



By Email

December 29, 2016

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

Dear Ms. Walli:

**Re: OEB File No EB-2016-0089  
Lakefront Utilities, Inc. 2017 COS Application  
Cobourg Taxpayers Association (CTA) Cost Claim Objection Response**

Cost Objection response of the Cobourg Taxpayers Association

Lakefront Utilities Inc. ("LUI") has objected to the CTA's cost claim of \$72 for a Freedom of Information (FOI) request filed with the Town of Cobourg in regard to the affiliate debt at issue in this hearing.

The core of LUI's objection is centred on LUI's claim that the CTA "incurred 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"

The CTA regards this objection as petulant and not reflective of our intentions.

The subject matter, \$7M affiliate loan and the related \$507,500 annual interest cost is very material with regard to Lakefront and it follows that decisions pertaining to these are also material. The CTA also trusts that the Board panel has the expertise and experience to assess such matters and does not need LUI to tell it what will "not materially contribute to the panel's understanding".

The CTA's representatives at this hearing have excellent research and analysis skills in addition to considerable senior management experience with specific expertise in finance, controllership, treasury and banking.

LUI's claim is primarily that the CTA was trying to "demonstrate that LUI was dishonest." Absurd. Dishonesty implies a deliberate act to deceive. The CTA was merely trying to clarify and better understand the sometimes incorrect and conflicting statements made by LUI.

The maxim "*One untruth in a statement casts doubt on all of the rest.*" strongly suggests a skeptical view be taken of such statements and their proponents.

LUI, in its Cost Claim Response, repeats its prior, Pre-ADR, clarification response 5-CTA-15 stating "LUI has had discussions with the Town since 2011 on the subject". However, LUI has never provided any evidence to support this claim and the claim is contradicted by other statements by LUI. For example, in response to CTA interrogatory 5-CTA-15 Lakefront replied (EB-2016-0089 Interrogatory Responses Page 186 of 241 Filed: August 5, 2016) makes the contradictory statement: "*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.*" This statement provides no value in the discussion, as LUI's shareholder is Town of Cobourg Holdings Inc. (TCHI, a.k.a. HOLDCO) which is **not** a party to the note.

The discussion needs to be with the note holder which is the Town of Cobourg. Further, in its Cost Claim Response, LUI states "The CTA claimed that this material (FOI?) indicated that LUI did not discuss the matter of the debt rate on the promissory note with its shareholder. The CTA did not make this claim. TCHI is LUI's shareholder and is NOT a party to the \$7M note.

LUI continues "*...the CTA had applied a preconceived narrow interpretation of the FOI request that appeared to support its position. The CTA assumed that because the discussion did not appear in the Town Council minutes, the conversation did not occur.*"

From the Appendix A of the material submitted to the OEB on October 17, 2016 as part of the CTA's final arguments it is apparent that the FOI request had a deliberately wide scope encompassing far more than just Council minutes:

Please provide all records, including but not limited to electronic and paper formats, emails, discussion notes, reports, agreements, memoranda, minutes, etc. relating to the affiliate loan and promissory note from Lakefront Utilities, Inc.(the Borrower) and The Corporation of the Town of Cobourg (the Lender), originally issued for \$4,000,000 on May 1, 2000 and later increased to \$7,000,000 on September 12, 2006.

The Town's response to the CTA's FOI request provided no records meeting these extremely broad requirements.

Continuing, "*LUI confirmed it had discussions with its Boards of Directors for both LUI and TCHI, both of which included a Town of Cobourg Council member.*" How and when did LUI confirm this? As before, LUI provided no evidence to support its claim. Once again, the discussions were with TCHI, which is not a party to the note. Further, the same council member is on both the LUI and TCHI boards. This does **not** constitute "discussion with the Town".

Exhibit 1, Tab 8, Sch 4 Board Meetings (pg 135,136) provides an outline (including main topics) of LUI's board meetings from February 2015 to April 2016. There is no mention of a direction to discuss affiliate loan repayment/rate reduction or reporting of the status of such discussions. Given the substantial material amount of the loan and related interest payments it is reasonable to expect board consideration of this matter, yet this does not appear to have been the case.

And, "*LUI management also had discussions with the Town of Cobourg CAO and Director of Corporate services.*" No evidence of these meetings was provided nor does the FOI information support the claim. Further, Cobourg Council, not the CAO or a director, makes actionable decisions and policy for the Town of Cobourg.

As LUI's rational for denying the \$72 FOI cost seems at best confused and contradictory, the Cobourg Taxpayers Association submits that the OEB should find the \$72 FOI cost reasonable and order LUI to pay the full cost claim amount as filed.

The CTA has reviewed EP's cost objection response and concurs with their conclusions.

Respectfully submitted,

Ken Strauss  
Director CTA

Paul Pagnuelo  
Director CTA

Bryan Lambert  
Director CTA

CC. Dereck Paul, LUI (By email)  
Adam Giddings, LUI (By email)  
James Sidlofsky, Borden Ladner Gervais LLP (By email)  
Randy Aiken, Aiken & Associates (By email)  
Michael Janigan, VECC (By email)