



**LAKEFRONT
UTILITIES
INC.**

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Distribution Licence ED-2002-0545
(ED-1999-0180)

MAR 22 2007

ONTARIO ENERGY BOARD

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March 20, 2007

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street,
Toronto, Ontario
M4P 1E4

Attention: Mr. Peter O'Dell, Assistant Board Secretary

Dear Mr. O'Dell:

EB-2006-0330

OEB BOARD SECRETARY	
File No:	SubFile: <i>5</i>
Panel	
Licensing	<i>David R.</i>
Other	<i>Neil M.</i>
	<i>Bill C</i>
06/04	<i>AB</i>

Re: EB-2006-0330 Multi-Year Electricity Distribution Rate Setting Plan Selection of Electricity LDCs for Rebasing

Lakefront Utilities Inc. ("LUI") would like to take this opportunity to self-nominate itself to be rebased for 2008 on the basis of a special situation.

In its 2006 Rate Application, LUI requested the inclusion of an amount of \$700,000 in capital, \$28,000 in depreciation and \$40,000 in operational expenses for a new garage facility completed in December 2005. LUI's intervenor at the time, the Vulnerable Energy Consumers Coalition ("VECC"), submitted that LUI's request was reasonable and a legitimate Tier 1 adjustment. However, in its Decision, the Board found that the adjustment related to an item post 2004 was not consistent with the historical test year approach and therefore did not approved the proposed ratemaking treatment at the time.

LUI, as a small utility, is severely impacted by not being able to recover the extra depreciation in the rates brought about by capital additions of approximately \$1,900,000 in 2005 and 2006. In addition, we project to invest another \$1,000,000 into our infrastructure in 2007. To understand the impact, our capital additions in 2005 and 2006 are approximately 19% of our net book value of assets as of December 31, 2006. The depreciation expenses on these capital additions alone have increased approximately \$158,000 from 2004 to the end of 2006, which are not recovered in rates. This amounts to approximately 4.75% of LUI base revenue requirement in our 2006 EDR.

For this reason, LUI would like to respectfully request the opportunity for rebasing in the earlier tranche of 2008 and to have these significant capital expenditures reflect in our rates earlier.

If you have any questions or concerns, please do not hesitate to contact me directly.

Yours truly,

Dereck C. Paul
Manager – Compliance and Finance
Lakefront Utilities Inc.

Cc: Bruce R. Craig – President, Lakefront Utilities Inc.