



Lakefront
Utilities
Inc.

2022 Cost of Service Application

Customer Summary

ABOUT LAKEFRONT UTILITIES

Lakefront Utilities provides local distribution service to rural areas that extends 22.37 km² in Cobourg and 5.265 km² in Colborne. Lakefront delivers electricity over 10,000 customers. Lakefront's distribution system includes seven distribution station transformers with five in Cobourg and two in Colborne, 1,319 distribution transformers, 3,760 poles, and 194 km of primary overhead and underground distribution cables.

ABOUT THE APPLICATION

Lakefront Utilities applies to the OEB every year to approve rates for the following year. These applications are on a five-year cycle, with a detailed "Cost of Service review in Year 1, followed by inflationary adjustments in Years 2-5. Much of the Cost of Service application relates to reviewing Lakefront's costs and setting its base distribution rates.

Lakefront Utilities does not own transmission lines or electricity generation plants, however it does include these costs on its bills. Costs related to transmission are approved by the Ontario Energy Board (OEB) in similar applications by electricity transmitters. Some generation costs are also approved by the OEB, while other costs are a product of either the competitive wholesale market, or long-term power purchase contracts. Lakefront passes through these costs without any markup or profit margin.

The pass-through transmission rates that Lakefront Utilities charges to its customers are reviewed and approved by the OEB each year. For low-volume customers, the OEB also approves Time of Use and Tiered Electricity Rates (for generation costs) on a province-wide basis. Since LUI's revenue from these pass-through rates is typically different than its actual costs, every rate application includes requests for "rate riders" that true-up any past differences. Depending on the year, these rate riders can either be charges or credits.

Website Link (For Application, Scorecard, and Other Information): <https://www.lakefrontutilities.com/>
Customer Service Email Contact: lusi@lusi.on.ca

CUSTOMER ENGAGEMENT AND PERFORMANCE METRICS

Lakefront Utilities has a broad customer and stakeholder engagement program that includes satisfaction surveys, meetings with customers, and participation in community-based events.

Lakefront provided multiple opportunities for customers to identify their needs and priorities, and to provide feedback on programs and spending levels.

Lakefront has considered feedback from all of the above activities with a goal of meeting the needs and preferences of our customers.

Every year the OEB publishes a scorecard that compares Lakefront Utilities Inc.'s performance against targets and trends over the past five years, which can be accessed on LUI's website.

LAKEFRONT'S GOALS

Lakefront Utilities operates according to six core values: Respect for People; Safety and the Environment; Financial Success; Customer Service; Productivity; and Community Involvement. Based on a combination of these values, customer preferences, and OEB expectations, LUI identified its strategic objectives for its five-year plan, which are discussed in LUI's 2022 Business Plan (Appendix A of Exhibit 1 of the application).

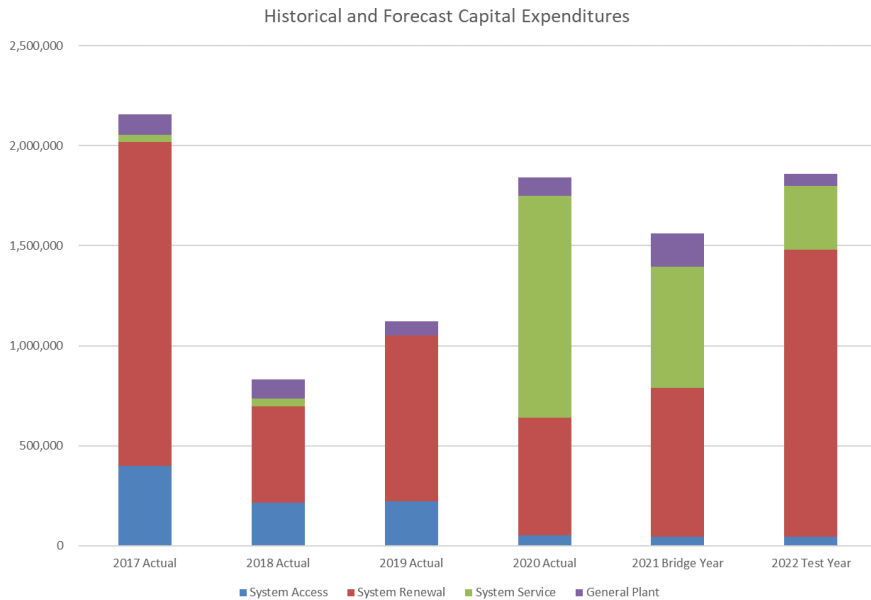


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SUMMARY OF LAKEFRONT'S FIVE-YEAR PLAN

Lakefront Utilities prepared a 2022-2026 Distribution System Plan that outlines its strategy and proposed spending levels for capital investments, and the ongoing operation and maintenance of its system. The following chart summarises Lakefront's actual and planned capital investments 2017 - 2022:



OTHER PROPOSALS AND REQUESTS

This application contains two specific proposals:

1. A proposal for a standby charge for customers installing generation. A standby charge means customers with generation will still pay distribution and transmission charges when they generate.
2. A \$2 per month fee for customers that request a paper bill.

RATE SETTING AND RATE RELIEF

Lakefront's Utilities forecasted 2022 costs of approximately \$3,857,000 includes operating costs, payments for capital investments that are spread over the life of the assets, the cost of debt and equity to support capital investments, and various taxes.

These total costs are divided between groups of customers (residential, commercial/industrial, and street lighting), and rates are calculated based on forecasted 2022 load and customer counts.

Distribution rates for residential, commercial, and industrial customers are subsidized by Rural and Remote Rate Protection (RRRP). These customers pay significantly less than Lakefront Utilities' calculated distribution rates. Rate for these customers are not tied to Lakefront's costs, but instead are adjusted annually based on the average rate increase for all other distributors.

A number of other rate relief programs under the Fair Hydro Plan (lower time-of-use rates, caps on distribution rates for residential customers) are not affected by the application.

BILL IMPACTS

For the distribution portion of the bill, LUI has forecasted increases of \$1.30 for a typical residential customer (750 kWh per month) and \$3.72 for a typical small commercial customer (2000 kWh per month). These adjustments include the result of the annual RRRP adjustment described above, and changes to rate riders for pass-through costs.