



**Lakefront
Utilities
Inc.**

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December 13 , 2010

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

Dear Ms. Walli:

RE: Lakefront Utilities Inc. response to Vulnerable Energy Consumers Coalition (VECC) Interrogatories (EB-2010-0095–2011 IRM Rate Application)

Please find attached Lakefront Utilities Inc. responses to Vulnerable Energy Consumers Coalition (VECC) Interrogatories dated November 25, 2010, As a result, we have adjusted the LRAM figures in “Lakefront EB-2010-0095 Updated Dec-13-2010 Attachment A-D – LRAM Application 2006-2008 adjustment”.

We have enclosed a paper copy along with a CD in the mail as well.

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

Yours truly,

Original Signed

Dereck C. Paul – Vice President

Lakefront Utilities Inc.

Cc: Bruce Craig; President - LUI

Lakefront Utilities Inc. (LUI) Response
2011 Incentive Regulation Mechanism Rate Application
Board File: EB-2010-0095
to Vulnerable Energy Consumers Coalition (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, 2011.

LRAM SSM

QUESTON # 1

References: i) Managers Report, page 13 Sheet J2.5
ii) Burman Report, page 5 and Appendix A2 Attachment A

Preamble: For SSM, a distributor may recover 5% of the net benefits (TRC) created by CDM portfolio investments. As set out in the CDM Guidelines, program net benefits are determined by the present value of the avoided electricity costs over the technology's/program's life minus the present value of program costs. All results are net of free ridership. Incentive payments identified by Lakefront Utilities are excluded from these calculations. For all programs/projects, the OEB Total Resource Cost Guide, Section 5, Assumptions and Measures List September 8, 2005 were used in TRC calculations in accordance with OEB's direction letter, Conservation and Demand Management ("CDM") Input Assumptions Board File No.: EB-2008-0352, January 27, 2009.

- a) Confirm that the current CDM Guidelines and Policy Letter as referenced above specify that

SSM

Assumptions used from the beginning of any year will be those assumptions in existence in the immediately prior year. For example, if any input assumptions change in 2007, those changes should apply for SSM purposes from the beginning of 2008 onwards until changed again....

LUI' Response:

Confirmed. The OPA released new assumptions and measures lists in April 2009. Therefore, for any new programming starting January 2010, the new assumptions and measures will be used to calculate SSM.

- b) When (year and date) did the OPA change its Input assumptions (unit savings and free ridership) for CFLs under the Every Kilowatt Counts Campaigns?

LUI' Response:

The unit savings (and free ridership) assumptions for CFLs embedded in the 2006 EKC Campaign calculator, although not explicitly identified, were imputed to be 104 kWh, consistent with the Conservation Bureau's December 2006 Residential Education and Coupon Incentive ("Every Kilowatt Counts") Program report. Changes to these assumptions were published until the OPA issued the revised assumptions and measures list in April 2009. In accordance with the guideline above, assumptions and measures list published by the OPA in April, 2009 were used in LRAM calculations only. SSM calculations therefore accurately reflect the use of 2005 assumptions and measures, representing those in existence at the time TRC calculations were performed for 3rd tranche CFL program decisions.

- c) Provide a copy of the SeeLine EKC calculators before and after the change Confirm /Show how the EKC assumptions compare to the latest OPA Mass Market and CI Measures and Input Assumptions.

LUI' Response:

SeeLine's EKC was not applied in the calculation of TRC results. Assumption changes are described in 5b)

- d) Provide a copy of the spreadsheet showing the SSM calculation as filed. Reconcile to Attachment C.

LUI' Response:

See Appendix A

- e) Provide a calculation of the 3rd tranche SSM using the OPA EKC input assumptions for CFLs from January (2007?) following the change in input assumptions. Provide a revised version of Attachment C

LUI' Response:

As per response in 1b), there would be no change to 3rd tranche SSM calculations since there was no change to input assumptions.

QUESTION #2

References: i) Managers Report, page 13 Sheet J2.5
ii) Burman Report, page 6 and Attachment A

Preamble: For all programs/projects, the most recently published OPA assumptions and measures list were used in LRAM calculations in accordance with OEB's direction letter, Conservation and Demand Management ("CDM") Input Assumptions Board File No.: EB-2008-0352, January 27, 2009 and consistent with recent Decision and Order EB-2009-0192 for Horizon Utilities Corporation that directed LRAM calculations use the most current available input assumptions for all CDM programs.

a) For LRAM the Guidelines and Policy Letter of January 27, 2009 Specify that

LRAM

The input assumptions used for the calculation of LRAM should be the best available at the time of the third party assessment referred to in section 7.5.

For example, if any input assumptions change in 2007, those changes should apply for LRAM purposes from the beginning of 2007 onwards until changed again.....

Confirm that the Claim was prepared in accordance with these directives.

LUI' Response:

Confirmed. The original LRAM submission was calculated using the OPA Input Assumptions (April 2009), representing best available input assumptions at the time, for all 2005/6 program results persisting between 2005 and 2009.

To align calculations with the LRAM statement above, the CFL programs results for 2005/2006 were adjusted to use the OEB Assumptions and Measures List (Oct 14, 2005). Applying the example above, only 2005/6 program results persisting for 2009 would be impacted by the April 2009 published OPA assumptions. As such, the following table summarizes the impacts on LRAM calculations initially submitted.

		As Filed			Updated			Variance
		kWh	kW	\$	kWh	kW	\$	\$
2006								
	Light Bulb Giveaway	23,328	0.54	\$ 291.60	56,376	0	\$ 704.70	\$ 413.10
2007								
	Light Bulb Giveaway	34,253	0.79	\$ 381.35	82,779	0	\$ 921.60	\$ 540.25
2008								
	Light Bulb Giveaway	346,848	8.03	\$ 4,682.45	838,217	0	\$ 11,315.93	\$ 6,633.48
2009								
	Light Bulb Giveaway	346,848	8.03	\$ 5,087.11	346,848	8.03	\$ 5,087.11	\$ -
Total LRAM				\$196,513.82			\$204,100.64	\$ 7,586.83

- b) Confirm the Input assumptions for the following 3rd tranche CDM programs
- Residential CFL Giveaway—# units and unit kwh savings, lifetime and free ridership for each year 2005-2009.

LUI' Response:

As Filed							
Light Bulb Giveaway	Number of Units	kWh SAVINGS			Free Ridership		
		Per unit	Annual	Lifetime			
2005 Program	600	43	23,328	186,624	10%		
2006 Program	281	43	10,925	87,400	10%		
2007 Program	8,040	43	312,595	2,500,760	10%		
Adjusted							
Light Bulb Giveaway	Number of Units	kWh Savings				Free Ridership	
		Per Unit		Annual		Lifetime	
		2005 - 2008	2009	2006 - 2008	2009		
2005 Program	600	104	43	56,376	23,328	285,768	10%
2006 Program	281	104	43	26,403	10,925	133,834	10%
2007 Program	8,040	104	43	755,438	312,595	3,829,289	10%

- c) Indicate whether/if the free-ridership assumption for CFLs is maintained at 10%.

LUI' Response:

The CFL program was completed in 2005 for residential and 2006 for commercial sectors. At that time, OEB published assumptions and measures list tables were the source of the widely applied free ridership rate of 10%.

- d) If the lifetime for CFLs in the residential and commercial programs is less than 5 years of kWh savings, explain why free ridership should not be increased and/or a persistence factor applied.

LUI' Response:

Re free ridership, please see answer to 2c)

QUESTION # 3

References: i) Burman Report, page 5 Results Table
ii) Managers Summary, page 13 Sheet J2.5 LRAM

- a) Based on the response to Questions 1-2 provide a calculation of the revised LRAM/SSM schedules for 3rd tranche programs (including Carrying charges) and recalculate the rate riders.

LUI' Response:

Below is the revised rate riders' calculation

Lakefront Utilities Inc.

LRAM / SSM 2011 RATE RIDER

Rate Class	Amounts (Up to 2009)		Metered Units (2009)	Metrics	Rate Riders		One Year	Two Year	Three Year
	LRAM	SSM			LRAM	SSM	Rate Rider	Rate Rider	Rate Rider
					\$/unit	\$/unit	Total	Total	Total
	\$	\$			(kWh or kW)	(kWh or kW)	\$/unit (kWh or kW)	\$/unit (kWh or kW)	\$/unit (kWh or kW)
Residential	76,440.23	8,590.41	73,195,401	kWh	0.001044	0.000117	0.001162	0.000581	0.000387
GS < 50 kW	7,374.89		34,961,659	kWh	0.000211	0.000000	0.000211	0.000105	0.000070
GS >50 - 2,999 kW	72,742.99	0.00	290,143	kW	0.250714	0.000000	0.250714	0.125357	0.083571
GS >3,000 - 4,999 kW	33,091.28		51,168	kW	0.646718	0.000000	0.646718	0.323359	0.215573
Street Lighting	14,451.26	29,707.38	3,736	kW	3.868110	7.951654	11.819764	5.909882	3.939921
Total	204,100.65	38,297.79							

		1 Yr	2 Yr	3 Yr
		Amount Recovered		
39.63%	Residential	96,062	48,031	32,021
3.77%	GS < 50 kW	9,148	4,574	3,049
14.15%	GS >50 - 2,999 kW	34,308	17,154	11,436
19.85%	GS >3,000 - 4,999 kW	48,106	24,053	16,035
22.60%	Street Lighting	54,775	27,387	18,258
100.00%	Total	242,398	121,199	80,799

QUESTION # 4

Reference: Burman Report, page 6 and Attachment B

Preamble: OPA sponsored programs also represent lost revenue through their successful implementation and are included in LRAM calculations. Lost revenue from results attributable to Lakefront Utilities funded programs were also included in the LRAM calculations. Although not specifically addressed in the CDM Guidelines, this assessment was considered to be consistent with the CDM Guideline intention of removing the disincentive of eroding distributor revenues due to lower than forecast revenues.

- a) Provide details of the OPA EKC campaigns from 2006-2008 that add to the data shown in Attachment B- Residential line 3 Every Kilowatt Counts–
- # units
 - unit and
 - total kwh savings,
 - lifetime and
 - free ridership

for each year 2006-2009

LUI' Response:

See Excel sheet: [LUI - EB-2010-0095 VECC IR Questions – Dec-9-2010 .xlsx](#)
Tab: VECC IR #4A

- b) Reconcile to the revenue for each year and the Total Revenue.

LUI' Response:

Net Energy Savings (MWh)

#	Initiative Name	Program Year		2006	2007	2008	2009
3	Every Kilowatt Counts	2006	#	603,990	603,990	603,990	603,990
8	Every Kilowatt Counts	2007	#	0	237,758	234,850	234,850
22	Every Kilowatt Counts Power Savings Event	2008	#	0	0	220,881	219,920
37	Every Kilowatt Counts Power Savings Event	2009	#	0	0	0	59,087

2006 EKC: $= (1/4) * 603,990 * 0.0176 + (3/4) * 603,990 * 0.0108 = \$7,549.88$

2007 EKC: $= (1/3) * (603,990 + 237,758) * 0.0108 + (2/3) * (603,990 + 237,758) * 0.0113 = \$9,371.46$

2008 EKC: $= (6.5/12) * (603,990 + 234,850) * 0.0113 + (5.5/12) * (603,990 + 234,850) * 0.0146 = \$10,747.64$

2009 EKC: $= (1/3) * (603,990 + 234,850) * 0.0146 + (2/3) * (603,990 + 234,850) * 0.0147 = \$12,302.99$

2008 EKC Power Savings Event: $= (6.5/12) * 220,881 * 0.0113 + (5.5/12) * 220,881 * 0.0146 = \$2,830.04$

2009 EKC Power Savings Event: $= (1/3) * (219,920 + 59,087) * 0.0146 + (2/3) * (219,920 + 59,087) * 0.0147 = \$4,092.10$

REVENUE TO COST RATIO ADJUSTMENT

QUESTION #5

Reference: i) Manager's Summary, page 10
ii) 2011 Revenue to Cost Ratio Adjustment Workform, Sheet C1.1
iii) OEB Decision EB-2007-0761, page 19
iv) 2008 Revised Draft Rate Order, June 27, 2008, page 26

- a) For those customer classes whose revenue to cost ratios were unchanged by the Board's EB-2007-0761 Decision (i.e., Residential, GS 3,000-4,999 and USL please explain why the ratios used in the current IRM application (and also the 2010 Application) are different from those approved by the OEB and used in the determination of the 2008 rates as well as the 2009 IRM adjustment. For example, the ratio for GS 3,000-4,999 was initially 35.1% and is now 20.05%.

LUI' Response:

During the 2010 IRM Distribution Rate Applications process, Board staff identified that *"for the purpose of calculating the revenue-to-cost ratio adjustments, the 2009 3rd Gen. IRM Supplementary Filing Module (the "IRM Module") allocates the low voltage charges and transformer allowance "costs" across rate classes in a way that differ from how they were allocated in Lakefront's 2008 cost of service application ("2008 CoS").*

Board staff recognized this issue previously (in the 2009 IRM process) and dealt with it by creating and releasing the 2010 3GIRM Supplementary Filing Module **Sheet B2.2 CA Information and Sheet B2.3 New Starting Point** (see below copies), to extrapolate the figures associated with transformer allowance and create new starting points for the revenue-to-cost ratio calculation for LUI. This issue may in fact have been widespread to other LDCs.

For example, as can be seen in "Sheet B2.3 New Starting Point", Column B below, the ratio for GS 3,000-4,999 in the 2008 rates were 35.5% initially, but was changed to a new starting point in the model to 20.05%.

Lakefront proposed to adjust its revenue-to-cost ratios accordingly, which were approved in the OEB Decision EB-2009-0233, March 31, 2010, page 8.

Sheet B2.2 Information:



Name of LDC: Lakefront Utilities Inc.
File Number: EB-2009-0233
Effective Date: Saturday, May 01, 2010

Cost Allocation Information

Rate Class	2006 EDR	2006 Cost Allocation Informational Filing				Allocation of TOA	Revised Total Revenue	Revised Revenue Requirement	Revised Revenue to Cost Ratio
	TOA Sheet 6-3 A	Total Revenue	Revenue Requirement	Revenue To Cost Ratio	TOA Allocators LTNCP4 E				
Residential	0	1,794,600	1,574,342	113.99%	0.00%	0	1,794,600	1,574,342	113.99%
General Service Less Than 50 kW	0	670,993	474,450	141.43%	1.24%	2,195	670,993	472,255	142.08%
General Service 50 to 2,999 kW	109,215	1,172,963	791,120	148.27%	41.53%	73,514	1,063,748	717,606	148.24%
General Service 3,000 to 4,999 kW	67,799	122,958	493,008	24.94%	57.23%	101,305	55,159	391,703	14.08%
Unmetered Scattered Load	0	32,637	33,811	96.53%	0.00%	0	32,637	33,811	96.53%
Sentinel Lighting	0	2,886	9,841	29.33%	0.00%	0	2,886	9,841	29.33%
Street Lighting	0	62,075	482,541	12.86%	0.00%	0	62,075	482,541	12.86%
Total		3,859,112	3,859,113	100.00%	100.00%		3,682,098	3,682,099	100.00%
Transformer Ownership Allowance	177,014 F					177,014			

Sheet B2.3 New Starting Point:



Name of LDC: Lakefront Utilities Inc.
File Number: EB-2009-0233
Effective Date: Saturday, May 01, 2010

Calculate New Starting Point for 2008 Re-Based Decisions

Rate Class	2008 Decision	2008	2009	2010	2011	2012	New Starting Point	2008	2009	2010
	A	B	C	D	E	F	G	H = B * (G / A)	I = C * (G / A)	J = D * (G / A)
Residential	113.99%	97.64%	97.64%	97.64%			113.99%	97.64%	97.64%	97.64%
General Service Less Than 50 kW	141.43%	118.43%	118.43%	112.43%			142.08%	118.98%	118.98%	112.95%
General Service 50 to 2,999 kW	148.27%	169.44%	164.32%	159.32%			148.24%	169.41%	164.29%	159.29%
General Service 3,000 to 4,999 kW	24.94%	35.50%	35.50%	35.50%			14.08%	20.05%	20.05%	20.05%
Unmetered Scattered Load	96.53%	99.95%	99.95%	99.95%			96.53%	99.95%	99.95%	99.95%
Sentinel Lighting	29.33%	55.15%	70.06%	70.06%			29.33%	55.15%	70.06%	70.06%
Street Lighting	12.86%	25.46%	39.94%	55.00%			12.86%	25.46%	39.94%	55.00%

APPENDIX A

Net Present Value_{TRC}

Utility

Name of Utility:	Lakefront Utilities
Number of years in study:	4

Project Description

Name of Project:	2005 Light Bulb Giveaway
Description:	Provide residential customers with 15W CFL

- ☒ OEB Residential Table
- ☐ OEB Commercial Table
- ☐ OEB Industrial Table
- ☐ Direct Input

- ☐ k\$
- ☒ \$

User Inputs

Discount rate	8.57%
Unit Annual Energy Savings	0 kW/unit
Number of Units Delivered	600
Free Ridership Rate	10%

Output

NPV (\$)	12,350.17
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LDC Avoided Costs		Present	2006	2007	2008	2009
Avoided Energy			3,931.03	3,898.07	4,053.28	3,880.95
Avoided Generation Capacity			-	-	-	-
Avoided Transmission Capacity			-	-	-	-
Avoided Distribution Capacity			-	-	-	-
Avoided Distribution Losses			-	-	-	-
Other Avoided Costs						
Other Benefits						
Total (undiscounted) Avoided Costs		-	3,931.03	3,898.07	4,053.28	3,880.95
LDC Program Costs						
LDC OM&A Costs						
LDC Capital Costs						
Incremental Equipment Costs	(1,080.0)	-1,080.00				
Participant Costs						
Total Program Costs		-1,080.00	-	-	-	-
Total Avoided Costs less Program Costs		-1,080.00	3,931.03	3,898.07	4,053.28	3,880.95

		2006	2007	2008	2009	
Present value factor	8.6%	1.000	0.960	0.884	0.814	0.750
Present value of cash flows		-1,080.00	3,772.78	3,446.00	3,300.51	2,910.87
Accumulated present value of cash flows		-1,080.00	2,692.78	6,138.78	9,439.29	12,350.17
NPV TRC		12,350.17				

Net Present Value_{TRC}

Utility

Name of Utility:	Lakefront Utilities
Number of years in study:	4

Project Description

Name of Project:	2006 Light bulb Giveaway
Description:	Provide residential customers with 15W CFL

- ☒ OEB Residential Table
- ☐ OEB Commercial Table
- ☐ OEB Industrial Table
- ☐ Direct Input

☐ k\$
☒ \$

User Inputs

Discount rate	8.13%
Unit Annual Energy Savings	0 kW/unit
Number of Units Delivered	281
Free Ridership Rate	10%

Output

NPV (\$)	2,215.08
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LDC Avoided Costs		Present	2007	2008	2009	2010
Avoided Energy			1,825.60	1,898.28	1,817.58	1,835.82
Avoided Generation Capacity			-	-	-	-
Avoided Transmission Capacity			-	-	-	-
Avoided Distribution Capacity			-	-	-	-
Avoided Distribution Losses			-	-	-	-
Other Avoided Costs						
Other Benefits						
Total (undiscounted) Avoided Costs		-	1,825.60	1,898.28	1,817.58	1,835.82
LDC Program Costs						
LDC OM&A Costs		-3,614.95				
LDC Capital Costs						
Incremental Equipment Costs	(505.8)	-505.80				
Participant Costs						
Total Program Costs		-4,120.75	-	-	-	-
Total Avoided Costs less Program Costs		-4,120.75	1,825.60	1,898.28	1,817.58	1,835.82

		2007	2008	2009	2010	
Present value factor	8.1%	1.000	0.962	0.889	0.823	0.761
Present value of cash flows		-4,120.75	1,755.67	1,688.39	1,495.12	1,396.65
Accumulated present value of cash flows		-4,120.75	-2,365.08	-676.70	818.43	2,215.08
NPV TRC		2,215.08				

Net Present Value_{TRC}

Utility

Name of Utility:	Lakefront Utilities
Number of years in study:	4

Project Description

Name of Project:	2007 Light Bulb Giveaway
Description:	Provide CFLs to residential customers 15W

- ☒ OEB Residential Table
- ☐ OEB Commercial Table
- ☐ OEB Industrial Table
- ☐ Direct Input

☐ k\$
☒ \$

User Inputs

Discount rate	7.41%
Unit Annual Energy Savings	0 kW/unit
Number of Units Delivered	8040
Free Ridership Rate	10%

Output

NPV (\$) 169,367.64

LDC Avoided Costs		Present	2008	2009	2010	2011
Avoided Energy			54,313.90	52,004.67	52,526.64	52,375.23
Avoided Generation Capacity			-	-	-	-
Avoided Transmission Capacity			-	-	-	-
Avoided Distribution Capacity			-	-	-	-
Avoided Distribution Losses			-	-	-	-
Other Avoided Costs						
Other Benefits						
Total (undiscounted) Avoided Costs		-	54,313.90	52,004.67	52,526.64	52,375.23
LDC Program Costs						
LDC OM&A Costs						
LDC Capital Costs						
Incremental Equipment Costs	(14,472.0)	-14,472.00				
Participant Costs						
Total Program Costs		-14,472.00	-	-	-	-
Total Avoided Costs less Program Costs		-14,472.00	54,313.90	52,004.67	52,526.64	52,375.23

		2008	2009	2010	2011	
Present value factor	7.4%	1.000	0.965	0.898	0.836	0.779
Present value of cash flows		-14,472.00	52,407.14	46,717.62	43,931.59	40,783.28
Accumulated present value of cash flows		-14,472.00	37,935.14	84,652.77	128,584.36	169,367.64
NPV TRC		169,367.64				