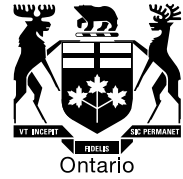


**Ontario Energy
Board**
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL

September 28, 2016

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

Dear Ms. Walli:

**Re: Lakefront Utilities Inc.
2017 Distribution Rate Application
OEB Staff Submission
OEB File No. EB-2016-0089**

Please find attached OEB staff's submission on the filed settlement proposal for Lakefront Utilities Inc.'s 2017 cost of service application. This document is also being forwarded to Lakefront Utilities Inc. and to the Cobourg Taxpayers Association, the Vulnerable Energy Consumers Coalition, and Energy Probe Research Foundation.

Yours truly,

Original Signed By

Georgette Vlahos
Ontario Energy Board staff – Case Manager EB-2016-0089

Encl.

2017 ELECTRICITY DISTRIBUTION RATES
Lakefront Utilities Inc.

EB-2016-0089

**OEB STAFF SUBMISSION ON SETTLEMENT
PROPOSAL**

September 28, 2016

INTRODUCTION

Lakefront Utilities Inc. (Lakefront Utilities) filed a complete application with the Ontario Energy Board (OEB) on April 29, 2016 seeking approval for changes to the rates that Lakefront Utilities charges for electricity distribution, to be effective January 1, 2017. The OEB issued an approved issues list for this proceeding on August 19, 2016. A settlement conference was held on August 22 and 23, 2016 and Lakefront Utilities filed a Settlement Proposal setting out an agreement between all the parties to the proceeding on September 21, 2016. The parties to the settlement proposal are Lakefront Utilities, and the following approved intervenors in the proceeding: the Cobourg Taxpayers Association (CTA), the Vulnerable Energy Consumers Coalition (VECC), and Energy Probe Research Foundation (EP).

The settlement proposal represents a partial settlement. The issue that was not settled is:

- Lakefront Utilities' proposed long-term debt cost for its affiliated debt.

Parties proposed that the unsettled issue should be dealt with by way of written hearing.

This submission is based on the status of the record as of the filing of Lakefront Utilities' settlement proposal and reflects observations which arise from OEB staff's review of the evidence and the settlement proposal. It is intended to assist the OEB in deciding upon Lakefront Utilities' application and the settlement proposal.

Settlement Proposal

OEB staff has reviewed the settlement proposal in the context of the objectives of the *Renewed Regulatory Framework for Electricity* (RRFE), other applicable OEB policies, relevant OEB decisions, and the OEB's statutory obligations. The RRFE is a rate-setting option developed for distributors in *Report of the Board - Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach* issued on October 18, 2012. The Parties considered the issues and outcomes of the RRFE in the context of Lakefront Utilities' application.

OEB staff submits that the settlement proposal reflects a reasonable evaluation of the distributor's planned outcomes in this proceeding, appropriate consideration of the relevant issues and ensures there are sufficient resources to allow Lakefront Utilities to achieve its identified outcomes in the four incentive rate-setting years that will follow. OEB staff submits that the outcomes arising from the OEB's approval of the issues settled and partially settled as noted in the settlement proposal would adequately reflect the public interest and would result in just and reasonable rates for customers.

However, OEB staff finds it necessary to make submissions on the following two areas in order to assist the OEB's consideration of the settlement proposal:

- Capital Budget and Distribution System Plan (DSP)
- Oral vs. Written Hearing

Capital Budget and Distribution System Plan

OEB staff notes that the parties accept Lakefront Utilities' capital expenditures as appropriate subject to Lakefront Utilities revising its continuity statements to reflect capital contributions of \$50,000 and another \$50,000 in work in progress for the 2017 test year

OEB staff submits that the level of capital in the test year is appropriate and provides adequate capital resources to allow Lakefront Utilities to continue to pursue continuous improvement in productivity and service quality objectives, achieve operational efficiencies and maintain reliable and safe operation of its distribution system.

The settlement proposal also acknowledges that Lakefront Utilities' would benefit from a more rigorous Asset Condition Assessment and therefore parties have agreed that Lakefront Utilities will conduct such a study as part of its next cost of service or Custom IR application. OEB staff supports this proposal by the parties as a means for Lakefront Utilities to continue to improve its capital management processes, including ensuring that asset condition assessment methodology and prioritization of projects is performed on a rigorous, analytical basis. OEB staff notes that currently, asset renewal decisions are mostly based on the need to address aged assets nearing end-of-life as opposed to basing renewal decisions

on condition. The filing of a more detailed Asset Condition Assessment by Lakefront Utilities as part of its next rebasing application will help inform pacing and prioritization decisions in the future.

OEB staff would also encourage Lakefront Utilities to ensure that in future DSP filings it continues to work to improve its capital management processes to show the link between the results of their customer engagement activities and planned capital projects.

With respect to the settlement proposal document itself, OEB staff notes that in Table 3: 2017 Gross Capital Expenditures, the 2016 capital expenditure amounts as opposed to the agreed upon 2017 figures have been mistakenly entered under the “Settlement” column. OEB staff notes that the correct amounts are incorporated into the Excel models filed with the Settlement Proposal. OEB staff requests that at the time of the Draft Rate Order for this proceeding, Lakefront Utilities correct this error.

Oral vs. Written Hearing

The settlement proposal indicates the preference of parties on the form of hearing for the unsettled issue. OEB staff supports the proposal that the unsettled issue be heard by way of written hearing.

All of which is respectfully submitted