



**Lakefront  
Utilities  
Inc.**

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February 24, 2009

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

Dear Ms. Walli:

**Lakefront Utilities Inc. Submission**  
**Re : 2009 3rd Generation IRM (EB-2008-0193)**

Please find attached LUI's submission made in response to Board Staff submission dated January 29, 2009.

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  
John Vrantidis – Regulatory Policy and Compliance – OEB  
Michael Buonaguro – Counsel for VECC

**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"), 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.

**SUBMISSION**

Lakefront Utilities Inc. ("LUI") submitted an application on November 7, 2008, seeking approval for changes to the rates that LUI charges for electricity distribution, to be effective May 1, 2009. The application is based on the 2009 3<sup>rd</sup> Generation Incentive Regulated Mechanism ("3<sup>rd</sup> GIRM").

On December 30, 2008, Board Staff filed interrogatories. On January 19, 2009, LUI responded to those interrogatories.

On January 5, 2009, VECC filed interrogatories. On January 19, 2009, LUI responded to those interrogatories.

In Board Staff's submission dated January 29, 2009, Board Staff submitted:

"As a result of the difference in methodology employed in the IRM Module as compared to the methodology used in the 2008 CoS, there may be a slight difference in the calculated revenue-to-cost ratios (the "Ratios") and the proposed adjustments that would result under each method. Board staff submits that this difference is immaterial and that Lakefront's proposed revenue-to-cost ratio adjustments are reasonable and in compliance with its 2008 cost of service Decision (EB-2007-0761).

Board staff notes that the *Report of the Board on the Application of Cost Allocation for Electricity Distributors* dated November 28, 2007 (the "Report") indicated that a range approach for Ratios was preferable given influencing factors, such as data quality. Accordingly, Board staff submits that the differences in the Ratios calculated in the IRM Module and under the 2008 CoS methodology would need to be material for a revision to the proposed revenue-

to-cost ratio adjustments to be warranted at this time. As stated earlier, Board staff submits that those differences are immaterial.”

LUI acknowledges Board Staff comments and is respectfully in acceptance of their agreement.

### **Revenue to Cost Ratios**

Increasing the revenue-to-cost ratio for Street Lighting and Sentinel Lighting classes as instructed by the Board in its May 9, 2008 Decision, LUI maintains its position to apply the corresponding decrease to the GS>50-2,999KW class. This is in recognition that the GS>50-2,999 KW class is much further from the unity (100%) relative to all the other classes, including GS <50 kW, as demonstrated in the table below per sheet C3.1 in the 3<sup>rd</sup> GIRM model.

<b>Rate Class</b>	<b>Resultant Revenue/Cost Ratio %</b>
Residential	97.6%
General Service Less Than 50 kW	118.4%
General Service 50 to 2,999 kW	164.3%
General Service 3,000 to 4,999 kW	35.5%
Unmetered Scattered Load	100.0%
Sentinel Lighting	70.1%
Street Lighting	39.9%

LUI believe the Board’s intention is to gradually over time, move all customer classes to the unity, mitigating rate shock and maintaining reasonable rates within a distributor’s territory. With the GS 50 – 2,999 kW class being the furthest from unity, LUI believes the reduction to this class is consistent with the Board’s decision.

### **Payment in Lieu of Taxes (PILs)**

In the calculation of PILs during the 2008 CoS proceedings, LUI used a Small Business Credit of \$400,000 that was in effect at the time of the Board Decision on May 9, 2008, which was prior to Bill 44 becoming enacted on May 24,2009. Bill 44 changed the Small Business Credit threshold from \$400,000 to \$500,000.

In its submission dated January 29, 2009, Board Staff submits that:

“Board staff notes that some 2008 CoS proceedings required more time to process than others. As a result, some applications that were filed with the Board at around the same time as Lakefront filed its 2008 CoS application had their

Decisions issued after May 24, 2008, with their resulting electricity distribution rates reflecting the lower tax rates. Board staff submits that for consistency and fairness across electricity distributors, the difference in PILs Lakefront is collecting in its distribution rates as a result of its 2008 CoS Decision having been issued before May 24, 2008, should be removed as of May 1, 2009. Board staff also submits that the additional amounts Lakefront collected in the 2008 rate year should remain with Lakefront, as it appropriately reflected the Board Decision (EB-2007-0761) for that rate year.”

LUI is in agreement with Board Staff proposal for the removal of \$28,554 in PILs effective May 1, 2009 attributed to the Board’s 2008 CoS Decision as outlined above and allowing any additional amounts LUI collected in the 2008 rate year to remain with LUI in accordance with that rate year Board Decision.

LUI also agrees with the PILs adjustment required due to the reduction in the federal tax rate from 19.5% to 19% effective January 1, 2009. However, in the recent Federal budget, the Federal Tax rate has been reduced even further from the 19% to 11% and LUI defers to the Board Decision on the adjustment in this matter.

ALL OF WHICH IS RESPECTFULLY SUBMITTED