Lakefront Utilities Inc.

August 5, 2016

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 26th Floor, P.O. Box 2319
Toronto, ON M4P 1E4

Re: Lakefront Utilities Inc. 2017 COS Rates Application, Interrogatory Responses
Board File No.: EB-2016-0089

Dear Ms. Walli:

Pursuant to Procedural Order No. 2 in the above noted matter, please find enclosed Lakefront Utilities Inc.'s ("LUI") interrogatory responses to Board Staff, Energy Probe, Vulnerable Energy Consumers Coalition ("VECC"), and Cobourg Taxpayers Association ("CTA").

Lakefront Utilities has updated several models and has submitted them in live Excel format. Please note that Lakefront Revenue Deficiency as filed on April 29, 2016 was $56,307, and after updates based on interrogatories is currently at $55,238, a decrease of $1,069.

Should the board have questions regarding this matter please contact Adam Giddings at agiddings@lusi.on.ca or myself at dpaul@lusi.on.ca

Respectfully Submitted,

Dereck C. Paul
President
Lakefront Utilities Inc.

Cc: Adam Giddings, CPA, CA
Manager of Regulatory Compliance and Finance

EB-2016-0089
Interrogatory Responses from Lakefront Utilities Inc.
2017 Cost of Service Rate Application
Lakefront Utilities Inc.
August 5, 2016

Contents

Exhibit 1 – Administration

1-Staff-1
Customer Engagement
Ref: Chapter 2 of the Filing Requirements, Section 2.4.3

Chapter 2 of the Filing Requirements states, "The RRFE Report contemplates enhanced engagement between distributors and their customers to provide better alignment between distributor operational plans and customer needs and expectations." (Emphasis added)

Please describe the differences between customer engagement conducted in preparation for the current application and previous customer engagement.

Lakefront Utilities Response

In the past, Lakefront Utilities Inc. ("LUI") conducted the following customer engagement activities:

- Ongoing daily direct customer engagement at the office counter;
- UtilityPulse survey;
- Billing inserts

Customer engagement that was conducted in the preparation for the current application in addition to the above:

- Empower hour every Friday during the month of August 2015;
- Focus group for Residential and GS<50 kW customers to educate customers, assess their preferences and priorities, and gauge reaction to proposed rate changes;
- An online workbook promoted through radio and online advertising with local media outlets, social media, as well as Lakefront's website;
- Key account interviews with large use accounts.

1-Staff-2
Reflecting Customer Needs
Ref: Chapter 2 of the Filing Requirements

Chapter 2 of the Filing Requirements states, "Distributors should specifically discuss in the application how they informed their customers on the proposals being considered for inclusion in the application, and the value of those proposals to customers (i.e. costs, benefits and the impact on rates). The application should discuss any feedback provided by customers and how this feedback shaped the final application".

What forms of outreach were employed to explain how the current application serves the needs and expectations of customers? If none were employed, please explain why.

Lakefront Utilities Response

In response to the Board's Filing Requirements to engage customers on the specific proposals contained in this application, LUI retained Innovative Research Group Inc. ("Innovative") to design, collect feedback, and document its customer engagement and consultation process.

Working together with Innovative, LUI sought to engage customers on the following matters specific to the application:

1. Customer's general satisfaction and input with LUI's rate application requests;
2. System reliability;
3. Acceptance and input of the investment plan;
4. Impact of outages;
5. Operating budget and cost drivers;
6. Proposed plan and rate impact

The consultation encompassed three core elements of customer engagement:

1. Residential and General Service Consultation Groups
2. Online Workbook
3. Key Account Validation Interviews

1-Staff-3
Corporate and Utility Organization Structure
Ref: Ex.1/Tab 2/Sch.2

At the above reference it is stated that, historically, Lakefront Utilities had three other subsidiary companies: Lakefront Generation Inc. (LGI), Lakefront Lighting Inc. (LLI) and Cobourg Networks Inc. (CNI). In search of further efficiencies by Lakefront Utilities' parent company (the Town of Cobourg Holdings Inc. (Holdco)), effective January 1, 2013, Lakefront Generation Inc. was amalgamated into Lakefront Utilities Services Inc. (LUSI) and effective January 1, 2015 Lakefront Lighting Inc. was amalgamated into Cobourg Networks Inc. Following these amalgamations, CNI was amalgamated into LUSI effective January 1, 2016.

(a) Please describe if there have been any changes with respect to the allocation of administrative services due to the corporate restructuring.
(b) Please describe the nature of the efficiencies realized by Lakefront Utilities' parent company as a result of these amalgamations.

Lakefront Utilities Response

a) There have been changes to the allocation of administrative services associated primarily with the allocation of labour between LGI, LLI, CNI & LUSI.

b) The amalgamation of LGI, LLI and CNI all occurred within LUSI and therefore had minimal impact to Lakefront Utilities Inc. (LUI). The nature of efficiencies realized by LUSI and the parent company (Holdco) as a result of amalgamation are as follows:

- Reduced Board meetings;
- Reduced staff time associated with the preparation of board materials, processing invoices, month end, and year end.

1-Staff-4
Ref 1: Ex.1/Tab 4/Sch. 5 - Overview of Operation Maintenance and Administrative Costs - LEAP Funding
Ref 2: 2012 Cost of Service Application (EB-2011-0250) – Staff IRR 4

At reference 2, Lakefront Utilities noted that it included an amount of $6,160 into its actual budgeted expenses for LEAP in its 2012 cost of service application.

At reference 1, the table below (in the current application) shows that the amount approved by the OEB is $5,000. Please reconcile the apparent discrepancy.

	Board Approved	2017	Variance $	Variance %
Operations	724,871	525,404	(199,467)	-27.52%
Maintenance	322,942	195,787	(127,156)	-39.37%
Billing and Collecting	412,387	566,316	153,929	37.33%
Community Relations	6,824	20,219	13,395	196.29%
Administrative and General	1,056,309	1,048,304	(8,005)	-0.76%
Taxes other than Income Taxes	40,837	62,359	21,523	52.70%
Sub-account LEAP Funding	5,000	5,850	850	16.99%
Total	**2,569,170**	**2,424,239**	**(144,931)**	**-5.64%**

Lakefront Utilities Response

Lakefront confirms that the LEAP funding should be $6,160 and the difference is an adjustment to Community Relations.

Below is an updated table for the Board Approved balance and the updated 2017.

	Board Approved	2017	Variance $	Variance %
Operations	724,871	525,404	(199,467)	-27.52%
Maintenance	322,942	195,787	(127,156)	-39.37%
Billing and Collecting	412,387	566,316	153,929	37.33%
Community Relations	5,664	20,219	14,555	256.97%
Administrative and General	1,056,309	1,058,304	1,995	0.19%
Taxes other than Income Taxes	40,837	62,359	21,523	52.70%
Sub-account LEAP Funding	6,160	5,850	(310)	-5.03%
Total	**2,569,170**	**2,434,239**	**(134,931)**	**-5.25%**

1-Staff-5
Customer Satisfaction Survey
Ref: Ex.1/Tab 5/Sch.2

Lakefront Utilities developed its own survey after concluding that using a third party would lead to prohibitive costs. Lakefront Utilities indicates that it received 243 responses to its survey.

(a) Does Lakefront Utilities find the response rates acceptable as a basis for measuring customer satisfaction? If so, why?
(b) How much weight did Lakefront Utilities give to the identified customer preferences in setting priorities for investment?
(c) What steps does Lakefront Utilities intend to undertake to improve the information regarding customer views of Lakefront Utilities' performance. In your response, please address actions taken for commercial customers as well as other customers.
(d) Please file a copy of the Customer Satisfaction Survey.

Lakefront Utilities Response

a) Although the volume of responses was less than hoped for, Lakefront feels the 243 response rate or approximately 2% received were reasonably acceptable for measuring customer satisfaction and the areas mentioned by customers as needing improvement were consequently corrected by staff.

b) Lakefront gave a significant amount of weight to the identified customer preferences in setting priorities for investments, such as:

- Development of Facebook and Twitter to inform customers of outages. It was noted in the survey that approximately 25% rated Lakefront's performance in providing information about extended outages as fair to poor.

- "emPOWER" hour was utilized to educate customers about their bill, etc. It was noted in the survey that 34% of respondents did not understand their bill.

- LUI's website was redeveloped and promoted through Facebook and Twitter. It was noted in the survey that 73% of respondents weren't aware of Lakefront's website or not utilizing it.

c) The survey indicated that 78% of customers surveyed rated the overall value of their electric service as excellent or good. To improve the information regarding views of Lakefront Utilities' performance, Lakefront did the following:

- Coordinate in the preparation of the parent company (Holdco) annual report which details the accomplishments of LUI throughout the 2015 year;

- Individual meetings with larger customers to discuss upcoming capital work, etc.

d) Lakefront has attached a copy of the Customer Satisfaction Survey as Attachment A.

1.0-VECC-1

Reference: E1/T5/S8/pg. 61

a) Please explain what capacity restrictions that have occurred which caused Lakefront to notify the public to reduce energy demand.
b) What capital programs are being implemented to address these capacity issues?

Lakefront Utilities Response

a) Lakefront was notifying the public as a result of a failed transformer at the Brook Road substation. The insurance company investigation reported that the transformer's failure was due to water ingress.

   Cobourg's 27.6 kV station load through the summer months of 2014 was carried by one remaining distribution station transformer located at Victoria St. Assisted by a cooler summer in 2014, the peak combined load of all 27.6 kV feeders did not exceed 18 MVA. Consequently, the public notice as detailed on Ex.1/Tab 5/ Sch. 8 – page 61 was not related to capacity restrictions.

b) Based on the above, Lakefront does not have capacity issues. In 2012, LUI in collaboration with Hydro One implemented an embedded Wholesale Metering point on the east side of Cobourg to utilize 8 MVA of Hydro One's capacity on the Port Hope TS Feeder M17 to curb any potential future capacity and switching issues between our M2 and M4.

1-Energy Probe-1

Ref: Exhibit 1, page 148

Please provide the actual return on equity achieved for each of 2012 through 2015, calculated on the same basis as done in a cost of service application.

Lakefront Utilities Response

Below is Lakefront Utilities return on equity achieved for each of 2012 through 2015. Please note that the Cost of Service filed on April 29, 2016 listed an ROE of 7.50% for 2015. This figure has updated since the filing in April 29th filing to 7.69%.

Year	Return on Equity - Deemed	Return on Equity - Achieved
2012	9.12%	11.40%
2013	9.12%	9.20%
2014	9.12%	6.50%
2015	9.12%	7.69%

Lakefront notes that the above ROE for 2012 included smart meter recovery.

1-CTA-01
Corporate and Utility Organization Structure
Ref: Ex. 1/Tab 2/Sch.2 – Corporate and Utility Organization Structure, Page 22

It is stated that, historically, Lakefront Utilities had three other subsidiary companies: Lakefront Generation Inc. (LGI), Lakefront Lighting Inc. (LLI) and Cobourg Networks Inc. (CNI). In search of further efficiencies by Lakefront Utilities' parent company (the Town of Cobourg Holdings Inc. (Holdco), effective January 1, 2013, Lakefront Generation Inc. was amalgamated into Lakefront Utilities Services Inc. (LUSI) and effective January 1, 2015 Lakefront Lighting Inc. was amalgamated into Cobourg Networks Inc. Following these amalgamations, CNI was amalgamated into LUSI effective January 1, 2016.

a) Prior to Lakefront Lighting Inc. (LLI) being amalgamated into CNI and CNI subsequently being amalgamated into LUSI, CNI was mostly a fibre optics company that supplied internet service to a variety of companies in the Town of Cobourg. Please describe if LUSI now provides this fibre optics internet service, and, if so, why this is not included in LUSI's profile in Holdco's 2015 annual statement.
b) If LUSI now provides this fibre optics internet service, please provide a detailed breakdown of revenue and expenses, including the allocation of employee costs.
c) LLI purchased Luxlite induction lighting that was later subject to a successful lawsuit which ruled against LLI (*Osram Sylvania Inc. et al. v. Lakefront Lighting Inc. et al*. Fed. Ct. T-1511-09, initiated in September of 2009 and finally settled in July of 2012). Please detail what the quantity and value of the remaining inventory was at that time, and how it was disposed of and at what price.

It is our understanding that sister companies (same parent) can be amalgamated without a gain/loss. Related companies (different parents) can only be amalgamated after a sale from one parent to the other. Based on this understanding:

a) What was the gain or loss on each of these transactions?
b) Was (will) the gain/loss be passed on to LUI's customers?

Lakefront Utilities Response

This question and all its parts falls outside the mandate of Lakefront Utilities Inc.'s Cost of Service rate application rules, codes and guidelines, and regulatory process. Within a Cost of Service Rate application, distribution rates are set to recover the costs to deliver electricity within a utility's service area, and reflect an individual utility's cost to provide service. Costs related to non-regulated affiliated companies have nor correlation to

LUI's operations, revenues, expenses, nor rates. These questions should be addressed to the Holdco board of directors outside of LUI's regulatory procedure.

1-CTA-02
Community Relations
Ref: Ex.1/Tab 4/Sch.5- Overview of Operation Maintenance and Administrative Costs,Page 40

Table 1.5 proposes an increase of Community Relations expenses by over 196% to $20,219 in 2017.

a) Please provide the rationale for this increase together with details of the proposed activities and their associated costs.
b) What are the expected benefits for the user of electricity in Cobourg?
c) What are the planned expenditures in this category for future years?

Lakefront Utilities Response

a) Included in the 2016 and 2017 budgets are some costs for LUI associated with contributing to its parent company's annual report. Furthermore, Lakefront has included costs for an annual customer information session (similar to emPOWER Hour). Lakefront Utilities also plans to meet with larger customers to help them understand their bills, answer any questions, and determine if there are any other areas that we can improve upon.

b) Lakefront Utilities will continue to provide front desk support allowing the customers and the utility to interact on a direct basis pertaining to bill payments, change in occupancy requests, etc. LUI has a significant senior population therefore social interaction is still one of the best ways to be in close contact with the customer.

   The customers of Lakefront Utilities will receive the same reliability of service and customer contact that they have come to expect from the utility. Lakefront prides itself on its ability to control costs despite increasing costs in all areas of operations and ongoing challenges.

   Increasing the provision for OM&A in 2017 by approximately 5% over the 2015 actual OM&A will ensure there is no degradation of services currently experienced and valued by customers and Lakefront will make necessary distribution system investments to ensure that outages are kept to level that Lakefront's customers expect and appreciate.

c) Below is Lakefront's planned spending in Community Relations for 2016 and 2017. Lakefront notes this amount is well below materiality.

Year	Community Relations
2016	19,630
2017	20,219

1-CTA-03
Other Taxes
Ref: Ex.1/Tab 4/Sch.5 - Overview of Operation Maintenance and Administrative Costs, Page 40

In Table 1.5, Taxes other than Income Taxes for 2017 is estimated at $62,359. What do these “other Taxes” relate to?

Lakefront Utilities Response

These costs are related to property taxes. Details on property taxes (detailed as “other Taxes”) are described at Ex.4/Tab 5/Sch.6 of the application.

1-CTA-04
Recoverable OM&A Expenses
Ref: Ex.1/Tab 4/Sch.5 Overview of Operation Maintenance and Administrative Costs, Page 40

In Table 1.5: Summary of Recoverable OM&A Expenses, Billing and Collecting shows a cost increase of $153,929 or 37.33%.

Please explain this increase in light of the cost saving expected from outsourcing the billing function.

Lakefront Utilities Response

Lakefront Utilities highlighted the increase in OM&A expenses, billing and collecting as part of Ex.4/Tab 1/Sch. 1. Lakefront notes that the above increase is over 5 years.

The increase in Billing and Collecting of $153,929 is the result of an increase in Meter Reading Expenses (account 5310) of $245,034. This increase is a result of a reallocation of meter reading expenses from Maintenance of Meters (account 5175) to Meter Reading Expenses (account 5310). The expenses consist of payments to Savage Data Systems Ltd, Utilismart Corporation, and Sensus (metering data services provider) that provides smart meter data management solutions and operational data storage services, etc.

The above increase was offset by a decrease in Customer Billing and Collecting (account 5315 and 5320) of $45,663 as a result of the retirement of two Customer Service Representatives. Furthermore, there was a decrease of $102,821 related to Miscellaneous Customer Accounts Expenses (account 5340). The decrease is the result of a decrease in expenses associated with our billing application service provider, ERTH and Ecaliber.

1-CTA-05
CPI
Ref: Ex.1/Tab 4/Sch.5 - Overview of Operation Maintenance and Administrative Costs, Page 42

A CPI of 1.95% has been used for the estimate calculations for the 2017 Test Year.
The CPI at the end of 2015 was about 1.5%.
How was the CPI 1.95% rate determined?

Lakefront Utilities Response

Lakefront Utilities used CPI of 1.95% which is consistent with the price cap index adjustment that Lakefront received on its 2016 IRM (EB-2015-0085) and was approved by the Ontario Energy Board.

1-CTA-06
Employees
Ref: Ex.1/Tab 4/Sch.5 - Overview of Operation Maintenance and Administrative Costs, Page 42
Ref: Ex.4/Tab 1/Sch.1 – Overview of Operating Expenses Page 7
Ref: Town of Cobourg Holdings Inc.- 2015 Annual Report Page 11

LUI applied for an estimated increase for 2017 Test Year based on the CPI of 1.95% and budgeted increase in distribution revenue and customer growth.

Salaries for non-union staff are adjusted in accordance with the Collective Agreement which can be found in Exhibit 4. Overall employee costs have decreased 9.71% or $185,678 since 2012 Board Approved. This includes a reduction of 3.70 FTE from the 2012 Board Approved.

The chart “Employee Flowchart” (Exhibit 4 – Operating Expenses page 7) indicates a reduction of 6 FTE from 1/1/2012 to 31/12/2015 and an increase of 2 FTE in 2016 leaving a net decrease of 4 FTE from 2012-2017

The table “Lakefront Utilities, Inc., At a Glance” (Town of Cobourg Holdings Inc. 2015 Annual Report page 7) indicates that LUI had 16 employees at the end of 2015. The Employee Flowchart noted above indicates 20 employees. Further, the text on page 7 indicates that LUI has no employees: “the electrical system is operated by the employees of Lakefront Utility Services Inc. (LUSI).”

a) Please explain the apparent inconsistencies.
b) Throughout the documentation provided by LUI, “HOLDCO”, “LUI” and “LUSI” seem to be used interchangeably. Is this a correct interpretation?

Lakefront Utilities Response

a) The Holdco annual report refers to total employees for all its affiliates, whereas Exhibit 1 and Exhibit 4 in the Cost of Service filing refer specifically to LUI’s FTE.

b) That is an incorrect interpretation. Holdco is the parent company of Lakefront Utilities Inc. (LUI) and Lakefront Utility Services Inc. (LUSI). LUI is an independent local (electricity only) distribution company and is the entity regulated by the Ontario Energy Board. LUSI is the services company that manages the Town of Cobourg’s Water system amongst others as well as providing other services.

1-CTA-07
Overview of Deferral and Variance Account Disposition
Ref: Ex.1/Tab 4/Sch.8 - Overview of Deferral and Variance Account Disposition, Page 46

a) Please quantify the components of these accounts that resulted from:
   - the $1,428,792.20 paid to Horizon Plastics as settlement of a multi-year billing error
   - the $737,547 related to underpayment for electricity

b) Why are these amounts charged to customers instead of being recovered from shareholder dividends?

c) What is the effect of these errors on the proposed rates?

Lakefront Utilities Response

a) The adjustment regarding Horizon Plastics was previously approved by the OEB in EB-2007-0761 proceeding and the adjustment associated with $737,547 was approved in EB-2014-0090 proceeding.

b) There are established rules, codes and guidelines for all electric utilities in the province of Ontario to follow and abide, especially in relation to billing, metering and settlement. Certain errors consequence (distribution changes that are approximately 22% of every bill) must be borne by the utility itself. However, utilities are often kept whole provided the error passes the regulatory scrutiny process (as in the above cases) and it is within certain guidelines and timeframe.

c) The adjustments and their rate impact have previously been assessed and approved by the OEB in the above mentioned proceedings.

1-CTA-08
Customer Survey
Ref: Ex.1/Tab 5/Sch.2 - Customer Satisfaction Survey, Page 51

Lakefront Utilities developed its own survey after concluding that using a third party would lead to prohibitive costs. Lakefront Utilities indicates that it received 243 responses to its survey.

a) Receiving only 243 replies from Lakefront's customer base of more than 10,000 appears to be a small sample. Considering the very poor response rate, are the results statistically relevant? Please explain.
b) What steps have been considered to improve the response rate?
c) What is the distribution of the responders: Commercial/industry, multi-residential, residential small (single/2 adults), residential large (family of 4), etc? How does this compare with the customer base demographic?
d) What is distribution of the responder's income and age? Is this reflective of the distribution of actual customer incomes and ages?
e) Are the responses skewed by the demographics?
f) What steps were taken to compensate for any demographic skewing?
g) Was there a significant difference in responses between the 221 respondents who self-identified as "residential" and the other respondents?
h) How was this difference, if any, incorporated into the conclusions of the survey?
i) What prior objectives and business plans of Lakefront were modified based on the survey results?

Lakefront Utilities Response

a) Although the responses received were less than hoped, Lakefront feels the response rates of approximately 2% received were reasonably acceptable for measuring customer satisfaction. Approximately 78% of the responses indicated customers were satisfied with the services received from LUI, and the areas mentioned by customers as needing improvement were consequently corrected by staff.

b) While the survey was available to customers, Lakefront performed the following to improve response rate, while managing costs:

- Advertise on Facebook and Twitter;

- Billing insert
- All customers that entered Lakefront's office and/or called CSR staff, were asked to fill out a survey;
- A promotional giveaway.

c) Lakefront received 243 responses and of the responses, 221 (or 92.47%) identified themselves as residential customers. Information regarding multi-residential, etc. was not gathered.

d) Lakefront did not gather information associated with the responder's income and age, and is ever cognizant of operating within the Privacy Act.

e) See responses above.

f) See responses above.

g) No significant differences were noted between the residential and commercial customers.

h) See response above.

i) Prior objectives and business plans were not altered, however, the following steps were taken to improve accessibility to information for our customers:

    - Development of Facebook and Twitter to inform customers of outages.

    - "emPOWER" hour was utilized to educate customers about their bill, etc.

    - LUI's website was redeveloped and promoted through Facebook and Twitter.

    - Preparation of an annual report which details the accomplishments of the utility throughout the year;

    - Individual meetings with larger customers to discuss upcoming capital work, etc.

1-CTA-09
Operating Revenue and Expenses
Ref: Ex.1/Tab 6/Sch.1 – Historical Financial Statements, Pages 72 and 116

a) The 2014 LUI financial statements show Other Operating Revenue (2014) as $646,247 (page 72)
The 2015 LUI financial statements show Other Operating Revenue (2014) as $599,150 (page 116)
Why are they different?
b) What is Feed-in Tariff Invoicing?
c) Why has this FIT revenue decreased from $85K in 2014 to $5.6K in 2015?
d) Isn't billing handled by LUSI and isn't it out-sourced?
e) What is Sewer Billing? Isn't billing handled by LUSI and isn't it out-sourced?

Lakefront Utilities Response

a) As noted in Note 4 in Lakefront Utilities 2015 audited financial statements, in preparing its opening International Financial Reporting Standards Statement of Financial Position, LUI has adjusted amounts reported previously in accordance with Canadian GAAP. A detailed table in Note 4 provided an explanation of how the transition from Canadian GAPP to IFRS has affected the Company's financial position and performance.

b) This amount is associated with revenue received from invoicing Feed-In Tariff (FIT) customers.

c) The fluctuation was the result of a change in FIT customers.

d) Any operations involving Lakefront Utility Services Inc. is outside the parameters of LUI's Cost of Service application and is not included in Chapter 2 of the OEB's "Filing Requirements for Electricity Transmission and Distribution Applications".

e) The sewer billing is income received for external services provided to Lakefront's affiliate. This is consistent with Lakefront's 2012 Cost of Service (EB-2011-0250) and was identified as part of the shared services/corporate cost allocation.

1-CTA-10
Due From Shareholder
Ref: Financial Information Ex.1/Tab 6/Sch.1 – Historical Financial Statements, Page 78
Ref: CTA Appendix 1, Town of Cobourg Holdings Inc 2014 Audited Financial Statements
Ref: CTA Appendix 2, Town of Cobourg 2015 Audited Financial Statements

Note 5 in the 2014 Audited Financial Statements of Town of Cobourg Holdings Inc. and the Liability section and Note 5 (d) of the 2015 Audited Financial Statements of the Corporation of the Town of Cobourg reference a promissory note from the Town payable to Town of Cobourg Holdings Inc. related to a project completed by the Company for the shareholder. As at December 31, 2015 the outstanding amount of the note was $630,000. The loan requires annual repayments of $45,000, bears interest at a rate of 5.4% and matures December 2029.

a) Please identify what the specific project was.
b) Please advise what the original amount of the note was and the number of years to maturity at the time it was issued.
c) Please explain the basis upon which the 5.4% interest rate was selected.
d) Please explain the basis upon the maturity date was determined.
e) Please explain why the note was not offset against the $7,000,000 affiliated note payable by Town of Cobourg Holdings, Inc. to the Corporation of the Town of Cobourg.

Lakefront Utilities Response

This question and all its parts fall outside the mandate of Lakefront Utilities Inc.’s Cost of Service rate application regulatory process. The questions above relate to LUI’s affiliate companies and has no relevance on LUI’s operations, revenues, expenses, base nor rates.

1-CTA-11
Key Management Personnel
Ref: Ex.1/Tab 6/Sch.1 – Historical Financial Statements
LUI Financial Statements 2015, Note 16
Due to related parties and related party transactions page 114

LUI Financial Statements 2015, Note 16

The note states that the total wages and benefits paid to key management personnel was $412,969 in 2015, down from $568,916 in 2014, a decrease of $155,947.

a) How many FTE does this decrease represent?
b) Were new hires made or planned for 2016, 2017?
c) What is the incremental cost (actual/planned)?

Lakefront Utilities Response

a) As disclosed in Ex.4/Tab 2/Sch.2 – OEB Appendix 2-L, the decrease represents a decrease in FTE of 3.99, anticipating the replacement of 2 staff.

b) Lakefront Utilities mentioned in Ex.4/Tab 3/Sch.3 and summarized in the Employee Flowchart in Ex.4/Tab 1/Sch.1, that it plans to hire a journeyman lineman and a Customer Service Representative (to replace a previously retired CSR) in 2016. No new hires are planned for 2017.

c) The total incremental cost for the two positions is approximately $99,000, which includes benefits. Furthermore, the wages associated with the journeyman lineman is the OM&A cost and consequently doesn't include the capitalized wages.

1-CTA-12
Board Qualifications
Ref: Ex.1/Tab 8/Sch.3 - Board Mandate, Page 134

"The Agreement provides that the Board of Directors consists of individuals with a cross-section of skills and experience. Board members are recruited based on assessments of their sound judgement and integrity and a set of qualifications that may include:

1. Financial expertise – experience regarding significant commercial transactions, marketing, product development, corporate mergers and acquisitions;
2. Awareness of public policy issues related to the Corporation or a Subsidiary as applicable;
3. Regulated industry knowledge, including, but not limited to Ontario's electricity sector, water industry and/or telecommunication services;
4. Network/infrastructure industry experience; and
5. Knowledge and experience with risk management strategy."

a) Please indicate details of the extent to which these qualifications are provided by the current board members.
b) Are there plans to better align board membership with the documented desired qualifications?

Lakefront Utilities Response

Lakefront Utilities summarized the Board member's qualifications in Ex.1/Tab 8/Sch.2 and feels that their qualifications and experience are aligned with the desired qualifications. Furthermore, the Board of Directors' composition and practices facilitates the exercise of independent judgement. The directors are selected based on a desire to achieve diversity in business skills (e.g., human resources, legal, operational, financial). It is this diversity that ensures that all voices are valued and heard for their input and perspective.

Exhibit 2 – Rate Base

2-Staff-6
Ref: Ex.2/Tab 1/Sch.2

Lakefront Utilities' rate base for the 2017 test year is forecast to increase by approximately 11.9% from 2012 OEB-approved.

(a) In its annual capital planning and implementation for the years 2012 to 2016, did Lakefront Utilities take into account the cumulative impact its capital expenditures would have on rate base and rates in 2017?

(b) How did this inform the pacing of investments identified in the Distribution System Plan for 2017 forward?

Lakefront Utilities Response

a) Lakefront is ever cognizant of various factors in its annual capital planning, in both the past five years (2012 to 2015) and the future (2016 to 2021) i.e. safety and reliability, impact on customer's rates, funding of capital, cash flow, borrowing capacity, etc. Lakefront management and board's mandate it to strike the right balance amongst those factors. Lakefront Utilities initially had over $2,000,000 per year in potential capital projects to be completed for 2016 to 2020. Lakefront considered the cumulative impact of the potential capital projects would have on the rate base and rates in 2017 and consequently reduced the per year capital expenditures to approximately $1,700,000.

b) The five year capital plan discussed in LUI's DSP was based on the analysis conducted in the DSP and was optimized to ensure reasonable rates to customers.

2-Staff-7
Ref: Table 2-16 – Capital Projects Table – 2012-2017
Ref: Ex.2/Tab 5/Sch.3 – Capital Expenditures

In Table 2-16, Lakefront Utilities has provided a list of 2017 capital projects. The total Test Year 2017 capital expenditure for all projects is $1,699,590.

(a) Are all of the projects and related capital expenditures of $1,699,590 that are listed in Table 2-16 expected to be placed in-service in 2017 and to be added to the 2017 Rate Base?
(b) If some of the projects that are listed in Table 2-16 are not expected to be in-service in 2017 and as a result will not be added to the 2017 Rate Base, please identify all such projects, the associated capital expenditure and the expected in-service date.

Lakefront Utilities Response

a) To the best of Lakefront Utilities knowledge at this time, all the projects listed in Table 2-16 are expected to be placed in-service in 2017 and added to the 2017 Rate Base.

b) Based on the response in a), the projects listed in Table 2-16 are expected to be in-service in 2017.

2-Staff-8
Ref: DSP, Section 4.1.3. (5.4.1c) Effect of Planning on Capital Expenditures, Pages 115-116
Ref: Chapter 2 Appendices, Tab 2-AA – Capital Projects

Projects	2012	2013	2014	2015	2016 Bridge	2017 Test
System Access	1,988,426	209,120	93,130	138,601	85,000	126,500
System Renewal	843,944	314,790	827,909	722,176	888,800	1,183,450
System Service	694,888	79,788	308,356	662,152	392,000	314,640
General Plant	868,700	285,870	200,709	257,651	327,000	75,000
Total	**4,395,958**	**889,568**	**1,430,104**	**1,780,580**	**1,692,800**	**1,699,590**

As seen in the table above, capital expenditures for the past 5 years have varied. Lakefront Utilities' capital plan includes the planned expenditures for voltage conversion of $1.5 million in Cobourg through the forecast period. In Colborne, feeder and station rebuilds will continue through the forecast period with planned expenditures of $2.9 million.

(a) Please describe and quantify where possible the benefits that the applicant's customers will realize from this investment.
(b) Please describe the alternatives to capital investment that were assessed and rejected in favour of the proposed capital investment.

Lakefront Utilities Response

a) The benefit that Lakefront's customer will realize from this investment is that new feeder and station rebuilds would prevent potential failures from occurring that could impact our customers. Failure causes significant disruptions and financial hardship specifically to our commercial customers' viability and is detrimental to their operations during business hours. Striving to ensure rates are reasonable and reliability is top notch as to keep those businesses in a small town like Cobourg is crucial to LUI and its shareholders. Furthermore, as replacement costs are becoming more difficult to find, maintenance costs have been increasing. Consequently, due to the ever increasing cost of capital expenditures, delaying this important work will have negative impact to the safety, reliability of the system and the cost for maintenance, plus eventual replacement later will be substantial.

b) As mentioned, the replacement costs are becoming more difficult to find, which has increased maintenance costs. As a result, Lakefront Utilities believes a systematic proactive replacement program is the only alternative assessed for the proposed capital investment. Lakefront believes this approach will maintain reliability levels and control costs. Lakefront further believes with the aged assets it would be prudent to be proactive. As part of the Optimizer process, several projects were deferred as an alternative in balancing all the parameters including rate impacts, reliability, safety, project financing and debt capacity.

2-Staff-9
Ref: Chapter 2 Appendices, Tab 2-AB – Capital Expenditures

Please confirm if any of the projects listed at the above reference were planned and prioritized based on climate change expectations. If yes, please provide supporting rationale.

Lakefront Utilities Response

Lakefront confirms that none of the projects were planned and prioritized based on climate change expectations other than visual inspection of certain assets, i.e. poles, identified that in bad weather may be compromised. However, this is an area staff are ever more aware of based on past experience of recent ice storms and sector observations of weather impact.

2-Staff-10
Rate-Funded Activities to Defer Distribution Infrastructure

On December 19, 2014 the OEB issued the *Conservation and Demand Management (CDM) Requirement Guidelines for Electricity Distributors* (EB-2014-0278) (the 2015 CDM Guidelines). Section 4.1 of the 2015 CDM Guidelines outlines the OEB's guidance in support of the Government's objective of putting conservation first in infrastructure planning. The OEB established a policy that allows electricity distributors to seek distribution rate funding for CDM programs and other initiatives for the purposes of avoiding or deferring future infrastructure projects.

(a) Please describe if Lakefront Utilities has considered incremental conservation initiatives, over and above those established in cooperation with the IESO, in order to defer or avoid future infrastructure projects as part of its distribution system planning processes.
(b) If the answer to (a) is yes, please describe how.

Lakefront Utilities Response

a) Incremental conservation initiatives were considered by Lakefront in its load forecasting and consequently system loads, but it did not defer or avoid the important infrastructure projects identified in the DSP process. The capital expenditure planning was completed to ensure that LUI's capital spending was done as efficiently as possible in order to minimize rate impact to our customers.

b) See above.

2-Staff-11
Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, Sources of Cost Savings, p. 76, 3.1. (5.3.1) Asset Management Process Overview, p. 88, Figure 5

On page 76, it is noted that *"LUI Distribution System Plan cost savings are expected to be achieved through the following:*

- *Asset Condition Inspections and comprehensive data collection will provide a better understanding of each asset's stage in their lifecycle which will lead to more cost effective decisions with respect to maintenance, refurbishment and replacement decisions.*
- *Proactive maintenance and replacement of plant will reduce reactive maintenance costs and improve service to the customer that will result in fewer and shorter duration outages that will have a beneficial impact on the cost of outages to customers. A structured program will also smooth out financial rate impacts in an effort to avoid disruptive rate spikes to address the volume of plant reaching end of life.*
- *Improved use of the GIS to capture/access plant attribute data (i.e. nameplate data, condition, inspection/maintenance histories, etc.) will aid in cost control through optimization of the asset's lifecycle.*
- *Prudent investment in distribution automation (i.e.. remotely operated switches), as part of Smart Grid development, will improve day to day switching operations and have a positive impact on improving outage restoration times thereby mitigating customer outage costs."*

(a) Please identify specific dollar savings in reduction of reactive maintenance costs for each of the years from 2017-2021 and beyond 2021 due to proactive maintenance and replacement of the plant.
(b) Please identify specific SAIFI/SAIDI improvements (or customers interrupted CI/customer hours interrupted (CHI)) for each of the years 2017-2021 and beyond 2021 due to proactive maintenance and replacement of the plant.
(c) Please identify specific SAIFI/SAIDI improvements (or CI/CHI) for each of the years 2017-2021 and beyond 2021 due to prudent investment in distribution automation.
(d) Please identify any other specific cost savings and SAIFI/SAIDI improvements (or CI/CHI) for each of the years 2017-2021 and beyond 2021 that are expected to be achieved due to any of the initiatives or capital projects that have been implemented or going to be implemented in accordance with the Distribution System Plan.

On p. 88, LUI states that Reliability Projection is one of the elements of the Decision Support Box that is used for planning purposes.

(e) Please show overall Reliability Projections (SAIFI/SAIDI or CI/CHI for 2017-2021) as a result of the proposed Distribution System Plan.

Lakefront Utilities Response

a) It is difficult to identify "specific" dollar savings of reactive maintenance costs for each of the years 2017-2021 and beyond 2021.

   Continuous improvement from both an operations efficiency and financial perspective comprise of the following:

   - Reduction of emergency and unplanned replacements.
   - Reduction in higher rate labour costs associated with afterhours calls for maintenance.

b) Lakefront's objective is to at minimum, maintain the current SAIFI/SAIDI statistics, and any improvements will be much welcomed. Alternatively, without the proactive maintenance and replacement of the plant, Lakefront stats will deteriorate.

c) Improvements in SAIFI/SAIDI are very likely in each of the 2017 to 2021 years as aging, end of life infrastructure is contemplated being replaced.

d) According to historical statistics, only 18% of customer outage hours are caused by defective equipment and only 33% of total customer outage hours are within the control of the utility. This 33% consists of tree contacts and defective equipment. LUI adheres to the regulations stipulated by the DSC regarding vegetation management and inspection and therefore submits that customer interruption hours caused by tree contacts are extraordinary and would occur regardless of the vegetation management program and that these outages have been minimized based on strict adherence to the vegetation management program. Defective equipment has historically made a contribution of approximately 0.12 to SAIDI and 0.15 to SAIFI. With 82% of the customer outage hours beyond the control of the utility, it would be difficult to attribute any fluctuations in SAIDI or SAIFI to the implementation of capital projects. LUI expects reliability to be maintained as a result of the implementation of capital projects.

e) See above. Lakefront doesn't have the projections for SAIFI/SAIDI as it would be based on numerous assumptions.

2-Staff-12

Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, 2.4. (5.2.3) Performance Measurement for Continuous Improvement, 2.4.1. (5.2.3a) Metrics Used to Monitor Distribution System Planning Performance p. 80

In addition to the OEB Scorecard measures, Lakefront Utilities doesn't propose any DSP measures in any of the performance categories outlined in the Section 5.2.3, *Chapter 5 of the Ontario Energy Board's (OEB) Filing Requirements for Electricity Transmission and Distribution Applications*, such as customer-oriented performance, cost efficiency/effectiveness of planning and implementation, and asset/system orientation performance. If available, please provide a description of any additional measures with formulae, historical actuals and targets in 2017-2021.

Lakefront Utilities Response

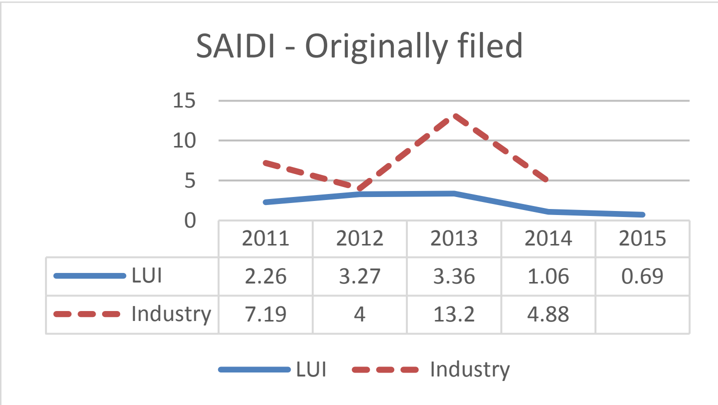
LUI does not use any additional performance measures at this time. This is the first time LUI has developed a comprehensive DSP. Over the 2016-2021 period, LUI will be measuring the performance categories.

2-Staff-13
Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, 2.4. (5.2.3) Performance Measurement for Continuous Improvement, 2.4.2. (5.2.3b) Summary of Performance Trends, p. 81

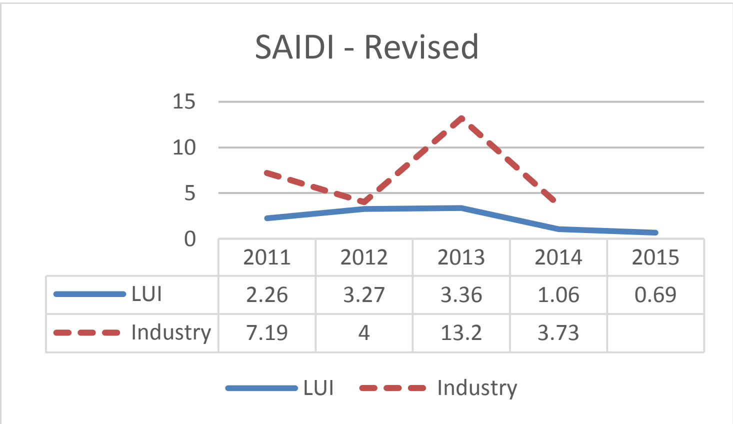
Please identify the source for the industry data provided in the reference above and the utilities included in the dataset.

Lakefront Utilities Response

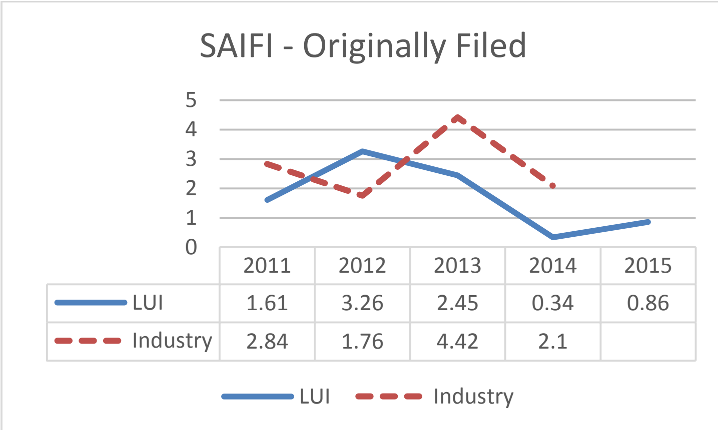
The industry data provided in 2.4.2. (5.2.3b) Summary of Performance Trends was retrieved from OEB's 2014 Yearbook of Electricity Distributors. The industry data is a combination of all Ontario's local electric distribution companies. LUI had incorrect industry data on the SAIDI and SAIFI comparison graphs. Please see correction made on the revised indicated graphs below followed by the original graphs filed. There is no significant difference in the revised comparable data to explain.



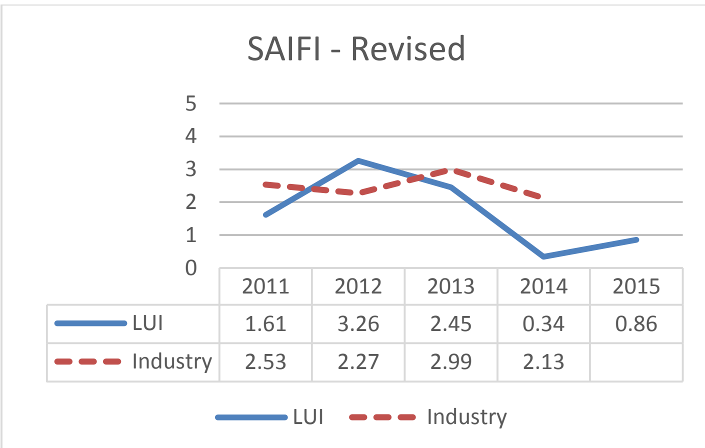
	2011	2012	2013	2014	2015
LUI	2.26	3.27	3.36	1.06	0.69
Industry	7.19	4	13.2	4.88	



	2011	2012	2013	2014	2015
LUI	2.26	3.27	3.36	1.06	0.69
Industry	7.19	4	13.2	3.73	



	2011	2012	2013	2014	2015
LUI	1.61	3.26	2.45	0.34	0.86
Industry	2.84	1.76	4.42	2.1	



	2011	2012	2013	2014	2015
LUI	1.61	3.26	2.45	0.34	0.86
Industry	2.53	2.27	2.99	2.13	

2-Staff-14
Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, 2.4.2. (5.2.3b) Summary of Performance Trends, p. 82

On page 82 Lakefront Utilities states: *Lakefront Utilities collects and reports outage data using the standard format and codes specified in the RRR document. The data is transferred to an excel spreadsheet for ease of producing standard and custom reliability reports. Calculations are made to determine the reliability indices SAIDI, SAIFI, and CAIDI. The data are also sorted to determine frequency and duration for each individual feeder, and also sorted to determine cause and affected components.*

(a) Please provide in Excel spreadsheet format the CI/CHI data for each individual feeder, for each year from 2011-2015, by cause, excluding the 2013 Ice Storm impact.
(b) Please provide the number of unplanned replacements/failed assets for each major asset class for each year 2011-2015.

Lakefront Utilities Response

a) Lakefront Utilities has attached a separate excel spreadsheet for the CI/CHI data as:

“LakefrontUtilities_IRR_2017COS_CHCIDATA_20160805”.

b) Below is the number of unplanned replacements/failed assets for each major asset class for each year 2011 to 2015:

Unplanned Replaced/Failed Asset By Major Class	2011	2012	2013	2014	2015
1835 - OH Conductors/Devices	21	15	25	9	6
1855 - Services (Pole to Electrical Panel/Mast/Demarcation)	14	15	11	14	15
1830 - Poles/Towers & Fixtures	3	3	6	5	1
1850 - Line Transformers	10	14	13	6	8
1845 - UG Conductors/Devices	1	1	3	4	1
1820 - Distribution Stn. Equipment - < 50 kV	0	0	1	2	2

2-Staff-15
Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, 2.4.2. (5.2.3b) Summary of Performance Trends, Outage Causes, pp. 83-84, Figures 3-4

In figures 3 and 4 on pp. 83-84, Lakefront Utilities has provided breakdowns of customer interruptions (CI) and customer-hours interrupted (CHI).

(a) Can Lakefront Utilities provide the total % of interruptions by OEB cause code over the period of 2011-2015 in the table format below?
(b) Can Lakefront Utilities provide the total % of interruptions by OEB cause code over the period of 2011-2015 in the table format shown below?

OEB Cause Code	2011	2012	2013	2014	2015
0					
1					
2					
3					
4					
5					
6					
7					
8					
9					

Lakefront Utilities Response

a) The total % of customer interruptions (CI) by OEB cause code

OEB Cause Code	2011	2012	2013	2014	2015
0	6.84%	4.16%	0.24%	30.48%	2.58%

1	0.00%	0.00%	0.00%	0.00%	0.00%
2	6.18%	30.69%	8.04%	0.00%	45.70%
3	0.02%	0.41%	29.06%	0.32%	12.89%
4	0.10%	0.00%	0.02%	0.00%	1.70%
5	21.81%	9.31%	14.62%	52.13%	24.26%
6	27.32%	34.22%	8.73%	14.70%	0.36%
7	0.00%	0.00%	0.00%	0.00%	0.00%
8	0.62%	13.77%	4.91%	0.43%	0.00%
9	37.13%	7.44%	34.40%	1.94%	11.29%

b) The total % of customer-hours interrupted (CHI) by OEB cause code

OEB Cause Code	2011	2012	2013	2014	2015
0	5.29%	2.12%	0.47%	24.42%	10.98%
1	0.00%	0.00%	0.00%	0.00%	0.00%
2	13.78%	15.29%	1.12%	0.00%	28.47%
3	0.02%	0.81%	40.92%	0.08%	15.13%
4	0.26%	0.00%	0.04%	0.00%	3.34%
5	19.69%	13.55%	5.04%	56.56%	19.33%
6	36.47%	53.27%	13.76%	15.72%	0.46%
7	0.00%	0.00%	0.00%	0.00%	0.00%
8	0.23%	4.80%	2.59%	0.80%	0.00%
9	24.26%	10.16%	36.07%	2.43%	20.39%

2-Staff-16
Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, 3.1.3. Asset Management Strategy, pp. 90-91

On page 90, table 7, Lakefront Utilities provides criteria for the measurement of success of the Asset Management Strategy. Can Lakefront Utilities provide its respective performance over the historical period 2011-2015 in the format below?

Lakefront Utilities Response

	2011	2012	2013	2014	2015
Lost/non-lost time injuries	2	3	4	0	1
ESA Non-compliance	NI	NI	C	C	C
Customer Survey Response	N/A	N/A	N/A	A	A
Investment Spending	N/A	N/A	-16%	3%	-4%
Investment Scheduling	Yes	Yes	Yes	Yes	Yes
Reportable spills in the MOE	0	0	0	0	1

LUI has not tracked its performance in all of these categories over the historical period. As stated in the DS Plan, LUI has recently developed its asset management strategy and will be monitoring these areas on a go-forward basis.

2-Staff-17
Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, 3.1.4. Asset Management Plan (AMP), p. 91

Please submit the Asset Management Plan mentioned in the above reference.

Lakefront Utilities Response

Lakefront Utilities believes its Asset Management approach delivers the needed information to effectively manage the distribution assets within Lakefront's service area. LUI also believes that its Asset Management approach will continue to evolve as industry practices and expectations evolve. Within that context, LUI believes its asset management plan continues to develop over time. As part of its transition to a more formal approach to asset management, LUI embarked upon a process to formalize its asset management practices and procedures. Although it started with an effective base of its current activities, and LUI continues to develop its asset strategy and plan to reflect the best practices of the industry, the document is still a work in progress.

2-Staff-18
Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, 3.2.1. Discretionary Capital Projects, p. 94

On page 94, Lakefront Utilities states:

LUI is utilizing a product call the Optimizer that was created by the UMS Group and marketed by the ERTH Corporation.

(a) Please confirm that the Optimizer was used for all the projects identified in the DSP for 2016-2021 years.
(b) Please provide a prioritization score for each of the Material Projects in the DSP. Please provide prioritization scores broken down by each of the criteria and a summary score for the project.

Lakefront Utilities Response

a) Lakefront Utilities used the Optimizer for all projects identified in the DSP for the years 2016 to 2021. The capital budget year of 2016 was optimized on its own so that management could begin the process of planning 2016 capital in Q4 2015. The Optimizer was used on all projects for the years 2017 to 2012.

b) Lakefront Utilities has filed excel files for the prioritization score for the capital projects as determined by the Optimizer as:

- LakefrontUtilities_IRR_2017COS_2016OptimizedCapital_20160805
- LakefrontUtilities_IRR_2017COS_2017-2021OptimizedCapital_20160805

2-Staff-19

Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, 3.2.1. Discretionary Capital Projects, p. 95

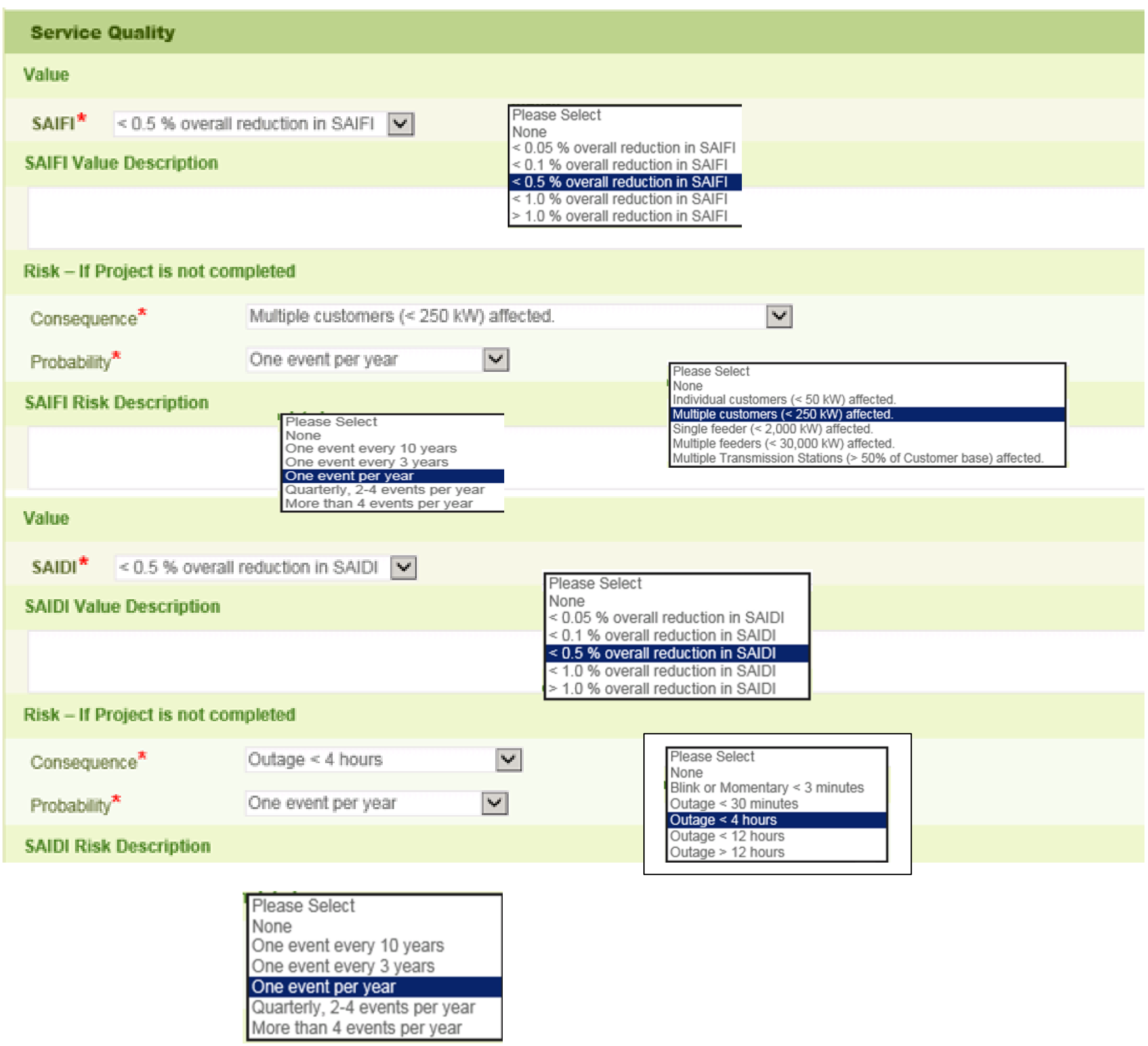
On page 95, Lakefront Utilities states:

Service Quality: *considers to what extent the project impacts the power system reliability and customer service. If it will definitely eliminate a sustained feeder outage, the economic benefit can be determined.*

Please provide a description and values used for a determination of the economic benefit of the project that aims to eliminate a sustained feeder outage.

Lakefront Utilities Response

Below is a web screen used in the optimizer shown the values available when scoring each project.



2-Staff-20
Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, 3.2.6. Asset Condition Assessment (ACA), p. 100

With respect to asset condition assessment, Lakefront Utilities provided in Appendix E, for Colborne service area, a detailed assessment only for poles.

(a) Please provide any other reports that have been completed or drafted in relation to ACA of any other distribution assets.
(b) Please explain how the results of the ACA for the Colborne area were used to develop the DSP and specific 2016-2021 projects.

Lakefront Utilities Response

a) No other reports have been completed or drafted in relation to ACA of any other distribution assets.

b) The condition of the assets assessed was used to identify which assets to be replaced within the service area. Preference was given to station ties and three phase lines.

2-Staff-21

Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, 3.3.3. Stations, p. 104, Table 10, 3.3.4. Overhead Asset Details, p. 105, Table 11

(a) In relation to Table 10, please provide the quantity of each of the asset classes in the system and respective strategy (similar to table 11 on the same page).
(b) In relation to Table 11, please describe the strategy in more detail for each of the asset classes, specifically, what thresholds or criteria are used to determine whether the asset needs to be replaced.
(c) Please provide Lakefront Utilities' understanding or definition of useful life.

Lakefront Utilities Response

a)

Asset Category	Typical Useful Life (years)	Quantity	Strategy
Power transformers	45	7	Condition Based Replacement
Breakers	40	15	Condition Based Replacement
44 kV Breakers	45	2	Condition Based Replacement
Reclosers	40	2	Condition Based Replacement
Station DC System	20	2	Condition Based Replacement
Electro-mechanical Relays	35	3	Condition Based Replacement
Digital Relays (IEDs)	20	13	Condition Based Replacement
Substation Buildings	50	2	Condition Based Replacement

b) For condition based assessments assets are visually assessed on a periodic basis. Similarly, asset classes are also monitored for their ability to perform their function. For example an asset that has experienced malfunctions would be given priority over an asset that functions consistently. As part of the ongoing development and implementation of its asset management program, LUI is currently assembling assessment methodologies and scoring techniques to assist in the prioritization of asset maintenance, refurbishment and replacement. Until these techniques are developed, LUI will continue to rely upon the experience and judgement of its management and line crew.

Asset condition assessment methodologies and related health indices are currently being developed for the distribution system asset categories mentioned below. Currently the assessment and the decision of whether or not to refurbish or replace an asset lies with the experience and judgement of the line crew and the engineering department.

a) Overhead distribution (risers, poles, switches, pole mount transformers, fused cut-outs, conductor)
b) Underground distribution (dips, vaults, duct bank structures, pad-mount transformers, splice boxes, elbows, cable)
c) Substations (power transformers, voltage regulators, switches, breakers, relays/IEDs, buildings, fencing, cable, conductor, lightning arrestors, reclosers)
d) Distribution Transformers (pole mounted and pad mounted)
e) Distribution Switches and fused cut-outs

To date, a complete asset condition assessment of the distribution system has not been performed (other than the pole condition assessment completed in Colborne). It is our expectation that before an asset condition assessment is performed on the remainder of the system, criteria and thresholds will be determined.

c) Lakefront Utilities understanding of useful life is the estimated lifespan of a depreciable fixed asset, during which it can be expected to reliably contribute to company operations. The useful life may vary depending on a utility’s maintenance practices, environmental conditions, and operational stresses.

2-Staff-22
Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, 3.3.3. Stations, p. 104, Victoria Station Rebuild, pp. 160-163, Durham Station Rebuild, pp. 190-193

On page 36, Lakefront Utilities states:

Substation power transformers aren't usually proactively replaced based solely on their age. Other factors such as power transformer condition (i.e. degree of corrosion, evidence of leaking gaskets), transformer loading, insulating oil condition and the impact of an unplanned transformer failure are also considered.

(a) Can Lakefront Utilities provide the detail of condition assessment or any other testing/inspection condition evidence for substation transformers that are planned to be replaced in 2016-2021 at Victoria and Durham stations?
(b) Can Lakefront Utilities provide the detail of condition assessment or any other testing/inspection condition evidence for oil circuit breakers that are planned to be replaced in 2016-2021 at Victoria and Durham stations?
(c) Please provide a timeframe when the Colborne 4kV system is planned to be converted to 27.6kV.

Lakefront Utilities Response

a) Transformer test results are attached for both Victoria St Station and Durham St Station Transformers.

<u>Durham St Station</u>

Transformer was rebuilt in 1990 (estimated original age mid 1970s). Repairs for deficiencies were attempted in 2015, however, we were unable to remove the top cover to replace the main cover gasket and bushing gasket. Also, permanent repairs were attempted at the radiator butterfly valves and did not hold. Butterfly valves, main cover and bushing gaskets now have temporary repairs until scheduled transformer replacement and is being monitored closely.

<u>Victoria St Station, Colborne</u>

Transformer was built in 1974. Oil test results show CO_2 levels continuing to exceed condition 3 limit (4000 ppm), indicating that the windings paper insulation is becoming stressed due to significant overheating. In addition, transformer recorded a very high peak oil temperature (~70 Deg C) readings in multiple visits. Possible reasons for the multiple high temperature readings were attributed to issues with loading or problems with oil circulation. Upon review of historical loads over the last 5 years there is no demand reading for this transformer that is higher than approx. 3.2 MVA. which is well under the base rating of 5 MVA. To investigate further would require taking the transformer out of service and send for investigation/repairs. It was decided, due to age and other factors to replace the unit and keep this unit as a spare. LUI currently has no viable 44-4kV spare transformers.

Colborne is supplied by two 44-4kV stations. While the station capacity of one station is large enough to pick up load from the second station for maintenance, etc., we typically plan to do maintenance during spring or summer as having a station out for an extended time during peak loads can cause low voltage issues to our customers at the end of the line.

b) <u>Victoria St Station, Colborne</u>

Reclosing on Feeder cells F1 and F2 is currently non-operational due to failed reclosing relay. Also, F2 breaker has recently failed (fall of 2015) and is unable to stay closed even with multiple close attempts. All F2 load has been transferred to F3. These are planned to be replaced in late fall 2016 with new electronic reclosers with connectivity to our new SCADA system.

<u>Durham St Station, Colborne</u>

Durham St Station currently has two oil reclosers. These are scheduled to be replaced in Spring of 2017 with new electronic reclosers with connectivity to our new SCADA system.

c) There is currently no plan to convert the Colborne 4 kV system to 27.6 kV.

2-Staff-23

Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, 3.3.4. Overhead Asset Details, Poles, pp. 105-106, Appendix E Colborne Asset Condition Assessment

(a) Please confirm the total number of poles in the Colborne service area assessed in the scope of this report.
(b) Please identify the number of poles in the Colborne service area ACA report that did not have age information available.
(c) Please provide a description/definition of each of the degradation factor scores from 0 to 5 used within the pole health index (HI).
(d) Please provide a total contribution of the age factor for a 40+ year old pole into the max HI.
(e) Please provide the total quantity of poles within the age ranges from 40-50, 50-60, 60-70 and 70+ years respectively. Please provide a number of poles in poor condition for each of the specified age ranges.
(f) Please provide any details on whether inspection tests other than that of visual tests, have been performed on the poles (e.g. sound, probe, drill, etc.) Please provide the results of these tests if available.
(g) The report states: *Replacing approximately 500 poles in the next ten years will help to provide consistency in the amount of investment required in this category thereby avoiding a lumpy investment program.* Please confirm that the report recommends replacing approximately 500 poles in the next ten years in the Colborne service area.

Lakefront Utilities Response

a) The total number of poles in the Colborne service area assessed in the scope of the report is 614.

b) The total number of poles in the Colborne service area ACA report that did not have age information available is 459.

c) The Health Index is formed through a weighted calculation of multiple degradation/system effect scores:

	Criteria	Ranking	Weight Assigned	Max Weighted Score
1	Physical Assessment – Visual	1-5	4	20
2	Attachments – Equipment	1-5	1	5
3	Attachments – Guying	1-5	1	5
4	System Function Priority	1-5	3	15
5	Age Factor	1-5	6	30

Physical Condition Assessment involves the visual inspection of plant to determine the level of visible degradation or damage that a pole has experienced.

Condition Rating	Physical Condition
1	Pole is in poor condition. Appears to be significant degradation and/or damage. Issues with one or more of guying, leaning, equipment etc. Replacement is required immediately.
2	Pole is in poor condition. Degradation or damage has occurred; cracks may be evident along with woodpecker holes and other damage. Periodic monitoring is recommended and plans for short term replacement should be budgeted.
3	Pole is in reasonable condition. Regular degradation and/or damage incurred. Monitoring is recommended and plans for replacement should be budgeted in the medium term.
4	Pole is in good condition, no apparent issues. Minor work required. Plans for replacement should be in the long term.
5	Pole is relatively new and in good condition. No apparent issues. No immediate work required. Instead of replacement, focus should be on maintenance and prevention of damage

The attachment of equipment can introduce more surface area and opportunity for degradation factors. Attachments can include secondary distribution plant, third party plant, transformers, switches and other equipment and/or signage.

Condition Rating	**Attachments - Equipment**
1	No attachments other than primary and secondary
5	Other attachments such as distribution or third party equipment

Condition Rating	**Attachments - Guying**
1	No attachments
5	Attachments Exist

Upkeep/Maintenance
A System Function Priority was added and while not a direct degradation factor, this factor allows critical parts of the system to be assessed or analysed with greater emphasis than non-critical portions. Examples could include station ties and three phase circuits

Condition Rating	**System Function**
1	Critical Function
5	Non-Critical Function

The upkeep of poles includes an age factor which relates to the monitoring effort and the degradation of poles over time.

Condition Rating	**Age Factor**
1	40+ Years Old
2	30 - 40 Years Old
3	20 - 30 Years Old
4	10 - 20 Years Old
5	0 - 10 Years Old

Pole treatment was considered as a degradation factor as treatment typically aids by resisting moisture ingress and by killing off fungal spores however the majority of poles within the service area are treated in the same manner and therefore it was not deemed to be a significant factor.

d) Approximately 8% or 6/75 for a 40+ year old pole. The maximum age contribution into the HI is 30/75 as per the table above.

e) There is no data to support aggregation for poles aged above 40 years.

f) Only visual inspection was performed.

g) The report recommends a planned and paced approach to investment in distribution system plant. This includes a consistent year over year investment in a pole replacement program as opposed to large one time investments. The report recommends that LUI consider the poles in the poor and very poor categories for replacement while understanding that over the ten years some of the poles in the fair category would also require replacement. The report suggests that there are approximately 500 poles within these categories.

2-Staff-24

Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan

(a) Please provide asset demographics data for all the major distribution asset classes, including substation equipment (e.g. overhead poles, transformers, and switches; underground cables, transformers, and switches; substation transformers, breakers, etc.).

(b) Please provide unit cost assumptions used as a basis to form 2016-2021 project estimates.

(c) For each of the 2016-2021 material projects in system renewal and system service category (excluding IT projects and Capacity Planning), please provide a count of new assets to be installed in the project, by asset class. Please fill out the table below (adjust the table if required).

Material Project Name	Number of new assets to be installed					
	Poles	Transformers	Switches	Cables (m)	Power Transformer	Circuit Breaker

(d) For all 2016-2021 material projects in system renewal and system service category (excluding IT projects and Capacity Planning), please provide asset age and condition assessment information as outlined in the table below (adjust the table if required).

Asset Class	Total number of assets to be removed	Number of assets 30-40 years old	Number of assets 40-50 years old	Number of assets 50-60 years old	Number of assets 60+ years old	Number of assets in Poor condition	Number of assets in Very Poor condition
Poles							
Overhead transformers							
Overhead							

switches							
Cables (m)							
Underground transformers							
Underground Switches							
Power transformers							
Circuit breakers							

Lakefront Utilities Response

a)

Description	Quantity in System
Distribution Stations	7
Power Transformers	7
44kV Breakers	2
Station Breakers/Reclosers	17
Poles	3121
OH Conductor (Primary)	142 km
UG Conductor (Primary)	50 km
Polemount Transformers	718
Padmount Transformers	521
OH Switches (ganged)	35
Padmount Switches	17
Distribution Reclosers	4

b) Lakefront Utilities completes its cost estimates using their own historical values and experience as opposed to market information. LUI understands that installation costs tend to have many variables including but not limited to voltage class, location, site conditions, and weather. Upon project completion actual project costs are compared to estimates to reconcile variances. This information is then used to assist with future project planning.

c)

Material Project Name	Number of new assets to be installed					
	Poles	Transformers	Switches	Primary Cables (circuit m)	Power Transformer	Circuit Breaker
Albert St - Division to Third St	6	1	2	210		
Queen St - McGill St to Division St	4	1	2	190		
Queen St - PM3-47 (1 Queen St)	1	1		60		
Victoria St Station COLB Rebuild		1			1	3
Victoria St Station COLB - Primary Feeder Cable Replacement & Termination Poles	5		3	120		
Division St - University to CP Rail	14	1	5	400		
Park St	8		2	400		
John St/Spencer St E	15	2	1	420		
Daintry Cres. (North End)	9	1		360		
Daintry Cres. (South End)	6	3		560		
Ewing St. (including Beaty Cres)	13	2	2	465		

Mackechnie Cres.	14	4		500		
Westwood Drive	26	9	2	875		
Willow Cres.	4	2		120		
King St E - College St to Henry St	1	1		30		
King St E - D'Arcy St to Henry St	1	1		30		
Durham St Station COLB Rebuild	1		1		1	
Durham St – Primary Feeder and Term Poles	4		2			
Durham St Station COLB - Viper Switches						2
SF6 Padmount Switchgear			3			
Albert St. Hibernia St to Third St	9	2		360		
Albert St. Bagot St to Hibernia St	9	3		250		
44/28kV ROW - D'Arcy to Brook	22		1	1850		
44kV Load Break Switch - 5014-1	1		1			
44kV LB Switch - Brook Rd - S of Kerr ROW - New Switch - Break M4 and M17 Load	1		1			
King St. - Victoria St. to Kensington	13	2	2	425		
Glenwatford/Ravensdale/Tracy Rd	3	7		900		

Burnham St - Rail Crossing - CN	5		2	190		
760 Heath St - Conversion	2	1		30		
111 Hibernia St - Conversion	1	2		100		
44/28kV ROW - Division to D'Arcy	18		2	1820		
44kV Load Break Switch - 5013-1	1		1			
King St - Kensington to Durham St.	18	5		1230		
Victoria - Victoria Station to King St.	13	5		850		
Durham - Durham Station to King St	10	2		740		
King St. E. - Durham St. to Colton St	20	6		750		
Swayne St		3				
135 Chapel St		1				
44/28kV ROW - Ontario to Division	22		3	1840		
44kV Load Break Switch - 5004-1	1		1			
44kV Load Break Switch - 5005-1	1		1			
44kV/4.16kV ROW - Ontario St to Victoria Station	10		3	1315		
Ontario St. King St. W to Arthur St	10	1	1	485		

Elgin St. S	15	6		670		
Division St. - Arthur to Church St.	17	4	3	585		
Thornlea St	5	5		200		
Brook Rd Stn- 44kV Termination Pole and Cable	1		1	75		
44/28kV ROW - Burnham To Ontario	18		3	1650		
Division St. - Arthur to Earl	10	3		395		
Earl St.	13	7	2	485		
Church St. E./Elgin St. N/Victory Lane/Maybee Lane	24	10	2	605		
Burnham St./Cedar St.	16	6	1	500		
North/Creek/Behind King St W. (btw Division and Victoria)	16	7	2	600		
Parliament/ Scott	30	8	3	995		
Durham St. N. -King St. E. to Scott St.	16	8	2	525		

d)

Asset Class	Total number of assets to be removed	Number of assets 30-40 years old	Number of assets 40-50 years old	Number of assets 50-60 years old	Number of assets 60+ years old	Number of assets in Poor condition	Number of assets in Very Poor condition

Poles	530	128	227	135		197	
Overhead Transformers	131	65	58	5			
Overhead Switches	56	27	7	16			
Cables (m)	25640	3715	13140	7835			
Underground Transformers							
Underground Switches	3						
Power Transformers	2		2			1	1
Circuit Breakers	5		3				2

2-Staff-25
Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, 4.1.6. (5.4.1f) Customer Engagement Activities, p. 123, 4.2.4. (5.4.2d) Customer Engagement, p. 131

Please identify what specific changes were made to the filed Distribution System Plan based upon the customer survey performed by Innovative Research Group and completed in April 2016.

Lakefront Utilities Response

The 2016 survey indicated that both residential and GS customers believe that LUI's distribution system plan is moving the utility in the right direction and that the utility is making good use of cost efficiencies. In addition, when directly asked, customers indicated that a rate increase was necessary to maintain desired reliability levels. In the focus group, customers indicated dissatisfaction of an IVR system in contacting LUI's office and have a high preference to speaking with a live customer service representative. As a result, LUI deferred implementation of an IVR system until a more thorough assessment. Similarly, LUI engaged a neighboring utility for Control Room services but given the cost of implementation, size and geography of our service territory, and customers' satisfaction on level of responsiveness, this initiative was put on hold as well. Therefore the results of the 2016 survey confirmed that LUI should minimize the amount of rate increase to deliver and maintain reliability levels.

The projects LUI submitted for this COS and in the DSP, took into consideration the feedback from our customers and are primarily targeted to address planned replacement of distribution assets at or near end of life and to address some overloading and contingency issues. LUI believes these projects will help maintain current reliability levels with minimal impact to customer rates.

2-Staff-26

Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, Infrastructure Renewal Projects - 44kV/28kV Feeders ROW Rebuild, p. 129, 44kV/28kV ROW – D'Arcy to Brook, pp. 206-208, 44kV/28kV ROW – Division to D'Arcy, pp. 247-249, 44kV/28kV ROW – Ontario to Division, pp. 273-275, 44kV/28kV ROW – Burnham to Ontario, pp. 298-300, Appendix G 44kV system Capacity Study. pp. 496-501

In total, Lakefront Utilities is planning to spend approximately $1,087,350 on four 44kV/28kV stations from ROW Burnham to Brook.

(a) Please confirm that that there are no other projects that aim to rebuild these 44kV/28kV feeders.
(b) Please provide reliability data for these feeders, CI/CHI, for each year 2011-2015, excluding 2013 Ice Storm impact.
(c) Please provide a reliability forecast (CI/CHI) for 2017-2021 if these projects are to be postponed beyond 2021.
(d) Please provide asset condition assessment for all major assets that are planned to be removed within these projects.
(e) Please provide any details on whether inspection tests, other than visual tests have been performed on the poles on these feeders (e.g. sound, probe, drill, etc.) Please provide the results of these tests if available.
(f) Please confirm that 44kV System Capacity Study doesn't recommend to rebuild these circuits to 556 ASC.

Lakefront Utilities Response

To clarify, LUI plans on spending $1,087,350 on four feeder sections through the forecast 2018-2021. These projects are targeted at replacing aged infrastructure along the 28kV & 44kV ROW.

a) There are no other projects that aim to rebuild these feeder sections.

b)

Year	Feeder	SAIDI	SAIFI	CAIDI
2011	M2	No Data	No Data	No Data
	F1	0.924749	0.872246	1.060192176
	F2	0.071899	0.063937	1.124531835
	F6	0.510955	0.38841	1.315505549
2012	M2	No Data	No Data	No Data
	F1	0.485991	0.719468	0.67548677
	F2	0.449773	0.394995	1.138678387
	F6	0.499461	0.20965	2.382352941
2013	M2	No Data	No Data	No Data
	F1	0.006865	0.001239	5.541666667
	F2	0.129297	0.086095	1.501798561
	F6	0.033344	0.023433	1.422907489
2014	M2	No Data	No Data	No Data
	F1	0.266956	0.106844	2.498550725
	F2	0.004491	0.004232	1.06097561
	F6	0.297925	0.085269	3.493946731
2015	M2	0.204078	0.441127	0.462628993
	F1	0.038879	0.028279	1.374843206
	F2	0.19892	0.105429	1.886766355
	F6	0.103361	0.166617	0.620348906

c) LUI intends to maintain the current trend and level of reliability through the forecast period.

d) There is no current asset condition assessment for assets within the Cobourg portion of the service area.

e) No inspection tests other than visual inspection has been performed
.

f) The recommendation in the 44kV System Capacity Plan states “Include conductor upgrade to at least 336 ASC for under-sized sections of the M2 in the capital upgrade plan.” LUI past practice is to build the 44kV sub-transmission feeders and feeder-to-feeder ties with 556 ASC. However, the cost premium to increase from 336 ASC to 556 ASC is not that significant when all other construction costs are considered and this option can be considered at the project design stage.

2-Staff-27
Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, 4.2.1. (5.4.2a) Capital Objectives – Criteria and Assumptions, p. 129

For each of the vehicles that are planned to be replaced in 2016-2021, please provide:
(a) Current mileage.
(b) Estimated mileage at the time of replacement.
(c) Current maintenance costs.

Lakefront Utilities Response

(a) Current mileage.

Replacement Year	Vehicle	Mileage (km)	Engine (hours)	PTO (hours)
2018	2012 Line Crew Cab Pickup 4x4	86909		
2018	2001 Dump Truck	114697		
2019	1993 Radial Boom Derrick (RBD)	62431	11348	7321
2019	2008 Distribution Tech Vehicle	87919		
2020	2014 Pickup Super Cab 4x4	86910		
2020	2010 Double Bucket	15007	1881	1042

(b) Estimated mileage at the time of replacement.

Replacement Year	Vehicle	Projected Mileage (km)	Projected Engine (hours)	Projected PTO (hours)
2018	2012 Line Crew Cab Pickup 4x4	130364		
2018	2001 Dump Truck	129990		
2019	1993 Radial Boom	76838	13967	9010

	Derrick (RBD)			
2019	2008 Distribution Tech Vehicle	120889		
2020	2014 Pickup Super Cab 4x4	260730		
2020	2010 Double Bucket	25012	3135	1737

(c) Maintenance costs are as follows:

		Maintenance Costs		
Replacement Year	**Vehicle**	**2014**	**2015**	**2016 YTD**
2018	2012 Line Crew Cab Pickup 4x4	2,434	3,563	131
2018	2001 Dump Truck	0	0	0
2019	1993 Radial Boom Derrick (RBD)	336	15	0
2019	2008 Distribution Tech Vehicle	235	895	70
2020	2014 Pickup Super Cab 4x4	2,102	1,584	62
2020	2010 Double Bucket	2,466	4,277	496
Total		**7,573**	**10,334**	**759**

2-Staff-28
Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, 5.4.1. (5.4.5.1a) Comparative Expenditures by Category, Figure 20, p. 139

Please confirm that inflation is included in the capital cost estimates for the years from 2017-2021.

Lakefront Utilities Response

Lakefront Utilities did not include inflation in the capital cost estimates, however, efficiency improvements will assist in keeping costs relatively close to the estimate.

2-Staff-29

Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, 5.4.1. (5.4.5.1b) Impact of System Investments on O&M, Table 29, p. 142

(a) Please provide comparable O&M costs for each of the historical and bridge years from 2012-2016.
(b) Please provide a basis for O&M projections by spending category that adds up to $721,191 in 2017.
(c) Please provide a basis for O&M increase for 2018-2021.
(d) Please identify how many new net plant additions are going to be added to the system for each year from 2016-2021.
(e) Please identify an average annual O&M cost for Kerr 4kV MS in 2012-2016. If a specific number is not available, please identify total O&M spending on all substations owned by Lakefront Utilities.

Lakefront Utilities Response

a) Below is revised Appendix 2-JA which details the updated O&M costs for each of the historical and bridge years.

	Last Rebasing Year (2012 Board-Approved)	Last Rebasing Year (2012 Actuals)	2013	2014	2015	2016	2017
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operations	$724,871	$553,856	$658,284	$596,391	$508,337	$510,101	$525,404
Maintenance	$322,942	$135,286	$239,277	$219,341	$175,003	$190,084	$195,787
SubTotal	**$1,047,813**	**$689,143**	**$897,562**	**$815,732**	**$683,340**	**$700,185**	**$721,191**
%Change (year over year)			30.2%	-9.1%	-16.2%	2.5%	3.0%
%Change (Test Year vs Last Rebasing Year - Actual)							-31.2%
Billing and Collecting	$412,387	$597,740	$574,811	$618,225	$531,136	$549,821	$566,316
Community Relations	$5,664	$12,330	$12,931	$11,089	$12,773	$19,630	$20,219
Administrative and General+LEAP	$1,062,469	$941,875	$1,053,432	$999,179	$983,675	$1,047,490	$1,064,154
SubTotal	**$1,480,520**	**$1,551,945**	**$1,641,173**	**$1,628,493**	**$1,527,583**	**$1,616,941**	**$1,650,689**
%Change (year over year)			5.7%	-0.8%	-6.2%	5.8%	2.1%
%Change (Test Year vs Last Rebasing Year - Actual)							6.4%
Total	**$2,528,333**	**$2,241,087**	**$2,538,735**	**$2,444,224**	**$2,210,923**	**$2,317,126**	**$2,371,880**
%Change (year over year)			13.3%	-3.7%	-9.5%	4.8%	2.4%

b) The basis for the O&M projections is detailed in the above table.

c) Lakefront Utilities increased the O&M increase from 2018 to 2021 based on an inflationary increase.

d) Lakefront's current best estimates for net asset pole reductions based on our submitted capital plans are as follows:

Year	Net Additions
2016	(3)
2017	0
2018	(5)
2019	(6)
2020	(7)
2021	(11)

Net reductions in 2018-2021 are primarily a result from the 44/27.6kV ROW rebuilds.

*Note: Values in brackets are negative

e) Lakefront Utilities does not have the historical information for the annual O&M cost for Kerr 4kV MS. Below is a table that details the total O&M spending on all substations owned by Lakefront Utilities.

Year	O&M
2012	$77,996
2013	$62,101
2014	$65,867
2015	$54,326
2016	$56,785

Lakefront notes that in 2014/2015 it experienced the replacement of a failed transformer at the Brook Road substation. The insurance company's investigation reported that the transformer's failure was due to water ingress. Cobourg's 27.6 kV station load through the summer months of 2014 was carried by the one remaining distribution station transformer located at Victoria St., assisted by a cooler summer. The peak combined load of all 27.6 kV feeders did not exceed 18 MVA.

2-Staff-30

Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, 5.4.1. (5.4.5.1a) Comparative Expenditures by Category, Table 27, p. 141, GIS (Geospatial Information Systems), pp. 173-174, OMS (Outage Management System) – Phase I, pp. 240-241, OMS (Outage Management System) – Phase II, pp. 266-267

(a) Please provide the basis for capitalizing data collection and data update projects (GIS and OMS Phase I) related to GIS and OMS.
(b) Please explain the rationale to include IT-system investment in GIS and OMS into the System Service investment category, considering that this category covers the investments and modifications to the distribution system only.

Lakefront Utilities Response

a) LUI considers SCADA, GIS and OMS and the data contained therein as well as upgrades to systems to be IT operational system assets.

GIS will be the backbone of LUI's distribution plant asset records management and asset registry. This system is not yet fully operational and still needs development to model and store information for various other distribution asset classes including system model redesign and enhancements to allow the collection and integration with other data sources (i.e. system maintenance and transformer records).

LUI OMS projects represent a phased approach to implementing a full OMS. LUI believes it is prudent to ensure the data and secondary network connectivity model is ready prior to purchasing and implementing software systems. These assets will provide benefit for a period of time beyond the forecast period and therefore would be eligible for capitalization

b) GIS and OMS are part of the distribution systems. These systems are considered to be part of distribution operational systems as per the following excerpts from the Chapter 5 Filing Requirements:

System service investments are modifications to a distributor's distribution system to ensure the distribution system continues to meet distributor operational objectives while addressing anticipated future customer electricity service requirements

	Example Drivers	Example Projects / Activities
system access	customer service requests	– new customer connections – modifications to existing customer connections – expansions for customer connections or property development
system access	other 3rd party infrastructure development requirements	– system modifications for property or infrastructure development (e.g. relocating pole lines for road widening)
system access	mandated service obligations (DSC; Cond. of Serv.; etc.)	– metering – Long term load transfer
system renewal	assets/asset systems at end of service life due to: – failure – failure risk – substandard performance – high performance risk – functional obsolescence	– programs to refurbish/replace assets or asset systems; e.g: batteries; cable (by type); cable splices; civil works; conductor; elbows & inserts; insulators; poles (by type); physical plant; relays; switchgear; transformers (by type); other equipment (by type)
system service	expected changes in load that will constrain the ability of the system to provide consistent service delivery	– property acquisition – capacity upgrade (by type); e.g. phases; circuits; conductor; voltage; transformation; regulation – line extensions
system service	system operational objectives: – safety – reliability – power quality – system efficiency – other performance/functionality	– protection & control upgrade; e.g. reclosers; tap changer controls/relays; transfer trip – automation (new/upgrades) by device type/function – SCADA – distribution loss reduction
general plant[1]	– system capital investment support – system maintenance support – business operations efficiency – non-system physical plant	– land acquisition – structures & depreciable improvements – equipment and tools – supplies – finance/admin/billing software & systems – rolling stock – intangibles (e.g. land rights; capital contributions to other utilities)

2-Staff-31
Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, 2016 Material Projects, Project Name New Services, p. 148

Please show historical spending for new services for each year in the 2012-2015 period.

Lakefront Utilities Response

The table below shows Lakefront's historical spending for new services each year in the 2012 to 2015 period.

Year	New and Upgraded Services
2012	153,245
2013	80,834
2014	47,104
2015	122,679

2-Staff-32
Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, 27.6kV Increased Capacity Planning, p. 296

Please provide the basis to include this capacity planning study into the capital spending amounts (i.e. to capitalize the study).

Lakefront Utilities Response

Section 3.4 of the 4kV Voltage Conversion Plan has identified a requirement for a future third 44-27.6kV substation. A need for increased transformation capacity has been identified and a further study is required to determine the best site and system configuration. Further, Lakefront Utilities' PP&E includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and other costs directly attributable to bringing the asset to a working condition of its intended use.

LUI feels that the capacity planning study is based on operational and customer specific requirements in order to operate the distribution system plan and should therefore be capitalized.

2-Staff-33
Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, Brook Rd Stn – 44kV Termination Pole and Cables, pp. 288-290

On page 289, Lakefront Utilities states:

The primary drivers for this project are the replacement of existing underground 44kV main primary supply (cables and termination pole) to Brook Rd Substation. This replacement is required to allow use of full capacity of the recently replaced Station transformer due to increased loading from 4kV Voltage Conversion projects. The requirement to upgrade this conductor is detailed in 4kV Voltage Conversion Plan.

On page 290, Lakefront Utilities states:

In 1996, Brook Rd Substation capacity was 15MVA as per design. In 2014, Brook Rd Station transformer experienced a catastrophic failure due to water ingress. With the planned 4kV voltage conversion plan in mind, it was determined that increased station transformer capacity would be required. As the insurance company was compensating LUI for the loss of the transformer, LUI decided to pay the incremental costs to upgrade this unit to 20/26/32 MVA. This new transformer now has approximately double the capacity of the previous failed unit. The existing 44kV primary cables are sufficient for up to 26MVA capacity of the station transformer. Peak loading on Victoria St Substation reached as high as 18MVA during the period Brook St Station was out of service. With the planned shift of approximately 12 MVA peak loading of remaining 4kV assets to the 27.6kV system, we expect we will require the full second stage fan rating of 32MVA for contingency purposes.

(a) What peak loads are planned to be shifted from 4kV system to the 27.6kV system by the end of 2021 in this area?
(b) What is the estimated reliability risk to the system (expected CI/CHI) if this project is to be postponed beyond 2021?

Lakefront Utilities Response

a) It is estimated the voltage conversion plan includes a transfer of 5 MVA of peak load to the 27.6kV system by 2021.

b) This project could not be postponed beyond 2021 without a measurable reliability risk, however, this project would increase 27.6 kV system capacity for Lakefront to continue with the conversion of the remaining 4kV system in Cobourg and the elimination of both Orr St and D'Arcy St Stations.

2-Staff-34
Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, Appendix F, 4kV Voltage Conversion Plan, pp. 490-495

(a) Has Lakefront Utilities completed a financial cost/benefit lifecycle analysis of the conversion plan? If yes, please provide the analysis.
(b) Has Lakefront Utilities completed a reliability analysis of a 4kV system and reliability improvements that could be expected from conversion of the system to 27.6kV? If yes, please provide the analysis.
(c) What is a bare minimum of projects (from the list of 2016-2021 material projects) that are required to be completed to remove Kerr MS from service in 2018?
(d) What is an estimated reliability impact (CI/CHI) in 2017-2021 if the conversion projects are to be postponed beyond 2021?
(e) Does Lakefront Utilities own the land used for Kerr MS? If yes, is Lakefront Utilities planning to sell the land once Kerr MS is taken out of service? What is the estimated dollar value that Lakefront Utilities is planning to receive by selling the land?

Lakefront Utilities Response

a) Lakefront Utilities did not complete a recent or updated financial cost/benefit lifecycle analysis of the conversion plan since the filed reports with the Board dated January 21, 2005 and April 25, 2005 completed by our engineers at the time, R.D. Ryan and Bart Burman from EnerSpectrum Group. The reports have been filed along with the response as:

- LakefrontUtilities_IRR_2017COS_DistributionSystemJanuary2005_20160805

- LakefrontUtilities_IRR_2017COS_DistributionSystemApril2005_20160805

That analysis supported the conversion of feeders from 4,160 V to 27,600 V and outlined savings to the customers through a reduction in the losses added to their bills. This pattern is reflected in this current application filed as LUI’s line losses have reduced since the last 2012 COS. In addition, other benefits include:

- **An improvement in the feeder voltage profile.** In the 4,160 V feeders, the high line currents cause a voltage drop as the current flows through the line from the substation to the end customers. This requires that the voltage at the station be raised above nominal to ensure the end of line customers receive adequate voltage. The lower current in the converted line results in minimal voltage drop thereby providing all customers with voltages closer to nominal. This reduces the number of voltage complaints that require response. In addition, future investments to overcome voltage related problems associated with increased load can be avoided.

- **A reduction in demand charges**. The reduced load at peak times will result in lower demand charges to Lakefront Utilities thereby contributing to the reduction of the rates to their customers.

- **A reduction in capital assets.** The conversion of feeders to 27,600 V eliminates the need for the 44 kV to 4,160 V substations. This reduces maintenance expenses, depreciation and taxes. Properties released by the elimination of the 4,160 V substations can be sold.

- **Purchase of more efficient distribution transformers.** When purchasing transformers to implement the voltage conversion, Lakefront Utilities has the opportunity to purchase more efficient transformers. The reduction in system losses as a result of this action will be in addition to those identified in the studies.

The distribution system projects identified in the 4kV Voltage Conversion Plan are old or near end of life. These projects are not targeted specifically for replacement with voltage conversion as the only primary driver. Typically the older 4kV system is rebuilt to 27.6kV standards and the 4kV Voltage Conversion Plan assists with some strategy on how best this can be achieved while keeping loading impacts/transfers in mind.

b) Lakefront Utilities has not completed a reliability analysis of a 4kV system and reliability improvements that could be expected from conversion of the system to 27.6kV. However, it can be expected that replacement of assets that are at or near end of life should reduce outages due to equipment failure.

c) The following projects are required for the elimination of Kerr St MS by the end of 2018:

2017

- Daintry Cres (North End)
- Daintry Cres (South End)
- Ewing St. (incl Beaty Cres)
- MacKechnie Cres
- Westwood Drove
- Willow Cres

2018

- Glen Watford/Ravensdale/Tracy Rd.
- Burnham St. – CN Rail Crossing
- 760 Heath St.

d) LUI intends to maintain the current trend and level of reliability through the forecast period. Also, with Kerr St MS eliminated, this would allow the energization of the circuits in south-west Cobourg almost up to Ontario St. This will greatly assist with loading reductions and contingency planning on Orr St Station.

e) Lakefront Utilities confirms that it owns the land for Kerr MS. The 4kV Conversion plan has identified a need for a future third 44-27.6kV Station. This land may be considered as one of the potential future sites for this station and would be determined as part of the future System Capacity Study. If the results of the System Capacity Study determine this location is not suitable, then LUI would then proceed to decommission the site and have it appraised.

2-Staff-35

Ref: Exhibit 2, Attachment A – Lakefront Utilities Inc., Distribution System Plan, SF6 Padmount Switchgear, pp. 194-196, Appendix F, 4kV Voltage Conversion Plan, pp. 490-495

Lakefront Utilities is planning to replace switchgear PMH-4, PMH-5, and PMH-6 in the area.

(a) Please provide age information for each of the switchgears.
(b) Please confirm that all three switchgears were recommended to be replaced in 4kV Voltage Conversion Plan.
(c) Please explain in detail why a "replacement of this equipment is required to proceed with the conversion of the Cobourg downtown and waterfront from 4kV to 27.6kV".
(d) Please confirm that if all or any of these three switchgears is not replaced than conversion from 4kV to 27.6kV can't be performed.

Lakefront Utilities Response

a) PMH-4: manufactured December 1994
PMH-5: manufactured July 1988
PMH-6: manufactured October 1994

b) Replacing the pad-mounted switchgear was not discussed in the 4kV conversion plan. Only the location of PMH-4, PMH-5 and PMH-6 was discussed.

c) These switches are known to have flashover issues when operated at 27.6kV due to their open bottom design. The electrical components inside the enclosure are prone to contamination from repeated evaporating/condensing cycles which eventually leads to insulator flash over. These problems are not an issue at 4.16kV due to the much lower operating voltage. The new switches will be rated at 29kV, and will also be "dead front" instead of "live front" providing a much higher level of safety to our workers.

d) The PMH-9 has been used in LUI's 4kV distribution for years without any issues, however after many years of service the switchgear becomes contaminated by moist ground air between the concrete base and the switch. This contamination reduces the switch's insulation properties. Operations staff communicated concerns with energizing the existing switches at 27.6kV since they have been in-service at 4.16kV for approximately 10 years or more. At a minimum the switches in question should be inspected prior to energization at a higher voltage. If the condition is considered poor there are a number of options. The switches could be cleaned prior to voltage conversion or replaced with new or refurbished units. Manual cleaning is time consuming and requires equipment outages which would affect customers. Dry ice cleaning can be performed on live switchgear but has increased costs and personnel safety concerns. Replacing the switchgear with new ‘dead-front’ switchgear is preferred.

2.0 -VECC- 2
Reference: E2/T2/S1/pg.

a) Please provide the reason for the $638,736 higher spending on smart meters.
b) Has the prudence of this overspending been reviewed by the Board in a prior application?

Lakefront Utilities Response

a) Lakefront Utilities believes its historical capital spending has been adequate to meet the needs of its customers. Lakefront has achieved an average level of investment in accordance with the OEB approved investment levels from 2012 to 2015. In managing its distribution system assets, LUI's main objective is to optimize performance of the assets at a reasonable costs with due regards for system reliability, safety, and customer service expectations.

   Consequently, different situations can affect the smart meter costs. Lakefront discovered that installation costs in rural areas are more expensive than in urban areas. Furthermore, installation costs were also more expensive in areas characterized by older construction as opposed to newer construction.

b) Lakefront Utilities is not aware if the Board has reviewed the overspending prior to the application, however Lakefront notes that its capital assets are audited annually by its auditors.

2.0-VECC-3
Reference: E2/T2/S1/pg.34 & 45

a) Please provide an inventory of vehicles from 2012 and the forecast inventory for 2016.
b) Please confirm that Lakefront purchased a new bucket truck at the time of its last at the last Cost of Service Application. Please provide the cost of that bucket truck.

Lakefront Utilities Response

a) Below is the inventory of vehicles from 2012 and the forecast inventory for 2016.

Vehicle	Year of Vehicle	2012	2013	2014	2015	2016
Dodge Nitro 4x4 SUV	2009					
GMC LT 1500 pickup	2001					
Dodge Caravan	2008					
Posi-Plus Freightliner bucket truck	2010					
Terex Tele Freightliner bucket truck	2008					
Stirling Acterra bucket truck	2004					
Freightliner FL80 bucket truck	2003					
Forklift hyster	2008					
Honda CRV SUV	2008					
Dodge Ram 4x4 pickup	2012					
Freightliner FM2 bucket truck	2012					
Dodge Ram 4x4 pickup	2014					
International derrick digger	1993					
International derrick digger	1987					
Chevrolet volt	2014					
Posi-Plus Freightliner bucket truck	2016					
New vehicle	2016					

	Purchased vehicle
	Sold vehicle

b) Lakefront Utilities confirms that it purchased a new single bucket truck at the time of the last Cost of Service application. In 2012 Lakefront purchased a bucket truck for $288,491.

2.0-VECC-4

Reference: E2/Attachment A/DSP; E4/T4/S4/Table 4.21

a) Lakefront has identified 5 categories of assets which are outside the Kinectric Study TUL. Please comment on the materiality of these exceptions.

Lakefront Utilities Response

Lakefront Utilities has updated Appendix 2-BB and notes that LUI is not proposing any changes to the useful life of assets.

2.0-VECC-5
Reference: E2/Attachment A/DSP

a) Please provide either a table or chart, similar to that at page 106 for of the DSP for poles, which shows the condition (good, poor etc.) of the major categories of distribution assets (e.g. padmount transformers, pole transformers, underground cable, overhead cable, switches etc.).
b) Please explain how the condition of these assets was determined indicating if the entire population or a sample was tested and how.

Lakefront Utilities Response

a) No Asset Condition Assessment was performed for any other major categories of distribution assets at this time. In managing its distribution system assets, LUI's main objective is to optimize performance of the assets at a reasonable cost while maintaining system reliability, safety, and customer service expectations. LUI is committed to providing its customers with economical, safe, reliable supply of electricity and helping the Town of Cobourg and Township of Cramahe become one of the most energy efficient and cost effective communities in Ontario.

b) Lakefront Utilities has largely based its additions on assessing the system for assets near or beyond useful life and requirements for 4kV conversion, focusing on asset inspection and maintenance and capital expenditure planning. Lakefront also relies upon the judgement of key staff and engineers which is based on their experience in the industry to meet the current and future needs of LUI's distribution system.

2.0-VECC-6
Reference: E2/Attachment A/DSP/pg. 125

a) What are the distribution system costs of the Downtown Vitalization/Waterfront program?
b) What portion of this cost is being funded by contributions from the City/Municipality or other levels of government?

Lakefront Utilities Response

a) The Downtown Vitalization/Waterfront program is overlaid over the Municipal Heritage Master Plan. This plan calls for all overhead distribution to be relocated to the underground during distribution upgrades. The upgrades will be done over multiple years. It is uncertain how long that will take. The cost will be determined once the designs are issued to LUI from the Town.

b) When the distribution area in the Downtown Vitalization/Waterfront program requires rebuilding and the Town requires the distribution to be buried, the Town of Cobourg pays the difference between the overhead and underground construction costs. There is no subsidization by LUI of these costs.

2.0-VECC-7
Reference: E2/Attachment A/DSP/pg. 38 & Table 2.16

a) Given the condition assessment of poles shown in Figure 13 of the DSP, please explain why are there no pole replacements forecast for 2017?

Lakefront Utilities Response

Lakefront's capital plan overhead replacements in 2016 and 2017 are focused on relieving load from the Orr St Station and contingency. However, poles determined to require immediate replacement in Cramahe have been given priority under the projects scheduled year of replacement.

2.0-VECC-8

Reference: E2/T5/S3/Table 2.16

a) Please provide a breakdown of the material category spending under the category of “Distribution system equipment replacement” for the years 2012 through 2017.

Lakefront Utilities Response

a) Below is a breakdown of the spending under the category “Distribution system equipment replacement”.

Distribution System Equipment Replacement	2012	2013	2014	2015	2016	2017
System Renewal						
ROW - Kerr St.		6,414				
Highvolt tower MS#1 - Victoria St. sub-station			80,630			
Durham St. sub-station transformer				46,854		
MS28 station battery				14,704		
Victoria St. Station rebuild					460,000	
Victoria St. Station wholesale metering					15,000	
Victoria St. Station primary feeder cable replacement					120,000	
D'Arcy St. painting					4,000	
Durham St. station rebuild						370,000
Total	**0**	**6,414**	**80,630**	**61,558**	**599,000**	**370,000**
System Service						
SCADA	22,303					
Substation upgrades		51,959				
Brook Rd. sub-station		8,860				
Victoria St. sub-station transformer fan				3,716		
Victoria St. sub-station MS28-1 station breaker				811		
MS28-2 Brook Rd. failure				114,246		
Brook Rd. sub-station new transformer				97,561		
Durham St. Station primary feeder cable replacement						80,000
Durham St. Station viper switches						100,000
Total	**22,303**	**60,819**	**0**	**216,334**	**0**	**180,000**

2.0-VECC-9

Reference: E2/T5/S3/Table 2.16

a) Please provide a table showing for 2012 through 2017 all new and upgrades services costs and separately for each year the total capital contributions. Include any portion of the total capital contribution for each that is not associated with new or upgraded serve on a separate row.

Lakefront Utilities Response

Below is table showing 2012 through 2017 all new and upgraded service costs and separately each year the total capital contributions.

Year	New and Upgraded Services	Total Capital Contributions
2012	153,245	(144,981)
2013	80,834	(46,772)
2014	47,104	(30,269)
2015	122,679	(76,466)
2016	50,000	
2017	50,000	

2.0-VECC-10
Reference: E2/T5/S3/Table 2.16

a) Please update Table 2.16 to show 2015 actuals to-date and (separately) the remaining year forecast. Please explain any material changes from the original forecast.

Lakefront Utilities Response

Table 2.16 already includes 2015 actuals at December 31, 2015. Lakefront Utilities presumes that the expectation is for an updated table for 2016.

Below is Table 2.16, updated with additions at June 30, 2016.

Projects	2012	2013	2014	2015	as at June 30, 2016	2016 Bridge Year	2017 Test Year
System Access	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**
Smart metering	1,986,658	117,332	10,392	39,921	6,142	35,000	76,500
Overhead replacements		9,256	24,250	5,700			
Underground replacements		26,193	10,693	3,939			
Transformer replacements		22,277		13,474			
New and upgraded services (net of contributions)		34,062	47,104	64,213	65,916	50,000	50,000
Pole line upgrade			691	11,354			
Miscellaneous	1,768						
Sub-Total	1,988,426	209,120	93,130	138,601	72,058	85,000	126,500
System Renewal							
Pole replacements	251,174	96,959	244,855	312,130	59,396	99,016	265,320
Overhead replacements	468,224	160,549	364,593	195,219	28,504	83,314	258,665
Transformer replacements	124,546	50,868	111,959	49,026	8,109	23,701	73,584
Distribution system equipment replacement		6,414	80,630	61,558	135,458	599,000	370,000
Underground replacements			25,872	24,429	8,464	24,741	76,814
New and upgraded services (net of contributions)				59,515	13,010	38,028	118,067
Miscellaneous				20,299	26,822	21,000	21,000
Sub-Total	843,944	314,790	827,909	722,176	279,763	888,800	1,183,450
System Service							
Distribution system equipment replacement	22,303	60,819		216,334			180,000
Pole replacements	8,777			33,851	4,113	108,615	
Overhead replacements	279,306		10,173	167,089	6,322	114,523	
Underground replacements	224,389	4,157		19,366	1,289	34,009	134,640
Transformer replacements	2,673		791	289	1,235	32,579	
Smart metering	58,218		11,309				
SCADA	97,796	14,812	245,130	145,085			
GIS			40,953	80,138	19,150	50,000	
New and upgraded services (net of contributions)						52,274	
Miscellaneous	1,426						
Sub-Total	694,888	79,788	308,356	662,152	32,109	392,000	314,640
General Plant							
Building and fixtures - new garage storage building	188,993	38,411					
Building and fixtures - electrical work			54,231				
Building and fixtures - miscellaneous					273	10,000	10,000
Office furniture and equipment - new desks, boardroom furniture	31,047						
Office furniture equipment - phone system		13,799					
Computer equipment hardware - servers/laptops	21,321		21,136	29,160	4,054	15,000	15,000
Computer software - accounting software	277,365	24,126					
Computer software - work order estimating tool		26,107					
Computer software - miscellaneous			19,400		1,997	10,000	10,000
Computer software - billing software conversion				215,983			
Transportation equipment - bucket truck, two vehicles	317,215						
Transportation equipment - electric vehicle, van, derrick truck			77,846				
Transportation equipment - new vehicles							35,000
Transportation equipment - bucket truck					279,561	280,000	
Tools and equipment - forklift	32,759						
Tools and equipment - tension machine		181,952					
Tools and equipment - miscellaneous			26,756	5,368	2,997	5,000	5,000
Measurement and testing equipment - meter probe		1,475					
Miscellaneous			1,340	7,140		7,000	
Sub-Total	868,700	285,870	200,709	257,651	288,882	327,000	75,000
Miscellaneous							
Total	**4,395,958**	**889,568**	**1,430,104**	**1,780,580**	**672,812**	**1,692,800**	**1,699,590**
Less Renewable Generation Facility Assets and Other Non-Rate-Regulated Utility Assets ***(input as negative)***							
Total	**4,395,958**	**889,568**	**1,430,104**	**1,780,580**	**672,812**	**1,692,800**	**1,699,590**

2-Energy Probe-2
Ref: Exhibit 2, Table 2.1

Please explain the significantly lower ending balance for 2012 actual as compared to Board approved.

Lakefront Utilities Response

The 2012 actual compared to the 2012 Board Approved shows a decrease in average fixed assets. The 2012 Actual Rate Base of $16,976,129 is $683,891 or 3.87% less than the 2012 Board Approved. The significant variances can be attributed to:

1) Capital additions in 2012 were approximately $2,296,000 higher than the Board Approved additions. The major variances in 2012 include:

    a. Recognition of smart meters of $2,044,874.

    b. Additional capital of $565,550 related to the purchase of a PMH-9 and new viper switches, were not included in the 2012 Board Approved purchases. The purchase of PMH-9 pad-mounted distribution switches was the result of failures as a result of a 25kV switch operating on a 28kV system. The purchase and planned installation was for four of the worst performing distribution feeders and outages or other issues were attributed to the pad-mounted switches since their installation.

    Lakefront notes that although the additions were the higher, the average balance decreased by $589,777.

2) The Power Supply Expense was lower than projected by $354,095 or 1.49%. LUI's forecasted metered kWh in the 2012 Board Approved load forecast were approximately 1% lower than 2012 Actual metered kWhs.

3) In addition to the power supply expense, the 2012 OM&A expenses were $273,335 less than the Board Approved OM&A.

2-Energy Probe-3
Ref: Exhibit 2, page 11

Table 2.7 shows that the ending balance in 2012 was substantially lower than the Board approved figure, but the evidence states that capital additions in 2012 were approximately $2,296,000 higher than the Board approved additions.

Please explain how the capital additions can be higher than Board approved, but the ending balance lower than Board approved, given that the opening balance is the same.

Lakefront Utilities Response

The figures noted in Table 2.7 calculates an average balance between the opening and closing fixed asset balances. The Board-Approved average balance for 2012 was $13,698,676 compared to the 2012 actual of $13,108,899.

Further, the total additions per Lakefront's settlement agreement was $2,099,000 compared to the actual 2012 additions of $4,395,955 which included $2,044,874 for smart meter recognition.

2-Energy Probe-4
Ref: Exhibit 2 Appendix 2-BA

a) Does the continuity schedule for 2016 reflect actual data for 2016? If not, please provide an updated continuity schedule for 2016 that reflects actual data for 2016, along with an updated continuity schedule for 2017.

b) With respect to the continuity schedule for 2012, gross additions for smart meters are shown as $2,044,874. Were there any other additions in 2012 associated with smart meters (such as software)? If so, please quantify the other additions in 2012 related to smart meters.

c) Please explain why Lakefront was still adding capital expenditures to meters rather than to smart meters in 2013.

d) Please explain how the stranded meters which were disposed of in EB-2011-0250 have been reflected in the 2012 continuity schedule.

Lakefront Utilities Response

a) The continuity schedule for 2016 reflected budgeted data for 2016. Below is the continuity schedule updated for 2016 data as at June 30, 2016 and an updated continuity schedule for 2017.

Accounting Standard	**MIFRS**
Year	**2016**

			Cost				**Accumulated Depreciation**				
CCA Class	**OEB**	**Description**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Net Book Value**
12	1611	Computer Software (Formally known as Account 1925)	$ 677,113	$ 1,997	$ -	$ 679,109	-$ 373,276	-$ 53,855	$ -	-$ 427,131	$ 251,978
CEC	1612	Land Rights (Formally known as Account 1906 and 1806)	$ -		$ -	$ -	$ -		$ -	$ -	$ -
N/A	1805	Land	$ 219,284		$ -	$ 219,284	$ -		$ -	$ -	$ 219,284
47	1808	Buildings	$ 1,203,550	$ 273	$ -	$ 1,203,823	-$ 241,260	-$ 15,276	$ -	-$ 256,536	$ 947,287
13	1810	Leasehold Improvements	$ -		$ -	$ -	$ -		$ -	$ -	$ -
47	1815	Transformer Station Equipment >50 kV	$ -		$ -	$ -	$ -		$ -	$ -	$ -
47	1820	Distribution Station Equipment <50 kV	$ 3,397,415	$ 135,458	$ -	$ 3,532,873	-$ 1,887,652	-$ 32,175	$ -	-$ 1,919,827	$ 1,613,047
47	1825	Storage Battery Equipment	$ -		$ -	$ -	$ -		$ -	$ -	$ -
47	1830	Poles, Towers & Fixtures	$ 2,316,080	$ 63,509	$ -	$ 2,379,589	-$ 391,397	-$ 30,415	$ -	-$ 421,812	$ 1,957,777
47	1835	Overhead Conductors & Devices	$ 5,902,466	$ 32,844	$ -	$ 5,935,310	-$ 1,413,319	-$ 58,286	$ -	-$ 1,471,605	$ 4,463,705
47	1840	Underground Conduit	$ 1,050,141		$ -	$ 1,050,141	-$ 306,196	-$ 13,923	$ -	-$ 320,119	$ 730,022
47	1845	Underground Conductors & Devices	$ 3,697,792	$ 9,754	$ -	$ 3,707,546	-$ 2,293,777	-$ 46,153	$ -	-$ 2,339,931	$ 1,367,615
47	1850	Line Transformers	$ 5,857,557	$ 9,343	$ -	$ 5,866,900	-$ 2,992,369	-$ 82,646	$ -	-$ 3,075,015	$ 2,791,886
47	1855	Services (Overhead & Underground)	$ 852,827	$ 80,908	$ -	$ 933,734	-$ 196,188	-$ 14,448	$ -	-$ 210,636	$ 723,098
47	1860	Meters	$ 227,802		$ -	$ 227,802	-$ 268,094	$ 40,292	$ -	-$ 227,802	$ 0
47	1860	Meters (Smart Meters)	$ 2,270,932	$ 6,142	$ -	$ 2,277,074	-$ 506,111	-$ 76,102	$ -	-$ 582,213	$ 1,694,861
N/A	1905	Land	$ -		$ -	$ -	$ -		$ -	$ -	$ -
47	1908	Buildings & Fixtures	$ -		$ -	$ -	$ -		$ -	$ -	$ -
13	1910	Leasehold Improvements	$ -		$ -	$ -	$ -		$ -	$ -	$ -
8	1915	Office Furniture & Equipment (10 years)	$ 107,326		$ -	$ 107,326	-$ 50,658	-$ 5,221	$ -	-$ 55,879	$ 51,447
8	1915	Office Furniture & Equipment (5 years)	$ -		$ -	$ -	$ -		$ -	$ -	$ -
10	1920	Computer Equipment - Hardware	$ 135,997	$ 4,054	$ -	$ 140,050	-$ 77,160	-$ 9,777	$ -	-$ 86,937	$ 53,113
45	1920	Computer Equip.-Hardware(Post Mar. 22/04)	$ -		$ -	$ -	$ -		$ -	$ -	$ -
45.1	1920	Computer Equip.-Hardware(Post Mar. 19/07)	$ -		$ -	$ -	$ -		$ -	$ -	$ -
10	1930	Transportation Equipment	$ 1,154,767	$ 279,561	$ -	$ 1,434,328	-$ 757,835	-$ 74,375	$ -	-$ 832,210	$ 602,118
8	1935	Stores Equipment	$ -		$ -	$ -	$ -		$ -	$ -	$ -
8	1940	Tools, Shop & Garage Equipment	$ 606,992	$ 2,997	$ -	$ 609,989	-$ 220,857	-$ 31,243	$ -	-$ 252,101	$ 357,888
8	1945	Measurement & Testing Equipment	$ 22,346		$ -	$ 22,346	-$ 11,223	-$ 1,112	$ -	-$ 12,335	$ 10,010
8	1950	Power Operated Equipment	$ -		$ -	$ -	$ -		$ -	$ -	$ -
8	1955	Communications Equipment	$ -		$ -	$ -	$ -		$ -	$ -	$ -
8	1955	Communication Equipment (Smart Meters)	$ -		$ -	$ -	$ -		$ -	$ -	$ -
8	1960	Miscellaneous Equipment	$ 162,826	$ 45,972	$ -	$ 208,798	-$ 15,230	-$ 9,209	$ -	-$ 24,439	$ 184,359
47	1970	Load Management Controls Customer Premises	$ -		$ -	$ -	$ -		$ -	$ -	$ -
47	1975	Load Management Controls Utility Premises	$ -		$ -	$ -	$ -		$ -	$ -	$ -
47	1980	System Supervisor Equipment	$ 332,258		$ -	$ 332,258	-$ 27,660	-$ 8,306	$ -	-$ 35,967	$ 296,291
47	1985	Miscellaneous Fixed Assets	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -
47	1990	Other Tangible Property	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -
47	1995	Contributions & Grants	-$ 3,003,879		$ -	-$ 3,003,879	$ 840,328	$ 53,949	$ -	$ 894,277	-$ 2,109,603
	etc.		$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -
	etc.		$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -
			$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -
		Sub-Total	**$ 27,191,590**	**$ 672,812**	**$ -**	**$ 27,864,402**	**-$ 11,189,936**	**-$ 468,282**	**$ -**	**-$ 11,658,218**	**$ 16,206,184**
		Less Socialized Renewable Energy Generation Investments (input as negative)Less Socialized Renewable Energy Generation Investments (input as negative)				$ -				$ -	$ -
		Less Other Non Rate-Regulated Utility Assets (input as negative)Less Other Non Rate-Regulated Utility Assets (input as negative)				$ -				$ -	$ -
		Total PP&E	**$ 27,191,590**	**$ 672,812**	**$ -**	**$ 27,864,402**	**-$ 11,189,936**	**-$ 468,282**	**$ -**	**-$ 11,658,218**	**$ 16,206,184**
		Depreciation Expense adj. from gain or loss on the retirement of assets (pool of like assets)									
		Total						**-$ 468,282**			

Accounting Standard	**MIFRS**
Year	**2017**

			Cost				**Accumulated Depreciation**				
CCA Class	**OEB**	**Description**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Net Book Value**
12	1611	Computer Software (Formally known as Account 1925)	$ 679,109	$ 10,000	$ -	$ 689,109	-$ 427,131	-$ 82,904	$ -	-$ 510,035	$ 179,074
CEC	1612	Land Rights (Formally known as Account 1906 and 1806)	$ -		$ -	$ -	$ -		$ -	$ -	$ -
N/A	1805	Land	$ 219,284		$ -	$ 219,284	$ -		$ -	$ -	$ 219,284
47	1808	Buildings	$ 1,203,823	$ 10,000	$ -	$ 1,213,823	-$ 256,536	-$ 30,849	$ -	-$ 287,386	$ 926,438
13	1810	Leasehold Improvements	$ -		$ -	$ -	$ -		$ -	$ -	$ -
47	1815	Transformer Station Equipment >50 kV	$ -		$ -	$ -	$ -		$ -	$ -	$ -
47	1820	Distribution Station Equipment <50 kV	$ 3,532,873	$ 550,000	$ -	$ 4,082,873	-$ 1,919,827	-$ 81,268	$ -	-$ 2,001,095	$ 2,081,779
47	1825	Storage Battery Equipment	$ -		$ -	$ -	$ -		$ -	$ -	$ -
47	1830	Poles, Towers & Fixtures	$ 2,379,589	$ 265,320	$ -	$ 2,644,909	-$ 421,812	-$ 68,536	$ -	-$ 490,348	$ 2,154,561
47	1835	Overhead Conductors & Devices	$ 5,935,310	$ 258,665	$ -	$ 6,193,975	-$ 1,471,605	-$ 122,792	$ -	-$ 1,594,397	$ 4,599,578
47	1840	Underground Conduit	$ 1,050,141		$ -	$ 1,050,141	-$ 320,119	-$ 27,846	$ -	-$ 347,965	$ 702,176
47	1845	Underground Conductors & Devices	$ 3,707,546	$ 211,454	$ -	$ 3,919,000	-$ 2,339,931	-$ 105,475	$ -	-$ 2,445,406	$ 1,473,594
47	1850	Line Transformers	$ 5,866,900	$ 73,584	$ -	$ 5,940,484	-$ 3,075,015	-$ 160,000	$ -	-$ 3,235,015	$ 2,705,470
47	1855	Services (Overhead & Underground)	$ 933,734	$ 168,067	$ -	$ 1,101,801	-$ 210,636	-$ 18,993	$ -	-$ 229,630	$ 872,172
47	1860	Meters	$ 227,802		$ -	$ 227,802	-$ 227,802		$ -	-$ 227,802	$ 0
47	1860	Meters (Smart Meters)	$ 2,277,074	$ 76,500	$ -	$ 2,353,574	-$ 582,213	-$ 157,349	$ -	-$ 739,562	$ 1,614,012
N/A	1905	Land	$ -		$ -	$ -	$ -		$ -	$ -	$ -
47	1908	Buildings & Fixtures	$ -		$ -	$ -	$ -		$ -	$ -	$ -
13	1910	Leasehold Improvements	$ -		$ -	$ -	$ -		$ -	$ -	$ -
8	1915	Office Furniture & Equipment (10 years)	$ 107,326		$ -	$ 107,326	-$ 55,879	-$ 10,442	$ -	-$ 66,322	$ 41,005
8	1915	Office Furniture & Equipment (5 years)	$ -		$ -	$ -	$ -		$ -	$ -	$ -
10	1920	Computer Equipment - Hardware	$ 140,050	$ 15,000	$ -	$ 155,050	-$ 86,937	-$ 21,516	$ -	-$ 108,454	$ 46,597
45	1920	Computer Equip.-Hardware(Post Mar. 22/04)	$ -		$ -	$ -	$ -		$ -	$ -	$ -
45.1	1920	Computer Equip.-Hardware(Post Mar. 19/07)	$ -		$ -	$ -	$ -		$ -	$ -	$ -
10	1930	Transportation Equipment	$ 1,434,328	$ 35,000	$ -	$ 1,469,328	-$ 832,210	-$ 149,901	$ -	-$ 982,111	$ 487,218
8	1935	Stores Equipment	$ -		$ -	$ -	$ -		$ -	$ -	$ -
8	1940	Tools, Shop & Garage Equipment	$ 609,989	$ 5,000	$ -	$ 614,989	-$ 252,101	-$ 61,828	$ -	-$ 313,929	$ 301,060
8	1945	Measurement & Testing Equipment	$ 22,346		$ -	$ 22,346	-$ 12,335	-$ 2,225	$ -	-$ 14,560	$ 7,786
8	1950	Power Operated Equipment	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -
8	1955	Communications Equipment	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -
8	1955	Communication Equipment (Smart Meters)	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -
8	1960	Miscellaneous Equipment	$ 208,798	$ 21,000	$ -	$ 229,798	-$ 24,439	-$ 24,373	$ -	-$ 48,812	$ 180,986
47	1970	Load Management Controls Customer Premises	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -
47	1975	Load Management Controls Utility Premises	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -
47	1980	System Supervisor Equipment	$ 332,258	$ -	$ -	$ 332,258	-$ 35,967	-$ 16,613	$ -	-$ 52,580	$ 279,678
47	1985	Miscellaneous Fixed Assets	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -
47	1990	Other Tangible Property	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -
47	1995	Contributions & Grants	-$ 3,003,879	$ -	$ -	-$ 3,003,879	$ 894,277	$ 107,897	$ -	$ 1,002,174	-$ 2,001,706
	etc.		$ -	$ -	$ -	$ -			$ -	$ -	$ -
			$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -
		Sub-Total	**$ 27,864,402**	**$ 1,699,590**	**$ -**	**$ 29,563,992**	**-$ 11,658,218**	**-$ 1,035,014**	**$ -**	**-$ 12,693,232**	**$ 16,870,760**
		Less Socialized Renewable Energy Generation Investments (input as negative)Less Socialized Renewable Energy Generation Investments (input as negative)				$ -				$ -	$ -
		Less Other Non Rate-Regulated Utility Assets (input as negative)Less Other Non Rate-Regulated Utility Assets (input as negative)				$ -				$ -	$ -
		Total PP&E	**$ 27,864,402**	**$ 1,699,590**	**$ -**	**$ 29,563,992**	**-$ 11,658,218**	**-$ 1,035,014**	**$ -**	**-$ 12,693,232**	**$ 16,870,760**
		Depreciation Expense adj. from gain or loss on the retirement of assets (pool of like assets)									
		Total						**-$ 1,035,014**			

b) Included in computer software (account 1611) was $109,298 associated with smart meter software costs.

c) Lakefront notes this is an error and should have been recorded on the line "Meters – Smart Meters".

d) Lakefront Utilities notes that the stranded meters which were approved for disposition in EB-2011-0250, were not reflected on the 2012 continuity schedule and were not recorded as a disposition in Lakefront's financial system.

   Consequently, Lakefront has updated its 2012 continuity schedule to show the disposition of stranded meters and the 2016 and 2017 continuity schedule has been updated accordingly.

   Note: As a result of the above, Lakefront Utilities has updated its RRWF and has included the change on Tab 10. Tracking Sheet.

2-Energy Probe-5
Ref: Exhibit 2, Table 2.8

a) If required, please update Table 2.8 to reflect actual data for 2016.

b) Please explain why the forecast is for no WIP at the end of either 2016 or 2017, given that there has been WIP in each of 2012 through 2015.

Lakefront Utilities Response

a) Below is updated Table 2.8 to reflect actual data as at June 30, 2016.

Description	2012 Board Approved	2012	2013	2014	2015	as at June 30, 2016	2016 Bridge Year	2017 Test Year
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Distribution Plant	21,549,289	22,312,557	23,293,825	24,237,139	25,573,011	25,910,970	26,867,811	28,471,401
General Plant	3,859,226	3,380,411	3,681,094	4,119,285	4,622,458	4,957,311	5,020,458	5,116,458
Contribution and Grants	(2,500,063)	(2,553,030)	(2,945,414)	(2,945,414)	(3,003,879)	(3,003,879)	(3,003,879)	(3,003,879)
Total Excluding WIP	22,908,452	23,139,938	24,029,505	25,411,009	27,191,590	27,864,402	28,884,390	30,583,980
WIP	100,000	138,628	330,404	297,013	287,209	0	0	0
Total Including WIP	23,008,452	23,278,566	24,359,909	25,708,022	27,478,799	27,864,402	28,884,390	30,583,980

Please note that the data for 2012 to 2015 and 2016 Bridge Year and 2017 Test Year have been updated to reflect changes in the meter asset account (2-Energy Probe 4 question d))

b) Lakefront Utilities has recently completed its Distribution System Plan and based on the forecasted capital projects and Lakefront's early approval of annual capital projects, Lakefront expects to complete all capital projects. Further, Lakefront did not record a WIP balance as it cannot determine in advance if any capital projects will be delayed and therefore did not feel it was appropriate to include a figure for WIP.

2-Energy Probe-6
Ref: Exhibit 2, Table 2.9

Please explain the significant variance between 2012 actual and 2012 Board approved for account 1860 meters. Please explain how the removal of stranded meters has been reflected in the actual 2012 figures as compared to the removal included in the 2012 Board approved figure.

Lakefront Utilities Response

Lakefront Utilities believes its historical capital spending has been adequate to meet the needs of its customers. Lakefront has achieved an average level of investment in accordance with the OEB approved investment levels from 2012 to 2015. In managing its distribution system assets, LUI's main objective is to optimize performance of the assets at a reasonable costs with due regards for system reliability, safety, and customer service expectations.

Consequently, different situations can affect the smart meter costs. Lakefront discovered that installation costs in rural areas are more expensive than in urban areas. Furthermore, installation costs were also more expensive in areas characterized by older construction as opposed to newer construction.

Lakefront Utilities notes that the stranded meters which were approved for disposition in EB-2011-0250 however, were not disposed of in Lakefront's financial system and were not reflected on the 2012 continuity schedule. Consequently, Lakefront has updated its 2012 continuity schedule to show the disposition of stranded meters and the 2016 and 2017 continuity schedule has been updated accordingly.

2-Energy Probe-7

Ref: Exhibit 2, page 39

a) Please update the evidence to reflect the most recent RPP and non-RPP prices available, as well as any updates for WMS charges, network and connection charges, low voltage charges, etc. Please provide an updated Table 2.15 that reflects these updates.

b) Please show the derivation of the most recent RPP and non-RPP prices used based on the latest Price Plan Price Report used in (a).

Lakefront Utilities Response

a) Below is an updated Table 2.15.

Determinaton of Commodity

Customer Class Name		Last Actual KWhs	non-RPP	RPP
Residential		78,306,077	19,576,519	58,729,558
General Service < 50 kW		32,366,415	8,091,604	24,274,811
General Service 50-2999 kW		115,685,946	28,921,487	86,764,460
General Service 3000-4999 kW		14,943,860	3,735,965	11,207,895
Street Lighting		1,439,933	359,983	1,079,950
Sentinel Lighting		43,818	10,955	32,864
Unmetered Scattered Load		602,228	150,557	451,671
Total		**243,388,277**	**60,476,132**	**181,428,395**
%		**99.39%**	**24.85%**	**74.54%**

Forecast Price

HOEP ($/MWh)			$20.57	
Global Adjustment ($/MWh)			$87.92	
Total ($/MWh)			**$108.49**	**$107.28**
$/kWh			**$0.10849**	**$0.10728**
%			24.85%	74.54%
Weighted Average	**$0.1069**		**0.0270**	**0.0800**

Electricity Projections (volumes for the bridge and test year are automatically loss adjusted)

Customer Class Name		Revenue	Expense	2016			2017		
		USoA#	USoA#	Volume	Rate ($/kWh)	Amount	Volume	Rate ($/kWh)	Amount
Residential	kWh	4006	4705	83,330,189	$0.10693	$8,910,218	80,915,488	$0.1069	$8,652,022
General Service < 50 kW	kWh	4010	4705	34,443,042	$0.10693	$3,682,879	33,444,968	$0.1069	$3,576,159
General Service 50-2999 kW	kWh	4035	4705	123,108,347	$0.10693	$13,163,563	119,540,974	$0.1069	$12,782,116
General Service 3000-4999 kW	kWh	4035	4705	15,902,657	$0.10693	$1,700,418	15,441,838	$0.1069	$1,651,144
Street Lighting	kWh	4010	4705	1,532,319	$0.10693	$163,846	1,487,916	$0.1069	$159,098
Sentinel Lighting	kWh	4010	4705	46,629	$0.10693	$4,986	45,278	$0.1069	$4,841
Unmetered Scattered Load	kWh	4025	4705	640,867	$0.10693	$68,526	622,296	$0.1069	$66,540
Total				**259,004,050**		**$27,694,436**	**251,498,759**		**$26,891,920**

Transmission - Network (volumes for the bridge and test year are automatically loss adjusted)

Customer Class Name		Revenue	Expense	2016			2017		
		USoA#	USoA#	Volume	Rate ($/kWh)	Amount	Volume	Rate ($/kWh)	Amount
Residential	kWh	4066	4714	83,330,189	$0.00590	$491,648	80,915,488	$0.0066	$530,587
General Service < 50 kW	kWh	4066	4714	34,443,042	$0.00540	$185,992	33,444,968	$0.0060	$200,723
General Service 50-2999 kW	kW	4066	4714	294,297	$2.17290	$639,478	289,175	$2.4150	$698,350
General Service 3000-4999 kW	kW	4066	4714	37,177	$2.43020	$90,346	36,530	$2.7009	$98,664
Street Lighting	kW	4066	4714	3,896	$1.63880	$6,385	3,828	$1.8214	$6,972
Sentinel Lighting	kW	4066	4714	134	$1.64680	$221	132	$1.8302	$241
Unmetered Scattered Load	kWh	4066	4714	640,867	$0.00620	$3,973	622,296	$0.0069	$4,288
Total				**118,749,601**		**$1,418,044**	**115,312,417**		**$1,539,826**

Transmission - Connection (volumes for the bridge and test year are automatically loss adjusted)

Customer Class Name		Revenue	Expense	2016			2017		
		USoA#	USoA#	Volume	Rate ($/kWh)	Amount	Volume	Rate ($/kWh)	Amount
Residential	kWh	4068	4716	83,330,189	$0.00450	$374,986	80,915,488	$0.0050	$406,102
General Service < 50 kW	kWh	4068	4716	34,443,042	$0.00410	$141,216	33,444,968	$0.0046	$152,935
General Service 50-2999 kW	kW	4068	4716	294,297	$1.63920	$482,412	289,175	$1.8282	$528,669
General Service 3000-4999 kW	kW	4068	4716	37,177	$1.93340	$71,877	36,530	$2.1563	$78,769
Street Lighting	kW	4068	4716	3,896	$1.26720	$4,937	3,828	$1.4133	$5,410
Sentinel Lighting	kW	4068	4716	134	$1.29370	$174	132	$1.4429	$190
Unmetered Scattered Load	kWh	4068	4716	640,867	$0.00510	$3,268	622,296	$0.0057	$3,540
Total				**118,749,601**		**$1,078,870**	**115,312,417**		**$1,175,616**

Wholesale Market Service (volumes for the bridge and test year are automatically loss adjusted)

Customer Class Name		Revenue	Expense	2016			2017		
		USoA#	USoA#	Volume	Rate ($/kWh)	Amount	Volume	Rate ($/kWh)	Amount
Residential	kWh	4062	4708	83,330,189	$0.00360	$299,989	80,915,488	$0.0036	$291,296
General Service < 50 kW	kWh	4062	4708	34,443,042	$0.00360	$123,995	33,444,968	$0.0036	$120,402
General Service 50-2999 kW	kWh	4062	4708	123,108,347	$0.00360	$443,190	119,540,974	$0.0036	$430,348
General Service 3000-4999 kW	kWh	4062	4708	15,902,657	$0.00360	$57,250	15,441,838	$0.0036	$55,591
Street Lighting	kWh	4062	4708	1,532,319	$0.00360	$5,516	1,487,916	$0.0036	$5,356
Sentinel Lighting	kWh	4062	4708	46,629	$0.00360	$168	45,278	$0.0036	$163
Unmetered Scattered Load	kWh	4062	4708	640,867	$0.00360	$2,307	622,296	$0.0036	$2,240
Total				**259,004,050**		**$932,415**	**251,498,759**		**$905,396**

Rural Rate Protection (volumes for the bridge and test year are automatically loss adjusted)

Customer Class Name		Revenue	Expense	2016			2017		
		USoA#	USoA#	Volume	Rate ($/kWh)	Amount	Volume	Rate ($/kWh)	Amount
Residential	kWh	4062	4730	83,330,189	$0.00130	$108,329	80,915,488	$0.0013	$105,190
General Service < 50 kW	kWh	4062	4730	34,443,042	$0.00130	$44,776	33,444,968	$0.0013	$43,478
General Service 50-2999 kW	kWh	4062	4730	123,108,347	$0.00130	$160,041	119,540,974	$0.0013	$155,403
General Service 3000-4999 kW	kWh	4062	4730	15,902,657	$0.00130	$20,673	15,441,838	$0.0013	$20,074
Street Lighting	kWh	4062	4730	1,532,319	$0.00130	$1,992	1,487,916	$0.0013	$1,934
Sentinel Lighting	kWh	4062	4730	46,629	$0.00130	$61	45,278	$0.0013	$59
Unmetered Scattered Load	kWh	4062	4730	640,867	$0.00130	$833	622,296	$0.0013	$809
Total				**259,004,050**		**$336,705**	**251,498,759**		**$326,948**

Ontario Electricity Support Program Charge (volumes for the bridge and test year are automatically loss adjusted)

Customer Class Name		Revenue	Expense	2016			2017		
		USoA#	USoA#	Volume	Rate ($/kWh)	Amount	Volume	Rate ($/kWh)	Amount
Residential	kWh	4062	4708	83,330,189	$0.00110	$91,663	80,915,488	$0.0011	$89,007
General Service < 50 kW	kWh	4062	4708	34,443,042	$0.00110	$37,887	33,444,968	$0.0011	$36,789
General Service 50-2999 kW	kWh	4062	4708	123,108,347	$0.00110	$135,419	119,540,974	$0.0011	$131,495
General Service 3000-4999 kW	kWh	4062	4708	15,902,657	$0.00110	$17,493	15,441,838	$0.0011	$16,986
Street Lighting	kWh	4062	4708	1,532,319	$0.00110	$1,686	1,487,916	$0.0011	$1,637
Sentinel Lighting	kWh	4062	4708	46,629	$0.00110	$51	45,278	$0.0011	$50
Unmetered Scattered Load	kWh	4062	4708	640,867	$0.00110	$705	622,296	$0.0011	$685
Total				**259,004,050**		**$284,904**	**251,498,759**		**$276,649**

Smart Meter Entity Charge (volumes for the bridge and test year are automatically loss adjusted)

Customer Class Name		Revenue	Expense	2016			2017		
		USoA#	USoA#	Volume	Per bill	Amount	Volume	Rate ($/kWh)	Amount
Residential	kWh			9,027	$0.79000	$85,575	9,171	$0.7900	$86,942
General Service < 50 kW	kWh			1,082	$0.79000	$10,259	1,087	$0.7900	$10,303
Total				**10,109**		**$95,834**	**10,258**		**$97,245**

Low Voltage Charges to be added to power supply expense for bridge and test year

Customer Class Name		Revenue	Expense	2016			2017		
		USoA#	USoA#	Volume	Rate ($/kWh)	Amount	Volume	Rate ($/kWh)	Amount
Residential	kWh	4075	4750	83,330,189	$0.00130	$108,329	80,915,488	$0.0014	$110,352
General Service < 50 kW	kWh	4075	4750	34,443,042	$0.00120	$41,332	33,444,968	$0.0012	$41,558
General Service 50-2999 kW	kW	4075	4750	294,297	$0.47780	$140,615	289,175	$0.4968	$143,657
General Service 3000-4999 kW	kW	4075	4750	37,177	$0.56350	$20,949	36,530	$0.5859	$21,404
Street Lighting	kW	4075	4750	3,896	$0.36940	$1,439	3,828	$0.3840	$1,470
Sentinel Lighting	kW	4075	4750	134	$0.37710	$51	45,278	$0.3921	$17,753
Unmetered Scattered Load	kWh	4075	4750	640,867	$0.00150	$961	622,296	$0.0015	$962
Total				**118,749,601**		**$313,676**	**$115,357,563**		**$337,156**

Projected Power Supply Expense	2016	2017
Projected Power Supply Expense	**$32,154,885**	**$31,550,756**

b) Lakefront Utilities used the rate order for the 2016 Uniform Transmission Rates (EB-2015-0311) and also a rate order for Hydro One Distribution's Sub-transmission rates (EB-2015-0079) effective January 1, 2016. The OEB approved these rates as part of Lakefront Utilities' 2016 IRM application (EB-2015-0085)

2016 Uniform Transmission Rates

Network Service Rate	$3.66 per kW
Connection Service Rates Line Connection Service Rate Transformation Connection Service Rate	 $0.87 per kW $2.02 per kW

2016 Sub-Transmission RTSRs

Network Service Rate	$3.34 per kW
Connection Service Rates Line Connection Service Rate Transformation Connection Service Rate	 $0.78 per kW $1.77 per kW

Note: As a result of the above, Lakefront Utilities has updated its RRWF and has included the change on Tab 10. Tracking Sheet.

Exhibit 3 – Operating Revenue

3-Staff-36
Ref 1: Load Forecast Model, Tab 11 - Final Load Forecast
Ref 2: Chapter 2 Appendices, Tab 2-IA_Act_Frcst_Data

(a) Please update Tab 10 of the Load Forecast Model to include 2016 year to date actuals and provide 2015 actual data for the comparable time frame.
(b) Please compare the 2016 actuals to date with the same period data for 2015.
(c) Please compare actual data to forecasted data and explain any material variances.

Lakefront Utilities Response

a) Lakefront has updated Tab 11 – Final Load Forecast to include 2016 year to date (June 30, 2016) and the 2015 actual data for the comparable time frame.

b) Below is the comparison of the 2016 actuals and 2015 actuals for the period ending June 30, 2016.

Customer Class	Year	June 2015 YTD	June 2016 YTD	% Change
Residential	Customers	8,866	8,943	0.87%
	kWh	42,109,521	41,931,876	-0.42%
General Service <50 kW	Customers	1,079	1,085	0.56%
	kWh	17,423,592	17,350,088	-0.42%
General Service 50-2999 kW	Customers	133	136	2.26%
	kWh	58,924,814	58,676,232	-0.42%
	kW	149,920	147,561	-1.57%
General Service 3000-4999 kW	Customers	1	1	0.00%
	kWh	7,839,066	7,805,996	-0.42%
	kW	17,307	19,234	11.13%
Streetlighting	Customers	2,694	2,694	0.00%
	kWh	654,467	651,706	-0.42%
	kW	1,707	1,766	3.45%
Sentinel Lights	Customers	54	54	0.00%
	kWh	22,116	22,023	-0.42%
	kW	66	67	1.43%
Unmetered Scattered Load	Customers	93	85	-8.60%
	kWh	300,162	298,896	-0.42%

c) Based on the comparison in b), Lakefront notes that weather, conservation initiatives, and customer growth all impact the June year to date variances.

LUI notes it hasn't updated the Load Forecast Model with 2016 actual data, as per Board policy the data has not been filed with OEB and is not considered final.

3-Staff-37
Ref 1: E3/Tab 1/Sch.4 – Overview of Load Forecast Methodology, Page 6
Ref 2: E3/Tab 1/Sch.12 – Determination of Weather Normalized Forecast, Page 24

At reference 1, Lakefront Utilities notes that it currently does not have a process to adjust weather actual data to a weather normal basis since it is Lakefront Utilities' understanding there is not an OEB approved method to weather normalize actual data.

At reference 2, Lakefront Utilities states "Weather normalized wholesale kWh, for historical years, are allocated to these classes based on these historical shares."

(a) Please explain the seemingly contradictory statements.

(b) Would Lakefront Utilities agree that if the following was done, it would result in 'weather normal' for historical years:
- run the regression model for historical years using all actual dependent variables including HDD and CDD for the actual year.(A)
- run the regression model for historical years using all actual dependent variables except use normal HDD and CDD values.(B)
- Apply the weather normalization factor (B/A) from the above two runs for each year to the actual purchases.

(c) Please provide the results of running the regression model as per the above process.

Lakefront Utilities Response

a) Lakefront notes that the reference above was a misprint and confirms that the load forecast was prepared based on weather normalized wholesale kWh.

b) As discussed in a), the model is prepared based on weather normalized data.

c) See above.

3-Staff-38
Ref 1: E3/Tab 1/Sch.4 – Overview of Load Forecast Methodology, Page 6, Tables 3.2, 3.3 and 3.4
Ref 2: Chapter 2 Appendices, Tab 2-IA_Act_Frcst_Data

OEB staff notes that the figures in the tables provided at reference 1 do not reconcile to the data entered in reference 2.

Please reconcile the data and provide corrected tables and update the applicable tab in the Chapter 2 Appendices in accordance with interrogatory 6-Staff-54.

Lakefront Utilities Response

Lakefront Utilities notes that the customer count, kWh, and kW listed in Tables 3.2, 3.3, 3.4 agree with the figures in Tab 2-IA-Act_Frcst_Data for each of individual class of customer. The table below compares the totals per Tables 3.2, 3.3, and 3.4 (note the kW figures were obtained from Table 3.1) and compares to the totals in Tab2-1A-Act_Frcst_Data.

Year	Details	Table 3.2/3.3/3.4	Appendix 2-IA	Difference
2012	Customers	12,681	12,681	0
	kWh	248,445,554	248,445,554	0
	kW	365,470	365,470	0
2013	Customers	12,837	12,837	0
	kWh	247,167,929	247,167,929	0
	kW	364,888	364,888	0
2014	Customers	12,749	12,749	0
	kWh	239,879,102	239,879,102	0
	kW	354,496	354,496	0
2015	Customers	12,936	12,936	0
	kWh	243,388,277	243,388,277	0
	kW	344,230	344,230	0
2016	Customers	13,086	13,086	0
	kWh	245,152,910	245,152,910	0
	kW	335,504	335,504	0
2017	Customers	13,239	13,239	0
	kWh	240,886,034	240,886,034	0
	kW	329,664	329,664	0

3.0 –VECC -11
Reference: E3/T1/S4

a) Please confirm that the historical period used to determine the prediction model was 2006-2015 (per page 6, line 22) and not 2004-2015 (per page 9, line 9).
b) With respect to Table 3.4, please clarify whether the values shown for Street Lighting are the number of devices or number of connections.
c) With respect to Table 3.4, please provide the actual customer/connection count for each class as of June 30, 2016,

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Lakefront Utilities Response

a) Lakefront confirms that the historical period used to determine the prediction model was 2006-2015.

b) With respect to Table 3.4, the value shown for Street Lighting is the number of connections.

c) Below is Table 3.4 updated with the actual customer/connection count for each class as of June 30, 2016.

Year	Residential	GS< 50 kW	GS 50-2999 kW	GS 3000-4999 kW	Street Lighting	Sentinel Lights	Unmetered Scattered Load	Total
2006	7,704	1,037	146	1	2,671	55	69	11,682
2007	7,842	1,043	148	1	2,743	55	81	11,912
2008	7,956	1,048	133	1	2,793	58	90	12,079
2009	8,188	1,063	130	1	2,816	60	96	12,351
2010	8,297	1,069	131	1	2,752	55	95	12,399
2011	8,425	1,073	132	1	2,759	53	96	12,538
2012	8,525	1,067	137	1	2,802	54	95	12,681
2013	8,627	1,058	142	1	2,862	54	94	12,837
2014	8,761	1,069	138	1	2,634	54	93	12,749
2015	8,885	1,078	134	1	2,694	54	90	12,936
as at June 30, 2016	**8,943**	**1,085**	**136**	**1**	**2,697**	**54**	**85**	**13,000**
2017	9,171	1,087	132	1	2,699	54	96	13,239

Please note, the reduction change in connections in 2010 from 2009 is a result of the Town of Cobourg streetlight conversion project to Induction Lights. Then in March 2014, based on a change to the way streetlights are connected in new subdivisions due to the Electrical Safety Authority (ESA), which does not equate number of streetlights to the number of connections, the Town of Cobourg requested a study to be done. In newer subdivisions, LUI makes a connection from the transformer to a breaker pedestal. The underground cable from this breaker pedestal to the streetlight is owned by the Town of Cobourg and feeds multiple streetlights, somewhat similar to the “daisy chain” effect. This reduced the number of connections by 185, however, not the total wattage.

3.0 –VECC -12

Reference: E3/T1/S6
E3/T1/S11 – page 22 (lines 2-9)

a) With respect to page 22, has Lakefront had any discussions with the Town of Cobourg regarding the current and planned level of activity associated with new residential developments?
b) If so, what was the number of new residential units constructed in 2015 and what are the planned new residential unit additions for each of 2016 and 2017?
c) Please reconcile the numbers provided in response to part (b) with the residential customer growth set out in Table 3.15.

Lakefront Utilities Response

a) Lakefront Utilities participates as a member of the Town of Cobourg's Development Review Team to review and comment on the requirements for new development. Lakefront has had discussions with the Town of Cobourg regarding the planned level of activity associated with new residential developments, however, they do not have any specific forecast for 2016 or 2017 as the market drives the new house numbers.

b) There were 80 new residential units constructed in 2015. See above regarding the availability of a specific forecast for 2016 and 2017.

c) As per above, the Town of Cobourg does not have a forecast for 2016 and 2017 therefore Lakefront used the Board accepted method of projecting the residential units.

3.0 –VECC -13
Reference: E3/T1/S7

a) Please confirm that the values shown in Tables 3.6 and 3.7 are based on the metered quantities adjusted (i.e. increased) for losses.
b) What were the loss factor values used in each table and how were they determined?

Lakefront Utilities Response

a) Lakefront confirms that the values shown in Tables 3.6 and 3.7 are based on the metered quantities, adjusted for losses.

b) The factor value used in each of the tables was 5.65% for secondary metered customers and 4.65% for primary metered customers, as detailed in the OEB’s Decision and Rate Order.

3.0 –VECC -14

Reference: E3/T1/S7 – Table 3.8
E3/T1/S8

a) Did Lakefront offer CDM programs prior to 2011 and, if so, why are their impacts not included in Table 3.8?
b) Please provide a full legible copy of the 2011-2014 CDM Final Results Report (referenced on page 15).
c) What is the basis for the 2015 CDM values set out in Table 3.8?
d) If there are any preliminary or final reports from the IESO regarding 2015 CDM results, please provide.
e) Please confirm that the values shown in Table 3.8 are based on the reported CDM savings adjusted (i.e. increased) for losses.
f) Please indicate what the loss factor value(s) used were and how they were determined.
g) If the loss factors differ from those used in Table 3.6 and 3.7, please explain why.
h) Please confirm that for each of years 2011 through 2014, the totals shown in Table 3.8 represent the reported savings for the year concerned plus the persisting savings from previous years.
i) Please explain why the values for 2015 do not include persisting saving from 2011-2015 CDM programs.
j) Please explain why the monthly values for each year effectively assume that there are zero CDM savings as of the start of the year? Shouldn't the values for 2012 assume that the persisting savings from 2011 CDM programs are in place for all months of 2012 and that month over month increases for 2012 will reflect the impact of just the 2012 CDM programs? Similarly, shouldn't the monthly values for 2013-2015 assume that the persisting savings from prior years' CDM programs will affect all months of the year concerned?
k) Based on the preceding responses, please revise Tables 3.8 and 3.10 as needed.
l) Based on the response to part (k) please provide an updated load forecast model as needed.

Lakefront Utilities Response

a) Lakefront Utilities offered program prior to 2011 and the Load Forecast Model has been updated to reflect the impacts.

b) An excel version of 2011/2014 CDM report is being filed along with these responses.

c) The 2015 CDM values in Table 38 have been updated to reflect the kWh savings in the IESO/OPA's Final 2015 Annual Verified Results Report.

d) See c) above . Lakefront received the Final Verified Report after the April 29th filing.

e) Confirmed. As noted at line 21/22 of Ex.3/Tabl1/Sch.7, "LUI adjusted the wholes purchase to add CDM activity including persistence as reported by the 21 OPA/IESO (adjusted for losses) as if no programs ever existed from 2011 to 2015.

f) LUI used the current approved loss factor of 5.65%.

g) LUI confirms that the Loss Factor used to adjust the Loss of Large Customer is the same as the Loss Factor used for the CDM Adjustment and Microfit.

h) LUI confirms that the totals for 2011-2014 shown in Table 3.8 represent the reported savings for the year concerned plus the persisting savings from previous years. The table below (answer to questions j)) shows how the monthly results total the IESO verified results (rounded).

i) Adjustments for 2015 the verified report as per the IESO/OPA's Final 2015 Annual Verified Results Report which Lakefront understands includes persistence.

j) LUI notes that its adjustments did in fact include persistence as the yearly totals reconcile with the OPA/IESO's verified results which include persistence. That said, LUI agrees with VECC in that the method in which the utility originally calculated the adjustments – which was meant to reflect the monthly cumulative effects of CDM programs - assumes that there are no CDM programs in place at the beginning of each year. The only other alternative, which reconciles both the OPA/IESO results with the year-end totals would be to use an equal monthly adjustment. See the table below for proposed adjustments.

Implementation Period	Annual			
	2011	2012	2013	2014
2011 - Verified	1.4	1.4	1.4	1.3
2012 - Verified†	0.1	0.7	0.7	0.7
2013 - Verified†	0.0	0.0	0.8	0.8
2014 - Verified†	0.0	0.0	0.18	1.2
Total in kWh	1,500,000	2,100,00	3,0580,000	4,000,000

	As Filed			Proposed Alternative						
				2011	2012	2013	2014		Monthly Total	Yearly Cumulative Total
2011 – January	19,231			125,000					125,000	
2011 - February	38,462			125,000					125,000	
2011 – March	57,692			125,000					125,000	
2011 – April	76,923			125,000					125,000	
2011 – May	96,154			125,000					125,000	
2011 – June	115,385			125,000					125,000	
2011 – July	134,615			125,000					125,000	
2011 - August	153,846			125,000					125,000	
2011 - September	173,077			125,000					125,000	
2011 - October	192,308			125,000					125,000	
2011 - November	211,538			125,000					125,000	
2011 - December	230,769	1,500,000		125,000					125,000	1,500,000
2012 - January	15,385			125,000	50,000				175,000	
2012 - February	30,769			125,000	50,000				175,000	
2012 - March	46,154			125,000	50,000				175,000	
2012 – April	61,538			125,000	50,000				175,000	
2012 – May	76,923			125,000	50,000				175,000	
2012 – June	92,308			125,000	50,000				175,000	
2012 – July	107,692			125,000	50,000				175,000	
2012 - August	123,077			125,000	50,000				175,000	
2012 - September	138,462			125,000	50,000				175,000	
2012 - October	153,846			125,000	50,000				175,000	
2012 - November	169,231			125,000	50,000				175,000	
2012 - December	184,615	1,200,000		125,000	50,000				175,000	2,100,000
2013 - January	39,487			125,000	50,000	81,666			256,666	
2013 - February	78,974			125,000	50,000	81,666			256,666	

2013 - March	118,462			125,000	50,000	81,666			256,666	
2013 – April	157,949			125,000	50,000	81,666			256,666	
2013 – May	197,436			125,000	50,000	81,666			256,666	
2013 – June	236,923			125,000	50,000	81,666			256,666	
2013 – July	276,410			125,000	50,000	81,666			256,666	
2013 - August	315,897			125,000	50,000	81,666			256,666	
2013 - September	355,385			125,000	50,000	81,666			256,666	
2013 - October	394,872			125,000	50,000	81,666			256,666	
2013 - November	434,359			125,000	50,000	81,666			256,666	
2013 - December	473,846	3,080,000		125,000	50,000	81,666			256,666	3,079,992
2014 - January	51,282			125,000	50,000	81,666	76,666		333,332	
2014 - February	102,564			125,000	50,000	81,666	76,666		333,332	
2014 - March	153,846			125,000	50,000	81,666	76,666		333,332	
2014 – April	205,128			125,000	50,000	81,666	76,666		333,332	
2014 – May	256,410			125,000	50,000	81,666	76,666		333,332	
2014 – June	307,692			125,000	50,000	81,666	76,666		333,332	
2014 – July	358,974			125,000	50,000	81,666	76,666		333,332	
2014 - August	410,256			125,000	50,000	81,666	76,666		333,332	
2014 - September	461,538			125,000	50,000	81,666	76,666		333,332	
2014 - October	512,821			125,000	50,000	81,666	76,666		333,332	
2014 - November	564,103			125,000	50,000	81,666	76,666		333,332	
2014 - December	615,385	4,000,000		125,000	50,000	81,666	76,666		333,332	3,999,984

k) LUI has updated the Load Forecast study to reflect the proposed alternative above.

l) A revised Load Forecast model has been filed along with these responses.

Note: As a result of the above, Lakefront Utilities has updated its RRWF and has included the change on Tab 10. Tracking Sheet.

3.0 –VECC -15

Reference: E3/T1/S9

a) Please provide a definition for the "Employment" variable included (per page 16, line 15) in the model and where the historic values were obtained from.
b) Please explain how it differs from the "full Time Employment for Cobourg" variable excluded from the model.
c) The discussion on page 18 (lines 13-16) indicates that "CPI" was included in the model. However, the model results set out on page 19 do not include CPI as a variable. Please reconcile.
d) Please explain how the historical monthly values for the "Holiday Months" variable were determined.
e) Please explain how the forecast 2016 and 2017 monthly values for the "Employment" variable were established.
f) Please explain how the forecast 2016 and 2017 monthly values for the "Holiday Months" variable were determined.

Lakefront Utilities Response

a) The information filed in the original application was mislabeled. The information under the variable "Employment" represents the adjusted GDP factor. The derivation of the GDP factor is presented in the excel file filed in conjunction with these responses.

   LUI should have referred to the "Employment" variable as GDP.

b) See above.

c) This is an oversight. The reference on page 18 regarding employment was related to GDP as discussed above.

d) This is an oversight and the title should have read "Number of Peak Hours".

e) See above regarding the employment factor. The "Employment" has been based on the average of the previous 10 years.

f) Please refer to d) above for an updated definition. The forecast was based on the average of the previous 10 years.

3.0 –VECC -16
Reference: E3/T1/S9 & E3/T1/S12

a) Schedule 9 (page 17) indicates that Lakefront used a 10-year average to define weather normal. However, Schedule 12 (page 28) indicates that a 20-year average was used. Please reconcile.
b) Please provide the purchase power forecasts for 2016 and 2017 produced by the load forecast model using: i) a 10-year average; ii) a 20-year average: and iii) a 20-year trend for the HDD and CDD variables.
c) What was Lakefront's average loss factor over the 2006-2015 period used to estimate the model?
d) Please confirm that the values set out in Table 3.17 are not used at all in the determination of the load forecast by customer class as set out in Schedules 13 and 14. If this is incorrect, please explain how the values in Table 3.17 influence the determination of the load forecast by customer class.

Lakefront Utilities Response

a) Lakefront Utilities confirms that it used a 10-year average to define weather normal.

b) See summary below:

	2016	2017
10 year average	247,254,306	243,899,016
20 year average	249,845,410	250,203,913
20 year trend	249,458,066	249,816,569

c) Lakefront Utilities used the current loss factor of 5.65% for 2006 to 2015.

d) Lakefront Utilities confirms that the values used in Table 3.17 were not used in the determination of the load forecast.

3.0 –VECC -17
Reference: E3/T1/S12

a) At page 28 (lines 9-15) Lakefront describes the derivation of the weather corrected total billed load. Please indicate how the value of 248,176,449 kWh was determined using the purchase power forecast of 250,282,671 kWh and a loss factor of 3.69%.

Lakefront Utilities Response

The 250,282,671 represents the weather adjusted wholesale purchases. The adjusted purchases is then used to calculate the per class metered consumption for the bridge and test year.

Residential						
Year	Residential Metered kWh	Wholesale Purchases	Weather Normalized	*Ratio%* *	Weather Normal	Per customer
2006	70,342,664	240,687,668	244,958,699	29.23%	71,590,903	9,293
2007	72,101,355	248,683,053	248,683,575	28.99%	72,101,506	9,194
2008	72,186,004	241,507,708	247,069,841	29.89%	73,848,511	9,282
2009	71,936,998	236,526,800	245,470,672	30.41%	74,657,177	9,118
2010	72,645,801	244,543,391	247,205,393	29.71%	73,436,594	8,852
2011	73,172,117	248,601,683	248,673,995	29.43%	73,193,401	8,688
2012	70,910,271	249,193,552	250,342,775	28.46%	71,237,293	8,356
2013	73,387,300	246,166,626	249,342,246	29.81%	74,334,017	8,616
2014	73,600,211	242,535,263	249,658,428	30.35%	75,761,820	8,648
2015	77,095,510	237,710,883	247,399,736	32.43%	80,237,845	9,031
2016			249,817,976	32.43%	81,022,139	9,119
2017			250,282,671	32.43%	81,172,851	9,136

		Year	2017
Residential-WN	Residential	Cust/Conn	9,171
		kWh	81,172,851
		kW	-
General Service < 50 kW-WN	General Service < 50 kW	Cust/Conn	1,087
		kWh	33,551,345
		kW	-
General Service > 50 kW - 2999 kW-Non-WN/kW	General Service > 50 kW - 2999 kW	Cust/Conn	132
		kWh	117,034,027
		kW	295,584
Streetlighting-Non-WN/kW	Streetlighting	Cust/Conn	2,699
		kWh	1,456,712
		kW	3,913
Sentinel Lighting-Non-WN/kW	Sentinel Lighting	Cust/Conn	54
		kWh	44,329
		kW	135
General Service 3000-4999 kW-Non-WN/kW	General Service 3000-4999 kW	Cust/Conn	1
		kWh	15,118,000
		kW	37,339
Unmetered Scattered Load-Non-WN/kW	Unmetered Scattered Load	Cust/Conn	96
		kWh	609,246
		kW	-
Total		**Cust/Conn**	**13,239**
		kWh	**248,986,511**
		kW	**336,970**

3.0 –VECC -18
Reference: E3/T1/S13

a) Please provide a schedule that sets out:
   i. The actual 2015 purchases
   ii. The actual CDD and HDD values for 2015
   iii. The assumed weather normal CDD and HDD values
   iv. The difference between the Normal and Actual CDD values multiplied by 39,804.22
   v. The difference between the Normal and Actual HDD values multiplied by 6,515.51
   vi. The addition of items (i), (iv) and (v)

Lakefront Utilities Response

The requested information has been filed in Excel format as:

LakefrontUtilitites_IRR_2017COS_LoadForecastVECC18_20160805.

3.0 –VECC -19
Reference: E3/T1/S13
E3/T1/S14

a) It is noted that with the exception of the Residential and GS<50 classes, the 2017 forecast kWh (not CDM adjusted) set out in Tables 3.18-3.24 do not match the values in Table 3.25. Please reconcile.

Lakefront Utilities Response

The tables 3.20 to 3.24 at page 29 to 32 should have been updated to reflect the tables in the LF models. The tables below show the tables that should have been included at Exhibit 3.

Table 3.20:

General Service > 50 kW - 2999 kW								
Year	**kWh**	**Adjusted kWh**	**kWh**	**kW**	**Customer/ Connection**	**kWh per connection**	**KW per connection**	**KW/kWh Ratio**
2006	120,975,702		120,975,702	297,477	146	831,448.12	2,044.518	0.00246
2007	122,417,181		122,417,181	300,809	148	829,946.99	2,039.384	0.00246
2008	121,003,376		121,003,376	298,912	133	909,799.82	2,247.462	0.00247
2009	114,875,960		114,875,960	290,143	130	887,073.05	2,240.483	0.00253
2010	120,290,733		120,290,733	299,041	131	918,249.87	2,282.752	0.00249
2011	120,834,914		120,834,914	300,129	132	918,896.68	2,282.352	0.00248
2012	128,532,327		128,532,327	322,335	137	938,192.17	2,352.810	0.00251
2013	125,354,819		125,354,819	323,427	142	885,899.78	2,285.703	0.00258
2014	119,336,146		119,336,146	314,352	138	864,754.68	2,277.914	0.00263
2015	115,685,946		115,685,946	306,814	134	863,327.96	2,289.660	0.00265
2016	116,816,733		116,816,733	295,035	133	879,778.59	2,221.987	0.00253
2017	117,034,027		117,034,027	295,584	132	889,515.70	2,246.579	0.00253
Avg - Years =			10.00			*884,758.91*	*2,234.304*	*0.00253*

Table 3.21:

General Service 3000-4999 kW								
Year	**kWh**	**Adjusted kWh**	**kWh**	**kW**	**Customer/ Connection**	**kWh per connection**	**KW per connection**	**KW/kWh Ratio**
2006	23,443,190		23,443,190	48,479	1	23,443,190.00	48,478.950	0.00207
2007	20,583,615		20,583,615	46,227	1	20,583,615.10	46,226.600	0.00225
2008	18,805,505		18,805,505	40,464	1	18,805,505.40	40,463.800	0.00215
2009	19,554,367		19,554,367	49,629	1	19,554,366.59	49,628.900	0.00254
2010	19,036,344		19,036,344	45,256	1	19,036,344.47	45,255.720	0.00238
2011	15,051,682		15,051,682	42,336	1	15,051,682.00	42,335.900	0.00281
2012	15,193,348		15,193,348	39,663	1	15,193,348.00	39,662.600	0.00261
2013	13,952,451		13,952,451	37,943	1	13,952,451.00	37,942.600	0.00272
2014	12,584,229		12,584,229	36,604	1	12,584,229.00	36,603.600	0.00291
2015	14,943,860		14,943,860	33,868	1	14,943,860.00	33,867.500	0.00227
2016	15,089,931		15,089,931	37,270	1	15,089,930.62	37,269.728	0.00247
2017	15,118,000		15,118,000	37,339	1	15,117,999.92	37,339.054	0.00247
Avg - Years =			10.00			*17,314,859.16*	*42,046.6170*	*0.00247*

Table 3.22:

Streetlighting								
Year	**kWh**	**Adjusted kWh**	**kWh**	**kW**	**Customer/ Connection**	**kWh per connection**	**KW per connection**	**KW/kWh Ratio**
2006	1,923,290		1,923,290	5,222	2,671	720.06	1.955	0.00271
2007	1,931,928		1,931,928	5,240	2,743	704.31	1.910	0.00271
2008	1,867,800		1,867,800	5,091	2,793	668.74	1.823	0.00273
2009	1,350,901		1,350,901	3,654	2,816	479.81	1.298	0.00270
2010	1,194,282		1,194,282	3,302	2,752	433.97	1.200	0.00276
2011	1,222,967		1,222,967	3,321	2,759	443.26	1.204	0.00272
2012	1,222,128		1,222,128	3,340	2,802	436.16	1.192	0.00273
2013	1,249,953		1,249,953	3,386	2,862	436.74	1.183	0.00271
2014	1,258,253		1,258,253	3,409	2,634	477.70	1.294	0.00271
2015	1,439,933		1,439,933	3,416	2,694	534.50	1.268	0.00237
2016	1,454,008		1,454,008	3,906	2,697	539.21	1.448	0.00269
2017	1,456,712		1,456,712	3,913	2,699	539.70	1.450	0.00269
Avg - Years =			10.00			*533.53*	*1.4327*	*0.00269*

Table 3.23:

Sentinel Lighting								
Year	**kWh**	**Adjusted kWh**	**kWh**	**kW**	**Customer/ Connection**	**kWh per connection**	**KW per connection**	**KW/kWh Ratio**
2006	76,064		76,064	211	55	1,382.98	3.843	0.00278
2007	76,442		76,442	212	55	1,389.86	3.861	0.00278
2008	81,054		81,054	225	58	1,397.48	3.880	0.00278
2009	78,800		78,800	222	60	1,324.36	3.733	0.00282
2010	54,122		54,122	219	55	984.04	3.983	0.00405
2011	43,758		43,758	132	53	825.62	2.491	0.00302
2012	41,938		41,938	132	54	776.63	2.444	0.00315
2013	44,355		44,355	132	54	821.39	2.444	0.00298
2014	42,943		42,943	132	54	795.24	2.444	0.00307
2015	43,818		43,818	132	54	811.44	2.444	0.00301
2016	44,246		44,246	135	54	821.05	2.498	0.00304
2017	44,329		44,329	135	54	824.25	2.508	0.00304
Avg - Years =			10.00			*1,050.90*	*3.1568*	*0.00304*

Table 3.24:

Unmetered Scattered Load								
Year	**kWh**	**Adjusted kWh**	**kWh**	**kW**	**Customer/ Connection**	**kWh per connection**	**KW per connection**	**KW/kWh Ratio**
2006	595,251		595,251	0	69	8,689.79	-	-
2007	605,328		605,328	0	81	7,519.60	-	-
2008	720,400		720,400	0	90	8,004.44	-	-
2009	747,874		747,874	0	96	7,831.14	-	-
2010	716,623		716,623	0	95	7,543.40	-	-
2011	659,574		659,574	0	96	6,870.56	-	-
2012	627,467		627,467	0	95	6,639.86	-	-
2013	668,402		668,402	0	94	7,148.68	-	-
2014	555,548		555,548	0	93	5,973.63	-	-
2015	602,228		602,228	0	90	6,691.42	-	-
2016	608,115		608,115	0	93	6,554.97	-	
2017	609,246		609,246	0	96	6,370.96	-	
Avg - Years =			4.00			*6,613.40*	*0.0000*	*0.00000*

3.0 –VECC -20

Reference: E3/T2/S1
Load Forecast Model, Tabs 10, 10.1 and A
Appendix 2-I
E4/T6/S1
LRAMVA Model

a) Please reconcile the 2011 CDM programs savings values of 1,410,000 kWh (as shown on page 34 and in Appendix 2-I) with the 1,500,000 kWh value in the Load Forecast model (Tab A) used to adjust the historic purchased power values.
b) Please reconcile the total CDM savings reported for each year (2011-2014) in Appendix 2-I (Row 46) with total savings from the various programs as show in the LRAMVA model.
c) Please provide a copy of Lakefront's CDM plan for 2015-2020 as submitted to the IESO.
d) Please reconcile the 2,028,333 kWh value for savings from 2015 CDM programs as shown in Appendix 2-I (and used for the CDM adjustment to the load forecast) with the 1,600,000 kWh value in Tab A (used to adjust the historic purchased power values).

Lakefront Utilities Response

a) There was an input error made in Appendix 2-I. The 2011 value should have stated 1,500,000 (1,400,000 + 100,000) to be consistent with the OPA/IESO 2015 annual final result as well as the LRAMVA model. Screenshots of the OPA/IESO 2015 annual final results and the LRAMVA model are shown at the next page.

(printscreen from OPA report)

Table 5: Net Energy Savings at the End User Level (GWh)

Implementation Period	Annual				Cumulative
	2011	2012	2013	2014	2011-2014
2011 - Verified	1.4	1.4	1.4	1.3	5.4
2012 - Verified†	0.1	0.7	0.7	0.7	2.1
2013 - Verified†	0.0	0.0	0.8	0.8	1.5
2014 - Verified†	0.0	0.0	0.18	1.2	1.4
Verified Net Cumulative Energy Savings 2011-2014:					10.4
Lakefront Utilities Inc. 2011-2014 Annual CDM Energy Target:					13.6
Verified Portion of Cumulative Energy Target Achieved in 2014 (%):					76.9%

†Includes adjustments to previous years' verified results

Results presented using scenario 1 which assumes that demand response resources have a persistence of 1 year

(printscreen from the LRAMVA model)

Table 5: Net Energy Savings at the End User Level (GWh)

Implementation Period	Annual				Cumulative
	2011	2012	2013	2014	2011-2014
2011 - Verified	1.4	1.4	1.4	1.3	5.4
2012 - Verified†	0.1	0.7	0.7	0.7	2.1
2013 - Verified†	0.0	0.0	0.8	0.8	1.5
2014 - Verified†	0.0	0.0	0.18	1.2	1.4
Verified Net Cumulative Energy Savings 2011-2014:					10.4
Ottawa River Power Corporation 2011-2014 Annual CDM Energy Target:					13.6
Verified Portion of Cumulative Energy Target Achieved in 2014 (%):					76.9%

b) See response above and revised Appendix 2-I at LUI's response to 3.0 VECC-21

c) LUIs CDM plan has been filed in conjunction with these responses as:

LakefrontUtilities_IRR_2017COS_2015-2020CDMReport_20160805.

d) LUI has updated its 2015 value to reflect the OPA/IESO 2015 annual final results.

3.0 –VECC -21

Reference: E3/T2/S2
Load Forecast Model, Tabs 10, 10.1 and A
Appendix 2-I

a) The 3,776,908 kWh manual CDM adjustment for 2017 appears to be based on ½ of 2014 savings plus 100% of 2015 CDM savings plus ½ of 2016 CDM – all grossed up for losses (per Load Forecast model, Tab 10). Please explain why this is appropriate.
b) Please explain why the adjustment should not be based on ½ of 2015 savings plus 100% of 2016 savings plus ½ of 2017 savings – with no adjustment for losses.
c) Please confirm that the LRAMVA value for 2017 is 4,056,667 kWh. If not confirmed, please explain why.
d) Please provide an allocation of the 2017 LRAMVA value to customer classes.

Lakefront Utilities Response

a) Since the 2017 models have only recently been released, LUI originally used the 2016 models which would result in on ½ of 2014 savings plus 100% of 2015 CDM savings plus ½ of 2016 CDM.

b) The table below has been updated to reflect the appropriate 2015/2016/2017 allocation. (Full year or half year).

c) The balances as calculated in the revised Appendix 2-I below show that the Amount used for CDM threshold for LRAMVA (2017) is 6,873,513 and that the manual adjustment for 2016 is 4,582,342.

Appendix 2-I

Load Forecast CDM Adjustment Work Form (2016)

2011-2014 CDM Program - 2014, last year of the current CDM plan

4 Year (2011-2014) kWh Target:						**Persistence of 2014 CDM Program into 2015 and 2016**	
13,600,000							
	2011	**2012**	**2013**	**2014**	**Total**	**2015**	**2016**
2011 CDM Programs	13.11%	13.11%	13.11%	12.17%	51.50%		
2012 CDM Programs		6.55%	6.55%	6.55%	19.66%		
2013 CDM Programs			7.49%	7.49%	14.98%		
2014 CDM Programs				11.24%	11.24%		
Total in Year	**13.11%**	**19.66%**	**27.15%**	**37.45%**	**97.38%**		
kWh							
2011 CDM Programs	1,400,000.00	1,400,000.00	1,400,000.00	1,300,000.00	5,500,000.00		
2012 CDM Programs	100,000.00	700,000.00	700,000.00	700,000.00	2,200,000.00		
2013 CDM Programs			800,000.00	800,000.00	1,600,000.00		
2014 CDM Programs			180,000.00	1,200,000.00	1,380,000.00		
Total in Year	**1,500,000.00**	**2,100,000.00**	**3,080,000.00**	**4,000,000.00**	**10,680,000.00**		

2015-2020 CDM Program - 2016, second year of the current CDM plan

6 Year (2015-2020) kWh Target:								
12,170,000								
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**	
%								
2015 CDM Programs	18.83%						18.83%	
2016 CDM Programs		18.83%					18.83%	
2017 CDM Programs			18.83%				18.83%	
2018 CDM Programs				18.83%			18.83%	
2019 CDM Programs					18.83%		18.83%	
2020 CDM Programs						18.83%	18.83%	
Total in Year	**18.83%**	**18.83%**	**18.83%**	**18.83%**	**18.83%**	**18.83%**	**112.96%**	
kWh								
2015 CDM Programs	2,291,171.00	2,291,171.00					4,582,342.00	
2016 CDM Programs		2,291,171.00					2,291,171.00	
2017 CDM Programs			2,291,171.00				2,291,171.00	
2018 CDM Programs				2,291,171.00			2,291,171.00	
2019 CDM Programs					2,291,171.00		2,291,171.00	
2020 CDM Programs						2,291,171.00	2,291,171.00	
Total in Year	**2,291,171.00**	**4,582,342.00**	**2,291,171.00**	**2,291,171.00**	**2,291,171.00**	**2,291,171.00**	**12,170,000.00**	
Determination of 2016 Load Forecast Adjustment								

Net-to-Gross Conversion								
Is CDM adjustment being done on a "net" or "gross" basis?					**net**			
		"Gross"	**"Net"**	**Difference**	**"Net-to-Gross" Conversion Factor**			
Persistence of Historical CDM programs to 2014		**kWh**	**kWh**	**kWh**	**('g')**			
2006-2010 CDM programs								
2011 CDM program								
2012 CDM program								
2013 CDM program								
2014 CDM program								
2006 to 2014 OPA CDM programs: Persistence to 2016		0	0	0	0.00%			
The default values represent the factor that each year's CDM program is factored into the manual CDM adjustment. Distributors can choose alternative weights of "0", "0.5" or "1" from the drop-down menu for each cell, but must support its alternatives.								
These factors do not mean that CDM programs are excluded, but the assumption that impacts of previous year CDM programs are already implicitly reflected in the actual data for the historical years that are the basis for the load forecast prior to any manual CDM adjustment for the 2016 test year.								

Weight Factor for Inclusion in CDM Adjustment to 2014 Load Forecast								
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	
Weight Factor for each year's CDM program impact on 2014 load forecast	**0**	**0**	**0**	**0**	**0.5**	**1**	**0.5**	Distributor can select "0", "0.5", or "1" from drop-down list
Default Value selection rationale.	*Full year persistence of 2011 CDM programs on 2015 load forecast. Full impact assumed because of 50% impact in 2011 (first year) but full year persistence impact on 2012 and 2013, and thus reflected in base forecast before the CDM*	*Full year persistence of 2012 CDM programs on 2015 load forecast. Full impact assumed because of 50% impact in 2012 (first year) but full year persistence impact on 2013, and thus reflected in base forecast before the CDM adjustmen*	*Default is 0, but one option is for full year impact of persistence of 2013 CDM programs on 2015 load forecast, but 50% impact in base forecast (first year impact of 2013 CDM programs on 2013 load forecast, which is part of the data for*	*Default is 0, but one option is for full year impact of persistence of 2014 CDM programs on 2014 load forecast, but 50% impact in base forecast (first year impact of 2014 CDM programs on 2014 actuals, which is part of the data for the load*	*Default is 0, but one option is for full year impact of persistence of 2014 CDM programs on 2014 load forecast, but 50% impact in base forecast (first year impact of 2014 CDM programs on 2014 actuals, which is part of the data for the load*	*Full year impact of persistence of 2015 programs on 2015 load forecast. 2015 CDM program impacts are not in the base forecast.*	*Only 50% of 2016 CDM programs are assumed to impact the 2016 load forecast based on the "half-year" rule.*	

	adjustment.	*t.*	*the load forecast.*	*forecast.*	*forecast.*			
2011-2014 and 2015-2020 LRAMVA and 2015 CDM adjustment to Load Forecast								
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2016**	**Total for 2016**
	kWh							
Amount used for CDM threshold for LRAMVA (2014)	1,300,000.00	700,000.00	800,000.00	1,200,000.00				
CDM adjustment for test year forecast (per Board Decision in		2,718,000.00	-	-				

distributor's most recent Cost of Service Application) (enter as negative)								
Amount used for CDM threshold for LRAMVA (2016)				-	2,291,171.00	2,291,171.00	2,291,171.00	6,873,513.00
Manual Adjustment for 2016 Load Forecast (billed basis)	-	-	-	-	1,145,585.50	2,291,171.00	1,145,585.50	4,582,342.00
Proposed Loss Factor (TLF)	3.69%	Format: X.XX%						
Manual Adjustment for 2016 Load Foreca	-	-	-	-	1,187,857.60	2,375,715.21	1,187,857.60	4,751,430.42

st (system purchased basis)								
Manual adjustment uses "gross" versus "net" (i.e. numbers multiplied by (1 + g). The Weight factor is also used calculate the impact of each year's program on the CDM adjustment to the 2016 load forecast.								

d) Using the allocation from the 2015 CDM plan, 78% would be allocated to the Residential class and 21% would be allocated to the GS< 50 Class.

3.0 –VECC -22
Reference: E3/T5/S1

a) With respect to page 50, please explain why regulatory interest income is included in the forecast Other Operating Revenue for 2017.
b) Please explain where the revenues form MicroFit services charges are reflected in Appendix 2-H.

Lakefront Utilities Response

a) Lakefront Utilities updated Other Operating Revenue and removed regulatory interest income.

   Note: As a result of the above, Lakefront Utilities has updated its RRWF and has included the change on Tab 10. Tracking Sheet.

b) MicroFit service charges are reflected in account 4235 – Miscellaneous Service Revenue.

3-Energy Probe-8
Ref: Exhibit 3 & Load Forecasting Model

The evidence and load forecasting model are contradictory with respect to a number of variables that are used or not used. Specifically, the evidence at page 16 states that employment and holiday months are included, but CPI Canada and full time employment for Cobourg are excluded. Page 18 in the evidence does not include a description of holiday months, and under employment, it describes the CPI. The load forecasting model in the Excel spreadsheet uses employment and a winter flag that is 0 in all months shown.

a) Please explain fully which variables are actually used in the equation.

b) Please explain if the employment variable is employment or CPI.

c) If CPI is used, please explain why inflation would have any impact on use.

d) Please explain the figures included in the holiday month variable and how they are calculated.

e) Please provide the source the data used for the employment stats included in the model.

Lakefront Utilities Response

Please see responses to 3-VECC-15.

3-Energy Probe-9
Ref: Exhibit 3, pages 28 & 17

The evidence states (line 13) that the 20 year average was used for HDD and CDD. Please confirm that the forecast is actually based on the 10 year average of these variables, as stated on page 17.

Lakefront Utilities Response

Lakefront confirms that the forecast is actually based on the 10 year average of the variables.

3-Energy Probe-10
Ref: Exhibit 3, Table 3.8

Please explain why the CDM adjustment for 2015 is significantly lower than the previous years.

Lakefront Utilities Response

LUI notes that its original estimate of 2015 was based on un-verified results. The utility has now used the OPA/IESO's verified report. As per Tab "LDC Progress" tab of the report which specifies that the results represents 2011-2014+2015 Extension Legacy Framework Programs. The "V*erified Net Verified 2015 Annual Energy Savings from Full Cost Recovery Programs (MWh)*" are report as 2.299,171 kWh.

Exhibit 4 – Operating Expenses

4-Staff-39
Ref 1: Ex.4/Tab 1/Sch.1 – Overview of Operating Expenses, Table 4.0
Ref 2: Chapter 2 Appendices – Tab 2-JA
Ref 3: Revenue Requirement Workform – Tab Rev_Reqt, Row 15

OEB staff notes that the 2017 total OM&A expenses in the table at the first reference above does not reconcile to the Chapter 2 Appendices filed by Lakefront Utilities. OEB staff notes that the table at reference 1 indicates an amount of $2,424,239 while the Chapter 2 Appendices indicate an amount of $2,432,077. Similarly, both of these figures do not reconcile to the amount indicated in the RRWF in reference 3 (the amount showing is $2,361,880).

(a) Please clarify the correct total OM&A expenses Lakefront Utilities is seeking approval for.
(b) Please make the necessary corrections in the re-filed Excel workforms as applicable.

Lakefront Utilities Response

a) This is an oversight. The correct OM&A expenses that Lakefront Utilities is seeking approval for is $2,361,880 based on the April 29, 2016 filing.

   Lakefront notes that all references noted above agree to the revised OM&A of $2,371,880.

b) Lakefront has corrected Tab 2-JA in the Chapter 2 Appendices.

4-Staff-40
Ref: Chapter 2 Appendices, Tab 2-JA

The proposed OM&A costs in 2017 of $2,432,077 represent an increase of $161,156 or 7.1% over the 2015 actual OM&A.

(a) Please identify any customer engagement relating specifically to the increase in OM&A that supports the increases proposed in this application.
(b) Further, how has the Applicant communicated these benefits to its customers, and how did customers respond? Please provide some examples, including any customer feedback. If no communications took place, please explain why not.
(c) Please identify what, if any, improvements in services and outcomes the applicant's customers will experience in 2017 and during the subsequent IRM term as a result of increasing the provision for OM&A at the rate indicated.
(d) Please identify any initiatives considered and/or undertaken by Lakefront Utilities, including any analysis conducted, to optimize plans and activities from a cost perspective.

Lakefront Utilities Response

The proposed OM&A costs LUI is seeking in 2017 is $2,371,880 which represent an increase of $100,960 or 4% over the 2015 actual.

a) Lakefront Utilities will continue to provide front desk support allowing the customers and the utility to interact on a direct basis pertaining to bill payments, change in occupancy requests, etc. LUI has a significant senior population therefore social interaction is still one of the best ways to be in close contact with the customer.

   Included in the 2016 and 2017 budgets are costs associated with preparing an annual report. Furthermore, Lakefront has included costs for an annual customer information session (similar to emPOWER Hour). Lakefront Utilities also plans to meet with larger customers to help them understand their bill, answer any questions, and determine if there are any other areas that Lakefront can improve upon.

b) Lakefront Utilities communicated the benefits in its annual report to customers in June/July 2016 by promoting its release on Facebook, Twitter, LinkedIn, and a message on customer's bill. At this time, we have not received any feedback.

During the focus groups conducted for the Cost of Service, participants were asked if they had any suggestions as to how Lakefront Utilities could better engage customers and improve its customer engagement initiatives. The consensus as that participants found the structure of the focus group to be more than adequate. As a result, Lakefront has had discussions internally regarding additional focus groups, however, the costs are quite significant.

c) The customers of Lakefront Utilities will receive the same reliability of service and customer contact that they have come to expect from the utility. Lakefront prides itself on its ability to control costs despite increasing pressure in all areas of operations and ongoing challenges.

Increasing the provision for OM&A in 2017 by approximately 4% over the 2015 actual OM&A will ensure there is no degradation of services currently enjoyed and valued by customers and will Lakefront to make necessary distribution system investments to ensure that outages are kept to level that Lakefront's customers appreciate.

d) Lakefront Utilities optimized the capital asset plan to ensure that capital costs were managed to ensure that rates remained reasonable. Lakefront also prepares a detailed OM&A budget presented annually to its Board of Directors. The detailed OM&A budget process ensures that the most appropriate, cost effective solutions are put in place with a mindset of containing costs while still providing an acceptable level of service and reliability. Furthermore, the budget process assists with managing the workload of staff and ensures that capital projects are co-ordinated with the Town of Cobourg.

4-Staff-41
Ref: Ex.4/Tab 2/Sch. 1 – Cost Drivers Table, Page 13

Lakefront Utilities' bad debt expense shows a jump of $104k in the 2014 column of Lakefront Utilities' OM&A drivers cost table. Lakefront Utilities notes its bad debt expenses increased in 2014 due to an increase in customers paying late and the fact that Lakefront Utilities had previously not been consistent with writing off bad debts.

(a) Please explain further how Lakefront Utilities was not consistent in writing off bad debts and what impact this had on its records and its financial position.

(b) How do Lakefront Utilities' actual bad debt expense costs for 2016 compare to 2014?

Lakefront Utilities Response

a) As a result of its 2013 year end audit, Lakefront Utilities wrote off $131,877 of bad debts. Of the total bad debts, $53,417 was related to balances outstanding between 2009 and 2011. The impact the increase in bad debts had on Lakefront's financial position is an increase in expenses for the 2014 year end. The bad debts should have been distributed over the 2011 to 2013 year ends.

   Lakefront has improved internal controls associated with bad debts and now reviews receivable listings on a monthly basis with staff to ensure old balances are followed-up regularly. Lakefront also prepares a quarterly analysis for its Board of Directors to ensure write offs are properly analyzed.

b) Lakefront Utilities bad debt expense at June 30, 2016 is $23,107. However, included is $8,215 associated with two commercial customers that went bankrupt. Lakefront's 2015 bad debt expense was $24,824.

4-Staff-42
Ref: Ex.4/Tab 3/Sch.1 – Program Description, Page 21

At the above reference, Lakefront Utilities notes that it constantly searches ways to minimize costs and improve efficiencies through collaboration, whether it is with CHEC or neighbouring utilities.

(a) What are the annual fixed and variable costs of Lakefront Utilities' membership in CHEC in 2017?
(b) Has the membership led to any offsetting efficiency gains?
   i. If so, please describe how the savings have been incorporated into Lakefront Utilities' operating budget.
   ii. If not, please explain why not.

Lakefront Utilities Response

a) The annual fixed costs of Lakefront Utilities' membership in CHEC in 2017 is $32,960. Lakefront's fixed costs in 2015 was $31,456 and is $31,713 in 2016.

   Lakefront's variable costs associated with its membership in CHEC consist primarily of mileage costs associated with monthly meetings. The variable costs included for 2017 is $4,120. Lakefront's variable costs for 2015 were $3,082

b) Lakefront's membership has several collaborative efficiency gains over the years that were incorporated into LUI's operating budgets including joint CDM planning, RFPs, financial planning, IFRS conversion planning, etc. The value of CHEC has a series of soft and hard benefits which assists the LDC in the delivery of service to customers. The soft benefits relate to the collaborative and supportive element of a network of peers to work with. The sharing of information, best practices and group research and development allows the LDC to avoid local costs through the work of the group. It is estimated that the benefit is similar to one full time position spread throughout the organization (providing support on so many varied portfolios). The second series of benefits is associated with project based work which avoids the need for Lakefront to complete the work themselves and allows for group purchase pricing. This benefit varies from year to year based on the projects at hand. Recent examples include:

   - CHEC initiated the process for selecting a vendor for the ESA survey in Q1 2016, ensuring that three quotes were received. CHEC was able to obtain advantageous pricing as a result of a large buying pool. As a result, Lakefront was able to reduce its operating budget for regulatory expenses.

- Lakefront's Cost of Service was prepared using CHEC's data storage model. As a result, Lakefront was able to reduce consultant costs for the preparation of its Cost of Service and therefore reduce its operating budget for regulatory expenses.

- CDM Plans were developed centrally avoiding the cost of external consultants to assist with the associated savings.

- RFP for CHEC LDCs for CDM Program delivery avoiding the need to engage in a separate RFP process and attracting competent and competitive bids as well as central review and program management.

4-Staff-43

As part of its application, Lakefront Utilities filed the results of a Utility Pulse survey of customers to support Lakefront Utilities' DSP. The Utility Pulse report contained data comparisons where applicable to an Ontario-wide LDC benchmark and to Ontario LDCs participating in Utility Pulse's customer satisfaction survey.

Did Lakefront Utilities conduct any benchmarking other than the above to support the current cost of service application?

Lakefront Utilities Response

In addition to the information already provided in the current Cost of Service application, in preparation of its Cost of Service, Lakefront Utilities prepared a six-year financial plan for its Board of Directors to ensure the capital and OM&A are reasonable and can be achieved, while still maintaining reasonable rates. Lakefront also prepares an internal report each year that compares LUI's Scorecard results to other CHEC members and to its Cohort members.

After the filing of its Cost of Service, Lakefront has participated in the following:

- 2016 Mearie Management Salary Survey of Ontario LDCs

- 2016 CHEC Wage and Benefit Analysis

4-Staff-44
Ref: E4/Tab 2/Sch.2 – OM&A Variance Analysis, Page 10, Table 4.1

Please provide the most recent actuals in the same level of detail as table 4.1 of the above noted reference.

Lakefront Utilities Response

Below is Table 4.1 Updated for the most recent actuals. Please note that Lakefront has also included the same information for the period June 30, 2015.

	Last Rebasing Year (2012 Board-Approved)	Last Rebasing Year (2012 Actuals)	2013	2014	2015	as at June 30, 2015	as at June 30, 2016	2016	2017
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operations	$724,871	$553,856	$658,284	$596,391	$508,337	$246,618	$260,405	$510,101	$525,404
Maintenance	$322,942	$135,286	$239,277	$219,341	$175,003	$53,813	$77,986	$190,084	$195,787
SubTotal	**$1,047,813**	**$689,143**	**$897,562**	**$815,732**	**$683,340**	**$300,431**	**$338,391**	**$700,185**	**$721,191**
%Change (year over year)			30.2%	-9.1%	-16.2%	-56.0%	12.6%	133.1%	113.1%
%Change (Test Year vs Last Rebasing Year - Actual)									-31.2%
Billing and Collecting	$412,387	$597,740	$574,811	$618,225	$531,136	$240,937	$233,729	$549,821	$566,316
Community Relations	$5,664	$12,330	$12,931	$11,089	$12,773	$3,222	$10,613	$19,630	$20,219
Administrative and General+LEAP	$1,062,469	$941,875	$1,053,432	$999,179	$983,675	$536,351	$598,999	$1,047,490	$1,064,154
SubTotal	**$1,480,520**	**$1,551,945**	**$1,641,173**	**$1,628,493**	**$1,527,583**	**$780,511**	**$843,340**	**$1,616,941**	**$1,650,689**
%Change (year over year)			5.7%	-0.8%	-6.2%	-48.9%	8.0%	107.2%	95.7%
%Change (Test Year vs Last Rebasing Year - Actual)									6.4%
Total	**$2,528,333**	**$2,241,087**	**$2,538,735**	**$2,444,224**	**$2,210,923**	**$1,080,942**	**$1,181,731**	**$2,317,126**	**$2,371,880**
%Change (year over year)			13.3%	-3.7%	-9.5%	-51.1%	9.3%	114.4%	100.7%

4-Staff-45
Ref: E4/Tab 3/Sch.2 – OM&A Variance Analysis, Page 12

At the above reference, Lakefront Utilities notes that it terminated a full time staff employment in 2013 that was dedicated to IT and hired a subcontractor.

(a) Please explain why the decision was made to hire a subcontractor as opposed to a dedicated FTE.
(b) Did Lakefront Utilities preform a cost analysis for this decision, if so, please provide the documentation.

Lakefront Utilities Response

a) The decision to hire a subcontractor as opposed to a dedicated FTE was the following:

- As a small utility, it was not cost effective to have a full-time IT staff member, with uncertain demand. Given there are a multitude of systems to be familiar with from an IT perspective, i.e. SCADA, GIS, finance system, CIS, email servers, phone systems, etc., one full time staff would have to be trained in multiple areas to remain current with evolving technology and this was cost prohibitive. Consequently we engaged the services of a subcontractor that has many subject matter experts for the redundancies Lakefront required.

- LUI felt that a contractor could come in, do the required job and leave and Lakefront could save costs on health insurance, payroll taxes, etc.

b) Lakefront Utilities senior management had discussions with Lakefront's Board of Directors in the decision making process.

4-Staff-46
OPEBs

Lakefront Utilities has recovered OPEBs in rates previously.

(a) Please indicate if OPEBs were recovered on a cash or accrual accounting basis for each year since Lakefront Utilities started to recover OPEBs.
(b) Please complete the table below to show how much more than the actual cash benefit payments, if any, have been recovered from ratepayers from the year Lakefront Utilities started recovering amounts for OPEBs.

OPEBs	First year of recovery to 2011	2012	2013	2014	2015	2016	2017	Total
Amounts included in rates								
OM&A								
Capital								
Sub-total								
Paid benefit amounts								
Net excess amount included in rates greater than amounts actually paid								

(c) Please describe what Lakefront Utilities has done with any recoveries in excess of cash benefit payments.

Lakefront Utilities Response

a) Lakefront Utilities confirms that OPEBs were recovered on an accrual accounting basis.

b) Below is a table that shows the comparison of benefit payments that have been recovered from ratepayers from the year Lakefront Utilities started recovering amounts from OPEBs.

Please note that the amount included in rates was based on LUI's 2012 Cost of Service (EB-2011-0250) and its settlement on its PILs amount. The breakdown of OM&A and capital was pro-rated based on LUI's approved OM&A and approved capital. Further, LUI's paid benefit amounts was determined based on the total benefits paid determined from its valuation report.

LUI's total approved PILs amount from its 2012 Cost of Service included both active employees and retirees. For comparative purposes, LUI included the benefits paid to both active employees and retirees.

OPEBs	First year of recovery to 2011	2012	2013	2014	2015	2016	2017	Total
Amounts included in rates								
OM&A	14,801	14,801	14,801	14,801	14,801	14,801	14,801	103,610
Capital	12,093	12,093	12,093	12,093	12,093	12,093	12,093	84,648
Sub-total	26,894	26,894	26,894	26,894	26,894	26,894	26,894	188,258
Paid benefit amounts	19,183	28,149	29,817	30,631	56,124	38,291	37,824	240,019
Net excess amount included in rates greater than amounts actually paid	7,711	(1,255)	(2,923)	(3,737)	(29,230)	(11,397)	(10,930)	(51,761)

c) Based on the above table, Lakefront Utilities does not have an excess of benefits paid.

4-Staff-47
Ref: Ex.4/Tab 3/Sch. 7 - Purchases of Non-Affiliate Services

At the above reference, Lakefront Utilities outlines its procurement process when purchasing services. Please provide a copy of Lakefront Utilities' procurement policy, including information on such areas as the level of signing authority, a description of its competitive tendering process and confirmation that its non-affiliate services purchases are in compliance with it.

Lakefront Utilities Response

Lakefront Utilities has attached its procurement policy as Attachment B and confirms its non-affiliate services purchases are in compliance with the procurement policy.

4-Staff-48
Ref: Ex.4/Tab 3/Sch. 9 - Regulatory Costs
Ref: Chapter 2 Appendices – Tab 2-M

Lakefront Utilities notes that it did not include any costs related to a settlement conference and/or oral hearing as part of this application. Lakefront Utilities notes that as an effort to keep OM&A costs to a minimum, it wishes to proceed by way of written hearing. However, if the OEB required Lakefront Utilities to go to settlement or oral hearing, the utility reserves the right to increase its regulatory costs accordingly.
OEB staff notes that Lakefront Utilities also did not include any intervenor costs.

In PO1, the OEB has provided parties the opportunity to take part in ADR in an effort to reach a full settlement on all issues.

Please update the forecast of regulatory costs for this application, and provide the information in accordance with IR 6-Staff-54.

Lakefront Utilities Response

Lakefront Utilities has updated its regulatory costs related to settlement conference and/or oral hearing costs.

Please note that previously Lakefront had recorded $70,000 as costs associated with "Incremental operating expenses associated with other resources allocated to this application". Previously the $70,000 included $40,000 as customer engagement and $30,000 for intervenor costs. Lakefront revised the schedule to separate the intervenor costs and include the amount on a separate line, along with the settlement conference and/or oral hearing costs.

In conclusion, Lakefront increased its regulatory costs by $50,000, amortized over 5 years, which increased OM&A by $10,000.

		Historical Year(s)	2016 Bridge Year	2017 Test Year	Amortized over 5 years
4	Expert Witness costs				
5	Legal costs		$28,350		$5,670
6	Consultants' costs		$19,800		$3,960
7	Incremental operating expenses associated with staff resources allocated to this application.				$0
8	Incremental operating expenses associated with other resources allocated to this application. [1]		$40,000		$8,000
11	Intervenor costs		$80,000		$16,000
	Total		$168,150		$33,630

Note: As a result of the above, Lakefront Utilities has updated its RRWF and has included the change on Tab 10. Tracking Sheet.

4-Staff-49
Ref: Exhibit 4, Attachment D - 2014 Lakefront Utilities CDM Annual Report, Page 28

OEB staff notes that the CDM report filed as Attachment D is not legible in both PDF and hardcopy format. Please provide, specifically page 28, in table format in order to verify the savings used in Lakefront Utilities' LRAMVA calculation.

Lakefront Utilities Response

Lakefront has filed the CDM excel report in response to the above as a separate attachment as:

"LakefrontUtilities_IRR_2017COS_CDMAnnualReport_20160805"

4-Staff-50
LRAMVA Calculations
Ref: Ex.4/Tab 1/Sch. 2, Table 4.26

Table 4.26: Summary of Requested LRAMVA Amounts (2011-2014)

Particulars	2011 LRAMVA	2012 LRAMVA	2013 LRAMVA	2014 LRAMVA	Total
Total LRAMVA - Pre 2011 Programs Completed in 2011	1,511	1,579	1,620	1,639	
Total LRAMVA - 2011 OPA Program Results	7,267	7,488	7,620	7,140	
Total LRAMVA - 2012 OPA Program Results		5,917	5,976	6,015	
Total LRAMVA - 2013 OPA Program Results			10,211	10,221	
Total LRAMVA - 2014 OPA Program Results				11,341	
Total LRAMVA - 2014 OPA Program Results	**8,778**	**14,984**	**25,427**	**36,356**	**85,545**

It appears as though Lakefront Utilities is seeking approval of lost revenues from 2011 and 2012 programs. OEB staff notes that these amounts were approved in EB-2012-0144 (2011 lost revenues) and EB-2013-0148 (2012 lost revenues).

(a) Please confirm if this was in error.
(b) If the answer to (a) is no, please explain why Lakefront Utilities believes this is appropriate.
(c) Please provide an updated LRAMVA calculation excluding these amounts.

Lakefront Utilities Response

a) Lakefront confirms that it mistakenly included the lost revenues from 2011 and 2012 programs in Table 4.26 was an error.

b) See response above.

c) The updated LRAMVA calculation is included in 4-Staff-51. Lakefront Utilities has populated the newly released OEB LRAMVA Work Form and has filed it along with these responses as:

LakefrontUtilities_IRR_2017COS_LRAMVA_20160805

4-Staff-51
LRAMVA Calculations
Ref: EB-2011-0250 Settlement Agreement, Page 21

The table below shows the OEB-approved CDM component in Lakefront Utilities' load forecast from its 2012 cost of service application:

Rate Class	Volume	Unit
Residential	1,049,050	kWh
GS<50kW	504,413	kWh
GS>50kW	2,566	kW

It appears as though in its current application, Lakefront Utilities has not reduced its lost revenues by the approved CDM component in its load forecast in EB-2011-0250.

(a) Please provide an explanation and, if necessary, provide a revised LRAMVA calculation making the necessary corrections.

Lakefront Utilities Response

Because the LRAMVA model originally filed in April did not include 2015 results, Lakefront Utilities has populated the newly released OEB LRAMVA Work Form and has filed it along with these responses. In the LRAMVA Work Form, LUI removed the lost revenues for 2011 and 2012. Below is the revised LRAMVA calculation.

Description	Residential	General Service <50 kW	Total
2011 Forecast	$0.00	$0.00	$0.00
2011 Actuals	$0.00	$0.00	$0.00
Amount Cleared	$0.00	$0.00	
2012 Forecast	$0.00	$0.00	$0.00
2012 Actuals	$0.00	$0.00	$0.00
Amount Cleared	$0.00	$0.00	
2013 Forecast	($3,361.06)	($921.87)	($4,282.93)
2013 Actuals	$2,193.87	$3,827.93	$6,021.80
Amount Cleared	$0.00	$0.00	
2014 Forecast	($5,102.96)	($1,395.46)	($6,498.42)
2014 Actuals	$7,960.29	$8,777.81	$16,738.10
Amount Cleared	$0.00	$0.00	
2015 Forecast	($9,877.05)	($2,696.56)	($12,573.61)
2015 Actuals	$14,648.20	$24,258.37	$38,906.56
Amount Cleared	$0.00	$0.00	
Carrying Charges	$38.81	$345.10	$383.90
Total LRAMVA Balance	$6,500.09	$32,195.31	$38,695.40

4-Staff-52
Ref: Ex.4/Tab 6/Sch. 2 – LRAMVA

Please provide a table that lists all the appropriate OPA CDM Initiatives that produced net CDM savings which were used in the LRAMVA calculations. For each rate class, please list all relevant CDM initiatives in the applicable year and provide the subsequent net CDM savings for each. An example is provided below:

Residential	**Net kWh**	**Net kW**
Initiative 1		
Initiative 2		
Initiative 3		
Total		
Volumetric Rate Used		
Lost Revenues		
GS < 50 kW	**Net kWh**	**Net kW**
Initiative 1		
Initiative 2		
Initiative 3		
Total		
Volumetric Rate Used		
Lost Revenues		
GS > 50 kW	**Net kWh**	**Net kW**
Initiative 1		
Initiative 2		
Initiative 3		
Total		
Volumetric Rate Used		
Lost Revenues		
Other classes (e.g., Streetlighting, Large Use, etc.), as needed	**Net kWh**	**Net kW**
Initiative 1		
Initiative 2		
Initiative 3		
Total		
Volumetric Rate Used		
Lost Revenues		

A separate table should be provided for each year.

Lakefront Utilities Response

	2011	2011	2012	2012	2013	2013	2014	2014	2015	2015
	Net kWh	Net kW	Net kWh	Net kW	Net kWh	Net kW	Net kWh	Net kW	Net kWh	Net kW
RESIDENTIAL										
Appliance Retirement	43,268	6	25,892	3	19,992	3	29,768	5	8,856	1
Appliance Exchange	825	1	1,509	1	8,497	5	2,217	1	0	0
HVAC Incentives	118,914	62	58,485	33	68,390	38	72,906	39	141,116	73
Conservation Instant Coupon Booklet	36,294	2	2,666	0	14,697	1	56,616	5	97,235	6
Bi-Annual Retailer Event	56,036	3	51,067	3	32,758	2	234,350	15	179,011	12
Retailer Co-Op	0	0	0	0	0	0	0	0	0	0
Residential Demand Response	0	0	0	0	0	0	0	40	0	0
Residential Demand Response (IHD)	0	0	0	0	0	0	0	0	0	0
Residential New Construction	0	0	0	0	0	1	10,799	1	13,284	3
TOTAL	**255,337**	**74**	**139,619**	**41**	**152,617**	**49**	**406,657**	**105**	**439,502**	**95**
Volumetric Rate Used										
Lost Revenues										
GS < 50 kW										
Retrofit	44,447	11	271,670	57	292,770	60	248,761	29	1,705,157	194
Direct Install Lighting	308,217	116	110,062	28	174,051	49	349,386	85	130,602	30
Building Commissioning	0	0	0	0	0	0	0	0	0	0
New Construction	0	0	0	0	74,396	12	0	0	0	0
Energy Audit	0	0	50,353	10	0	0	0	0	0	0
Small Commercial Demand Response	0	0	0	0	0	0	0	0	0	0
Small Commercial Demand Response (IHD)	0	0	0	0	0	0	0	0	0	0
Demand Response 3	0	0	0	0	0	0	0	0	0	0
TOTAL	**352,664**	**128**	**432,084**	**95**	**541,216**	**121**	**598,147**	**114**	**1,835,759**	**224**
Volumertric Rate Used										
Lost Revenues										
GS >50kW										
Process & Systems Upgrades	0	0	0	0	0	0	0	0	0	0
Monitoring & Targeting	0	0	0	0	0	0	0	0	0	0
Energy Manager	0	0	0	0	0	0	0	0	17,413	5
Retrofit	657,661	42	0	0	0	0	0	0	0	0
Demand Response 3	0	0	2,356	98	5,911	260	0	193	0	0
TOTAL	**657,661**	**42**	**2,356**	**98**	**5,911**	**260**	**0**	**193**	**17,413**	**5**
Volumetric Rate Used										
Lost Revenues										
LOW INCOME										
Home Assistance Program	0	0	26,046	2	75,767	5	33,436	6	6,497	1
TOTAL	**0**	**0**	**26,046**	**2**	**75,767**	**5**	**33,436**	**6**	**6,497**	**1**
Volumetric Rate Used										
Lost Revenues										

4.0 -VECC -23
Reference: E4/

a) Please provide the annual fees paid to the EDA for 2012 through 2017 (forecast).

Lakefront Utilities Response

a) Below is a summary of the annual fees paid to the EDA for 2012 through 2017.

Year	Amount
2012	14,600
2013	15,300
2014	16,000
2015	16,500
2016 (Bridge)	16,822
2017 (Forecast)	17,300

4.0 -VECC -24
Reference: E4/T3/S2/Appendix 2-JC

a) Please provide the total bad debt (only and if different than the line Bad Debts and Collections) for 2012 through 2015.
b) Please explain how Lakefront derived the 2016 and 2017 forecast for bad debts.

Lakefront Utilities Response

a) Below is a summary of the bad debts for 2012 through 2015.

Year	Bad Debt
2012	15,718
2013	24,834
2014	131,877
2015	24,824

b) Lakefront included $25,320 of bad debts in 2016 and $26,080 in 2017. Lakefront began with the average balance of 2012 to 2015 (excluding 2014) of approximately $21,000.

Lakefront compared the average balance above and contrasted to its receivables over 90 days from the 2014 and 2015 year ends. The total receivables over 90 days averaged approximately $71,000.

4.0 -VECC -25

Reference: E4/T3/S6/pg.27 Appendix 2-K

a) Please amend Appendix 2-K to add a row showing the total amount of OM&A capitalized in each year.

Lakefront Utilities Response

Below is the amended Appendix 2-K with a row showing the total amount of OM&A wages that were capitalized.

Please note that the OM&A capitalized for 2016 and 2017 in the table below are based on the capital budgeted wages.

	Last Rebasing Year - 2012 - Board Approved	Last Rebasing Year - 2012 - Actual	2013 Actuals	2014 Actuals	2015 Actuals	2016 Bridge Year	2017 Test Year
Number of Employees (FTEs including Part-Time)							
Management (including executive)	3.25	3.70	3.65	4.05	2.77	2.46	2.46
Non-Management (union and non-union)	18.95	16.52	16.1	16.77	14.06	16.04	16.04
Total	22.20	20.22	19.75	20.82	16.83	18.50	18.50
Total Salary and Wages including overtime and incentive pay							
Management (including executive)							
Non-Management (union and non-union)	$1,634,980	$1,477,389	$1,493,761	$1,574,865	$1,319,512	$1,321,235	$1,342,148
Total	$1,634,980	$1,477,389	$1,493,761	$1,574,865	$1,319,512	$1,321,235	$1,342,148
OM&A Capitailzed		$429,113	$209,115	$418,524	$439,371	$313,490	$280,430
Total Benefits (Current and Accrued)							
Management (including executive)						$0	$0
Non-Management (union and non-union)	$277,953	$387,525	$384,663	$434,869	$378,503	378,997	384,996
Total	$277,953	$387,525	$384,663	$434,869	$378,503	$378,997	$384,996
Total Compensation (Salary, Wages, & Benefits)							
Management (including executive)	$0	$0	$0	$0	$0	$0	$0
Non-Management (union and non-union)	$1,912,933	$1,864,914	$1,878,424	$2,009,734	$1,698,015	$1,700,232	$1,727,144
Total	$1,912,933	$1,864,914	$1,878,424	$2,009,734	$1,698,015	$1,700,232	$1,727,144

4.0 -VECC -26
Reference: E4/T3/S2/Appendix 2-JC

a) Please provide a list of positions (by category e.g. linemen; administration, engineering, executive etc.) in 2012 as compared to 2016.
b) Lakefront has reduced the total FTE from 22.2 in 2012 to 18.50 in 2016/17. How many of these positions are/will be replaced by contracted out positions or by shared service positions?

Lakefront Utilities Response

a) Below is a listing of positions by category comparing 2012 to 2016.

Category	2012	2016	Increase (Decrease)
Executive	1.50	1.50	0.00
Administration	10.12	7.30	(2.82)
Engineering	2.00	2.00	0.00
Linemen	4.83	6.00	1.17
Stores	0.75	0.00	(0.75)
Distribution Tech	3.00	1.70	(1.30)
Total	**22.20**	**18.50**	**(3.70)**

b) None of the positions will be replaced by shared service positions. Two positions have been contracted out to assist with the transition with the numerous retirements in 2015.

4.0 -VECC -27
Reference: E4/T3/S4/Shared Services

a) Please explain the increase in "Outside Services Employed" in 2012 ($53,921) and 2017 ($120,648).

Lakefront Utilities Response

The increase in outside services employed of $66,727 is primarily the result of an increase associated with an IT audit planned for 2016 of approximately $30,000 and an increase of $15,000 in professional fees associated with LUI's transition to IFRS.

The remaining increase is the result of inflationary increases in costs such as subcontractor fees for IT services, etc.

4.0 -VECC -28

Reference: E4/T6/S2
LRAMVA Model
4-Staff-51 and 52

a) With respect to the LRAMVA model and LRAM calculations, were the 2011 rates as set out in the model in effect for all of 2011?
b) Please explain how the savings by program/by year were derived from the 2011-2014 Final CDM Report for Lakefront.
c) Based on the responses to the preceding questions and the OEB Staff interrogatories, please update the 2011-2014 LRAM claim as necessary.

Lakefront Utilities Response

a) Lakefront Utilities confirms that the 2011 rates as set out in the model were in effect for all of 2011.

b) The savings were determined based on the 2011-2014 Final CDM report. LUI has attached the report with this filing as:

   LakefrontUtilities_IRR_2017COS_CDMAnnualReport_20160805

c) Lakefront Utilities has updated the LRAM claim based on the previous questions.

4-Energy Probe-11
Ref: Exhibit 4, Appendix 2-JA

a) How many months of actual data are included in the 2016 forecast?

b) Please provide the most recent year-to-date actual figures for OM&A for 2016 that is currently available in the same level of detail as shown in the table. Please also provide the actual year-to-date figures for the corresponding period in 2015.

c) Based on the year-to-date actuals for 2016, what is the current forecast for 2016?

Lakefront Utilities Response

a) The 2016 forecast was based on budgeted data, no actual data was included in the forecast.

b) Below is the updated Appendix 2-JA for the most recent year-to-date actual figures for OM&A for 2016 and the actual year-to-date figures for the corresponding period in 2015.

	Last Rebasing Year (2012 Board-Approved)	Last Rebasing Year (2012 Actuals)	2013	2014	2015	as at June 30, 2015	as at June 30, 2016	2016	2017
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operations	$724,871	$553,856	$658,284	$596,391	$508,337	$246,618	$260,405	$510,101	$525,404
Maintenance	$322,942	$135,286	$239,277	$219,341	$175,003	$53,813	$77,986	$190,084	$195,787
SubTotal	**$1,047,813**	**$689,143**	**$897,562**	**$815,732**	**$683,340**	**$300,431**	**$338,391**	**$700,185**	**$721,191**
%Change (year over year)			30.2%	-9.1%	-16.2%	-56.0%	12.6%	133.1%	113.1%
%Change (Test Year vs Last Rebasing Year - Actual)									-31.2%
Billing and Collecting	$412,387	$597,740	$574,811	$618,225	$531,136	$240,937	$233,729	$549,821	$566,316
Community Relations	$5,664	$12,330	$12,931	$11,089	$12,773	$3,222	$10,613	$19,630	$20,219
Administrative and General+LEAP	$1,062,469	$941,875	$1,053,432	$999,179	$983,675	$536,351	$598,999	$1,047,490	$1,064,154
SubTotal	**$1,480,520**	**$1,551,945**	**$1,641,173**	**$1,628,493**	**$1,527,583**	**$780,511**	**$843,340**	**$1,616,941**	**$1,650,689**
%Change (year over year)			5.7%	-0.8%	-6.2%	-48.9%	8.0%	107.2%	95.7%
%Change (Test Year vs Last Rebasing Year - Actual)									6.4%
Total	**$2,528,333**	**$2,241,087**	**$2,538,735**	**$2,444,224**	**$2,210,923**	**$1,080,942**	**$1,181,731**	**$2,317,126**	**$2,371,880**
%Change (year over year)			13.3%	-3.7%	-9.5%	-51.1%	9.3%	114.4%	100.7%

c) Based on the year-to-date actuals for 2016, Lakefront feels its forecast for 2016 as filed in the Cost of Service is reasonable and no further updates (other than updates as a result of the interrogatories) are necessary.

4-Energy Probe-12
Ref: Exhibit 4, Appendix 2-JB

a) When did Lakefront recover the OM&A and depreciation costs associated with smart meters?

b) Where the costs included in the deferral account prior to 2012 recovered as part of OM&A costs in 2012? If so, was the full amount included in the 2012 revenue requirement or was the amount normalized over the cost of service and IRM period of 4 years?

c) Please explain fully why there is no cost driver shown for the recovery of smart meter costs that were included in the deferral account and recovered in 2012.

Lakefront Utilities Response

a) Lakefront Utilities is continuing to amortize the smart meters and expects the deprecation to cease in 2025.

b) The costs included in the deferral account prior to 2012 were capitalized as smart meters in 2012. The amount included in the 2012 revenue requirement was recorded fully in 2012 and was not normalized.

c) The smart meter costs were recorded in 2012 and capitalized in 2012, therefore there is no cost driver shown on Appendix 2-JB.

4-Energy Probe-13

Ref: Exhibit 4, page 15 & Appendix 2-M

a) Please reconcile the figure of $21,702 in regulatory costs of the 2017 COS application noted on page 15 with the figure of $23,630 shown in Appendix 2-M.

b) If the 2017 COS application costs of $118,150 shown in Appendix 2-M are to be amortized over 5 years (i.e. the COS year and the following 4 IRM years), please explain why 2016 includes $21,702 of costs in the bridge year forecast.

Lakefront Utilities Response

a) Lakefront Utilities confirms that the $21,702 mentioned on page 15 is a typo and should have read $23,630.

b) Lakefront Utilities has corrected Appendix 2-M and removed the 2016 amortized Cost of Service expenses.

4-Energy Probe-14
Ref: Exhibit 4, Tables 4.14 through 4.19

a) Please explain the significant difference (in the range of 10% to 16%) between the depreciation expense calculated in these tables as compared to that in the continuity schedules.

b) Table 4.19 shows a total depreciation expense to be included in the test year revenue requirement of $955,816. However, the RRWF includes the figure of $1,061,438. Please explain and reconcile.

Lakefront Utilities Response

a) In Tables 4.14 through 4.19 the depreciation is based on the average useful life for the various components that are included in an entire asset account which leads to an average depreciation value. However, the depreciation expense in the continuity statements is based on using a specific depreciation rate for each component within an asset class. The difference between using an average and specific rate causes an immaterial discrepancy.

b) The depreciation expense in Table 4.19 is included in column I and totals $1,061,438, which agrees to Lakefront's RRWF figure. The depreciation of $955,816 is the calculation for the 2017 additions (full year depreciation).

Lakefront Utilities notes that the depreciation for 2017 has been updated as a result of 2-EnergyProbe-4.

4-Energy Probe-15
Ref: Exhibit 4, Table 4.21

Lakefront appears to be proposing changes to the useful life of a number of accounts (1835, 1850, 1845, 1855).

a) Please provide the rationale and evidence to support the needs for these changes.

b) Please confirm that Lakefront is proposing these changes to take place in 2017 and that for 2016 and prior years, the current rates have and continue to be used. If this cannot be confirmed, please explain.

c) What is the impact on the depreciation expense in the test year of the proposed changes in the useful lives of the accounts where a change is proposed?

Lakefront Utilities Response

Lakefront Utilities notes that the useful life information for 1835, 1850, 1845, and 1855 were recorded on the incorrect line on Appendix 2-BB and notes that LUI is not proposing any changes to the useful life of the accounts.

4-Energy Probe-16
Ref: Exhibit 4, page 58

Does Lakefront have any positions in the 2017 test year that are eligible for any tax credits, such as the Ontario apprentice tax credit, co-op education tax credit, or federal job creation tax credits? If yes, please identify.

Lakefront Utilities Response

Lakefront Utilities does not have any positions in 2017 that are eligible for any tax credits, such as the Ontario apprentice tax credit, etc.

4-Energy Probe-17
Ref: Exhibit 4, PILS Model &

Exhibit 2, Appendix 2-BA

a) Please explain why Lakefront has placed $10,000 into CCA Class 1 in the bridge year when the continuity schedule indicates it would be CCA Class 47.

b) Please explain the difference in the $76,000 added to CCA Class 8 in 2016 and the $83,000 shown in the continuity schedule as being in CCA Class 8.

c) Please explain why Lakefront has placed $10,000 into CCA Class 1 in the test year when the continuity schedule indicates it would be CCA Class 47.

Lakefront Utilities Response

Lakefront Utilities has updated all of the above in its PILS Model and has refiled the model with its response.

Note: As a result of the above, Lakefront Utilities has updated its RRWF and has included the change on Tab 10. Tracking Sheet.

4-CTA-13
FTE Aggregation
Ref: Ex.4/Tab 3/Sch.3 – Employee Compensation, Page 27

In accordance with Board policy which states that: "Where there are three, or fewer, full-time equivalents (FTEs) in any category, Lakefront Utilities Inc. may aggregate this category with the category to which it is most closely related. This higher level of aggregation may be continued, if required, to ensure that no category contains three, or fewer, FTEs". LUI has separated out its Executive and Management employees in the FTEs but has lumped them in with the non-union employees for all other reporting in OEB Appendix 2-K."

OEB Appendix 2-K – Employee Compensation on the same page shows that Management (including executive) was 3.65 FTE in 2013 and 4.05 FTE in 2014 which are greater than 3. However, management compensation is listed as $0 for those years.

What is the rationale for the omission of separate entries for Management (including executive) for 2013 and 2014?

Lakefront Utilities Response

Lakefront noted that although the FTE in 2013 was 3.65 and was 4.05 in 2014, the FTE in 2015, 2016, and 2017 is less than three. As a result, Lakefront's rationale was to keep the prior year portrayal consistent with 2015 and future years, for comparative purposes.

4-CTA-14
Wage Increases
Ref: Ex.4/Table 4.9: Summary of Wage Increases by Year, Page 29

Table 4.9 shows annual increases of 3.00%, 3.00%, 1.75%, 1.75% and 2.00% and a cumulative total of 11.50%. If the increases are compound, the cumulative increase would be 12.034% rather than 11.50% as indicated.

Are all of the increases based on February 1, 2011 or are they compound increases?

Lakefront Utilities Response

Lakefront confirms that the increases are compound increases. However, it is not correct to state that the cumulative increase would be 12.034% as that would assume no staff changes from 2012 to 2016.

Exhibit 5 – Cost of Capital and Capital Structure

5-Staff-53
Ref 1: Exhibit 5, Appendix 2-OA, Appendix 2-OB
Ref 2: Report of the Board on the Cost of Capital for Ontario's Regulated Utilities (EB 2009-0084)
Ref 3: OEB Cover Letter and OEB Staff Report on the Review of the Cost of Capital for Ontario's Regulated Utilities, January 14, 2016

In Table 1 on page 3 of Exhibit 5, Lakefront Utilities notes that the requested cost of long-term debt to be recovered as part of its 2017 test year revenue requirement is at a rate of 4.54%. This is also shown in Appendix 2-OA for the 2017 test year, also copied on page 5 of Exhibit 5.

Appendix 2-OB (also shown on page 6 of Exhibit 5) documents the following three actual and forecasted long-term debt instruments owed by Lakefront Utilities during the 2017 test year:

	Description	Lender	Affiliated / Third Party	Date	Term	Principal	Rate
1	Note Payable	Town of Cobourg	Affiliated	09/12/2006	NA (On Demand)	$ 7,000,000	7.25%
2	Loan	Infrastructure Ontario	Affiliated	10/01/2012	15 years	$ 1,225,224	3.38%
3	Loan	Infrastructure Ontario	Affiliated	09/03/2013	15 years	$ 1,457,461	4.03%
	Total Debt					$ 9,682,685	4.54%
							Proposed

Lakefront Utilities describes its long-term debt on pages 7 and 8 of Exhibit 5.

Beginning at the bottom of page 8, and continuing on page 9 of Exhibit 5, and with Table 5-1, Lakefront Utilities has a short description of what it terms "notional debt", and which seems to be the basis for its proposed 4.54% long-term debt rate.

(a) Please describe what Lakefront Utilities means by "notional debt" and how the description on pages 8 and 9 and Table 5-1 form the basis for the proposed long-term debt rate of 4.54%.

(b) Please describe how Lakefront Utilities' definition of and application of notional debt is consistent with: 1) Section 4.4.1 of the Report of the Board on the Cost of Capital for Ontario Regulated Utilities (EB-2009-0084); and 2) section 3.1 of the OEB Staff Report on the Review of the Cost of Capital for Ontario's Regulated Utilities.

(c) OEB staff notes that the OEB's policies on long-term debt rates are applied to each debt instrument individually, taking into account the timing and the characteristics of the terms of each instrument, including whether the lender is affiliated or third party, whether the rate is variable or fixed, and the term of the loan. In this case, OEB staff notes that the two Infrastructure Ontario loans are third-party loans with fixed rates and fixed terms, and so would attract, for rate-setting purposes, their actuals rates of 3.38% and 4.03%. The Promissory Note to the Town of Cobourg is affiliated debt, with a fixed rate but with no fixed term, and so would attract the OEB's current deemed long-term debt rate of 4.54%. As such, OEB staff provides the following analysis of the weighted average cost of long-term debt of 4.32% for setting Lakefront Utilities' 2017 revenue requirement:

	Description	Lender	Affiliated / Third Party	Date	Term	Principal	Rate	Allowed Rate per OEB Policy
1	Note Payable	Town of Cobourg	Affiliated	09/12/2006	NA (On Demand)	$ 7,000,000	7.25%	4.54%
2	Loan	Infrastructure Ontario	Affiliated	10/01/2012	15 years	$ 1,225,224	3.38%	3.38%
3	Loan	Infrastructure Ontario	Affiliated	09/03/2013	15 years	$ 1,457,461	4.03%	4.03%
	Total Debt					$ 9,682,685	4.54%	4.32%
							Proposed	

The weighted average cost of long-term debt is determined by weighted the allowed rate for each debt instrument by the principal of each instrument.

Please provide Lakefront Utilities' views on OEB staff's analysis.

(d) Please confirm that the deemed long-term debt, should be updated along with the Return on Equity and deemed long-term debt rate at the time of the OEB's decision on Lakefront Utilities' application. In the alternative, please explain.

Lakefront Utilities Response

a) Lakefront Utilities based its definition of notional debt on the Ontario Energy Board's Report EB-2009-0084. That is, actual long term debt is typically not equal to the deemed debt amount for rate making purposes since the figures are determined using two different methods. The actual long term debt is the total principal amount payable for all the expected notes payable in 2016. The deemed debt amount is 56% of the 2016 rate base. The difference between the two amounts is classified as the notional debt.

b) Lakefront has reviewed section 4.4.1 of the Report of the Board on the cost of Capital for Ontario Regulated Utilities (EB-2009-0084) and understands that the current policy of using the weighted cost of embedded debt should continue. Furthermore, Lakefront understands that:

- For affiliate debt with a fixed rate, the deemed long term debt rate at the time of issuance will be used as a ceiling on the rate allowed for that debt.

- For debt that has a variable rate, the deemed long term debt rate will be a ceiling on the rate allowed for that debt.

c) Lakefront agrees with the OEB staff's analysis of the weighted average cost of long-term debt as determined by the allowed rate for each debt instrument by the principal of each instrument.

d) Lakefront confirms that the deemed long-term debt, should be updated along with the Return on Equity and deemed long-term debt rate at the time of the OEB's decision on LUI's application.

Note: As a result of the above, Lakefront Utilities has updated its RRWF and has included the change on Tab 10. Tracking Sheet.

5.0-VECC-29
Reference: E5/T1/S3/Appendix 2-OB

Preamble: Lakefront appears to have miscalculated the long-term debt rate by including notional debt and by not adjusting the callable affiliate debt to the Board's current rate (please see Appendix G to the Settlement Agreement approved by the Board in EB-2011-0250).

a) Please recalculate the long-term debt rate using only the current debt and the default Board rate for affiliated debt.
b) Please provide the revenue requirement impact of this adjustment.
c) If Lakefront is seeking to have a fixed rate of 7.25% apply to the affiliated debt please explain what circumstances have changed with regard to the affiliate debt agreement since 2012. Please file the documents showing Lakefront's agreement to those changes.

Lakefront Utilities Response

a) Lakefront used the calculations per OEB staff in 5-Staff-53 and recalculated the long-term debt rate of 4.32%

	Description	Lender	Affiliated / Third Party	Date	Term	Principal	Rate	Allowed Rate per OEB Policy
1	Note Payable	Town of Cobourg	Affiliated	09/12/2006	NA (On Demand)	$ 7,000,000	7.25%	4.54%
2	Loan	Infrastructure Ontario	Affiliated	10/01/2012	15 years	$ 1,225,224	3.38%	3.38%
3	Loan	Infrastructure Ontario	Affiliated	09/03/2013	15 years	$ 1,457,461	4.03%	4.03%
	Total Debt					$ 9,682,685	4.54%	4.32%
							Proposed	

b) As a result of the above, Lakefront Utilities has updated its RRWF and has included the change on Tab 10. Tracking Sheet.

c) Lakefront is not seeking to have a fixed rate of 7.25% apply to the affiliated debt. Lakefront has corrected their filing with the recalculated long-term debt rate using only the current debt and the default Board rate for affiliated debt.

Note: As a result of the above, Lakefront Utilities has updated its RRWF and has included the change on Tab 10. Tracking Sheet.

5-Energy Probe-18

Ref: Exhibit 5, page 7 & Appendix 2-OB

a) Please explain why Lakefront is requesting a long term debt rate of 4.54%when the third party loans are at rates lower than this figure.

b) Please calculate the weighted average cost of long term debt using the third party debt rates and the 4.54% applied to the affiliated debt.

Lakefront Utilities Response

a) Lakefront confirms the OEB's recalculation of the long-term debt rate of 4.32% as detailed in 5-Staff-53.

b) Below is the calculation as recommended in 5-Staff-53 regarding the weighted average cost of long-term debt.

	Description	Lender	Affiliated / Third Party	Date	Term	Principal	Rate	Allowed Rate per OEB Policy
1	Note Payable	Town of Cobourg	Affiliated	09/12/2006	NA (On Demand)	$ 7,000,000	7.25%	4.54%
2	Loan	Infrastructure Ontario	Affiliated	10/01/2012	15 years	$ 1,225,224	3.38%	3.38%
3	Loan	Infrastructure Ontario	Affiliated	09/03/2013	15 years	$ 1,457,461	4.03%	4.03%
	Total Debt					$ 9,682,685	4.54%	4.32%
							Proposed	

Note: As a result of the above, Lakefront Utilities has updated its RRWF and has included the change on Tab 10. Tracking Sheet.

5-Energy Probe-19

Ref: Exhibit 5, page 7

a) Is Lakefront able to pay off all or any part of the affiliate loan?

b) Is there any prepayment penalty associated with paying off all or any part of the affiliate loan? If yes, please identify.

c) Has Lakefront investigated the cost savings associated with replacing all or some part of the affiliate debt with a lower long term rate? If not, why not?

Lakefront Utilities Response

a) The promissory note attached in Exhibit 5 does not indicate any principal repayment terms.

b) There is no mention of penalties associated with paying off all or any part of the affiliate loan as detailed in the promissory note in Exhibit 5.

c) Lakefront Utilities has investigated the cost savings with replacing all or some part of the affiliate debt with a lower long-term rate. However, the investigation is only the preliminary stages and Lakefront has not had discussions with its shareholder regarding the potential restructuring of the debt.

5-CTA-15
Long Term Note
Ref: Ex.5, Attachment A - Long Term Note Payable to Town of Cobourg, Page 11
Ref: Appendix 2 of this OEB submission

Lakefront has an affiliated debt of $7,000,000 owed to The Corporation of the Town of Cobourg bearing interest at the rate of 7.25% per annum. This rate is significantly higher than rates that are currently widely available for similar debt.

Town of Cobourg Audited Financial Statements 2015, note 5c. Investment in Town of Cobourg Holdings Inc. (document provided to OEB as Appendix 2 to this submission) states:

> "The note receivable bears interest at 7.25% per annum. The Town does not intend to demand repayment from TCHI until replacement term financing is in place. Interest earned on this note amounted to $507,500 (2014 - $507,500). Fair value of the note receivable is indeterminable as it is a non-arm's length loan."

a) Please explain why maintaining this debt at far above market rates is advantageous to the customers of Lakefront.
b) Please detail your plans to renegotiate this debt at a rate closer to the current norm.
c) Please provide your assessment of when "replacement term financing" will be in place.

Lakefront Utilities Response

a) Lakefront Utilities pays the interest rate of 7.25% as per the signed promissory note with the Town of Cobourg. Lakefront's customers are not at a disadvantage as a result of the interest payment above market rates as the interest included Lakefront's Cost of Service application is based on the OEB deemed rate.

b) Lakefront Utilities has investigated the cost savings with replacing all or some part of the affiliate debt with a lower long-term rate. However, the investigation is only in the preliminary stages and Lakefront has not had discussions with its shareholder regarding the potential restructuring of the debt.

c) Please refer to answer to 5-CTA-15 b) above. However, the ultimate decision has to be made by the Town of Cobourg.

Exhibit 6 – Calculation of Revenue Deficiency

6-Staff-54

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 10 Tracking Sheet, and may also be included on other sheets in the RRWF to assist understanding of changes.

Also upon completing all interrogatories from OEB staff and intervenors please provide any updates to the following Microsoft Excel documents in working format: PILS, any Appendix 2 changes (e.g. cost allocation, rate design, and bill impacts, and so on as required), EDDVAR spreadsheet, and the updated cost allocation model (as per the interrogatory below) reflecting the revised revenue requirement in the updated RRWF.

Lakefront Utilities Response

Lakefront Utilities has submitted a revised RRWF in conjunction with this submission.

6.0-VECC-30
Reference: E6/Table 6.6

a) Please file a revised Table 6.6 incorporating any changes made as a result of the parties' interrogatories.

Lakefront Utilities Response

Below is the revised Table 6.6 incorporating any changes made as a result of the interrogatories.

Line No.	Particulars	Initial Application: At Current Approved Rates	Initial Application: At Proposed Rates	Interrogatory Responses: At Current Approved Rates	Interrogatory Responses: At Proposed Rates
1	Revenue Deficiency from Below		$56,306		$55,238
2	Distribution Revenue	$4,358,233	$4,358,234	$4,323,362	$4,323,362
3	Other Operating Revenue Offsets - net	$447,973	$447,973	$419,585	$419,585
4	**Total Revenue**	$4,806,206	$4,862,513	$4,742,947	$4,798,185
5	Operating Expenses	$3,485,678	$3,485,678	$3,469,253	$3,469,253
6	Deemed Interest Expense	$515,652	$515,652	$486,706	$486,706
8	**Total Cost and Expenses**	$4,001,330	$4,001,330	$3,955,959	$3,955,959
9	**Utility Income Before Income Taxes**	$804,876	$861,183	$786,988	$842,226
10	Tax Adjustments to Accounting Income per 2013 PILs model	($353,721)	($353,721)	($380,676)	($380,676)
11	**Taxable Income**	$451,155	$507,462	$406,311	$461,549
12	Income Tax Rate	26.50%	26.50%	26.50%	26.50%
13	**Income Tax on Taxable Income**	$119,556	$134,477	$107,673	$122,311
14	**Income Tax Credits**	$ -	$ -	$ -	$ -
15	**Utility Net Income**	$685,320	$726,705	$679,315	$719,915
16	**Utility Rate Base**	$19,768,900	$19,768,900	$19,584,196	$19,584,196
17	Deemed Equity Portion of Rate Base	$7,907,560	$7,907,560	$7,833,679	$7,833,679
18	Income/(Equity Portion of Rate Base)	8.67%	9.19%	8.67%	9.19%
19	Target Return - Equity on Rate Base	9.19%	9.19%	9.19%	9.19%
20	Deficiency/Sufficiency in Return on Equity	-0.52%	0.00%	-0.52%	0.00%
21	Indicated Rate of Return	6.08%	6.28%	5.95%	6.16%
22	Requested Rate of Return on Rate Base	6.28%	6.28%	6.16%	6.16%
23	Deficiency/Sufficiency in Rate of Return	-0.21%	0.00%	-0.21%	0.00%
24	Target Return on Equity	$726,705	$726,705	$719,915	$719,915
25	Revenue Deficiency/(Sufficiency)	$41,385	$0	$40,600	($0)
26	**Gross Revenue Deficiency/(Sufficiency)**	$56,306 **(1)**		$55,238 **(1)**	

6-Energy Probe-20

Ref: Exhibit 6

Based on any corrections, changes or updates (such as the cost of power), please:

a) Provide updated Tables 6.1 through 6.8,

b) Provide an updated RRWF that includes the appropriate and necessary entries in the Tracking Form indicating the interrogatory response which is the basis for the change made. Please also provide the RRWF in electronic form.

c) Please confirm that the 2015 data shown in Table 6.5 reflects actual data for 2015.

Lakefront Utilities Response

a) Below are the updated tables as requested.

Table 6.1: Test Year Revenue Requirement

Particular	2017 Test Year
OM&A Expenses	2,371,880
Amortization Expense	1,035,014
Property Taxes	62,359
Total Distribution Expenses	3,469,253
Regulated Return on Capital	1,206,622
Grossed up PILs	122,311
Service Revenue Requirement	4,798,185
Less: Revenue Offsets	419,585
Basic Revenue Requirement	4,378,600

Table 6.2: Statement of Rate Base

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	($)	(%)	($)
Debt				
Long-term Debt	56.00%	10,967,150	4.32%	$473,781
Short-term Debt	4.00%	783,368	1.65%	$12,926
Total Debt	60.0%	11,750,518	4.14%	$486,706
Equity				
Common Equity	40.00%	7,833,679	9.19%	$719,915
Preferred Shares				$ -
Total Equity	40.0%	7,833,679	9.19%	$719,915
Total	**100.0%**	**19,584,196**	**6.16%**	**$1,206,622**

Table 6.3: Return on Rate Base

Return	Amount
Deemed Interest Expense	486,706
Return on Deemed Equity	719,915
Total	**1,206,622**

Table 6.4: Utility Income under proposed Revenue Requirement

Particulars	Initial Application
Operating Revenues	
Distribution Revenue (at proposed rates)	4,378,600
Other Revenue	419,585
Total Operating Revenues	4,798,185
Operating Expenses	
OM&A Expenses	2,371,880
Amortization	1,035,014
Property Taxes	62,359
Capital taxes	0
Other Expeness	0
Total Operating Expenses	3,469,253
Deemed Interest Expense	486,706
Total Expenses	3,955,959
Utility Income Before Income Taxes	842,226
Income Taxes (grossed-up)	122,311
Utility Net Income	719,915

Table 6.5: Trend in Revenue Requirement

Particulars	2012 Board Approved	2012	2013	2014	2015	2016 Bridge Year	2017 Test Year
OM&A Expenses	2,528,333	2,241,087	2,538,735	2,444,224	2,210,923	2,317,126	2,371,880
Property Taxes	40,837	54,748	51,403	57,353	59,997	61,167	62,359
Amortization Expense	739,241	501,597	861,205	932,271	1,014,303	991,421	1,035,014
Total Distribution Expenses	3,308,411	2,797,432	3,451,342	3,433,849	3,285,223	3,369,713	3,469,253
Regulated Return on Capital	1,087,151	1,070,838	1,211,174	1,250,253	1,261,933	1,388,318	1,206,622
Grossed up PILs	22,112	534,948	74,753	123,038	104,291	133,534	122,311
Service Revenue Requirement	4,417,674	4,403,218	4,737,269	4,807,140	4,651,447	4,891,565	4,798,185
Less: Revenue Offsets	340,140	339,384	508,871	455,451	402,240	408,220	419,585
Basic Revenue Requirement	4,077,534	4,063,835	4,228,397	4,351,688	4,249,207	4,483,346	4,378,600

Table 6.6: Revenue Deficiency (RRWF)

Line No.	Particulars	Initial Application: At Current Approved Rates	Initial Application: At Proposed Rates	Interrogatory Responses: At Current Approved Rates	Interrogatory Responses: At Proposed Rates
1	Revenue Deficiency from Below		$56,306		$55,238
2	Distribution Revenue	$4,358,233	$4,358,234	$4,323,362	$4,323,362
3	Other Operating Revenue Offsets - net	$447,973	$447,973	$419,585	$419,585
4	**Total Revenue**	$4,806,206	$4,862,513	$4,742,947	$4,798,185
5	Operating Expenses	$3,485,678	$3,485,678	$3,469,253	$3,469,253
6	Deemed Interest Expense	$515,652	$515,652	$486,706	$486,706
8	**Total Cost and Expenses**	$4,001,330	$4,001,330	$3,955,959	$3,955,959
9	**Utility Income Before Income Taxes**	$804,876	$861,183	$786,988	$842,226
10	Tax Adjustments to Accounting Income per 2013 PILs model	($353,721)	($353,721)	($380,676)	($380,676)
11	**Taxable Income**	$451,155	$507,462	$406,311	$461,549
12	Income Tax Rate	26.50%	26.50%	26.50%	26.50%
13	**Income Tax on Taxable Income**	$119,556	$134,477	$107,673	$122,311
14	**Income Tax Credits**	$ -	$ -	$ -	$ -
15	**Utility Net Income**	$685,320	$726,705	$679,315	$719,915
16	**Utility Rate Base**	$19,768,900	$19,768,900	$19,584,196	$19,584,196
17	Deemed Equity Portion of Rate Base	$7,907,560	$7,907,560	$7,833,679	$7,833,679
18	Income/(Equity Portion of Rate Base)	8.67%	9.19%	8.67%	9.19%
19	Target Return - Equity on Rate Base	9.19%	9.19%	9.19%	9.19%
20	Deficiency/Sufficiency in Return on Equity	-0.52%	0.00%	-0.52%	0.00%
21	Indicated Rate of Return	6.08%	6.28%	5.95%	6.16%
22	Requested Rate of Return on Rate Base	6.28%	6.28%	6.16%	6.16%
23	Deficiency/Sufficiency in Rate of Return	-0.21%	0.00%	-0.21%	0.00%
24	Target Return on Equity	$726,705	$726,705	$719,915	$719,915
25	Revenue Deficiency/(Sufficiency)	$41,385	$0	$40,600	($0)
26	**Gross Revenue Deficiency/(Sufficiency)**	$56,306 **(1)**		$55,238 **(1)**	

Table 6.7: Comparison of Revenue Deficiency/(Sufficiency) (RRWF)

Particulars	2012 Board Approved	2017 Test Year	Difference
Revenue Deficiency from Below	0	56,306	56,306
Distribution Revenue	4,008,801	4,358,234	349,433
Other Operating Revenue Offsets - net	378,462	447,973	69,511
Total Revenue	**4,387,263**	**4,862,513**	**475,250**
Operating Expenses	3,308,411	3,485,678	177,267
Deemed Interest Expenses	442,913	515,652	72,739
Total Cost and Expenses	**3,751,324**	**4,001,330**	**250,006**
Utility Income Before Income Taxes	**635,939**	**861,183**	**225,244**
Tax Adjustments to Accounting Income per PILs Model	(523,689)	(353,721)	169,968
Taxable Income	**112,250**	**507,462**	**395,212**
Income Tax Rate	15.50%	26.50%	11.00%
Income Tax on Taxable Income	17,399	134,477	117,079
Utility Net Income	**618,540**	**726,705**	**108,165**
Utility Rate Base	**17,660,020**	**19,768,900**	**2,108,880**
Deemed Equity Portion of Rate Base	7,064,008	7,907,560	843,552
Income/(Equity Portion of Rate Base)	8.76%	9.19%	0.43%
Target Return - Equity on Rate Base	9.12%	9.19%	0.07%
Deficiency/Sufficiency in Rate of Return	-0.36%	0.00%	0.36%
Indicated Rate of Return	6.01%	6.28%	0.27%
Requrested Rate of Return on Rate Base	6.16%	6.28%	0.12%
Deficiency/Sufficiency in Rate of Return	-0.15%	0.00%	0.15%
Target Return on Equity	**644,238**	**726,705**	**82,467**

Table 6.8: Trend in Revenue Deficiency/(Sufficiency) (RRWF)

Particulars	2012 Board Approved	2012 Actual	2013 Actual	2014 Actual	2015 Actual	At Current Approved Rates	At Proposed Rates
Distribution Revenue	4,008,801	4,114,248	4,100,373	4,080,459	4,095,862	4,323,362	4,378,600
Other Operating Revenue Offsets	378,462	339,384	508,871	455,451	402,240	419,585	419,585
Total Revenue	**4,387,263**	**4,453,632**	**4,609,245**	**4,535,911**	**4,498,102**	**4,742,947**	**4,798,185**
Operating Expenses	3,308,414	2,241,087	3,451,342	3,433,849	3,285,223	3,469,253	3,469,253
Deemed Interest Expense	443,207	425,154	480,871	486,248	508,565	486,706	486,706
Total Cost and Expenses	**3,751,621**	**2,666,241**	**3,932,214**	**3,920,097**	**3,793,787**	**3,955,959**	**3,955,959**
Utility Income Before Income Taxes	635,642	1,787,391	677,031	615,814	704,315	786,988	842,226
Tax Adjustments to Accounting Income per 2013 PILs Model	(523,689)	(456,604)	(394,165)	(202,920)	(337,239)	(380,676)	(380,676)
Taxable Income	111,953	1,330,787	282,866	412,894	367,076	406,311	461,549
Income Tax Rate	15.50%	15.50%	15.50%	15.50%	15.50%	26.50%	26.50%
Income Tax on Taxable Income	17,353	206,272	43,844	63,999	56,897	107,673	122,311
Utility Net Income	**618,289**	**1,581,119**	**633,187**	**551,815**	**647,418**	**679,315**	**719,915**
Utility Rate Base	17,660,020	16,849,795	19,057,994	19,390,985	20,251,852	19,584,196	19,584,196
Deemed Equity Portion of Rate Base	7,086,895	6,739,918	7,623,198	7,756,394	8,100,741	7,833,679	7,833,679
Income/(Equity Portion of Rate Base)	8.72%	23.46%	8.31%	7.11%	7.99%	8.67%	9.19%
Target Return - Equity on Rate Base	9.85%	9.85%	9.85%	9.85%	9.85%	9.19%	9.19%
Deficiency/Sufficiency in Return on Equity	-1.13%	13.61%	-1.54%	-2.74%	-1.86%	-0.52%	0.00%
Indicated Rate of Return	6.01%	11.91%	5.85%	5.35%	5.71%	5.95%	6.16%
Requested Rate of Return on Rate Base	6.16%	6.16%	6.16%	6.16%	6.16%	6.16%	6.16%
Deficiency/Sufficiency in Rate of Return	-0.15%	5.75%	-0.31%	-0.81%	-0.45%	-0.21%	0.00%
Target Return on Equity	644,238	644,238	644,238	644,238	644,238	719,915	719,915
Revenue Deficiency/(Sufficiency)	25,949	(936,881)	11,051	92,423	(3,180)	40,600	0
Gross Revenue Deficiency/(Sufficiency)	**30,709**	**(1,108,735)**	**13,078**	**109,376**	**(3,764)**	**55,238**	**0**

b) Lakefront Utilities has filed an updated RRWF with its interrogatory response.

c) Lakefront confirm that the 2015 data shown in Table 6.5 reflects actual data for 2015.

Exhibit 7 – Cost Allocation

7-Staff-55

Ref: Ex.7/Tab 1/Sch.1 – Overview of Cost Allocation, Table 7.1 Weighting Factors

	Residential	General Service < 50 kW	General Service 50-2999 kW	General Service 3000-4999 kW	Street Lighting	Sentinel Lights	Unmetered Scattered Load
Insert Weighting Factor for Services Account 1855	1.0	2.0	10.0	10.0	1.0	1.0	1.0
Insert Weighting Factor for Billing and Collecting	1.0	2.0	7.0	7.0	1.0	0.1	5.0

As instructed by the OEB, Lakefront Utilities has used LDC specific weighting factors.

(a) Was a cost study conducted to determine the values in the table above?

(b) With respect to the General Service>50kW rate classes, what was the methodology used to determine the weighting factors?

(c) With respect to the Street Lighting and Sentinel Load classes, Lakefront Utilities notes that the costs incurred to provide services are the responsibility of the Town of Cobourg. Please explain why a weighting factor of zero was not used. If any changes are necessary, please make the necessary corrections.

Lakefront Utilities Response

a) A cost study was not conducted to determine the values in the table above.

b) The General Service >50 kW rate class include large customers which involves significantly more servicing from both a design and construction perspective. Furthermore, Lakefront has also began providing additional customer engagement to its larger customers, including additional time required to ensure demand data is programmed and monitored appropriately.

c) With respect to the Street Lighting and Sentinel Load class, Lakefront has updated the weighting factor for both classes to zero.

7.0 – VECC –31
Reference: E7/T1/S1 & Cost Allocation Model, Tabs I7.1 and I7.2

a) The Meter Capital Tab (I7.1) does not show any smart meters associated with the GS<50 class. However the Meter Reading Tab (I7.2) indicates that the meter reading cost for the GS<50 class are all related to smart meters. Please reconcile.

Lakefront Utilities Response

Lakefront Utilities has updated Tab 17.1 so that the GS<50 class includes smart meters.

7.0 – VECC –32

Reference: Cost Allocation Model, Tab I6.2
EB-2011-0250, Amended CA Model (July 28), Tab I6.2

a) The current Cost Allocation model (Tab I6.2) indicates that the number of Street Lighting devices and connections are the same – 2,699. However, in the Cost Allocation model filed in EB-2011-0250 the number of devices was greater than the number of connections. Please explain the basis for the change.
b) How does Lakefront determine and track the number of Street Lighting connections?

Lakefront Utilities Response

a) Lakefront Utilities agrees that the Street Lighting devices and connections should not be the same and has updated the cost allocation model.

b) Any new overhead streetlight additions must be approved by the Town of Cobourg or Township of Cramahe. New lights in subdivisions are determined by the developer’s design drawings and connection requests.

7-Energy Probe-21

Ref: Exhibit 7, page 15

a) Please explain why Lakefront is proposing to increase the revenue to cost ratios for the GS<50, GS 50-2999and GS 3000-4999 classes, despite the fact that the status quo ratios are already above 100%.

b) Please explain why Lakefront is proposing to decrease the revenue to cost ratio for the sentinel lighting class, despite the fact that the status quo ratio is already below 100%.

c) Please explain why Lakefront is not proposing to reduce the revenue to cost ratios for the street lighting and USL classes into the policy range. Please explain why Lakefront is not proposing any changes beyond 2017 for these two rate classes.

Lakefront Utilities Response

a) Lakefront Utilities notes that the difference between the status quo ratio and the proposed ratio are due to rounding and represent an immaterial difference.

Class	Previously Approved Ratios Most Recent Year: 2012	Status Quo Ratios (7C + 7E) / (7A)	Proposed Ratios (7D + 7E) / (7A)	Policy Range
	%	%	%	%
Residential	94.80%	90.73	93.01	85 - 115
GS < 50 kW	99.60%	103.43	103.02	80 - 120
GS 50-2999 kW	120.00%	103.83	104.00	80 - 120
GS 3000-4999 kW	57.50%	108.83	108.84	80 - 120
Street Lighting	111.70%	381.03	293.66	80 - 120
Sentinel Lighting	117.20%	115.80	114.80	80 - 120
Unmetered Scattered Load (USL)	94.80%	149.64	119.92	80 - 120

b) Please see the response to a).

Lakefront Utilities' determined that that allocating the shortfall and detailed in Exhibit 8, allocating the shortfall across all classes in an equitable manner was not feasible since many of the ratios would be moving away from 100%. Please see analysis in response to 8-Staff-59

c) In Exhibit 8 Lakefront Utilities proposed to reduce the revenue to cost ratio for street lighting and USL classes into the policy range. However, Lakefront noted that the reduction can be spread over two years (2017 and 2018). LUI notes the models have changed based on these interrogatories and new revenue to cost ratios are being proposed.

D) Proposed Revenue-to-Cost Ratios

Class	Proposed Revenue-to-Cost Ratios			Policy Range
	2017	2018	2019	
	%	%	%	%
Residential	93.01	93.01	93.01	85 - 115
GS < 50 kW	103.02	103.02	103.02	80 - 120
GS 50-2999 kW	104.00	104.00	104.00	80 - 120
GS 3000-4999 kW	108.84	108.84	108.84	80 - 120
Street Lighting	293.66	206.66	119.66	80 - 120
Sentinel Lighting	114.80	114.80	114.80	80 - 120
Unmetered Scattered Load (USL)	119.92	120.00	120.00	80 - 120

Exhibit 8 – Rate Design

8-Staff-56
Ref: Ex.8/Tab 1/Sch.4 – Retail Transmission Service Rates
Ref: RTSR Model, Tab 5

The OEB issued a Rate Order for the 2016 Uniform Transmission Rates (EB-2015-0311) and also a Rate Order for Hydro One Distribution's Sub-transmission rates (EB-2015-0079) effective January 1, 2016. The OEB approved these rates as part of Lakefront Utilities' 2016 IRM application (EB-2015-0085).

2016 Uniform Transmission Rates

Network Service Rate	$3.66 per kW
<u>Connection Service Rates</u>	
Line Connection Service Rate	$0.87 per kW
Transformation Connection Service Rate	$2.02 per kW

2016 Sub-Transmission RTSRs

Network Service Rate	$3.34 per kW
<u>Connection Service Rates</u>	
Line Connection Service Rate	$0.78 per kW
Transformation Connection Service Rate	$1.77 per kW

OEB staff notes that the RTSR model filed with this 2017 cost of service application contains the old rates. Please provide an updated RTSR Adjustment Workform in working Microsoft Excel format reflecting the updated UTR's and Sub-Transmission Rates, as applicable. Please ensure that corrections to RTSR rates are captured in the updated Tariff of Rates and Charges provided by Lakefront Utilities.

Lakefront Utilities Response

Lakefront has updated the RTSR model and has updated the Tariff of Rates and Charges for the corrections to the RTSR rates.

8-Staff-57
Ref: Ex.8/Tab 1/Sch.3, Page 6
Ref: Cost Allocation Model, Tab O2

Table 8.2: Minimum and Maximum Fixed Charge as per the Cost Allocation Model

Cost Allocation Results - Minimum and Maximum MSC

	Cost Allocation - Minimum Fixed Rate (b)			Cost Allocation - Maximun Fixed Rate (b)		
Customer Class Name	Rate	Fixed %	Variable %	Rate	Fixed %	Variable %
Residential	$6.38	28.86%	71.14%	$13.14	59.45%	40.55%
General Service < 50 kW	$10.95	23.61%	76.39%	$23.96	51.67%	48.33%
General Service 50-2999 kW	$55.42	8.51%	91.49%	$86.76	13.32%	86.68%
General Service 3000-4999 kW	$192.21	1.74%	98.26%	$5,800.89	52.56%	47.44%
Street Lighting	$0.01	0.18%	99.82%	$4.08	73.01%	26.99%
Sentinel Lights	$0.77	10.18%	89.82%	$4.95	65.79%	34.21%
Unmetered Scattered Load	$10.57	39.83%	60.17%	$18.63	70.18%	29.82%

The table above shows the minimum and maximum monthly service charges as per the cost allocation model filed by Lakefront Utilities. Lakefront Utilities notes that it “proposes a Residential Monthly Service Charge (MSC) of $16.46 which falls between the minimum and maximum fixed charges calculated from the cost allocation model”.

As seen in the table above, the minimum Residential MSC is $6.38 and the maximum is $13.14. Please explain the apparent discrepancy in the statement by Lakefront Utilities.

Lakefront Utilities Response

Lakefront Utilities confirms that the proposed Residential Monthly Service Charge (MSC) does not fall between the minimum and maximum fixed charges. Lakefront used the MSC charge as calculated in Appendix 2-PA – New Rate Design Policy for Residential Customers.

8-Staff-58

Ref: Ex.8/Tab 1/Sch.3 – Comparison of Fixed and Variable Charges under Current and Proposed Rates, Page 8

Ref: Ex.7/Tab 3/Sch.2 – Cost Allocation Results and Analysis, Page 14

Ref: Chapter 2 Appendices, Tab 2-P – Cost_Allocation

C) Rebalancing Revenue-to-Cost (R/C) Ratios

Class	Previously Approved Ratios Most Recent Year: 2012	Status Quo Ratios (7C + 7E) / (7A)	Proposed Ratios (7D + 7E) / (7A)	Policy Range
	%	%	%	%
Residential	94.80%	92.53	94.57	85 - 115
GS < 50 kW	99.60%	101.71	102.09	80 - 120
GS 50-2999 kW	120.00%	104.55	104.60	80 - 120
GS 3000-4999 kW	57.50%	108.82	109.00	80 - 120
Street Lighting	111.70%	212.54	166.31	80 - 120
Sentinel Lighting	117.20%	96.38	96.02	80 - 120
Unmetered Scattered Load (USL)	94.80%	152.74	124.43	80 - 120

D) Proposed Revenue-to-Cost Ratios

Class	Proposed Revenue-to-Cost Ratios			Policy Range
	2017	2018	2019	
	%	%	%	%
Residential	94.57	94.57	94.57	85 - 115
GS < 50 kW	102.09	102.09	102.09	80 - 120
GS 50-2999 kW	104.60	104.60	104.60	80 - 120
GS 3000-4999 kW	109.00	109.00	109.00	80 - 120
Street Lighting	166.31	166.31	166.31	80 - 120
Sentinel Lighting	96.02	96.02	96.02	80 - 120
Unmetered Scattered Load (USL)	124.43	124.43	124.43	80 - 120

OEB staff notes that the proposed revenue to cost ratios for the Street Lighting and Unmetered Scattered Load rate classes are outside of the OEB-approved ranges. Chapter 2 of the Filing Requirement states that in cases where the ratios are outside of the OEB-approved ranges, distributors must ensure that that their cost allocation proposals include adjustments to bring them within the OEB-approved ranges. In making any such adjustments, distributors should address potential mitigation measures if the impact of the adjustments on the rate burden of any particular class or classes is significant.

In addition, if the distributor proposes to continue rebalancing rates after the cost of service test year, the ratios proposed for subsequent year(s) must be provided.

(a) Please explain why Lakefront Utilities has not provided a proposal to bring the ratios for these two rate classes within the OEB-approved ranges.
(b) Please provide an updated proposal and make the necessary corrections to the models in accordance with interrogatory 6-Staff-54.

Lakefront Utilities Response

a) Below is a revised Rebalancing Revenue-to-Cost Ratios and Proposed Revenue-to-Cost Ratios. Lakefront Utilities notes that it is proposing to bring the ratio for Street Lighting over a period from 2017 to 2019 to bring the ratio within the OEB-approved range. The revised ratio for Sentinel Lighting is currently within the OEB-approved range.

C) Rebalancing Revenue-to-Cost (R/C) Ratios

Class	Previously Approved Ratios	Status Quo Ratios	Proposed Ratios	Policy Range
	Most Recent Year: 2012	(7C + 7E) / (7A)	(7D + 7E) / (7A)	
	%	%	%	%
Residential	94.80%	90.73	93.01	85 - 115
GS < 50 kW	99.60%	103.43	103.02	80 - 120
GS 50-2999 kW	120.00%	103.83	104.00	80 - 120
GS 3000-4999 kW	57.50%	108.83	108.84	80 - 120
Street Lighting	111.70%	381.03	293.66	80 - 120
Sentinel Lighting	117.20%	115.80	114.80	80 - 120
Unmetered Scattered Load (USL)	94.80%	149.64	119.92	80 - 120

D) Proposed Revenue-to-Cost Ratios

Class	Proposed Revenue-to-Cost Ratios			Policy Range
	2017	2018	2019	
	%	%	%	%
Residential	93.01	93.01	93.01	85 - 115
GS < 50 kW	103.02	103.02	103.02	80 - 120
GS 50-2999 kW	104.00	104.00	104.00	80 - 120
GS 3000-4999 kW	108.84	108.84	108.84	80 - 120
Street Lighting	293.66	206.66	119.66	80 - 120
Sentinel Lighting	114.80	114.80	114.80	80 - 120
Unmetered Scattered Load (USL)	119.92	120.00	120.00	80 - 120

b) As detailed in Table 8.4, Lakefront calculated a shortfall based on the current revenue to cost ratio. Lakefront attempted to allocate the shortfall in Table 8.5 and determined that allocating the shortfall across all classes in an equitable manner was not feasible since many of the ratios would be moving away from 1.00.

Furthermore, LUI felt that the change for street lighting from 213% to 120% (a decrease of 93%) would be too significant in one year and therefore proposed to decrease the ratio to 166% in 2017.

8-Staff-59

Ref: Ex.8/Tab 1/Sch.3 – Comparison of Fixed and Variable Charges under Current and Proposed Rates, Table 8.5: Allocation of Shortfall

Table 8.5: Allocation of Shortfall

Customer Class Name	Adjustment Allocator	%	Allocation	Service RR	R/C
Residential	216,116	147.32%	(91,770)	2,584,063.24	0.89
General Service < 50 kW	(11,102)	-7.57%	4,714	666,178.93	1.02
General Service 50-2999 kW	(47,353)	-32.28%	20,108	1,108,359.65	1.06
General Service 3000-4999 kW	(11,179)	-7.62%	4,747	142,652.29	1.13
Street Lighting				139,281.77	1.20
Sentinel Lights	218	0.15%	(93)	5,722.11	0.95
Unmetered Scattered Load				36,567.91	1.20
	146,700	**100.00%**	**(62,294)**	**4,682,825.89**	

OEB staff is unable to reconcile the service revenue requirement noted in the table above or how this table ties back to Lakefront Utilities' rate design proposal.

Please provide an explanation for the table above.

Lakefront Utilities Response

Table 8.5 was provided to analysis the allocation of shortfall and to determine the allocation of shortfall. Lakefront notes that the shortfall can only be adjusted to the residential class due to the following:

- The Street lIghiting, Unmetered Scattered Load, and Sentinel class create the shortfall, therefore cannot be allocated the actual shortfall.

- Lakefront cannot move a class further away from 1.00, therefore the GS Class cannot be adjusted.

As a result of the above, the residential class was allocated the shortfall.

Customer Class Name	Adjustment Allocator	Percentage	Allocation	Service RR
Residential	0	0.00%	65,406	2,570,716
General Service <50 kW	0	0.00%	0	650,952
General Service 50-2999 kW	0	0.00%	0	1,077,177
General Service 3000-4999 kW	0	0.00%	0	136,968
Street Lighting (connections)	(180,764)	91.83%	(60,062)	305,147
Sentinel Lights	(787)	0.40%	(261)	6,028
Unmetered Scattered Load	(15,298)	7.77%	(5,083)	51,196
Total	**(196,849)**	**100.00%**	**0**	**4,798,185**

8.0 –VECC - 33
Reference: E8/T1/S3

a) With the exception of the Residential class, the Application proposes to maintain the current fixed charge for each customer class. Please explain why.

b) The maximum values set out in Table 8.2 do not match the results of the CA Model – Tab O2. Please provide a corrected version.

c) As a result of the corrections made per part (a), are any revisions required to Lakefront's proposed fixed charges for the various customer classes?

Lakefront Utilities Response

a) Lakefront Utilities maintained the current fixed charge for each customer class as the current rates are presently at the maximum fixed charge.

b) Lakefront Utilities has updated Table 8.2 to match Tab 02.

Cost Allocation Results - Minimum and Maximum MSC

	Cost Allocation - Minimum Fixed Rate (b)			Cost Allocation - Maximun Fixed Rate (b)		
Customer Class Name	**Rate**	**Fixed %**	**Variable %**	**Rate**	**Fixed %**	**Variable %**
Residential	$6.22	28.33%	71.67%	$13.14	59.81%	40.19%
General Service < 50 kW	$9.20	20.24%	79.76%	$23.96	52.71%	47.29%
General Service 50-2999 kW	$53.61	8.27%	91.73%	$85.17	13.14%	86.86%
General Service 3000-4999 kW	$187.63	1.71%	98.29%	$5,800.89	52.82%	47.18%
Street Lighting	$0.01	0.10%	99.90%	$4.08	74.34%	25.66%
Sentinel Lights	$0.76	10.20%	89.80%	$4.95	66.33%	33.67%
Unmetered Scattered Load	$10.57	40.75%	59.25%	$18.71	72.11%	27.89%

c) Fixed charges were not updated as a result of the corrections per part (a).

8.0 –VECC - 34
Reference: E8/T1/S10

a) The Application states (page 17, lines 3-4) that the 2016-2017 LV charges were determined based on 2015 actuals. However, according to Table 8.14 the forecast LV charges for 2016 and 2017 are $313,004 whereas the actual LV charges for 2015 were $295,876. Please reconcile.
b) With respect to page 18, please explain why the volumes use to determine the LV charges for purposes of the Power Supply Expense are loss adjusted.

Lakefront Utilities Response

a) Lakefront Utilities apologizes for the oversight and confirms that 2016 and 2017 LV charges were determined based on an average of 2012 to 2015 actuals.

b) Lakefront Utilities apologizes for the oversight as the wording on the table on page 18 should not have indicated that the LV charges were loss adjusted. Lakefront confirms that LV charges have not been loss adjusted.

8-Energy Probe-22

Ref: Exhibit 8, pages 6-7

a) Please confirm that the proposed residential fixed charge of $16.46 shown in Table 8.3 is not between the minimum and maximum shown in Table 8.2 but has been calculated based on Appendix 2-PA.

b) Please reconcile the maximum fixed charges shown in Table 8.2 with those found in the cost allocation model.

c) Please explain why Lakefront is proposing to maintain the fixed charge percentage for the non-residential classes, instead of maintaining the fixed charge percentage, subject to not exceeding the maximum fixed charge from the cost allocation model.

Lakefront Utilities Response

a) Lakefront Utilities confirms that the proposed fixed charge shown in Table 8.3 is not between the minimum and maximum shown in Table 8.2 but is calculated based on Appendix 2-PA.

b) Table 8.2 has been updated to reflect the maximum fixed charges found in the cost allocation model.

c) As per Board policy, Lakefront has opted to maintain the current fixed rates. Lakefront has compared the percentages to the proposed and currently approved rates and the difference in percentages is marginal.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-60
Ref: EDDVAR Continuity Schedule, Tab 2 – 2015 Continuity Schedule

Column AL of the EDDVAR continuity schedule shows an adjustment of $737,547 to Account 1588 – Power for the 2012 year.

Please confirm that this adjustment is solely based on the findings of the audit completed by the OEB's audit group which is filed as Attachment A to Exhibit 9.

Lakefront Utilities Response

Lakefront Utilities confirms that the adjustment of $737,547 is solely based on the findings of the audit completed by the OEB's audit group which was filed as Attachment A to Exhibit 9.

9-Staff-61
Ref: EDDVAR Continuity Schedule and Exhibit 9, Table 9.0

Lakefront Utilities has proposed for disposition a credit of $480,857 for Account 1580 RSVA – WMS Charges. However, Lakefront Utilities has not provided a break-down of the Account balance into its Sub-accounts.

(a) Please provide a break-down of Account 1580 RSVA – WMS Charge into the following sub-parts:
- Balance in the Control account excluding CBR Sub-accounts, principal and interest
- Sub-account CBR Class A, principal and interest
- Sub-account CBR Class B, principal and interest

(b) Lakefront Utilities' 2.1.7 RRR filings show credit balances in its CBR Sub-accounts for Class B as of December 31, 2015. Please provide a description of the nature of credit entries recorded in LUI's GL in 2015 in CBR Sub-accounts, given that there was no OEB approved rate for CBR.

(c) Does Lakefront Utilities serve any Class A customers? If not, please transfer the balances from the Sub-account CBR Class B to the Control account for allocating amounts to rate classes and for calculating the rate riders.

Lakefront Utilities Response

a) Lakefront Utilities records the RSVA – WMS Charges into one revenue account. It is Lakefront Utilities' understanding that the breakdown of account 1580 by CBR sub-accounts was not required until the 2016 rate year.

Based on EB-2016-0193, effective, January 1, 2016, distributors are to record WMS revenues on all consumption effective January 1, 2016 and onwards for Class B customers in the following manner:

- Billed WMS revenues of $0.0032 per kWh to account 4062 Billed – WMS
- Billed WMS revenues of $0.0004 per kWh to account 4062 Billed – WMS, sub-account CBDR Class B.

Lakefront has updated their billing system to be in compliance with the OEB decision order, effective for consumption beginning January 1, 2016.

Furthermore, as stated in EB-2016-0193, before January 1, 2016, no revenue was collected from customers for CBDR prior to January 1, 2016 since the CBDR component was not embedded within the WMS rate in 2015. All costs paid for CBDR for Class B customers for the consumption period April 30, 2015 to December 31, 2015 would have been recorded in account 1580 Variance – WMS, sub-account CBDR Class B.

b) Lakefront Utilities should not have recorded the balances in account 1580 in the Group 1 Sub Accounts tab on the 2.1.7 RRR filing. Lakefront confirms that the balance in account 1580 at December 31, 2015 was not associated with the CBR as there was no OEB approved rate for CBR.

   The entries recorded in LUI's GL in 2015 in account 1580 were the net of the amount charged by the IESO based on the monthly settlement invoice and the amount billed to customers using the Board-Approved Wholesale Market Service Rate.

c) Lakefront Utilities does not serve any Class A customers.

9-Energy Probe-23
Ref: Exhibit 9, page 24

Please explain the function of the proposed new subaccount for 217 for account 1595.

Lakefront Utilities Response

The proposed new subaccount for 2017 for account 1595 is not a new variance account but a new sub-account of 1595. The sub-account is for the Rate Rider for Disposition of Deferral and Variance Accounts (2017) to track costs, revenues and interest for amounts disposed of in EB-2016-0089.

9-Energy Probe-24

Ref: Exhibit 9, Table 9.3

a) Please explain why all of the accounts shown in the top part of Table 9.3 are not included in the bottom part of the table. In particular, why are the amounts shown in account 1595 for 2010, 2012 and 2015 not proposed for recovery?

b) Please explain the interest to December 31, 2015 of $796,625 shown for account 1595 for 2015 given the principal of $127,631.

Lakefront Utilities Response

a) The accounts listed in the top part of Table 9.3 are all the balances listed in Lakefront's 2017 EDDVAR Continuity Schedule and are reconciled to Lakefront's 2015 RRR filing. The bottom part of Table 9.3 lists all the accounts that Lakefront is seeking for disposition.

Consequently, account 1595 for 2012 and 2015 are not proposed for recovery because the recovery/refund period has not yet reached its rate rider sunset date and therefore are not asked for recovery in this application. The balance in account 1595 2010 was approved for disposition in Lakefronts 2016 IRM (EB-2015-0085).

b) Included in the December 31, 2015 is $737,547 which is non-interest bearing as specified by the OEB in Lakefront's Audit of Group 1 Deferral and Variance Accounts (Attachment A in Exhibit 9). Below is a table that details the disposition of $1,342,321 as per EB-2015-0085.

Details	Disposition	2016 Transactions	2016 Interest	Total
Principal	(193,904)	(416,012)		**(609,916)**
Principal - non-interest bearing	737,547			**737,547**
Total Principal	543,643	(416,012)	0	**127,631**
Interest	798,678		(2,054)	**796,624**
Total	**1,342,321**	**(416,012)**	**(2,054)**	**924,255**

AnnRep -- Town of Cobourg Holdings Annual Report 2015

AnnRep-CTA-16
Holdco Dividend
Ref: AnnRep, Financial Performance, Page 2

It is stated that in 2015 Holdco's Board of Directors announced a dividend of $340,400 to the Town of Cobourg, in addition to $507,500 in interest paid to the shareholder. It is further stated *"This dividend and interest payment is consistent with targeting a payout ratio of 50 percent in 2015, expressed relative to net income."*

a) Please explain what the payout target was in each of the past five years.
b) Please explain why the dividend in 2015 was $44,700 less than in 2014.

Lakefront Utilities Response

a) Lakefront Utilities notes that the above reference is to Holdco's dividend and therefore not related specifically to Lakefront Utilities and its Cost of Service application or the Chapter 2 of the OEB's "Filing Requirements for Electricity Transmission and Distribution Applications". However, the 50% (of net income comment) applies not just to Holdco but to its subsidiaries including LUI since it echoes the policy in place. The <u>target</u> is thus always the same while its achievement varies.

   In LUI's case there is an approved Financial Plan to <u>not</u> apply this policy for the term of the plan to meet infrastructure needs.

b) This question and all its parts falls outside the mandate of Lakefront Utilities Inc.'s Cost of Service rate application rules, codes and guidelines, regulatory process, as it relates to LUI's affiliate company and has no relevance nor correlation to LUI's operations, revenues, expenses, base nor rates. These questions should be addressed to the Holdco board of directors outside of LUI's regulatory procedure.

AnnRep-CTA-17
Services
Ref: AnnRep, Company Profile, Page 4

LUSI provides services to Municipalities related to the design, operation and maintenance of electrical and water systems.

Please explain why LUSI is responsible for water yet not the related wastewater/sewage systems but is responsible for recommending sewer rates to Town of Cobourg Council.

Lakefront Utilities Response

This question relates to Holdco's annual report and falls outside the mandate of Lakefront Utilities and its Cost of Service rate application process as it relates to LUI's affiliate companies and no relevance to LUI's operations, revenues, expenses, rate base and rates.

AnnRep-CTA-18
Allocation of Costs
Ref: AnnRep, Human Resources and Overhead Costs, Page 6

“Lakefront Utility Services (LUSI) provides the human resources, administrative, financial and operational services to Holdco and its subsidiaries, in compliance with applicable regulations.”

a) Please explain how management and common overhead costs are allocated between electricity, water systems and other systems.
b) Please detail individual salary and benefit costs for senior management.

Lakefront Utilities Response

a) Lakefront Utilities notes that the allocation of management and common overhead costs is already analysed in Ex 4/Tab 3/Sch.4 – Shared Service of Corporate Cost Allocation.

b) Lakefront Utilities believes a summary to “detail the individual salary and benefit costs for senior management” would cause privacy issues. Furthermore, this is not a requirement of Chapter 2 of the OEB’s “Filing Requirements for Electricity Transmission and Distribution Applications”.

AnnRep-CTA-19
Board and Board Meetings
Ref: AnnRep, About Lakefront Utility Services, Inc., Page 9

The annual report notes that LUI has a separate board with three members.

a) What are the qualifications of the board members that are relevant to operating an electrical distribution utility?
b) What is their remuneration?

LUI is owned by the Town of Cobourg which means that the *de facto* shareholders are the taxpayers of the town.

a) Are board meetings public?
b) Are minutes of board meetings recorded?
c) How can the public access copies of the minutes?
d) Is there a public Annual General Meeting?
e) If meetings are not open to the residents and taxpayers of the Town of Cobourg (owners of LUI) then why are they not open?

Lakefront Utilities Response

Lakefront Utilities notes that the qualifications of LUI Board members has already been disclosed in Ex.1/Tab 8/Sch.2.

Lakefront notes that the disclosure of individual salaries is not a requirement of the Chapter 2 of the OEB's "Filing Requirements for Electricity Transmission and Distribution Applications".

As noted in Lakefront Utilities audited financial statements, it is an affiliate of Holdco and as such its shares are owned by Holdco. LUI has a representative of the "owner of shares of the corporation", i.e. Holdco and its shareholder (Town of Cobourg) attend all board meetings. Lakefront does not make board meetings, etc. public and does not hold a public Annual General Meeting.

AnnRep-CTA-20
Other Income
Ref: AnnRep, Other Income, Page 9
The “AT A GLANCE” table indicates “Other Income: $56,259”.

a) Please provide the details of this “Other Income”.
b) Where is this “Other Income” reported in the other submissions by Lakefront?

Lakefront Utilities Response

Details regarding other income is noted throughout the Cost of Service application, in particular the details are analyzed in Exhibit 3.

AnnRep-CTA-21
Health and Safety Incidents
Ref: AnnRep, Health and Safety, Page 11

The Health and Safety data shows 8, 6, 15, 7 incidents in 2011, 2012, 2013 and 2014 respectively with an average of only 1.2 incidents per year.

Please explain this apparent discrepancy.

Lakefront Utilities Response

Lakefront Utilities notes that the above is in reference to Health and Safety of the entire organization, not just LUI and is therefore not relevant to this Cost of Service application.

AnnRep-CTA-22
Financial Statements
Ref: AnnRep, Financial and Regulatory Performance, Page 18

Only very limited, unaudited financial information is available in the Annual Report.

Please explain why the Annual Report does not contain a complete Audited Financial Statement for each entity and consolidated operations which is a customary practice in business.

Lakefront Utilities Response

Lakefront Utilities disagrees with the comment that “very limited, unaudited financial information is available in the Annual Report”. Lakefront feels that the consolidated income statement, its 2015 Scorecard, and other regulatory information have provided users with value-added financial information.

AnnRep-CTA-23
Water Heater Business
Ref: AnnRep-Financial and Regulatory Performance, Page 18

It is stated that an increase in net income included a one-time gain of $693,239 on the sale of the water heater assets.

a) Please explain why the water heater assets were sold.
b) Please provide evidence that the price received was fair market value.
c) Please explain if the price received represented a net gain or loss on the book value of the assets.

Lakefront Utilities Response

This question falls outside the mandate of Lakefront Utilities and its Cost of Service rate application process as it relates to LUI's affiliate companies and has no relevance to LUI's operations, revenues, expenses, base nor rates.

AnnRep-CTA-24
Consolidated Information
Ref: AnnRep, Financial and Regulatory Performance, Pages 20-22

The financial information in the Annual Report consolidates information from LUI, LUSI and other entities. This makes it impossible to determine the financial situation of LUI alone.

a) Does LUI produce an annual report that is specific to its own operations?
b) If so, please provide copies for 2011 to 2013.
c) If annual reports for LUI are not available please provide audited financial statements for LUI for 2011 to 2013.

Lakefront Utilities Response

a) Lakefront Utilities does not produce an annual report that is specific to its own operations.

b) See answer above.

c) Lakefront Utilities provided financial statements for 2014 and 2015, as required per the Chapter 2 of the OEB's "Filing Requirements for Electricity Transmission and Distribution Applications".

AnnRep-CTA-25
Community Support
Ref: AnnRep,Community Pride, Page 24

The report lists support for many organizations by “Lakefront”.

Is this support by LUI or by LUSI?

If LUI contributes to these support activities, please provide details of:

a) How the supported organizations are selected,
b) The names of the supported organizations,
c) The financial details of the past and planned future support
d) The benefits of the support to the customers of Lakefront.

Lakefront Utilities Response

The support is provided by Lakefront Utilities Services Inc. and is therefore not applicable to LUI’s Cost of Service application.

AnnRep-CTA-26
Provision for Income Taxes
Ref: AnnRep, Income Statement, Page 20

The provision for income taxes decreased from $252,181 in 2014 to $60,224 in 2015, a 75% reduction. Income before income taxes, however increased by 84% from $931,835 in 2014 to $1,710,709 in 2015.

Please explain why the tax provision was reduced by 75% while the income increased.

Lakefront Utilities Response

Lakefront Utilities notes that the above is in reference to the Holdco Consolidated financial statements. LUI’s income taxes are analyzed and disclosed in its Cost of Service application.

AnnRep-CTA-27
Annual Report Production
Ref: AnnRep, Entire Document

Did LUI contribute to the production of the Town of Cobourg Holdings Annual Report 2015?

a) Please provide details of any contribution by LUI.
b) Is this contribution documented in the submissions?

Lakefront Utilities Response

a) Lakefront Utilities contributed $2,310 to Holdco for the Annual Report.

b) LUI's contribution is immaterial and is recorded under Community Relations expense.

PILS – Payments in Lieu

PILS-CTA-28
Meals and Entertainment
Ref:
LakefrontUtilities_APPL_2017COS_Test_year_Income_Tax_PILs_Workform_20160429.xls,
Tab T1 Taxable Income Test Year

Non-deductible Meals & Entertainment Expense $6,072

T2S1 Line 121

a) What is LUI's policy regarding meals and entertainment expenses.
b) Please outline with examples.

Lakefront Utilities Response

a) Lakefront Utilities follows its Procurement Policy as detailed in Attachment B and notes that the Meals and Entertainment expense of $6,072 is well below the materiality threshold used in the Cost of Service application as detailed in Ex.1/Tab 7/Sch.1.

b) See above.

PILS-CTA-29
Non-deductible Interest
Ref:
LakefrontUtilities_APPL_2017COS_Test_year_Income_Tax_PILs_Workform_20160429.xls,
Tab H1 Adj Taxable Income Historic Year
Tab T1 Taxable Income Test Year
Non-deductible interest $0

T2S1 Line 227

The affiliated loan bears interest at the rate of 7.25% which is somewhat above market.

a) Given the non-arms-length nature of the transaction, is a portion of the interest expense deemed to be non-deductible by the Canadian income tax acts (Federal and Provincial)?
b) If no, why?
c) If yes, by how much and how is this reflected in the rate application?

Lakefront Utilities Response

Lakefront Utilities' tax returns are prepared by its auditors who have experience preparing tax returns with utilities throughout Ontario. We are confident of their competence in handling this matter.

Other – Documents Supplied by CTA Regarding Previous OEB Submissions

Other-CTA-30
OEB Audit Report
Ref: Audit of LUI Group 1 Deferral & Variance Accounts (included in this document as Appendix 3**)**

As stated in the letter in Appendix 3, the OEB audit report identified several areas of non-conformity with the APH and internal control. Further concerns were expressed about weaknesses with respect to LUI's regulatory accounting and IESO settlement process. The letter further notes that LUI's management outlined a corrective action plan to be taken for each item identified in the audit.

a) Please outline and quantify each audit finding.
b) What effect did/will these errors have on customer rates?
c) Please explain how these errors occurred.
d) Why did management oversight not detect the errors in a timely manner?
e) Have the corrective action plans been implemented?
f) If no, when will they be implemented?
g) If yes, have the results been tested and verified?

Lakefront Utilities Response

Lakefront Utilities considers that all of the above questions are answered in Exhibit 9, Attachment A: Audit of Group 1 Deferral and Variance Accounts and Attachment B: Lakefront Audit Follow-Up – September 2015.

Also, the effect of the adjustments on customer's rates, etc. was addressed in Lakefront's 2015 IRM (EB-2014-0090) proceeding.

Attachments

Attachment A	Customer Satisfaction Survey
Attachment B	Procurement Policy

Attachment A: Customer Satisfaction Survey

Lakefront Utility Services Inc.

Customer Satisfaction Survey

Lakefront Utilities Customer Satisfaction Survey

Our goal is to continue delivering reliable and efficient service. In an effort to continually improve the service we offer our customers we would like to invite you to complete Lakefront Utilities Customer Satisfaction Survey.

We look forward to your feedback and thank you for participating.

Customers who complete the survey will be entered into a draw to win an iPad Mini or receive a $100.00 credit on their account. Ensure you complete the contact information at the end of this survey to be entered into the draws.

Lakefront Utility Services Inc.

Customer Satisfaction Survey

1. Please select one of the following:

- ◯ I am a residential customer
- ◯ I am a commercial customer

2. Please rank the most imprtant aspect of service from highest to lowest.

	Most Important	Fairly Important	Important	Slightly Important	Not at all Important
Total Price	◯	◯	◯	◯	◯
Reliability	◯	◯	◯	◯	◯
Customer Service	◯	◯	◯	◯	◯
Conservation Programs	◯	◯	◯	◯	◯

3. How would you rate the overall value of your electric service?

- ◯ Excellent
- ◯ Good
- ◯ Fair
- ◯ Poor

4. Please select one of the following statements that best represents your view regarding Lakefront Utilities.

- ◯ Lakefront Utilities should be spending more to decrease the frequency and duration of outages and I understand that this could increase my monthly hydro bill.
- ◯ I find the existing level of reliability to be acceptable.
- ◯ Lakefront Utilities should be spending less and I would be willing to tolerate increased outages if it meant a decrease in my monthly hydro bill.

5. How would you rate Lakefront Utilities performance in restoring service when a power outage occurs.

- ◯ Excellent
- ◯ Good
- ◯ Fair
- ◯ Poor

6. We attempt to contact all affected customers with hand delivered notices prior to the date of the planned outages. Please select one of the following statements that represents your view.

- ◯ I feel that Lakefront Utilities makes all the necessary effort to inform me of planned power outages.
- ◯ I feel that Lakefront Utilities should also attempt to contact the affected customers by phone, or post to their website.

7. How would you rate Lakefront Utilities performance in providing information about extended outages.

- ◯ Excellent
- ◯ Good
- ◯ Fair
- ◯ Poor

8. For Lakefront Utilities to develop interactive website that shows the outage area and expected restoration times would require an increase to monthly hydro bills. Please select one of the following statements that best represents your view.

- ◯ Lakefront Utilities should invest in a web-based outage map, even if there is an increase to my monthly hydro bill to have this application available.
- ◯ Lakefront Utilities should not invest in a web-based outage map.
- ◯ This service would be nice, however I don't want an increase to my bill.
- ◯ Lakefront Utilities should focus on system improvements that decrease the frequency and duration of outages rather than develop a web-based outage map.

9. How would you rate the overall reliability of your electric service?

- ◯ Excellent
- ◯ Good
- ◯ Fair
- ◯ Poor

10. When a power outage occurs, how does it disrupt you at your residence or the operations at your location?

- ◯ A great deal (more than one day)
- ◯ Some (one day)
- ◯ Not much (less than one day)
- ◯ Not at all

11. How would you rate the "ease of understanding your bill"?

- ◯ Excellent
- ◯ Good
- ◯ Fair
- ◯ Poor

12. How do you currently pay your bill?

- ◯ In person at the office
- ◯ At your financial institution
- ◯ Online banking
- ◯ Pre-authorized payment
- ◯ Mail
- ◯ By credit card through Paymentus

13. How would you rate the payment options offered by Lakefront Utilities?

- ◯ Excellent
- ◯ Good
- ◯ Fair
- ◯ Poor

14. Based on your most recent contact with Lakefront Utilities, how would you rank the courtesy of the person you spoke to?

- ◯ Excellent
- ◯ Good
- ◯ Fair
- ◯ Poor

15. Based on your most recent contact with Lakefront Utilities, were you satisfied with the time it took to contact someone?

- Yes
- No
- Not applicable

16. Overall, how would you rate the customer service representative's performance in handling your request for information?

- Excellent
- Good
- Fair
- Poor

17. Based on your most recent contact with a field employee, what type of utility service was this contact related to?

- New service
- Repair
- Upgrade
- Disconnect/reconnect
- Other
- Not applicable

18. Based on your most recent contact with a field employee, how would you rate the employee's courtesy?

- Excellent
- Good
- Fair
- Poor
- Not applicable

19. Overall, how would you rate your overall experience with a field employee?

- Excellent
- Good
- Fair
- Poor
- Not applicable

20. Other than utility bill inserts, have you heard or seen any communications from Lakefront Utilities during the past 12 months?

- Yes
- No
- Not applicable

21. Do you currently utilize our website?

- No, I was not aware of this option.
- No, I was aware of this option but have not used it.
- Yes, but I did not find it useful.
- Yes, but there are minimal options.
- Yes, it meets my needs.

22. Please indicate how well Lakefront Utilities communicates with you.

- Excellent
- Good
- Fair
- Poor

23. Do you think that Lakefront Utilities is a respected company in the community?

- Yes
- No
- Do not know

24. Would you describe Lakefront Utilities as being approachable (i.e: pleasant, friendly, welcoming)?

- ◯ Yes
- ◯ No
- ◯ Do not know

25. Please provide any additional feedback you may have in the space below.

26. Thank you! Please enter your contact information below.

Name

Address

City/Town

State/Province

ZIP/Postal Code

Email Address

Phone Number

Attachment B: Procurement Policy

Lakefront Utility Services Inc.	ADMINISTRATIVE PRACTICES	PRACTICE: ADM-4 APPROVED: 4/01/2016 EFFECTIVE: 4/01/2016 SUPERSEDES: 7/20/2014
PROCUREMENT POLICY		

ADM 4.1.0 PURPOSE

4.1.1 To set forth the policy of the corporation regarding the approval procedure for purchasing capital and operational expenditures.

ADM 4.2.0 POLICY STATEMENT

4.2.1 It is the policy of Lakefront Group of Companies represented by Lakefront Utility Services Inc. (LUSI) to set up procedures for the purchasing of supplies, materials and other services on behalf of LUSI and its affiliates.

ADM 4.3.0 PURCHASE ORDER CREATION PROCESS

4.3.1 All requests for the purchase of goods or services must be submitted on a Purchasing Form, which when authorized and approved by the appropriate signing authorities and assigned a valid number, becomes an official Purchase Order.

4.3.2 In an emergency, a Supervisor may place a verbal order which must be followed by a official Purchase Order as soon as practicable.

ADM 4.4.0 RESPONSIBILITIES

4.4.1 Department Manager's Responsibility's
The Department Manager is responsible for reporting, in writing, to the President, all instances of unsatisfactory vendor performance.

4.4.2 Staff's Responsibilities
All staff is responsible for following the Purchasing Policy as outlined within, for ensuring that all items purchased meet the all current Regulatory Standards and/ or an approved Electrical Standards as per Ontario Regulation 22/04

ADM 4.5.0 APPROVAL PROCEDURE & LEVELS

4.5.1 Purchasing Forms will be approved by the appropriate authority level as per *Table 1 and Table 2* below, validated for appropriateness of expenditure, verified against the current approved Budgets and checked for account coding accuracy. All invoices will be matched to the corresponding approved purchase order by the Finance Department.

Lakefront Utility Services Inc.	**ADMINISTRATIVE PRACTICES**	PRACTICE: ADM-4 APPROVED: 4/01/2016 EFFECTIVE: 4/01/2016 SUPERSEDES: 7/20/2014
PROCUREMENT POLICY		

4.5.2 Purchases are not to be divided to circumvent any thresholds in this policy.

Table 1 Approved Budget Purchases

Supervisor	Approval of purchase orders not to exceed $ 1,500
Manager	Approval of purchase orders not to exceed $ 7,500
Two Corporate Officers	Approval of purchase orders not to exceed $ 30,000
President	Approval of purchase orders not to exceed $100,000
President and Corp. Officer	Approval of purchase orders not to exceed $150,000
Purchases over $150,000 require additional authorization by the Chair of HOLDCO.	

Table 2 Purchases not included in Approved Budget

Supervisor	Approval of purchase orders not to exceed $ 400
Manager	Approval of purchase orders not to exceed $ 1500
Two Corporate Officers	Approval of purchase orders not to exceed $ 5,000
President	Approval of purchase orders not to exceed $ 15,000
President and Corp. Officer	Approval of purchase orders not to exceed $ 30,000
Purchases over $35,000 require additional authorization by the appropriate Board.	
In an Emergency Situation, the President or his delegate, will have the authority to make emergency purchases beyond his discretion or outside of budget, with the concurrence of the Chairman subject to ratification by the full Board at the next scheduled meeting. [1]	

4.5.3 Purchase of miscellaneous items under a value of $400 do not require a purchase order but do require approval and account coding by appropriate supervisor.

4.5.4 Rental of equipment does not require a purchase order but does require the associated work order. The invoice will contain the work order number will be approved at the time it is received. Work order number must be recorded on third party documentation.

ADM 4.6.0 PURCHASES PAID OUT OF PETTY CASH

4.6.1 Purchases for goods or services costing less than $50 total can be paid out of Petty Cash when authorized by the appropriate supervisor.

[1] Addition July 30/14

Lakefront Utility Services Inc.	ADMINISTRATIVE PRACTICES	PRACTICE: ADM-4 APPROVED: 4/01/2016 EFFECTIVE: 4/01/2016 SUPERSEDES: 7/20/2014
PROCUREMENT POLICY		

ADM 4.7.0 CREDITCARD PURCHASES

4.7.1 Authorization from the appropriate supervisor is required for purchases over $400. Senior management do not require authorization for amounts up to their limits of authority and the statements must be reviewed and approved by their immediate supervisor.

ADM 4.8.0 PURCHASES COSTING BETWEEN $400 AND $15,000

4.8.1 All purchases over $400 require a Purchase Order, signed by the appropriate Authority. Purchaser will use his/her discretion in selecting the suppliers from whom to choose based on best value. For all purchases, competitive prices must be obtained and recorded.

ADM 4.9.0 PURCHASES COSTING BETWEEN $15,000 AND $30,000

4.9.1 When the total expenditure for goods or services is between $15,000 and $30,000, quotations will be solicited from at least three (3) suppliers.

4.9.2 The quotation process may be omitted under the following conditions:

- Emergency situation declared by the President or his designate;
- Sole Source Purchases must be approved by two (2) Corporate Officers.

ADM 4.10.0 Purchases Costing over $30,000

4.10.1 A Request for Quotations will be required when the total expenditure for goods or services is expected to exceed $30,000.

4.10.2 Tenders and Requests for Proposals are required when the total expenditure for goods or services is expected to exceed $50,000. [2]

[2] Addition July 30/14

Lakefront Utility Services Inc.	**ADMINISTRATIVE PRACTICES**	PRACTICE: ADM-4 APPROVED: 4/01/2016 EFFECTIVE: 4/01/2016 SUPERSEDES: 7/20/2014
PROCUREMENT POLICY		

ADM 4.11.0 EXCLUSIONS TO PROCUREMENT PROCESS

4.11.1 The following items are not subject to this Procurement Policy:

1.0 Purchasing Card Purchases
2.0 Cheque Requisition
3.0 Training and Education
- a) Conferences
- b) Courses
- c) Seminars
- d) Conventions
- e) Memberships
- f) Periodicals
- g) Magazines
- h) Subscriptions
- i) Staff Training
- j) Staff Development
- k) Staff Workshops

4.0 Refundable Employee Expenses
- a) Meal Allowances
- b) Travel Expenses
- c) Hotel Accommodation
- d) Mileage

5.0 General Expenses
- a) Licences, insurance (vehicles, etc.)
- b) Banking and underwriting services where covered by agreements
- c) Real estate including land, buildings, leasehold interests, easements, encroachments and licences
- d) Items of a confidential nature
- e) Professional and special services, including appraisals, medical, etc.
- f) Freight charges
- g) IESO Invoice
- h) Debt Retirement Charge Remittance
- i) ESA Inspection Charges
- j) OEB Fixed Costs
- k) Insurance Employee benefits (Pension, Health Insurance, etc)
- l) Taxes
- m) Customer refunds
- n) External Audit Invoices
- o) Legal expenses

6.0 Utilities
- a) Postage
- b) Water and sewage charges
- c) Hydro
- d) Natural Gas
- e) Internet Service
- f) Telephone Service