



Lakefront
Utilities
Inc.

December 22, 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.
EB-2016-0089 - 2017 COS Rates Application
Cost Awards**

Dear Ms. Walli:

Lakefront Utilities Inc. ("LUI") has reviewed the cost claims from Vulnerable Energy Consumers Coalition ("VECC"), Energy Probe Research Foundation ("Energy Probe"), and Cobourg Taxpayers Association ("CTA"). Pursuant to Decision and Order issued on December 8, 2016, attached is LUI's response to the claimed costs.

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: LUI: Adam Giddings, CPA, CA
Cc: OEB: Ms. Georgette Vlahos
Cc: Intervenors: Vulnerable Energy Consumers Coalition, Energy Probe Research
Foundation, Cobourg Taxpayers Association
Cc: Legal Counsel: Mr. James Sidlofsky

Lakefront Utilities Inc.
2017 Cost of Service Application
Cost Claim Response
EB-2016-0089
Filed: December 22, 2016

The purpose of a cost award is to compensate a party for the costs of responsible participation in a Board proceeding. As reflected in the Board's Practice Direction, the burden is on a party claiming costs incurred "directly and necessarily" for the party's participation in the process.

The Board's Practice Direction on Cost Awards sets out principles that the Board may consider, among other things, in determining cost awards. These considerations include whether a party:

- Participated responsibly in the process;
- Contributed to a better understanding by the Board of one or more of the issues in the process;
- Complied with the Board's orders, rules, codes, guidelines, filing requirements;
- Made reasonable efforts to combine its intervention with that of one or more similarly interested parties, and to co-operate with all other parties;
- Made reasonable efforts to ensure that its participation in the process, including its evidence, interrogatories and cross-examination, was not unduly repetitive and was focused on relevant and material issues;
- Engaged in conduct that tended to unnecessarily lengthen the duration of the process; and
- Engaged in any other conduct that the Board considers inappropriate or irresponsible.

LUI has the following objections to the claim submissions based on the following principles:

1. Ratepayers ought not to be required to fund activities or interventions that do not materially contribute to the Board panel's understanding and resolution of the issues in any given case;
2. Ratepayers ought not to be required to fund activities or interventions that become the basis for an intervenor to conduct a broad public campaign, the intent of which may be to influence the outcome of the Board's processes. The Board's processes are well defined and prescribed by law. Intervenors who attempt to influence or circumvent those processes ought not to be rewarded by ratepayers for costs that they incur.
3. Costs should be awarded for, and should encourage, responsible participation in Board proceedings.

As of 2015, LUI had the 4th lowest cost per customer in the province, according to OEB's 2015 Electricity Distributor Performance Data. LUI's low costs are the result of a business planning and work prioritization process that ensures 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. In preparation of this COS, LUI was ever cognisant of minimizing costs in all areas to ensure ratepayers are not burdened.

VECC and Energy Probe

All costs associated with the written hearing for VECC and Energy Probe should be denied.

Lakefront notes that the issue associated with the interest rate on affiliate debt had been raised by intervenors as recently as Ottawa River Power Corporation's May 2016 decision. Furthermore, in the cases listed below, the OEB, VECC, Energy Probe, and SEC concurred with the LDCs for an affiliate deemed debt rate (*at the time*) of 4.54%:

- Entegrus Powerlines Inc. - EB-2015-0006
- Grimsby Power Inc. - EB-2015-007
- Guelph Hydro Electric Systems Inc. - EB-2015-0073
- Milton Hydro Distribution Inc. - EB-2015-0089
- Ottawa River Power Corporation - EB-2014-0105

LUI proposes that the intervenors engaged in conduct that tended to unnecessarily lengthen the duration of the Lakefront's Cost of Service and was repetitive given that the deemed affiliate debt was agreed to in at least five other fairly recent COS applications mentioned above. As "professional" intervenors, VECC and Energy Probe ought to have known better. The issue brought forth by the intervenors is an interpretation of Board policy, not an issue with Lakefront's Cost of Service application. The Board's processes are well defined and prescribed by regulations, law and intervenors who attempt to influence or circumvent those processes should not be rewarded. Consequently, Lakefront's customers should not have to pay for intervenor costs related to a sixth attempt to circumvent the OEB's policy on affiliate debt.

Below is a summary of VECC's total cost claim of \$22,903.17

Service Provider Name	Interrogatories/ Settlement			Total
	Conference	Written Hearing	Other	
Michael Janigan	\$6,517.03	\$4,116.02	\$266.65	\$10,899.70
Ben Segel-Brown		\$1,030.00		\$1,030.00
Bill Harper	\$5,230.78			\$5,230.78
Mark Garner	\$5,742.69			\$5,742.69
Total	\$17,490.50	\$5,146.02	\$266.65	\$22,903.17

Below is a summary of Energy Probe's total cost claim of \$17,566.85.

Service Provider Name	Interrogatories/			Total
	Settlement Conference	Written Hearing	Other	
Randy Aiken	\$12,722.50	\$2,565.59	\$476.24	\$15,764.33
David MacIntosh	\$1,312.62	\$308.85	\$181.05	\$1,802.52
Total	\$14,035.12	\$2,874.44	\$657.29	\$17,566.85

Lakefront Utilities Inc. requests that the cost claim for the written hearing for both VECC and Energy Probe of **\$5,146.02** and **\$2,874.44**, respectively, be denied by the OEB. These costs are associated with disputing an issue with Board policy, not an issue with Lakefront's Cost of Service application. Consequently, Lakefront's customer should not have to pay for these expenses.

Cobourg Taxpayers Association

CTA's cost claim of \$72 associated with the Freedom of Information ("FOI") request to the Town of Cobourg should be denied.

As stated in LUI's interrogatory response 5-CTA-15, LUI mentioned that it *"has investigated the cost savings with replacing all or some part of the affiliate debt with a lower long-term rate."* Furthermore, in Pre-ADR Clarification Response 5-CTA-15, LUI mentioned that *"the Town of Cobourg long-term note is a legally binding document and although LUI may have interest in negotiating a lower rate or paying it off entirely with another market rate, it is ultimately up to the Town of Cobourg to accept that proposition. LUI has had discussions with the Town since 2011 on the subject."*

Despite the above, as stated by the CTA in its reply submission:

*"There were no documents from the FOI that indicated that Lakefront had made **any** effort to renegotiate the demand note. From this we conclude that Lakefront has no interest in voluntarily obtaining a lower rate on the note. The only remedy is an Ontario Energy Board directive to do so for the benefit of Lakefront's customers."*

The CTA placed on the record, after the record in this proceeding had been closed, the results of a FOI request. The CTA claimed that this material indicated that LUI did not discuss the matter of the debt rate on the Promissory Note with its shareholder. LUI submitted that the CTA had applied a preconceived, narrow interpretation of an FOI request that appeared to support its position. The CTA assumed that because the discussion did not appear on the Town Council minutes, the conversation did not occur. LUI confirmed it had discussions with its Boards of Directors for both LUI and Town of Cobourg Holdings Inc., both of which included a Town of Cobourg Council member. LUI management also had discussions with the Town of Cobourg CAO and Director of Corporate Services.

In conclusion, despite being informed on two separate occasions that LUI had discussions with the Town of Cobourg regarding the Promissory Note, the CTA determined it was necessary to incur costs to demonstrate that LUI was dishonest. As a result, ratepayers ought not to be required to fund activities or interventions that do not materially contribute to the Board panel's understanding and resolution of the issues.