

BY E-MAIL

December 2, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

**Re: Lakefront Utilities Inc. (Lakefront Utilities)
2025 Distribution Rate Application
Ontario Energy Board (OEB) File Number: EB-2024-0038**

In accordance with Procedural Order No. 1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

Lakefront Utilities Inc.'s responses to interrogatories are due by December 20, 2024.

Any questions relating to this letter should be directed to Harshleen Kaur at harshleen.kaur@oeb.ca or at 416-440-8136. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Harshleen Kaur
Advisor, Incentive-Rate Setting

Attach.

OEB Staff Interrogatories
2025 Electricity Distribution Rates Application
Lakefront Utilities Inc. (Lakefront Utilities)
EB-2024-0038
December 2, 2024

Please note, Lakefront Utilities Inc. is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Staff-1

Ref. 1: Lakefront Utilities Inc. Scorecard

Preamble:

The following table was created from the information in the Lakefront Utilities' 2023 Scorecard.

Table 1: Return on Equity (ROE)

	2019	2020	2021	2022	2023
Deemed	8.78%	8.78%	8.78%	8.66%	8.66%
Achieved	7.58%	5.49%	5.93%	10.87%	4.27%
Diff	-1.20%	-3.29%	-2.85%	2.21%	-4.39%

Question(s):

- a) What drivers were responsible for the increased ROE in 2022?
- b) What drivers contributed to the decreased ROE in 2023?

Staff-2

Ref. 1: 2025 IRM Application, p. 54

Preamble:

Lakefront Utilities states "The construction of new substation (MS28-3) was completed and energized in December of 2023".

Question(s):

Please list the amounts, by asset class (i.e. OEB USoA) that were

- a) Capitalized for MS28-3 in 2022.
- b) Capitalized for MS28-3 in 2023.

- c) Depreciated for MS28-3 in 2022.
- d) Depreciated for MS28-3 in 2023.

Staff-3

Ref. 1: EB-2021-0039, Exhibit 2, Appendix B, p. 50

Ref. 2: 2025 IRM Application, p. 52

Preamble:

The project-related business case in Ref. 2 describes the project as “27.6 kV substation MS28-3 on Ontario Street, Cobourg Project System Access”.

The following image is a table from the Lakefront Utilities 2022-2026 Distribution System Plan.

Table 9: Municipal Substation Listing

Cramahe			
Station	Voltage	Capacity (MVA)	Feeders
MS 1 - Victoria	4.16 kV	5	F1, F2, F3
MS 2 - Durham	4.16 kV	5	F4, F5
Cobourg			
Station	Voltage	Capacity (MVA)	Feeders
MS 2 – D’Arcy	4.16 kV	5	F10
MS 3 – Orr	4.16 kV	5	F13, F14, F15
MS 5 – Kerr	4.16 kV	5	F19, F20
MS 28-1 - Victoria	27.6 kV	20	F1, F2
MS 28-2 - Brook	27.6 kV	20/26/32	F4, F6

Question(s):

- a) Please confirm that the information in Table 9 is correct or revise as required.
- b) Please confirm that the Victoria Street Substation, the subject of this application, MS 28-3, is an additional substation in Cobourg.
 - i. When did Lakefront Utilities purchase the land for the substation?
- c) Please describe the tendering processes used for material acquisition and construction services that Lakefront Utilities undertook for this project.
- d) What was the time between purchase and delivery of the substation transformer?
- e) What party(s) performed the substation construction and commissioning?

- f) Please provide the initial estimate and business case for the project.
- g) Please describe the cost controls that were put in place throughout the project to contain the project costs.
- h) Please fill out the following table.

Table 2: MS 28-3

Item	
Power Transformer Nameplate Data:	
Manufacturer	
Year of Manufacture	
kVA rating (nominal and extended)	
Are transformer fans installed	
Primary and secondary voltages	
Low Voltage Amperes	
Station kVA rating	
Number of secondary feeders	
Amperage Rating of secondary feeders	

Staff-4

Ref. 1: 2025 IRM Application, p. 47

Preamble:

Lakefront Utilities states “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”.

Question(s):

OEB staff are looking for specific details of the load growth in Cobourg which lead to the need for the substation construction.

- a) For MS28-1, MS28-2, MS28-3, MS 2, MS 3, and MS 5, please provide:
 - i. Planning limit for each of the stations
 - ii. Station peak load from 2013-2023
 - iii. Projected peak load that Lakefront Utilities had for 2023-2028, at the time when it decided to undertake this project.
- b) Please provide the following information on new connections in Cobourg for each year from 2020 through 2023, and 2024 to date.
 - i. Number of new connections by customer class
 - ii. For residential connections, the average load assumptions per unit
 - iii. List of the additional peak loads for new general service connections.

- iv. For each of the items above, indicate what station they would be connected to.
- c) Please provide evidence of increased residential and commercial development planning activity in Lakefront Utilities' Cobourg service area in 2020-2022.

Staff-5

Ref. 1.: [Electricity Reporting & Record Keeping Requirements \(RRR\): Section 2.1.2 Market Monitoring Information | Ontario Energy Board](#)

Preamble:

OEB staff has prepared the tables below from Lakefront Utilities' RRR filed data.

Table 3: Customer Numbers

Customer Class	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Service < 50 kW	1,082	1,085	1,116	1,123	1,136	1,113	1,128	1,134	1,156
General Service >= 50 kW	126	128	116	114	110	102	104	100	100
Residential	8,917	9,001	9,117	9,213	9,300	9,424	9,524	9,601	9,825
Sentinel Lighting Connections	48	48	48	49	46	67	51	51	51
Street Lighting Connections	2,725	2,929	3,182	3,082	3,082	3,082	3,082	3,082	3,082
Unmetered Scattered Load Connections	86	84	84	84	82	80	82	86	91

Table 4: Yearly Customer Count Change

Customer Class	2016	2017	2018	2019	2020	2021	2022	2023
General Service < 50 kW	0.3%	2.9%	0.6%	1.2%	-2.0%	1.3%	0.5%	1.9%
General Service >= 50 kW	1.6%	-9.4%	-1.7%	-3.5%	-7.3%	2.0%	-3.8%	0.0%
Residential	0.9%	1.3%	1.1%	0.9%	1.3%	1.1%	0.8%	2.3%
Sentinel Lighting Connections	0.0%	0.0%	2.1%	-6.1%	45.7%	-23.9%	0.0%	0.0%
Street Lighting Connections	7.5%	8.6%	-3.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Unmetered Scattered Load Connections	-2.3%	0.0%	0.0%	-2.4%	-2.4%	2.5%	4.9%	5.8%

Question(s):

- a) Please verify the information in the two tables above, or correct as required.

Staff-6

Ref. 1: 2025 IRM Application, p. 54

Preamble:

Lakefront Utilities includes increased redundancy on the 27.6kV system and capacity for 4.16kV to 27.6kV voltage conversion program as project justifications.

Question(s):

- a) Are the feeders from MS 28-1, MS 28-2 and MS 28-3 able to transfer load between stations?
 - i. If so, please identify the specific feeders and associated station.
 - ii. If not, when will Lakefront Utilities be installing ties between the feeders?
- b) Please provide a distribution map or one line drawing showing the interties between the stations.
- c) What is the projected retirement year for each of the 4kV stations MS 2, MS 3 and MS 5?
- d) What amount of previously 4kV connected load was placed on MS 28-3 in each year 2023 and 2024, and forecast for 2025 through 2027?

Staff-7

Ref. 1: 2025 IRM Application, pp. 54-55

Preamble:

Lakefront Utilities states:

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.
[Emphasis added]

Lakefront Utilities explained that planning and design for the project was completed in Q1 2022, construction began in Q2 2022, and the substation was energized in Q4 2023.

The OEB issued the decision referenced by Lakefront Utilities regarding the economic evaluation for rural expansion for Enbridge Gas Inc. on December 21, 2023¹, and the Ontario government released a statement regarding the decision on December 22, 2023.

¹ Decision and Order, EB-2022-0200, Enbridge Gas Inc., December 21, 2023

Question(s):

- a) What agreements did Lakefront Utilities have in place prior to December 2023 for contributions in aid of construction, per the DSC, related to the new substation? Include all types of development, for example, residential subdivisions, industrial or commercial development, and unmetered loads.
- b) Please provide copies of the economic evaluation models for contributions to be collected from new connections, that were prepared prior to December 2023, related to the new substation.
 - i. If Lakefront Utilities did not prepare economic evaluations for new customer loads connected to the substation, please prepare the evaluations retroactively as if they had been prepared prior to connecting the loads. OEB staff wishes to see what capital contributions would have been collected if Lakefront Utilities had followed the DSC.
- c) Please provide a list of new developments and/or customers supplied by the 27.6kV system since 2020 and include:
 - i. The corresponding economic evaluation model for contributions to be collected from these developments and/or customers if Lakefront Utilities did apply the DSC (and identify proportion that would be allocated to substations).
 - ii. The amount of contribution collected by Lakefront utilities from the developers and/or customers.
- d) Please provide a forecast of developments that are in the planning or construction stages for the five years after the substation commissioning date (December 2023), including the project loads, and the potential contributions if the DSC was followed (the current version of the DSC).

Staff-8

Ref. 1: 2025 IRM Application, p. 55

Ref. 2: [System Expansion For Housing Developments Consultation | Engage with Us](#)

Preamble:

Lakefront Utilities states:

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.

The OEB has initiated a stakeholder consultation to explore different cost recovery approaches for system expansion for housing developments. On October 24, 2024, after the filing of this application, a report to the Minister of Energy and Electrification (Minister) was published on the consultation web page, which also contains a reply from the Minister.

On November 5, 2024, the OEB released a Bulletin regarding Connection of New Load² that states:

OEB staff would like to remind distributors of their obligations under the DSC to provide customers with information on connection costs and economic evaluation of any system expansion work. Distributors must ensure customers receive complete and timely details on the costs, inputs and assumptions used in the economic evaluation.

On November 18, 2024, the OEB released a notice regarding a proposal to amend the DSC³, which includes changing the revenue horizon for residential connections to 40 years for and outlines expectations prior to the amendments coming into force.

Question(s):

- a) What consideration did Lakefront Utilities give to the OEB's consultation *System Expansion for Housing Developments* in preparing this application.
- b) At this time, and considering the recent communications on the consultation page, is Lakefront Utilities still requesting guidance from the OEB? Please explain.
- c) What impact will the change in revenue horizon for residential connections have to Lakefront Utilities operations on a go forward basis, if the DSC is amended as proposed?

Staff-9

Ref. 1: LUI_2025_ACM_ICM_Model_1.0_20240906

Preamble:

Lakefront Utilities has submitted the ICM Excel model filled out as if the asset was placed in service in 2025. OEB staff would like to see the model completed, as if it were completed in advance of the substation being commissioned, that is, as if it were completed as part of the 2023 IRM application that was filed in the fall of 2022.

² Bulletin: [Expectations for Distributors to Support Timely Connection of New Load](#)

³ [Notice of Proposal to Amend the Distribution System Code](#)

Question(s):

- a) Please prepare and submit an updated ICM model as if it had been prepared in the fall of 2022. To assist, OEB staff have prepared a list of items to change below, that is not meant to be comprehensive.
 - i. Tab 1. Information Sheet. Please change Rate Year = 2023
 - ii. Tab 3. Growth Factor-NUM_CALC1. Please change all values in the table labelled “2022-Board Approved Distribution Demand” and change the data in the table “Current Approved Distribution Rates” to the rates that were approved for 2023.
 - iii. Tab 6. Growth Factor – DEN_CALC. Please change all values in the table labelled “2021 Actual Distribution Demand”
 - iv. Tab 9b. Proposed ACM ICM Projects. Please change the Proposed value for “Year 1” to \$2,165,886. Also please change the related Amortization Expense and CCA expense due to the 2023 portion of the project CAPEX.
- b) Please prepare and submit a second ICM model with only the changes requested in i) through iii) above.
- c) If Lakefront Utilities is of the opinion that another model for the ICM revenue calculation is more appropriate than what has been provided in a),
 - i. Please explain why Lakefront Utilities is of the opinion that their scenario is more appropriate.
 - ii. Please submit the Excel version of the ICM model, if it has not already been submitted.

Staff-10

Preamble:

Lakefront Utilities last filed a cost of service application for 2022 rates, and is currently scheduled to file its next cost of service application for 2027 rates.

Question(s):

- a) At this time, does Lakefront Utilities foresee filing a cost of service application for 2027 rates?
- b) What is the revenue requirement for the substation project each year 2023 through 2027 under the scenario(s) in Staff-9?

Staff-11**Ref. 1: 2025 IRM Application, pp. 45-46**

Preamble:

Lakefront Utilities states the actual ROE for 2023 was 4.27% which represents an under-earning compared to the OEB approved ROE of 8.66% in the 2022 cost of service proceeding.

Question(s):

- a) Please file a copy of the 2023 RRR 2.1.5.6 ROE filing on the record.
- b) Please explain the variance between the approved and the achieved ROE and quantify the main drivers.

Staff-12**Ref. 1: 2025 IRM Application, p. 55**

Preamble:

Lakefront Utilities outlined the project timeline that planning and design for the project was completed in Q1 2022, Construction began in Q2 2022, and the substation was energized in Q4 2023.

Question(s):

- a) Please confirm in which year the MS 28-3 substation was capitalized on Lakefront Utilities' Audited Financial Statements (AFSs). Please provide a copy of the AFSs and show which line items is/are related to this substation. Please provide a detailed breakdown of the project costs and the respective CCA class.
 - i. Please submit an Excel version of the CCA schedule (Schedule 8) to support the calculated CCA amount of \$194,712.

Staff-13**Ref. 1: LUI_2025-IRM-Rate-Generator-Model_V4_20240906, Tab 6: Class A Consumption Data**

Preamble:

Lakefront Utilities outlined in 2b that they have customers who transitioned between Class A and Class B during the period the Account 1580, sub-account CBR Class B balance accumulated, and in 3b mentioned that there are 3 rate classes in which there

were customers who were Class A for the full year during the period the Account 1589 GA or Account 1580 CBR B balance accumulated.

Question(s):

- a) Please confirm that the response in 2b is accurate.
- b) Please fill out the table for question 3b.

Staff-14

Ref. 1: LUI_2025-IRM-Rate-Generator-Model_V4_20240906, Tab 8: STS – Tax Change

Preamble:

Lakefront Utilities has provided a value of \$22,913,016 as the OEB-Approved Rate Base (Cell H16) and has not provided any value for the OEB-Approved Regulatory Taxable Income (Cell H18).

Question(s):

- a) As per the Revenue Requirement Workform from Lakefront Utilities' last cost of service, the OEB-Approved Rate Base was \$22,919,093. Please confirm the source of Cell H16.
- b) Please fill out the value for Cell H18.

Staff-15

Ref. 1: LUI_2025-IRM-Rate-Generator-Model_V4_20240906, Tabs 11, 15, and 20

Preamble:

On November 1, 2024, the OEB issued a letter regarding 2025 Preliminary Uniform Transmission Rates (UTRs) and Hydro One Sub-Transmission Rates. The OEB determined to use of preliminary UTRs to calculate 2025 Retail Service Transmission rates (RTSR) to improve regulatory efficiency, allowing for this data to feed into the rate applications including annual updates for electricity distributors on a timelier basis. The OEB also directed distributors to update their 2025 application with Hydro One Networks Inc.'s (Hydro One) proposed host RTSRs. Any further updates to Hydro One's proposed host RTSRs will be reflected in the final Rate Generator Model.

On November 19, 2024, the OEB issued a letter outlining that the fixed microFIT Generator Service Classification charge (microFIT charge) would be increased from \$4.55 to \$5.00 for the 2025 rate year.

OEB staff has updated Lakefront Utilities' Rate Generator Model with the preliminary UTRs, proposed host RTSRs by Hydro One, and microFIT charge as follows:

UTRs

Uniform Transmission Rates	Unit	2023		2024		2025	
		Jan to Jun	Jul to Dec	Jan to Jun	Jul to Dec	Rate	Rate
Rate Description		Rate		Rate		Rate	
Network Service Rate	kW	\$ 5.60	\$ 5.37	\$ 5.78	\$ 6.12	\$ 6.25	
Line Connection Service Rate	kW	\$ 0.92	\$ 0.88	\$ 0.95	\$ 0.95	\$ 1.00	
Transformation Connection Service Rate	kW	\$ 3.10	\$ 2.98	\$ 3.21	\$ 3.21	\$ 3.39	

Hydro One Sub-Transmission Rates

Hydro One Sub-Transmission Rates	Unit	2023		2024		2025	
Rate Description		Rate		Rate		Rate	
Network Service Rate	kW	\$ 4.6545	\$ 4.9103	\$ 5.2172			
Line Connection Service Rate	kW	\$ 0.6056	\$ 0.6537	\$ 0.6537			
Transformation Connection Service Rate	kW	\$ 2.8924	\$ 3.3041	\$ 3.3041			
Both Line and Transformation Connection Service Rate	kW	\$ 3.4980	\$ 3.9578	\$ 3.9578			

microFIT Charge

Rate Class	Current MFC	MFC Adjustment from R/C Model	Current Volumetric Charge	DVR Adjustment from R/C Model	Price Cap Index to be Applied to MFC and DVR	Proposed MFC	Proposed Volumetric Charge
RESIDENTIAL SERVICE CLASSIFICATION	26.8				3.60%	27.76	0.0000
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	27.71		0.0102		3.60%	28.71	0.0106
GENERAL SERVICE 50 TO 2,999 KW SERVICE CLASSIFICATION	100.83		4.0251		3.60%	104.46	4.1700
GENERAL SERVICE 3,000 TO 4,999 KW SERVICE CLASSIFICATION	6037.86		2.235		3.60%	6,255.22	2.3155
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	10.76		0.016		3.60%	11.15	0.0166
SENTINEL LIGHTING SERVICE CLASSIFICATION	6.49		14.7818		3.60%	6.72	15.3139
STREET LIGHTING SERVICE CLASSIFICATION	2.04		5.3511		3.60%	2.11	5.5437
microFIT SERVICE CLASSIFICATION	4.55					5.00	

Question(s):

- Please confirm the accuracy of the Rate Generator Model updates, as well as the accuracy of the resulting Retail Transmission Service Rates following these updates.

Staff-16

Ref. 1: LUI_2025-IRM-Rate-Generator-Model_V4_20240906, Tabs 18 and 21

Preamble:

On October 18, 2024, the OEB issued a letter regarding updated Regulated Price Plan (RPP) prices effective as of November 1, 2024. Also, effective November 1, 2024, the Ontario Government's Ontario Electricity Rebate (OER) was changed to 13.1%.

OEB staff has updated Lakefront Utilities' Rate Generator Model with the updated RPP and OER values as follows:

Time-of-Use RPP Prices and Percentages

As of	November 1, 2024		
Off-Peak	\$/kWh	0.0760	64%
Mid-Peak	\$/kWh	0.1220	18%
On-Peak	\$/kWh	0.1580	18%

Ontario Electricity Rebate (OER)

Ontario Electricity Rebate (OER)	\$	13.10%
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Question(s):

- a) Please confirm the accuracy of the Rate Generator Model updates for the RPP and OER values.

Staff-17

Ref. 1: LUI_2025-IRM-Rate-Generator-Model_V4_20240906, Tab 3, Continuity Schedule

Preamble:

On September 13, 2024, the OEB published the 2024 Q4 prescribed accounting interest rates applicable to the carrying charges of deferral, variance and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

Question(s):

- a) Please update Tab 3 (Continuity Schedule) as necessary to reflect the Q4 2024 OEB-prescribed interest rate of 4.40%.

Staff-18

Ref. 1: LUI_2025-IRM-Rate-Generator-Model_V4_20240906, Tab 21: Bill Impacts

Preamble:

Lakefront Utilities has provided bill impacts which include the effect of both ICM and Group 1 DVA rate riders.

Question(s):

- a) Please provide a table with bill impacts for each rate class that only accounts for the ICM component (i.e., the Group 1 DVA element is not included).

Staff-19

Ref. 1: 2025 IRM Application, p. 7

Ref. 2: LUI_2025_ACM_ICM_Model_1.0_20240906, Tab 1, Information Sheet

Preamble:

Lakefront Utilities states, "LUI acknowledges that the Board released an update on June 20, 2024, for an Input Price Index of 3.60%."

In the ICM Excel Model, Lakefront Utilities has provided a value of 3.7% for Cell F40 (Current IPI).

Question(s):

- a) Please update the ICM model to reflect the correct value of 3.6%.

Staff-20

Ref. 1: LUI_2025_ACM_ICM_Model_1.0_20240906, Tab 3, Growth Factor – NUM_CALC1

Preamble:

Lakefront Utilities has provided Units as \$/KWh in Cells B21 and B22.

Question(s):

- a) Please confirm the accuracy of the units reported in Cells B21 and B22. If incorrect, please revise accordingly.

Staff-21

Ref. 1: LUI_2025-IRM-Rate-Generator-Model_V4_20240906, Tab 6, Class A Consumption Data

Preamble:

As per the data provided by Lakefront Utilities, there are 3 rate classes in which there were customers who were Class A for the full year during the period the Account 1589 GA or Account 1580 CBR B balance accumulated.

Rate Classes with Class A Customers - Billing Determinants by Rate Class

	Rate Class		2023
Rate Class 1		kWh	
		kW	
Rate Class 2		kWh	
		kW	
Rate Class 3		kWh	
		kW	

Question(s):

- a) Please fill out the table under section 3b (snapshot above included for reference).