



**LAKEFRONT
UTILITIES
INC.**

Member:
(EDA) Electricity Distributors Association

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February 13th, 2004

Mr. Peter H. O'Dell
Assistant Board Secretary
Ontario Energy Board
2300 Yonge Street, 26th Floor
Toronto, Ontario M4P 1E4

**Re: RP-2004-0020
Review of Further Efficiencies in the Electricity Distribution Sector**

Dear Mr. O'Dell:

Lakefront Utilities Inc. is a utility with 8700 customers and operates in the municipalities of Cobourg and the Township of Cramahe (Colborne) which contracts out all of its services to meet the needs of our customers and requirements of the market. We are a mid-size utility but operate efficiently and effectively in meeting our customers needs. We contract the majority of our services with our affiliate, Lakefront Utility Services Inc., which also provides water services, fibre optic services, and billing services. Although we are only an 8700 electric customer utility, we operate as a much larger entity, therefore, introducing greater efficiencies and cost savings to our customers.

Lakefront Utilities Inc wishes to submit the following comments on the OEB Staff Discussion Paper "Review of Further Efficiencies in the Electricity Distribution Sector":

- The discussion paper promotes the issue that Bigger is Better. This is a false statement when you rationalize that it was Ontario Hydro's inefficient, costly, unresponsive, unmanageable, and out of control behaviour that resulted in the market being restructured.
- The discussion paper refers to non-economic objectives, such as local control, being a barrier to efficiency. This is a misleading statement in that efficiency is defined by the end user and is not always a dollar value issue when the customers have to wait hours and even days for service, particularly in life threatening situations. We experienced a situation when the Ontario Provincial Police, Fire Officials and Emergency Response Officials were calling our utility to respond to a live wire down on a vehicle, which prevented them assisting a critically injured victim. Hydro One had not responded in over two hours and they were desperately requesting our services in order to avoid a fatality. This was a very emotional and draining experience, not only for the emergency response crews, but also for our staff who had to deal with them and could not help. As you try to create large utilities in the less

populated regions of Ontario this situation will become more and more prevalent. As a result of the Walkerton tragedy, millions and millions of dollars are being spent to protect human life, we must be concerned that changing the method of delivery of our services to gain efficiencies does not impact on the safety of our Community to save just a few pennies.

- Value is in the eye of the customer. Value means different things to different people. Value is not just in cost, as discussed throughout the paper, many things contribute to the customer's perception of value. This paper talks about the electricity industry as a commodity and trying to reduce the cost of that commodity, claiming efficiency as its 'champion'. In reality, the customer, who apparently has been forgotten and disregarded through this whole process, has not been consulted about what **they** perceive as value. The current government, in its' election platform, stated that the whole industry would be revisited and common sense put back into the mix. The existing re-regulated system that we find ourselves in has done nothing but increase costs to the customer dramatically, and brought an unstable market to the customer whereby they can no longer predict the cost of utilities to manufacture their products, not to mention the dramatic changes in complexity that utilities have borne and for what?
- The OEB discussion paper promotes the philosophy that Bigger is Better, that larger is more efficient, that service is a commodity, local concerns are of no value, when in reality the local utilities have been acting very efficiently, cost effectively, community-oriented and are responsive to the needs of our communities, which are unique and individual.
- We agree that the size of a number of utilities in existence may be too small to operate effectively in this complicated market with respect to the customer's needs, however, we are all not metropolitan areas and geography plays an important role in providing the proper services to our customers. In Eastern Ontario population densities are lower than in Central Ontario and in order to accomplish high customer numbers you need to incorporate larger areas which leads to inefficient operations as demonstrated by Hydro One and their rural nature.
- How significant are the local charges on the cost of the utility bill? What sacrifices are the customers expected to make in order to save a dime on their monthly bill? The local charges are not the significant part of the utility bill and the existing structure should not be ripped apart to try to save that dime (when we say dime, we really mean 10 cents).
- The traditional local costs have not increased in the last 15 years. The only local costs that have increased have been imposed on us to deal with the new market. If we eliminated the complexity and the associated costs of operating within that market, which has not added to the customer value, we would go a lot further in becoming more efficient and cost effective. For example, what value has customer choice been with respect to retailers compared to the cost of interaction between the utility and the retailer? The philosophy of "customer choice" has been a major issue heading into this market, but in reality with a fixed price commodity cost has only added to the cost with no benefit to the system to-date.

- In addressing operational efficiencies, our Linemen can produce seven hours of work per day with an hour for travel, making them very efficient, whereas a larger utility requires their Linemen to travel in excess of an hour to get to the workplace and may result in producing only 2-3 hours of effective work in an eight-hour day. Reduced travel times result in the smaller utility being a much more cost-efficient model.

We are very concerned about making changes to the existing system that are not reversible. Our experience in the restructured market has demonstrated that changes are not always for the best and that dealing with those changes has presented major issues.

We respectfully recommend that the Ontario Energy Board consider the impact to the customer, both cost and service, as a result of the outcome of these deliberations.

Yours truly,

LAKEFRONT UTILITIES INC.

Bruce R. Craig, P. Eng.
President
BC:ss