



December 2, 2024

Nancy Marconi
Registrar
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
Toronto ON
M4P 1E4

Dear Ms. Marconi,

RE: EB-2024-0038 Lakefront Utilities Inc. – Interrogatories of CCMBC

Attached are the interrogatories of the Coalition of Concerned Manufacturers and Businesses of Canada (CCMBC) in Lakefront Utilities Inc. in the the EB-2024-0038 proceeding.

Respectfully submitted on behalf of CCMBC.

Tom Ladanyi
TL Energy Regulatory Consultants Inc.

cc. Parties to the Proceeding

Coalition of Concerned Manufacturers and Businesses of Canada

Interrogatories to the Applicant

December 2, 2024

CCMBC-1

Reference: 3.3.2.1 Incremental Capital Module (ICM) Filing Requirements, page 47

Preamble: “LUI acknowledges that typically, Incremental Capital Module (ICM) funding is requested prior to the construction of a project. However, in this case, LUI did not do so and recognizes that by filing for ICM relief for the 2025 rates, it is not claiming relief for the related 2023 and 2024 revenue requirements. Instead, LUI proposes to analyze ICM eligibility based on its actual spending in 2023, the year the project was put into service. While LUI understands that claiming relief from 2025 onward might raise questions about materiality thresholds and asset depreciation, it believes this approach is justified given the circumstances.”

Questions:

- a) Please provide references to OEB rules, regulations or guidelines that allows a utility to apply for an ICM for a capital project that was placed in service two years after the capital project was placed in service.
- b) Since LUI believes that it can ask for an ICM after a project has been placed in service, why did LUI not request for this in its application for 2024 rates?
- c) Why is LUI basing its request for ICM eligibility based on actual spending in 2023 instead of the book value of the substation on January 1, 2025?
- d) Considering that other Ontario distributors have not requested ICM for a project after the project was placed in service, what are the “circumstances” that makes LUI claim that its request is justified?

CCMBC-2

Reference: 3.3.2.1 Incremental Capital Module (ICM) Filing Requirements, page 47

Preamble: LUI is requesting approval for incremental capital funding for 2025 with respect to a new 27.6 kV substation for a total estimated incremental capital expenditure of \$2,535,311.

Questions:

- a) The quoted text indicates that \$2,523,311 is the estimated incremental capital expenditure. Does that mean that it excludes allocated overhead costs?

- b) What was the actual cost of the substation at its completion in 2023?

CCMBC-3

Reference: 3.3.2.1 Incremental Capital Module (ICM) Filing Requirements, page 47

Preamble: “Additionally, the sudden need for the project in 2023 was driven by unforeseen residential developments, notably influenced by the Provincial Government’s incentives to encourage faster home construction. Cobourg has experienced an uptick in developments as a result of these incentives.”

Questions:

- a) Please provide more information about the “unforeseen residential developments” including the following:
- i. The number of residential, commercial and industrial customers in each development,
 - ii. How and when was LUI informed of each development,
 - iii. Has construction started of any development,
 - iv. The number of premises connected by LUI to date in each development
- b) Please file copies of all correspondence between the developers of these residential developments and LUI since 2023.
- c) Please list the Provincial Government Incentives that LUI is referring to in the quoted text.

CCMBC-4

Reference: Eligibility for Incremental Capital, page 48

Preamble: “In order to be eligible for incremental capital, an ICM claim must be incremental to a distributor’s capital requirements within the context of its financial capacities underpinned by existing rates;”

Questions:

- a) Please confirm that “financial capacities underpinned by existing rates” are determined by the materiality threshold formula.
- b) What was the financial capacity underpinned by existing rates of LUI in 2023?
- c) What was the financial capacity underpinned by existing rates of LUI in 2025?

CCMBC-5

Reference: IRM Application, Section 3.3.3, Page 54

Preamble: “In 2023, Lakefront Utilities Inc. energized a new 27.6 kV substation (MS28-3) on Ontario Street in Cobourg. This critical infrastructure project was undertaken to address the growing capacity requirements, improve reliability, and introduce additional redundancy in our community’s electrical distribution network.” [...] “Project Justification: 1. Growing Capacity Requirements: The residential and commercial developments in our service area have significantly increased the demand for electricity. The new substation adds necessary capacity to manage this growth efficiently. A key theme of the Ontario Energy Board’s guidance is that utilities should align their investment plans with customer needs, and adopt an outcomes-based approach to tracking their performance.”

Questions:

- a) Can you please list which residential and commercial developments in your service area have or will cause the significantly increased demand for electricity mentioned in this passage, necessitating the new 27.6kV substation (MS28-3) on Ontario Street in Coburg?
- b) If those developments did not occur or do not go ahead, would the new MS28-3 substation be unavoidably required today?

CCMBC-6

Reference: IRM Application, Section 3.3.3, Page 54

Preamble: “Lakefront deliberated on invoking cost-sharing with residential developers, as directed in the Distribution System Code (DSC), to mitigate the financial impact on our existing customers. However, we are persuaded that recent events, including the Ontario government’s intervention in overturning an OEB directive regarding Enbridge’s economic evaluation for rural expansion, may override this requirement. Hence, in this application, we are proposing full recovery of the substation costs from our entire customer base. We seek OEB guidance and direction on this matter to ensure compliance and equitable cost distribution.”

Questions:

- a) Why does Lakefront believe it is more equitable to have all ratepayers pay for the MS28-3 Substation Project instead of just the developers for whose development projects the substation is required? Why is it equitable for ratepayers to subsidize what would otherwise be costs for those developers?
- b) In Lakefront’s opinion, would more equitable cost distribution be achieved if all taxpayers, instead of all ratepayers, subsidized this cost? Why or why not?

CCMBC-7

Reference: MS28-3 Substation Project, Page 54

Preamble: In 2023, Lakefront Utilities Inc. energized a new 27.6 kV substation (MS28-3) on Ontario Street in Cobourg. This critical infrastructure project was undertaken to address the growing capacity requirements, improve reliability, and introduce additional redundancy in our community's electrical distribution network."

Question:

In some passages, Lakefront refers to the MS28-3 Substation Project located on Ontario Street in Coburg. In other passages, Lakefront describes a substation at Victoria Street. Are these two ways of identifying the same substation, or are they different substations?

CCMBC-8

Reference: Financial Overview, page 55

Preamble: The total cost of the MS28-3 substation project is \$2,535,311.

Questions:

- a) What was the original cost estimate of the MS28-3 substation at the time of project approval prior to construction? Please file an itemized cost estimate that shows materials, LUI labour, contracted services, overheads and interest during construction.
- b) Please file a table showing actual cost of the substation showing materials, LUI labour, contracted services, overheads and interest during construction, explaining all variances with the amounts shown in response to question a) above.
- c) Was the construction of the substation contracted out or was it performed by Lakefront Utilities employees?
- d) Considering that the substation was completed and placed in service in 2023, what will be the book value of the substation on January 1, 2025?

CCMBC- 9

Reference: Page 57

Preamble: The Distribution System Code (DSC) outlines the conditions under which distributors may obtain contributions from developers to support system enhancement projects. Specifically, Section 3.2 of the DSC requires that when a distributor plans an

expansion of its main distribution system, developers must make a capital contribution if the cost of the expansion and ongoing maintenance exceeds the projected incremental distribution revenue.

Questions:

- a) Please file the calculation of the amount of the contribution, including all inputs and assumptions, that would be required from residential developers had LUI followed the current requirements of Appendix B of the Distribution System Code.
 - A maximum customer connection horizon of five (5) years, calculated from the energization date of the facilities.
 - A maximum customer revenue horizon of twenty five (25) years, calculated from the in service date of the new customers.

- b) Please file the calculation of the amount of the contribution, including all inputs and assumptions, if the requirements of Appendix B of the Distribution System Code are revised as proposed by the OEB in its notice of November 18, 2024.
 - A maximum customer connection horizon of 15 years, calculated from the energization date of the facilities.
 - A maximum customer revenue horizon of 40 years, calculated from the in service date of the new customers.

CCMBC-10

Reference: Table 8: Bill Impacts by Rate Class - 28 kVA Victoria Street Substation.
Page 60

Questions:

- a) Does the column with the title “January 1/2024 Rates” show rates that include the costs of the Victoria Street Substation? If the answer is yes, please file a revised table that does not include the costs of the Victoria Street Substation.

- b) Please explain why the rates for the Residential, the Sentinel and the Street Lighting rate classes increasing from January 1/2024 to January 1/2025 while the rates of other rate classes are decreasing.