

Ontario Energy  
Board

Commission de l'énergie  
de l'Ontario



**EB-2007-0106**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,  
S.O. 1998, c.15 (Schedule B);

**AND IN THE MATTER OF** an application by Lakefront  
Utilities Inc. for a Decision granting an extension of  
Conservation and Demand Management programs.

**BEFORE:** Paul Sommerville  
Presiding Member

Paul Vlahos  
Member

Ken Quesnelle  
Member

## **DECISION**

August 13, 2007

Lakefront Utilities Inc. ("Lakefront") is a licensed distributor providing electrical service to consumers within its licensed service area. Lakefront filed an application dated March 23, 2007 with the Ontario Energy Board (the "Board") for approval of an extension to the third tranche spending in conjunction with its approved Conservation and Demand Management ("CDM") plan.

On March 23, 2007, Lakefront requested an extension to April 30, 2008 for its Voltage Conversion Project with a budget of \$550,000. Lakefront was authorized to include the System Optimization and Implementation initiatives as part of the original CDM plan approved by the Board on February 8, 2005 (EB-2004-0502).

Lakefront's original CDM Plan (RP-2004-0203) included the proposal to undertake various initiatives surrounding its system optimization with the notion of assessing where its efforts would be best served after a system study was conducted.

The Board had issued a letter on March 1, 2007 setting out the process for distributors to apply for incremental funding for CDM programs to be included in 2007 distribution rates. In the letter, the Board indicated that it would use an expedited approach for the approval of additional funding for CDM programs that are currently undertaken as part of the third tranche of the MARR-based CDM Programs.

The letter also stated:

*"For funding requests received before March 23, 2007, the funds will be included in 2007 rates for implementation on May 1 (provided that the TRC analysis requirement is met) but all amounts collected in rates in relation to the costs of the MARR-based CDM Program will be booked into a variance account. The Board will subsequently hold a hearing in relation to the approval of the extended MARR-based CDM Program. If the extended Program is approved, the variance account will be closed. If the Program is not approved, the variance account will remain and be the subject of disposition in the future, the expectation being that the Program would be discontinued".*

In the Board's April 12, 2007 decision dealing with Lakefront's 2007 rates and incremental CDM requests (EB-2007-0550), the Board indicated that the utility had satisfied the minimum requirements set out in the March 1, 2007 letter for its CDM plan. In that decision the Board reflected in rates the incremental CDM amounts, and it

authorized the establishment of a new sub-account within Account 1508 to track these expenditures.

A notice of application and hearing was issued for Lakefront's request to extend MARR-based CDM programs on April 17, 2007. There were no interventions in this proceeding. The Board proceeded by way of written hearing.

### **Board Findings**

The Voltage Conversion Project is to reduce system line losses and to address the approaching need to refurbish parts of Lakefront's system from 4.16kV to 27.6kV. With such conversion, Lakefront estimated a reduction in line loss of 578,160kWh annually.

As noted in the Board's decision dated April 12, 2007 (EB-2007-0550), it is appropriate to consider plans of this nature as a system improvement that will be considered in relation to the coincidence with the distributor's normal asset lifecycle replacement program. The evidence shows that the assets for the proposed project areas related to the system upgrade are fully depreciated and will therefore not incur early retirement cost or stranded assets. Where the program is seen to be a normal part of system sustainment, it ought not to be considered a CDM initiative.

Based on the evidence, replacement of the 4.16kV system at a higher voltage level appears to be part of a routine capital replacement process, with additional costs that can only be attributed to a conservation initiative for the incremental amount that arises between capital costs associated with building transformers onto the 4.1kV system and construction of a new system at 27.6kV. The evidence shows that there would an incremental cost difference between rebuilding a portion of the system at the current voltage level compared to rebuilding it at a higher voltage level of \$119,169.

For these reasons the Board approves the request by the applicant to include the Distribution System Optimization and Line Loss program as a CDM program in the amount of \$119,169.

In its April 12, 2007 decision, the Board found that, for the Distribution System Optimization and Line Loss Reduction program, Lakefront should include only the annual capital-related expenses in 2007 rates, in the amount of \$38,761. As the Board is only approving the extension of this CDM program for the amount of \$119,169, the

\$38,761 amount or any amount that is a result of the overcollection prior to rate rebasing will be addressed at the time of Lakefront's rate rebasing proceeding.

**DATED** at Toronto, August 13, 2007

ONTARIO ENERGY BOARD

*Original signed by*

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Paul Sommerville  
Presiding Member

*Original signed by*

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Paul Vlahos  
Member

*Original signed by*

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Ken Quesnelle  
Member