



**Lakefront  
Utilities  
Inc.**

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November 20, 2008

Ms. Kristen Walli – Board Secretary  
Ontario Energy Board  
P.O. Box 2319, 2300 Yonge St.  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

**RE: RE: Lakefront Utilities Inc – EB-2008-0277 – 2008 Electricity  
Distribution Rate Application – Request for Review and Vary**

In response to your correspondence dated November 7, 2008, please find attached Lakefront Utilities Inc. response to Ontario Energy Board Staff Interrogatories listed in your letter.

As per Procedural Order No. 1 dated October 31, 2008 we have enclosed two paper copies along with a CD.

Should you have any questions regarding the above, please call me at (905) 372-2193.

Yours truly,

*Original signed*

Dereck C. Paul  
Lakefront Utilities Inc.

Copy: Christie Clark – Case Manager - OEB

**Lakefront Utilities Inc. (LUI) Response  
Motion to Review and Vary**

**Board File: EB-2008-0277**

**LUI's Response to Board Staff Interrogatories**

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## **Re-Sealing Expired and Nearly Expired Meters**

In EB-2007-0761, Lakefront Utilities Inc. ("Lakefront") filed a smart meter plan with the intent to install smart meters throughout its entire service territory in 2008.<sup>1</sup> In its Decision, the Board denied implementing the plan in 2008 because Lakefront was not one of the named utilities that had the Ontario Ministry of Energy's permission to proceed.

On June 25, 2008 the government filed amendments to O. Reg. 427/06 (Smart Meters: Discretionary Metering and Procurement Principles), that:

- Authorize metering activities pursuant to the Request for Proposal (RFP) for Advanced Metering Infrastructure (AMI) – Phase 1 Smart Meter Deployment issued August 14, 2007 by London Hydro Inc. This would include distributors named in the RFP and those distributors that procure AMI pursuant to the parameters established by the RFP;
- Allow previously authorized distributors to continue to move forward with metering activities beyond the original procurement process, provided subsequent procurements meet the standards prescribed by regulation;

1. What steps has Lakefront taken since June 25, 2008 towards implementing its smart meter plan?
2. What timeline has Lakefront developed for the acquisition, and subsequent installation of the meters?
3. When will the system be commissioned and operated?
4. What are the typical procedures for Lakefront when meters near the end of their seal period in regards to the customer meter?
5. Are there alternatives under the Electricity and Gas Inspection Act and regulations pursuant to that act for situations where new technologies are imminent and seals are expiring?
6. Are all of the expired or nearly expired meters required to be tested, or is only a sample required?

<sup>1</sup> EB-2007-0761 Exhibit 1/Tab 2/Schedule 1

7. If a sample, how large is the sample?
8. What is the timing that Lakefront is expecting to carry out the re-sealing programme?
9. In the response to an interrogatory in the EB-2007-0761 proceeding, Lakefront stated; "Approximately half of our customers' meter seals are expired or on the verge of expiration. We have advised Measurement Canada and sought a reprieve." <sup>2</sup>
  - 9.1. What was the outcome of the request to Measurement Canada?
  - 9.2. If a reprieve was granted, what are the terms and conditions? Could the reprieve be extended?
  - 9.3. If the reprieve was not granted, please provide the reasons for not granting the request.
  - 9.4. Are there other actions that could be taken to bridge the gap between the expired seals and the installation of the smart meters?

**LUI's response:**

- 1. LUI has participated with members of the Cornerstone Hydro Electric Concept (CHEC) group in the London RFP and Sensus was named as our prime vendor. LUI is currently negotiating with Sensus and working with them to conduct a propagation study of our service territory to determine Tower Gateway Interfaces requirements, etc. LUI has also, along with CHEC, issued an RFP for installation vendor for 2009.**
- 2. Subject to the successful negotiation with Sensus and selection of installation vendor, LUI expects to install Smart Meters in mid 2009.**
- 3. Providing installation is successful and meters functionalities and reporting properly tested, the meters will operate as conventional meters and LUI expects to commission and operate the system with Time of Use rates by May 1<sup>st</sup> 2010.**
- 4. A typical procedure is that a set of sample set of meters are taken and tested and subsequently either approved for seal extension or total re-verification. All the meters in LUI's proposal are individual meters or their seal group has failed. LUI did not replace them as Smart Meters were imminent and we did not want to have a stranded asset or incur additional costs translating into higher rates for our customers.**

5. LUI is not aware of any alternatives under the Electricity and Gas Inspection Act and regulations pursuant to that act for situations where new technologies are imminent and seals are expiring.
6. All of the meters' seals in LUI's proposal are expired and are required to be changed or re-verified.
7. Not applicable as all the meters' seals are required to be changed or re-verified.
8. As soon as the Board provides approval of our proposal, LUI will initiate the re-sealing program, beginning in 2008. However, please note, this is a one-time expense LUI proposes to amortize over three years
9. 9.1 All correspondence between LUI and Measurement Canada on this matter is attached to LUI's response to VECC's interrogatory #1. Measurement Canada requested LUI to submit a plan to bring our meters in compliance. LUI submitted a plan in 2007 to comply by installing Smart Meters that we planned to implement in 2008 as indicated in our 2008 COS Application. Measurement Canada did not reject this plan.  
  
9.2 As the meters were planned to be replaced with Smart Meters in 2008, LUI did not request an extension.  
  
9.3 Please refer to 9.2 above.  
  
9.4 As laid out in our proposal, LUI's plan is to obtain a small number of used meters and "cycle" the meters through the meter resealing program.

## **Voltage Conversion Program**

The request to advance the voltage conversion programme into 2008 would increase capital expenses and rate base.

10. If approved, when will Lakefront complete this advanced voltage conversion?
11. What would be the estimated capital expenditure for this advanced programme for 2008 and for 2009?

12. What would that make the total of all capital expenditures for 2008?
13. How does this total of all capital expenditures compare to historical spending over the past 5 years?
14. Please provide the resultant 2008 rate base if this expenditure is approved.

**LUI's response:**

- 10. If approved, LUI expects to complete the advanced voltage conversion programs in our proposal by December 31<sup>st</sup>, 2008.**
- 11. The estimate capital expenditure for the voltage conversion program for 2008 including the \$325,000 if approved, would be \$799,000 and for 2009 its forecast to be approximately \$800,000. Please note, the total capital expenditure for voltage conversion in 2007 was \$866,000, so these annual amounts are consistent with the 2007 budget.**
- 12. In addition to the \$908,753 capital approved by the Board in its Decision, the inclusion of the \$325,262 voltage conversion would bring LUI's total capital expenditure for 2008 up to \$1,234,015. It is important to note that this amount is approximately \$403,000 (24.5%) less than LUI's 2006 total capital expenditures and more in line with LUI's 2007 figures.**
- 13. Below are the previous five years total actual capital expenditures for LUI:**

|               |                    |
|---------------|--------------------|
| <b>2007-</b>  | <b>\$1,244,906</b> |
| <b>2006 -</b> | <b>\$1,637,086</b> |
| <b>2005 -</b> | <b>\$ 957,219</b>  |
| <b>2004 -</b> | <b>\$ 691,779</b>  |
| <b>2003 -</b> | <b>\$ 762,583</b>  |
- 14. The resultant 2008 rate base for LUI with the inclusion of the \$325,262 voltage conversion program would be \$14,575,807**

## **Interest Revenue**

Lakefront is requesting that its revenue requirement be adjusted for the fact that it had included interest on retained earnings as a revenue off-set, when it should not have.

15. Please provide Lakefront's definition of retained earnings as used in this context.

16. In the interest of clarifying if this revenue is interest from one source, or several which may or may not be non-revenue requirement related, please explain this error by defining the nature of the entries in the account(s).
17. Was this interest included in the calculation of PILs? If so, what would be the revenue requirement with the interest removed from PILs?

<sup>2</sup>  
EB-2007-0761 Board staff interrogatory 2.5

**LUI's response:**

**15. Retained earnings are the sum of Net Income from prior year, which has been left in the company, rather than being allocated to the shareholder in the form of a dividend.**

**16. The \$55,271 is interest income on the previous year's Retained Earnings that has not been dividended to our shareholders and thus it is from one source. There are other interests from other sources such as customer deposits, but they are not included in the \$55,271 amount.**

**17. This interest was included in the calculation of PILs. In LUI's draft rate order dated June 27, 2008 submitted to the Board, page 30 (copy below) shows that LUI's Service Requirement Revenue is \$4,320,810 including PILs (with gross-up) and less revenue offsets of \$335,564 brought LUI's Base Revenue Requirement to \$3,985,246. The retained earning interest of \$55,271 is included in the offset amount of \$335,564. Had the \$55,271 interest on retained earnings been excluded from the \$335,564 revenue offsets, the figure would be \$280,293 and LUI's Base Revenue Requirement would be \$4,040,517.**

|   |                  |                  |
|---|------------------|------------------|
| OM&A Expenses                               | 2,150,631        |                  |
| Amortization Expenses                       | 814,753          |                  |
| Total Distribution Expenses                 | 2,965,384        |                  |
| Regulated Return On Capital                 | 1,035,942        |                  |
| PILs (with gross-up)                        | 319,484          |                  |
| <b>Service Revenue Requirement</b>          | <b>4,320,810</b> |                  |
| Service Revenue Requirement                 | 4,320,810        |                  |
| Less: Revenue Offsets                       | -335,564         |                  |
| <b>Base Revenue Requirement</b>             |                  | <b>3,985,246</b> |
| Directly Allocated CDM                      |                  | 0                |
| <b>Outstanding Base Revenue Requirement</b> |                  | <b>3,985,246</b> |