



EB-2007-0550
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 an order or orders approving or fixing just and reasonable distribution rates and other charges, to be effective May 1, 2007.

BEFORE: Paul Sommerville
Presiding Member

Paul Vlahos
Member

Ken Quesnelle
Member

DECISION AND ORDER

Lakefront Utilities Inc. (“Lakefront”) is a licensed distributor providing electrical service to consumers within its licensed service area. Lakefront filed an application with the Ontario Energy Board (the “Board”) for an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other charges, to be effective May 1, 2007.

Lakefront is one of 85 electricity distributors in Ontario that are regulated by the Board. To streamline the process for the approval of distribution rates and charges for these distributors, the Board issued its *Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario’s Electricity Distributors* (the “Report”) on December 20, 2006. The Report contained the relevant guidelines for 2007 rate adjustments (“the guidelines”) for distributors applying for rates only on the basis of the cost of capital and 2nd generation incentive regulation mechanism policies set out in the Report.

Public notice of Lakefront's rate application was given through newspaper publication in Lakefront's service area. The evidence filed as part of the rate application was made available to the public. Both Lakefront and interested parties had the opportunity to file written submissions in relation to the rate application. The Board received no submissions. While the Board has considered the entire record in this rate application, it has made reference only to such evidence as is necessary to provide context to its findings.

Lakefront's rate application was filed on the basis of the guidelines. In fixing new rates and charges for Lakefront, the Board has applied the policies described in the Report.

After confirming the accuracy of the 2006 rate tariff and accompanying materials submitted in the rate application, the Board applied its approved price cap index adjustment to distribution rates (fixed and variable) uniformly across all customer classes. The price cap index is calculated as a price escalator less an X-factor of 1.0%, intended to represent input price and productivity trends. Based on the final 2006 data published by Statistics Canada, the Board has established the price escalator to be 1.9%. The resulting price cap index adjustment is therefore 0.9%.

The price cap index adjustment was not applied to the following components of the rates:

- the specific service charges;
- the regulatory asset recovery rate rider; and
- the smart meter rate adder (an amount in the fixed components of the rates associated with smart meter cost recovery).

Lakefront requested an amount for smart meter costs. The Board has approved an amount of \$0.26 per month per metered customer. Lakefront's variance accounts for smart meter program implementation costs, previously authorized by the Board, are continued. It is the Board's understanding that Lakefront will not be undertaking any smart metering activity (i.e. discretionary metering activity) in 2007. The amount collected through the smart meter rate adder will be booked into the existing variance accounts, and retained in those accounts, to help fund future smart meter activity. As the notice of this application indicated, the Board will be holding a combined proceeding to consider, among other things, appropriate recovery of smart meter costs.

Notwithstanding Lakefront's general compliance with the guidelines, the Board reviewed the issue of Market Adjusted Revenue Requirement ("MARR") based Conservation and Demand Management ("CDM") funding in detail.

The Board issued a letter on March 1, 2007 setting out the process for distributors to apply for incremental funding for CDM programs 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”.

Lakefront filed an application with the Board for \$550,000 of CDM funding to upgrade its distribution network to a higher voltage, replacing the existing 4.16kV system with a 27.6 kV system. The Board assigned file number EB-2007-0106 to this application.

Lakefront reported that it had performed a TRC analysis of its distribution network upgrade CDM initiative. Lakefront reported that the program passed the TRC test. The Board finds that Lakefront has satisfied the minimum requirements set out in the March 1, 2007 letter.

Lakefront's application requested that the full amount of \$550,000 be included in its 2007 rates. The Board has adjusted the funding amount using a cost of service ratemaking approach. Under traditional rate making methodology, operating costs are collected once and expensed in the year. Capital costs are included in rate base, and it is only the annual capital-related expenses that are recovered through rates in any given year. Lakefront is asking for the full amount of capital costs to be collected from rate payers as an expense in the 2007 rate year. The Board finds that Lakefront may include only the annual capital-related expenses of \$38,761 in 2007 rates. This amount has been allocated to the Residential and General Service Less Than 50 kW rate classes.

The Board authorizes the establishment of a new sub-account in Account 1508 to track the expenditures of this program. The Board will subsequently hold a hearing in relation to the approval of the extended MARR-based CDM Program. The Board notes that the system upgrade to a higher voltage may be viewed as a system improvement that will be considered in relation to the coincidence with the distributor's normal asset lifecycle replacement program.

The Board has made the necessary adjustments to Lakefront's filed 2006 Tariff of Rates and Charges to produce a new Tariff of Rates and Charges to be effective May 1, 2007. The Board finds the rates and charges in the Tariff of Rates and Charges attached as Appendix A to this decision to be just and reasonable.

THE BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Appendix A of this order is approved, effective May 1, 2007, for electricity consumed or estimated to have been consumed on and after May 1, 2007.
2. The Tariff of Rates and Charges set out in Appendix A of this order supersedes all previous distribution rate schedules approved by the Ontario Energy Board for Lakefront, and is final in all respects.
3. Lakefront shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.
4. A new sub-account for the costs of the extended MARR-based CDM Programs to upgrade its distribution network to a higher voltage be created under main account 1508.

DATED at Toronto, April 12, 2007.

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary

Appendix A

EB-2007-0550
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April 12, 2007

ONTARIO ENERGY BOARD

Lakefront Utilities Inc.

TARIFF OF RATES AND CHARGES

Effective May 1, 2007

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

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APPLICATION

- The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Codes, Guidelines or Orders of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.
- No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
- This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

EFFECTIVE DATES

- DISTRIBUTION RATES - May 1, 2007 for all consumption or deemed consumption services used on or after that date.
SPECIFIC SERVICE CHARGES - May 1, 2007 for all charges incurred by customers on or after that date.
LOSS FACTOR ADJUSTMENT – May 1, 2007 unless the distributor is not capable of prorating changed loss factors jointly with distribution rates. In that case, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

SERVICE CLASSIFICATIONS

Residential

This classification refers to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separately metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers.

General Service Less Than 50 kW

This classification refers to a non residential account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW

General Service 50 to 2,999 kW

This classification refers to a non residential account whose monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 3,000 kW.

General Service 50 to 2,999 kW – Time of Use

This classification refers to a non residential account whose monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 3,000 kW and received Time of Use pricing prior to rate unbundling and market opening.

General Service 3,000 to 4,999 kW

This classification refers to a non residential account whose monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than 3,000 kW, but less than 5,000 kW.

Unmetered Scattered Load

This classification refers to an account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The customer will provide detailed manufacturer information/ documentation with regard to electrical demand/consumption of the proposed unmetered load.

Sentinel Lighting

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light.

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Street Lighting

This classification refers to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting operation, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template.

MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	9.52
Distribution Volumetric Rate	\$/kWh	0.0113
Regulatory Asset Recovery	\$/kWh	0.0059
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0040
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

General Service Less Than 50 kW

Service Charge	\$	25.08
Distribution Volumetric Rate	\$/kWh	0.0097
Regulatory Asset Recovery	\$/kWh	0.0013
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0045
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0036
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

General Service 50 to 2,999 kW

Service Charge	\$	200.80
Distribution Volumetric Rate	\$/kW	2.9563
Regulatory Asset Recovery	\$/kW	0.3756
Retail Transmission Rate – Network Service Rate	\$/kW	1.8183
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4440
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

General Service 50 to 2,999 kW – Time of Use

Service Charge	\$	977.00
Distribution Volumetric Rate	\$/kW	0.6833
Regulatory Asset Recovery	\$/kW	(0.5211)
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	1.9312
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.5830
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

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General Service 3,000 to 4,999 kW

Service Charge	\$	1,762.37
Distribution Volumetric Rate	\$/kW	0.5994
Regulatory Asset Recovery	\$/kW	(0.4697)
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.0336
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.7030
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

Unmetered Scattered Load

Service Charge (per customer)	\$	11.19
Distribution Volumetric Rate	\$/kWh	0.0255
Regulatory Asset Recovery	\$/kWh	0.0050
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0045
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

Sentinel Lighting

Service Charge (per connection)	\$	1.98
Distribution Volumetric Rate	\$/kW	4.8832
Regulatory Asset Recovery	\$/kW	(0.6404)
Retail Transmission Rate – Network Service Rate	\$/kW	1.3782
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.1396
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

Street Lighting

Service Charge (per connection)	\$	0.15
Distribution Volumetric Rate	\$/kW	0.9459
Regulatory Asset Recovery	\$/kW	(0.3007)
Retail Transmission Rate – Network Service Rate	\$/kW	1.3713
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.1163
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

Specific Service Charges

Customer Administration		
Arrears certificate	\$	15.00
Pulling post dated cheques	\$	15.00
Request for other billing information	\$	15.00
Easement letter	\$	15.00
Income tax letter	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Returned cheque charge (plus bank charges)	\$	15.00
Legal letter charge	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Special meter reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00

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Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge - no disconnection	\$	30.00
Disconnect/Reconnect at meter - during regular hours	\$	65.00
Disconnect/Reconnect at meter - after regular hours	\$	185.00
Disconnect/Reconnect at pole - during regular hours	\$	185.00
Disconnect/Reconnect at pole - after regular hours	\$	415.00
Install/Remove load control device - during regular hours	\$	65.00
Install/Remove load control device - after regular hours	\$	185.00
Service call - customer-owned equipment	\$	30.00
Service call - after regular hours	\$	165.00
Temporary service install & remove - overhead - no transformer	\$	500.00
Temporary service install & remove - underground - no transformer	\$	300.00
Temporary service install & remove - overhead - with transformer	\$	1,000.00
Specific Charge for Access to the Power Poles \$/pole/year	\$	22.35
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0471
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0366
Total Loss Factor – Primary Metered Customer > 5,000 kW	N/A