



**Lakefront
Utilities
Inc.**

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February 12, 2010

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 : 2010 3rd Generation IRM (EB-2009-0233)

Please find attached LUI's submission made in response to Board Staff submission dated February 01, 2010.

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

Yours truly,

Original signed

Dereck C. Paul – Vice President
Lakefront Utilities Inc.

Copy: Bruce Craig – President - LUI

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-2009-0233 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, 2010.

SUBMISSION

Lakefront Utilities Inc. (“LUI”) submitted an application on October 20, 2009, seeking approval for changes to the rates that LUI charges for electricity distribution, to be effective May 1, 2010. The application is based on the 2010 3rd Generation Incentive Regulated Mechanism (“3rd GIRM”).

On December 10, 2009, Board Staff filed interrogatories. On December 23, 2009, LUI responded to those interrogatories.

Potential Tax Sharing Rate Rider

In Board Staff’s submission dated February 1, 2010, Board Staff submitted:

“As a result of having kWh Tax Sharing rate riders of \$(0.0000) when rounded to the fourth decimal place and kW Tax Sharing rate riders of \$(0.00) when rounded to the second decimal place, the amount of \$10,408 will not be returned to ratepayers, which defeats the intent of tax sharing process. Board staff submits that the Board may wish to consider directing Lakefront to record the Tax Sharing refund amount of \$10,408 in the variance account 1595 for disposition in a future rate setting.”

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

Disposition of Deferral and Variance Accounts As Per The EDDVAR Report

Board staff submitted that *“a disposition period no longer than one year would be appropriate. These balances have been accumulating over the last four year period and to delay immediate action is not in the customer’s best interest. Board staff recognizes that some volatility in electricity bills may result. That aside, Board staff believes that a one year disposition period would be in the interest of all parties. In order to reduce inter-generational inequities, Board staff submits that the disposition period for all Group 1 accounts should not exceed one year.”*

LUI concurs with Board Staff comments. LUI has also filed a complete reconciliation of the regulatory trial balance as part of the RRR to the Board on November 30, 2009.

Treatment Of Smart Meter Funding Adder

Board staff submits *“that Lakefront has complied with the policies and filing requirements of the Smart Meter Guideline. Actual smart meter expenditures will be subject to review when Lakefront makes application for disposition of the account balances in a subsequent proceeding. Hence, Board staff takes no issue with Lakefront’s proposal to increase its smart meter funding adder to \$2.00 per month per metered customer.”*

LUI appreciates Board Staff comments, understanding and support of our position on this matter.

Adjustments To The Revenue To Cost Ratios

LUI is pleased that Board staff notes Lakefront has complied with the filing requirements of the 2010 Supplemental Filing Module and takes no issue with Lakefront’s revenue to cost ratio adjustments.

Adjustment To The Retail Transmission Service Rates (RTSR)

Board staff submission is as follows:

“Board staff notes that very few distributors, including Lakefront, effected in their 2009 rates the July 1, 2009 level of UTRs since for most of them, distribution rates would have been implemented on May 1, 2009. Therefore, in accordance with the July 22, 2009 RTSR Guideline, Board staff submits that the revisions to the RTSRs ought to reflect the changes from the current level to the January 1, 2010 level, that is an

increase of about 15.6% to the RTSR Network Service rate, and an increase of about 5.2% to the RTSR Line and Transformation Connection Service Rate. Board staff has reviewed the evidence provided by the applicant and submits that the proposal by Lakefront may no longer be reasonable, based on the January 1, 2010 level of the UTRs. Board staff submits that the applicant's proposed rates be revised to reflect the January 1, 2010 values."

In response, LUI submits that it is in agreement with the adjustment of Transmission Network Service and Transmission Connection Service rates suggested by Board staff to appropriately reflect the changes based on the January 1, 2010 level of UTRs in the Draft Rate Order.

Accounting For The Implementation Of The Harmonized Sales Tax

Should the Board decide to establish a deferral account to record the cost of PST subject items in the distribution revenue requirement until LUI's next cost of service application, then LUI will comply with the Board's requirements.

ALL OF WHICH IS RESPECTFULLY SUBMITTED