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**BY EMAIL**

July 22, 2025

Ritchie Murray  
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Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
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Ritchie Murray:

**Re: Ontario Energy Board (OEB) Staff Submission  
Lakefront Utilities Inc. (Lakefront Utilities)  
2025 Distribution Rate Application – Phase 2  
OEB File Number: EB-2024-0038**

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Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 5. This document is also being forwarded to Lakefront Utilities and intervenors.

Yours truly,

*Original Signed By*

Harshleen Kaur  
Advisor, Incentive Rate-setting

Encl.

cc: All parties in EB-2024-0038



# **ONTARIO ENERGY BOARD**

## **OEB Staff Submission**

**Lakefront Utilities Inc.**

**Application for 2025 Rates – Phase 2**

**EB-2024-0038**

**July 22, 2025**

## Introduction

On September 9, 2024, Lakefront Utilities Inc. (Lakefront Utilities) filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (OEB) under section 78 of the *Ontario Energy Board Act, 1998*. The application sought, among other things, approval for changes to Lakefront Utilities' electricity distribution rates, effective January 1, 2025.

Lakefront Utilities filed its written reply submission on June 16, 2025. In its submission, matters relating to the final disposition of Group 1 Deferral and Variance Accounts (DVAs), Independent Electricity System Operator settlement adjustments, and a correction to a 2024 rate rider error were addressed. However, Lakefront Utilities also included a request (and associated calculations) to recover forgone revenue for 2025 as its rates were declared interim by the OEB, effective January 1, 2025.

The OEB issued Procedural Order No. 4 which provided for any written submissions by OEB staff and intervenors on Lakefront Utilities' forgone revenue request and associated calculations. The OEB then revised the dates for written submissions in Procedural Order No. 5 and directed Lakefront Utilities to file an updated Rate Generator Model including separate forgone revenue rate riders. This was necessary because Lakefront Utilities did not include separate rate riders (instead, it included the forgone revenue in the base rates for each customer class) or provide an updated Rate Generator Model in its forgone revenue request.

This document contains OEB staff's submissions on these matters.

## Recovery of Forgone Revenue Request

There are two aspects to the forgone revenue request in this proceeding. First, with respect to its distribution rates, Lakefront Utilities is requesting approval to recover the forgone revenue from January 1, 2025 (when Lakefront Utilities' 2024 rates became interim) and the anticipated implementation date of final OEB approved rates (August 1, 2025). On July 18, 2025, Lakefront Utilities provided an updated Rate Generator Model that included rate riders for forgone revenue. Similarly, Lakefront Utilities also noted that it adjusted the recovery period for 2016 to 2023 Group 1 DVA balances to five months (i.e., recovery from August to December 2025).

To calculate the forgone revenue rate rider for distribution revenue, Lakefront Utilities assumed an implementation date of August 1, 2025, and applied a 12/5 factor (12 months of incremental revenue to be recovered over five months) as rates were declared interim effective January 1, 2025.

Second, for the forgone revenue rate rider related to the incremental capital module (ICM) for the Victoria Street Substation project, Lakefront Utilities assumed an implementation date of August 1, 2025, and applied an 8/5 factor (eight months of ICM revenue to be recovered over five months) as the rate rider for the ICM was approved with an effective date of May 1, 2025.

### **OEB Staff Submission**

OEB staff does not object to Lakefront Utilities' request for approval to recover forgone revenue as its rates were declared interim by the OEB, effective January 1, 2025.

OEB staff does not object to Lakefront Utilities recovering forgone revenue. In reviewing Lakefront Utilities' Rate Generator Model, OEB staff submits that there are no issues with Lakefront Utilities' calculation of the forgone revenue rate rider for the distribution revenue. However, OEB staff has concerns with the calculation of the forgone revenue rate rider for the ICM for the Victoria Street Substation project and incomplete updates of the Rate Generator Model.

- *Forgone Revenue Rate Rider Adjustment:*  
Lakefront Utilities' calculation for the ICM forgone revenue rate rider should be adjusted to reflect a factor of 8/5 instead of the current (and incorrect) factor of 12/5, for the following rate classes: General Service < 50 kW, General Service > 50 to 2,999 kW, General Service > 3,000 to 4,999 kW, Unmetered Scattered Load, Sentinel Lighting, and Street Lighting.
- *Rate Generator Model:*  
Tab 19 – Additional Rates – should be revised to ensure that Column G is populated for all applicable rows. Lakefront Utilities should also ensure that any resulting changes are reflected throughout the Rate Generator Model to ensure that all related calculations are accurately updated.

OEB staff submits that as part of its reply submission, Lakefront Utilities should file an updated Rate Generator Model and a supporting calculations spreadsheet, to address the above noted items.

With respect to the DVA balances, OEB staff notes that Procedural Order No. 1, dated October 28, 2024, established the scope of the proceeding. The OEB determined that it would not adjudicate the disposition of Group 1 variance account balances on an interim basis. Instead, the OEB would consider the final disposition of the balances at a later date. Those matters are being addressed in this phase of the proceeding (after January 1, 2025).

In its letter accompanying the Rate Generator Model filed on July 18, 2025, Lakefront

Utilities noted that it adjusted the recovery period for 2016 to 2023 Group 1 DVA balances to five months. OEB staff submits that it does not object to Lakefront Utilities' proposal to recover the 2016 to 2023 Group 1 DVA balances over a five-month period, based on the assumption that the final rates will have an implementation date of August 1, 2025. This will allow Lakefront Utilities to fully recover the DVA balances within the remaining five months of this rate year.

~All of which is respectfully submitted~