



**Lakefront
Utilities
Inc.**

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Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, ON M4P 1E4

March 23, 2012

Dear Ms. Walli,

Re: Lakefront Utilities Inc. Interrogatory Responses Round 2 to School Energy Coalition (SEC) in the proceeding EB-2011-0250

Lakefront Utilities Inc. (LUI) hereby submits its responses to SEC Interrogatories Round 2 to the Ontario Energy Board (“the Board”)

Please find attached to this cover letter:

- 1 electronic copy of the Interrogatory Responses Round 2 to SEC in proceeding EB-2011-0250, including any and all appendices as well as excel files to the models requiring further detail.

A copy of the Interrogatory Responses Round 2 to SEC has also been filed through the Web Portal and 1 paper copy and electronic copies were forwarded to all intervenors in EB-2011-0250.

In the event of any additional information, questions or concerns, please contact Jennifer Theoret, Director, Finance and Compliance, at jtheoret@lusi.on.ca or (905) 372-2193.

Sincerely,

{Original Signed By}

Jennifer Theoret, CA
Director, Finance and Compliance
Lakefront Utilities Inc.

Cc: Dereck Paul, President, LUI
James C. Sidlofsky, Borden Ladner Gervais, LLP
Intervenors in proceeding EB-2011-0250

15. [SEC #2]

It appears the tables provided in response to the SEC interrogatory #2 are cut-off. Please provide the complete tables.

LUI's RESPONSE:

Please find below, LUI's updated Table 2-4A and 2-4B respectively. LUI is emphasizing the fact that the 2011 figures are unaudited at this time, and therefore subject to change.

Rate Base Variances (MIFRS) - 2011 Unaudited Updated											
Rate Base:											
Description	2008 OEB Approved	2008 Actual	Variance from 2008 OEB Approved	2009 Actual	2009 Variance from 2008 Actual	2010 Actual	2010 Variance from 2009 Actual	2011 Bridge	2011 Variance from 2010 Actual	2012 Test	2012 Variance from 2011 Bridge
Gross Fixed Assets	20,351,477	20,383,574	32,097	17,756,449	(2,627,125)	18,318,391	561,942	21,216,127	2,897,736	23,344,673	2,128,547
Accumulated Depreciation	9,297,933	9,640,718	342,785	6,903,141	(2,737,577)	7,412,314	509,173	8,674,205	1,261,891	9,103,379	429,174
Net Book Value (Actual not approved)	11,053,544	10,742,856	(310,688)	10,853,308	110,452	10,906,077	52,769	12,541,922	1,635,845	14,241,294	1,699,373
Average Net Book Value(Act not App)	11,053,544	10,539,841	(513,703)	10,798,082	258,241	10,879,692	81,611	11,723,999	844,307	13,391,608	1,667,609
Working Capital	22,710,874	21,670,175	(1,040,699)	21,492,619	(177,557)	22,910,816	1,418,197	25,305,878	2,395,063	26,173,467	867,588
Working Capital Allowance (15%)	3,406,631	3,250,526	(156,105)	3,223,893	(26,634)	3,436,622	212,730	3,795,882	359,259	3,926,020	130,138
Rate Base	14,460,175	13,790,367	(669,808)	14,021,975	231,607	14,316,315	294,340	15,519,881	1,203,566	17,317,628	1,797,747

Rate Base Variances (CGAAP) - 2011 UNAUDITED Update											
Rate Base:											
Description	2008 OEB Approved	2008 Actual	Variance from 2008 OEB Approved	2009 Actual	Variance from 2008 Actual	2010 Actual	Variance from 2009 Actual	2011 Bridge	Variance from 2010 Actual	2012 Test	Variance from 2011 Bridge
Gross Fixed Assets	20,351,477	20,383,574	32,097	17,756,449	(2,627,125)	18,318,391	561,942	21,216,127	2,927,283	23,344,673	2,099,000
Accumulated Depreciation	9,297,933	9,640,718	18,938,651	6,903,141	(2,737,577)	7,412,314	509,173	8,682,943	874,857	9,541,584	1,254,414
Net Book Value (Actual not approved)	11,053,544	10,742,856	(310,688)	10,853,308	110,452	10,906,077	52,769	12,958,503	2,052,426	13,803,089	844,586
Average Net Book Value(Act not App)	11,006,545	10,539,841	(466,704)	10,798,082	258,241	10,879,692	81,611	11,932,290	1,052,598	13,380,796	1,448,506
Working Capital	22,710,874	21,670,175	(1,040,699)	21,492,619	(177,557)	22,910,816	1,418,197	25,305,878	2,395,063	26,173,466	867,587
Working Capital Allowance	3,406,631	3,250,526	(156,105)	3,223,893	(26,634)	3,436,622	212,730	3,795,882	359,259	3,926,020	130,138
Rate Base	14,413,176	13,790,367	(622,809)	14,021,975	231,608	14,316,315	294,340	15,728,172	1,411,857	17,306,816	1,578,644

16. [SEC #3]

For each capital project above the materiality threshold in each table, please provide the projected in-service date.

LUI's RESPONSE:

LUI has completed an update of all 2011 & 2012 capital projects in excess of materiality of \$25,000, in the Table below.

LUI has used the abbreviation "NCM" for all capital projects that are "not considered material" (or less than materiality).

2011 Forecast Capital Projects			
	Total	Project Status as of February 2012	Projected In Service Date
Blake Street	48,070	100% complete	COMPLETE
Burke Street	57,746	100% complete	COMPLETE
White Street	120,000	100% complete	COMPLETE
Burnham Street	85,000	Deferred until 2012	4/1/2012
Charles Street	70,000	50% complete. Conduit installed, no wire installed as of year end	4/1/2012
Havelock Street	48,616	100% complete	COMPLETE
Mathew Street	101,356	100% complete	COMPLETE
Victoria Street	57,265	100% complete	COMPLETE
William Street	79,923	100% complete	COMPLETE
Kerr Street	230,185	100% complete	COMPLETE
Buchanan Street	123,235	100% complete	COMPLETE
National Car Rental- Ontario Street	27,265	100% complete	COMPLETE
Ontario/Victoria Distr. Station	60,500	100% complete	COMPLETE
Brook Rd Distribution Station	62,500	100% complete	COMPLETE
Four Line Reclosers	100,000	Installation in progress.	5/1/2012
Ewart Street Extension	70,000	Deferred until 2012	5/1/2012
Meters	261,550	Meter upgrades are 100% complete	COMPLETE
GIS handhelds	55,000	Deferred until 2012	6/1/2012

2012 Forecast Capital Projects			
	Total	Project Status as of February 2012	Projected In Service Date
Burnham Street South	69,363	In progress as of February 15 2012	9/1/2012
King St West	78,679	In progress as of February 15 2013	8/1/2012
Monk Street	25,252	In progress as of February 15 2014	10/1/2012
Stuart Street	46,636	In progress as of February 15 2015	9/1/2012
Tremaine Street	52,092	In progress as of February 15 2016	11/1/2012
Burnham Street North	107,222	In progress as of February 15 2017	4/1/2012
Shirley Street	57,666	In progress as of February 15 2018	7/1/2012
Elizabeth Street	46,673	In progress as of February 15 2019	7/1/2012
Liquor Store Expansion	30,000	In progress as of February 15 2020	7/1/2012
Albert Street Townhome Development	160,000	In progress as of February 15 2020	12/31/2012
No Frills Expansion	30,000	In progress as of February 15 2020	7/1/2012
Boardroom	72,500	In progress as of February 15 2020	11/1/2012
Operational Work Center Expansion	357,500	In progress as of February 15 2020	10/1/2012
Metering System Upgrade	50,000	In progress as of February 15 2020	7/1/2012
Phone system	40,000	In progress as of February 15 2020	10/1/2012
New financial software	325,000	In progress. Vendor selection for April 1, 2012	10/1/2012
SCADA System Implementation	286,000	In progress as of February 15 2020	8/1/2012
Radio equipment (municipal initiative)	97,000	10% complete	6/1/2012
Existing hardware upgrades	80,000	15% complete - server upgrade(s)	8/1/2012
Line Truck	55,000	25% complete	5/1/2012

17. [SEC #5]

Please provide in further detail the difference between 2011 budgeted and actual spending for account 5615.

LUI'S REPONSE:

Expense Description	2011 Bridge Budget	2011 Actuals	Difference
5615-General Administrative Salaries and Expenses	\$93,985	\$147,213	\$53,228

5615-General Administrative Salaries and Expenses \$53,228: LUI has recognized a shift in this account due to a shift in the organization. The significant costs between 2011 Budgeted and the 2011 unaudited actuals that primarily contributed to the variance in account 5615 were incurred for the backfilling of a position where one of LUI's employees has unexpectedly taken long term sick leave and there is an uncertainty of return time. The newly employed staff member was hired for increase of responsibilities of regulatory and financial reporting purposes. Increase can also be attributed to an increase in progression of the administrative assistant to new responsibilities in program management which is aligned to organization goals. Employees in account 5615 have also been involved in professional development and training and the costs associated with these training programs and courses have been included in this account.

18. [SEC #8]

Please explain why the Applicant believes that the retiring lineman is “expected” to retire on the date of his/her eligibility.

LUI’s RESPONSE:

The Supervisor has had discussions with the retiring lineman within the past two years and the retiring lineman has indicated that he would like to retire as soon as he is eligible. This lineman has had a number of health issues over the past 10 years and subsequently missed a significant amount of time from work.

19. [SEC #13]

Please explain why the Applicant feels it is appropriate to have the MSC for the GS>50-2999 class significantly above the ceiling.

LUI's RESPONSE:

LUI acknowledges "The OEB indicated that it did not expect distributors to make changes to the MSC that would result in such exceeding the ceiling as defined in the methodology for the MSC and that distributors that are currently above that value are not required to make changes to their current MSC to bring it to or below that level".

20. [VECC #16]

Please provide the Summary of OM&A Expenses for 2011 in MIFRS.

LUI's RESPONSE:

LUI has provided the table below with figures based on CGAAP for the OM&A expenses for 2008 through 2012. Please note that there are no significant variances for LUI, between CGAPP and MIFRS as Amortization is not included in this table calculation, LUI's CGAAP is the same as its MIFRS Summary OM&A Expense tables.

Summary of OM&A Expenses						
Description	2008 Board Approved	2008 Actual	2009 Actual	2010 Actual	2011 Bridge Year	2012 Test Year
Operations	\$ 620,871	\$ 617,177	\$ 505,675	\$ 415,821	\$ 579,609	\$ 879,396
Maintenance	\$ 104,107	\$ 77,337	\$ 139,615	\$ 225,312	\$ 306,219	\$ 391,786
Billing & Collecting	\$ 428,844	\$ 440,285	\$ 407,715	\$ 425,479	\$ 501,542	\$ 500,298
Community Relations	\$ 19,767	\$ 8,053	-\$ 4,705	\$ 13,355	\$ 13,927	\$ 14,345
Administrative & General Expense	\$ 921,831	\$ 741,765	\$ 806,924	\$ 1,019,724	\$ 1,047,829	\$ 1,281,488
Total OMN&A	\$ 2,095,420	\$ 1,884,617	\$ 1,855,224	\$ 2,099,690	\$ 2,449,126	\$ 3,067,313
Year by Year Increase		-10%	-2%	13%	17%	25%
Compound Annual Growth Rate from 2008 Approved						10%
Compound Annual Growth Rate from 2008 Actual						13%
Inflation Rate Canada CPI		2.4%	0.3%	1.8%	3.0%	3.0%

21. [VECC #17, Ex. 4 page 8]

Please explain why the Applicant has decided to use the comparable utilities listed in table 4.7 instead of the 'Small Southern Low & Medium Underground' Peer Group, set out in the 2008 PEG Report and the *Report for the Ontario Energy Board on 3rd Generation Incentive Regulation Stretch Factor Updates for 2012* (EB-2011-0387)?

LUI'S REPOSE:

For comparison purposes LUI has provided Table 4.7 which compares the cost per customer of LUI to the LDCs in its top 20 cohort which are comparable in population served customer size as indicated by the 2008 PEG report. The operating, maintenance and administrative expenses and customer records are pulled from the reported figures in the 2010 OEB Yearbook. LUI found that the most realistic comparisons existed by using LDCs which were comparable in population size, and efficiency ranking. LUI is considerably high on the efficiency ranking, and as seen in the report, LUI ranks as five in efficiency out of 82 utilities in the listing.

	2012 Forecast	2010 OEB YB	2010 OEB YB	2010 OEB YB	2010 OEB YB	2010 OEB YB	2010 OEB YB
Comparable Utilities	Lakefront Utilities	Lakefront Utilities	Hydro Hawkesbury Inc.	Renfrew Hydro Inc.	Parry Sound Power Corporation	E.L.K Energy Inc.	Norfolk Power Distribution
Efficiency Ranking	2012 Forecast	3	1	2	12	14	20
Population Served		22000	10500	7846	6500	21873	31500
Residential Customers	8603	8369	4817	3654	2773	9899	16769
General Service < 50kW Customers	1102	1069	593	442	538	1187	2009
General Service > 50kW Customers	128	133	86	59	66	119	162
B) Total Customers	9833	9571	5496	4155	3377	11205	18940
Expenses							
Operating	\$ 879,396	\$ 415,821	\$ 75,104	\$ 206,387	\$ 198,937	\$ 236,550	\$ 1,106,741
Maintenance	\$ 391,786	\$ 225,312	\$ 131,509	\$ 145,465	\$ 163,008	\$ 310,300	\$ 1,115,511
Administrative	\$ 1,281,489	\$ 1,458,558	\$ 661,075	\$ 680,569	\$ 679,154	\$ 1,536,447	\$ 2,696,758
Other	\$ 514,643	\$ 46,698	\$ 15,678	\$ -	\$ -	\$ 31,759	\$ 74,556
A) Total OM&A Expenses	\$ 3,067,314	\$ 2,146,389	\$ 883,366	\$ 1,032,421	\$ 1,041,099	\$ 2,115,056	\$ 4,993,566
C) OM&A Per Customer C) = A)/B)	\$ 311.94	\$ 224.26	\$ 161	\$ 248	\$ 308	\$ 189	\$ 264

22. Please confirm the table below correctly sets out the Capital Additions per customer relative to seven similar distributors (as set out in the *Report for the Ontario Energy Board on 3rd Generation Incentive Regulation Stretch Factor Updates for 2012*), based on the 2010 Electricity Distributors' Yearbook. Please explain why the Applicant's Capital Additions per customer is much higher than the average of these peer utilities.

Capital Additions per Customer		
Utility	Capex/Customer	% of Average
Lakefront Utilities Inc.	\$213.95	169%
Hydro Hawkesbury Inc.	\$41.24	33%
Brant County Power Inc.	\$174.43	138%
Clinton Power Corporation	\$207.87	164%
Hydro 2000 Inc.	\$58.71	46%
Port Colborne Hydro Inc.	\$142.40	113%
Rideau St. Lawrence Distribution Inc.	\$46.24	37%
Wellington North Power Inc.	\$107.63	85%
AVERAGE	\$126.41	

LUI's RESPONSE:

LUI confirms the above table sets out the Capital Additions as reflected in the Report for the Ontario Energy Board on 3rd Generation Incentive Regulation Stretch Factor Updates for 2012.

LUI's capital addition per customers is higher than its seven (7) peer utilities in the report due to the relative system conditions. One hypothesis is perhaps a decade and more ago those seven peer utilities invested more than LUI did and their Infrastructure is more reliable today. LUI's responsibility to its customer and shareholders are to ensure that based upon an assessment of LUI's system needs, the right actions are being performed on the right assets at the right time. From this assessment, we prioritize , scope and plan capital work in a financially sound manner in order to maintain alignment with LUI's customer service, reliability, environmental, safety and service related corporate objectives.

23. [RRWF] Please update the Revenue Requirement Work Form to account for any changes since the filing of the update application, including as a result of the interrogatory process. Please provide a corresponding list of changes and their individual revenue requirement impact.

LUI's RESPONSE:

LUI has included as Appendix A the updated RRWF to include any and all changes since the filing of the Application as required as a result of the interrogatory process.

These changes relate to the following:

Accounting for the new Account 1575 – which include a change in depreciation for 2012 Test Year;

Change to the PILS account 1562 balance, which is reflected in the rate riders.

The reduction (change) to reflect the 50% recovery/refundable portion of the Account 1592, ITC portion;