830**	**0.00500**	**0.00075**	**0.20609**	**0.03360**	
Rate Determinant				kWh	kWh	kW	kW	kWh	kW	kW	

ALL OF WHICH IS RESPECTFULLY SUBMITTED