



**Lakefront
Utilities
Inc.**

207 Division St., P.O. Box 577, Cobourg, ON. K9A 4L3 • www.lusi.on.ca • Tel: (905) 372-2193 • Fax: (905) 372-2581

October 31, 2007

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
26th Floor, 2300 Yonge Street
Toronto, ON
M4P 1E4

Dear Ms. Walli:

**RE: Lakefront Utilities Inc. - 2008 Electricity Distribution Rate
Application Board Reference File No. EB-2007-0761**

Please find enclosed Lakefront Utilities Inc. 2008 Electricity Distribution Rate Application. Two hard copies and one electronic copy (CD) are enclosed.

Should you or other Board staff have any questions regarding the application, please contact myself or Mr. Bruce Craig at (905) 372-2193.

Yours truly,

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

LAKEFRONT UTILITIES INC.

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LAKEFRONT UTILITIES INC.

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LAKEFRONT UTILITIES INC.

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998, being Schedule B to the Energy Competition Act, 1998, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Lakefront Utilities Inc. for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of May 1, 2008.

AND IN THE MATTER OF an Application for interim rates effective May 1, 2007, in the event that final rates have not been determined in time to be implemented by that date.

APPLICATION

The Applicant is Lakefront Utilities Inc. ("LUI"), Licence # ED-2002-0545. LUI is an Ontario corporation with its office in the Town of Cobourg. LUI carries on the business of distributing electricity within the Town of Cobourg and the Village of Colborne.

LUI hereby applies to the Ontario Energy Board (the "OEB") pursuant to section 78 of the Ontario Energy Board Act, 1998 for approval of its proposed distribution rates and other charges, effective May 1, 2008.

Except where specifically identified in the Application, LUI followed Chapter 2 of the Filing Requirements for Transmission and Distribution Applications dated November 14, 2006 (the "Filing Requirements") in order to prepare this application

The Schedule of Rates and Charges proposed in this Application is identified in Exhibit 9; Tab 1; Schedule 6.

LUI requests that the OEB make its Rate Order effective May 1, 2008 in accordance with the Filing Requirements.

Due to circumstances beyond its control, LUI was unable to file its application by August 15, 2007, as requested by the OEB. LUI went to an outside consultant for a rates model and, like many other applicants, experienced technical difficulties with the model which led to unavoidable delay in the filing of this application. In the event that the OEB is unable to issue a Rate Order in time to be implemented on May 1, 2008, LUI applies for interim rates effective, May 1st, 2008, subject to final approval.

LUI submits the proposed distribution rates contained in this Application are just and reasonable on the following grounds:

LAKEFRONT UTILITIES INC.

- (i) the proposed rates for the distribution of electricity have been prepared in accordance with the Filing Requirements;
- (ii) the proposed adjusted rates are necessary to meet LUI's Market Based Rate of Return and PILs requirements;
- (iii) there are no impacts to any of the customer classes or consumption level subgroups that are significant as to warrant the deferral of any adjustments being requested by LUI.
- (iv) other grounds as may be set out in the material accompanying this Application Summary.

LUI requests, pursuant to Section 34.01 of the Board's *Rules of Practice and Procedure*, that this proceeding be conducted by way of written hearing.

LUI requests that a copy of all documents filed with the Board in this proceeding be served on LUI and LUI's counsel, as follows:

The Applicant:

Lakefront Utilities Inc.
207 Division Street,
Cobourg, Ontario K9A 4L3

Attention:

Bruce R. Craig, President
bcraig@lusi.on.ca
Tel: (905) 372-2193
Fax (905) 372-2581

Dereck Paul, Manager; Compliance and Finance
dpaul@lusi.on.ca
Tel: (905) 372-2193
Fax (905) 372-2581

LAKEFRONT UTILITIES INC.

LUI's counsel:

Ogilvy Renault LLP
Suite 3800, Royal Bank Plaza, South Tower
200 Bay Street, P.O. Box 84
Toronto, Ontario M5J 2Z4

Attention:

Patrick Moran

pmoran@ogilvyrenault.com

Tel: (416) 216-2989

Fax (416) 216-3930

DATED at Cobourg, Ontario, this 30th day of October, 2007.

Lakefront Utilities Inc.

Bruce R. Craig, P.Eng.

President

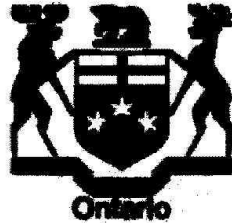
Signature

LAKEFRONT UTILITIES INC.

DISTRIBUTOR LICENCE

Lakefront Utilities Inc. ("LUI") is a licensed electricity distributor and holds OEB licence number **ED-2002-0545**. LUI's distribution license is in good standing. A copy of LUI's license is found at Exhibit 1, Tab 1, Schedule 3, page 2.

LAKEFRONT UTILITIES INC.



Electricity Distribution Licence

ED-2002-0545

Lakefront Utilities Inc.

Valid Until
December 21, 2023

A handwritten signature in cursive script that reads "M.C. Garner".

Mark C. Garner
Secretary
Ontario Energy Board

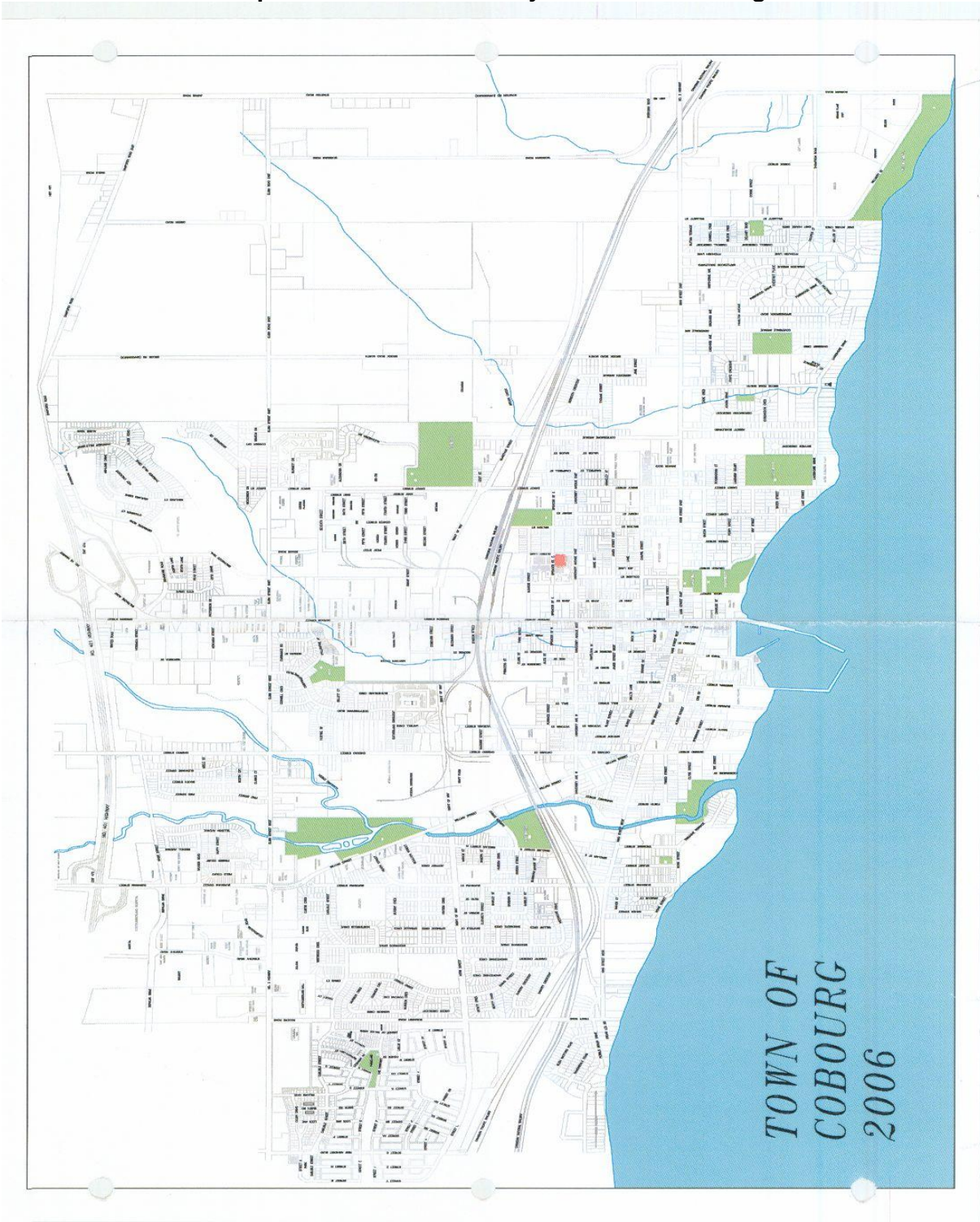
Date of Issuance: December 22, 2003

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
26th. Floor
Toronto, ON M4P 1E4

Commission de l'Énergie de l'Ontario
C.P. 2319
2300, rue Yonge
26e étage
Toronto ON M4P 1E4

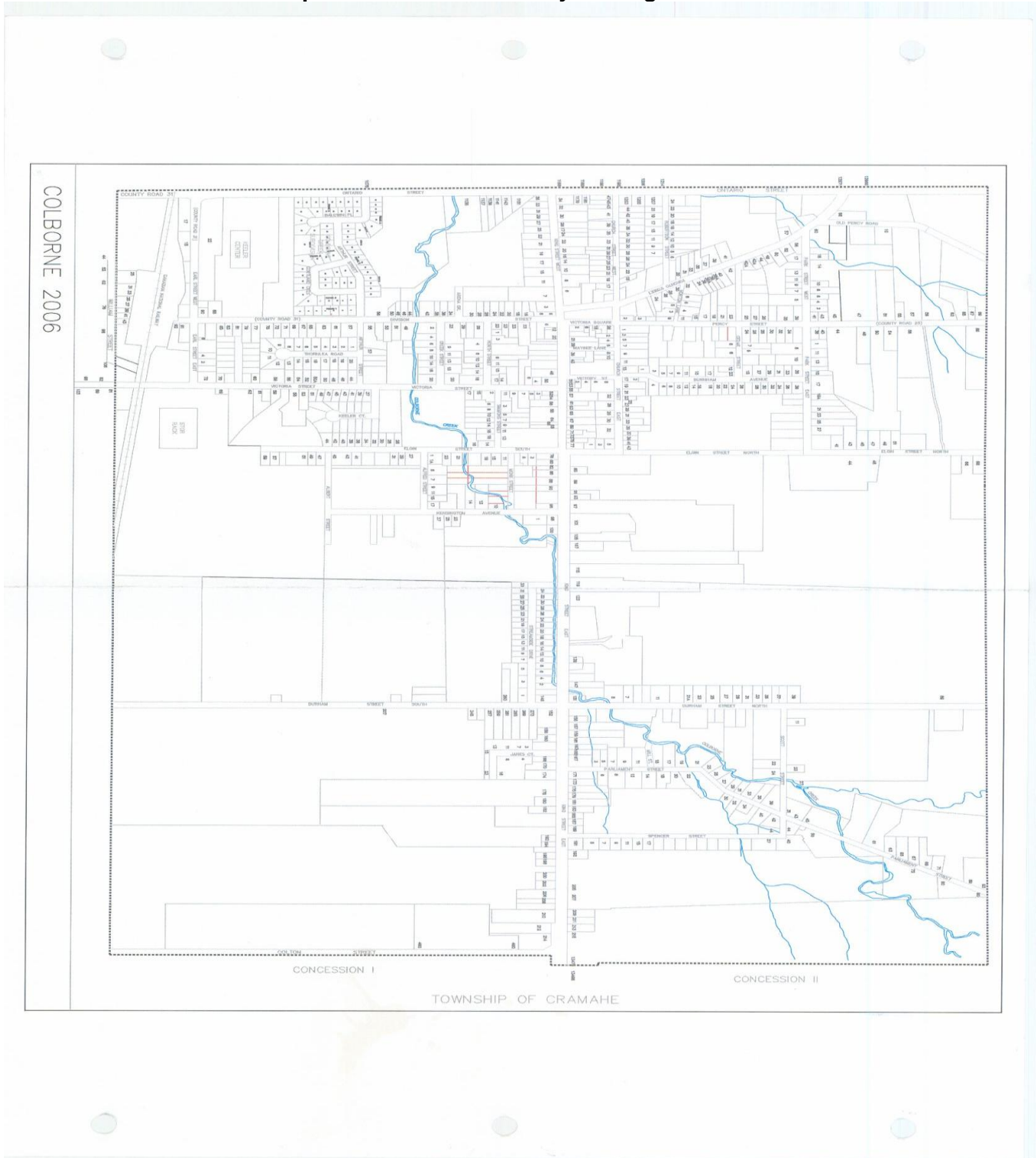
LAKEFRONT UTILITIES INC.

Map of LUI Service Territory – Town of Cobourg



LAKEFRONT UTILITIES INC.

Map of LUI Service Territory – Village of Colborne



LAKEFRONT UTILITIES INC.

CONTACT INFORMATION

TITLE: President

NAME: Bruce R. Craig, P.Eng.

Phone: 905-372-2193

Fax: 905-372-2581

Cell: 905-373-5785

E-mail: bcraig@lusi.on.ca

TITLE: Manager; Compliance and Finance

NAME: Dereck C. Paul

Phone: 905-372-2193

Fax: 905-372-2581

Cell: 289-251-3311

E-mail: dpaul@lusi.on.ca

LAKEFRONT UTILITIES INC.

SPECIFIC APPROVALS REQUESTED

Lakefront Utilities Inc. requests the following specific approvals:

- Approval to charge rates effective May 1, 2008 to recover a revenue deficiency of \$1,011,962 (Exhibit 7, Tab 1, Schedule 2, page 1)
- Interim approval of the rates applied effective, May 1st, 2008 subject to final approval, if, final rates are not be approved in time to implement on May 1st, 2008,.
- Approval of the Specific Service charges listed in Exhibit 1, Tab 2, Schedule 5 page 4.
- Approval of LUI's proposed change in capital structure, decreasing LUI's deemed common equity component from "50%" to "46.67%" (Exhibit 6, Tab 1, Schedule 1,) consistent with Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors dated December 20, 2006
- Approval of disposition of the principal of certain deferral and variance account balances as of December 31, 2006 and the projected accrued interest to April 30, 2008 (Exhibit 5, Tab 1, Schedule 3, Page 1)
- Approval of the proposed loss factor (Exhibit 4, Tab 2, Schedule 10)
- Approval to establish three new deferral/variance accounts for Late Payment Class Action Suit, MDMR (Meter Data Management Repository) and Future Capital Projects
- Approval of the continued recovery of transitional costs through the Regulatory Asset rate rider until those amounts are fully recovered
- Approval to continue the deferral/variance accounts on May 1, 2008 (Exhibit 5, Tab 1, Schedule 2) and listed below:

LAKEFRONT UTILITIES INC.

Other Regulatory Assets	1508
Retail Cost Variance Account – Retail	1518
Power Purchase Variance Account	1520
Misc. Deferred Debits – incl. Rebate Cheques	1525
Development Charge Deposits/Receivables	1545
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Low Voltage Variance Account	1550
Smart meter Capital Variance Account	1555
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LAKEFRONT UTILITIES INC.

ISSUES LIST

Horizon Plastics Metering Error

In May of 2007 Horizon Plastics was investigating the loading on one of their three separately metered substations. They were using the metering data to compare to their system readings and discovered that the meter was over-reading their consumption. Upon investigation it was discovered that the meter pulse multiplier was incorrect. The meter had been installed in April 2004 and the meter reading contractor had entered the wrong multiplier on their system, which resulted in Lakefront over-billing Horizon Plastics.

The impact of this error caused a decrease in our unaccounted for energy. This resulted in a rebate to our customers and a decrease in the loss factor in our 2006 rate application. The error in our loss factor will continue until we re-establish the correct value, however, the difference will be collected in our power variance account. The energy billed to Horizon Plastics after 2004 will also appear in our power variance account which will be accounted for in our 2008 rate application.

The interest compensation that was paid to Horizon Plastics for the duration of the over-billing was calculated at bank prime rate, in accordance with the Retail Settlement Code. The interest that we are allowed, as approved by the OEB, on our variance accounts is 4.59%. In using the two methods of interest calculation, the difference results in a shortfall \$16,970 to LUI. This amount is included in the variance account 1588 calculation.

Transition Cost Recovery Items

- a. Lakefront received approval in our 2006 rate application to recover transition costs over a two year period. The \$296,000 interest portion of the transition costs which was an allowed expense related to Regulatory Asset Recovery, was included in our 2004 financial statements as revenue and these financial statements were submitted to the OEB as required.

In the preparation of our 2006 EDR, these statements were used and offset our revenue requirement. The interest stated in the financial statements were for financial reporting only and this interest should not have been included in the revenue offset for rate setting purposes as it was an allowed expense related to Regulatory Asset Recovery. This resulted in an under-recovery of transition costs over two years.

LUI is requesting that the Board allow transition cost recovery to continue until our approved recovery amount is achieved. LUI is proposing to forgo carrying costs of this item for the additional period during which recovery would occur to ensure that ratepayers bear no additional impact over and above what the Board has previously approved for recovery.

LAKEFRONT UTILITIES INC.

Transition Cost Recovery Items

- b. Lakefront was one of the utilities who, on the advice of our auditors, wrote-down our transition costs from a tax perspective in 2002. Subsequent to this, Lakefront was awarded recovery of transition costs in 2006 to be collected in the 2006/2007 and 2007/2008 rate years. In order to reverse the write-down we were advised by KPMG and BDO Dunwoody to create a revenue account and add \$238,124 per year to return the asset to our financial statements to correctly represent our financial position for tax purposes. In utilizing our financial statements for OEB reporting purposes, this additional revenue needed to be removed for rate setting purposes as it is a tax oriented adjustment. Lakefront has adjusted the 2006 financial statements contained in this application to reflect this.

LAKEFRONT UTILITIES INC.

PROCEDURAL ORDERS/MOTIONS/NOTICES

Not Applicable

LAKEFRONT UTILITIES INC.

ACCOUNTING ORDERS REQUESTED

LUI is requesting three new deferral/variance accounts:

1. Late Payment Class Action Suit
2. MDMR (Meter Data Management Repository)
3. Future Capital Projects

LUI is aware the Ontario Energy Board has formed a working group to look at 3rd Generation Incentive Regulation Mechanism and hopes the results of that process will take into consideration expenditures like the ones identified above eliminating the need for deferral and variance accounting. In the coming years there are a number of issues that will impact distribution companies with added costs. LUI is requesting additional new accounts to deal with these expenses in the event the 3rd Generation Incentive Regulation Mechanism review is not completed in time to address these unusual expenditures.

LAKEFRONT UTILITIES INC.

NON-COMPLIANCE WITH UNIFORM SYSTEM OF ACCOUNTS

LUI follows the main categories and accounting guidelines as set out in the Ontario Energy Board's Accounting Procedures Handbook and Uniform System of Accounts. In the course of preparing this application, LUI identified some items that were not booked to the appropriate accounts and has made adjustments to correct this.

LAKEFRONT UTILITIES INC.

MAP OF DISTRIBUTION SYSTEM

Copies of LUI's **Distribution System** Maps for the Town of Cobourg and Village of Colborne are attached as Appendix F.

LAKEFRONT UTILITIES INC.

LIST OF NEIGHBORING UTILITIES

LIST OF ADJACENT DISTRIBUTORS

UTILITY NAME: Hydro One	Direct line: 1-877-955-1155
ADDRESS: 483 Bay Street	Direct Fax: 1-416-345-5866
15th Floor Reception	
Toronto, Ontario	
M5G 2P5	

UTILITY NAME: Veridian Corporation Inc.	Direct line: 1-888-445-2881
ADDRESS: 55 Taunton Road East	Direct Fax: 1-905-619-0210
Ajax, Ontario	
L1T 3V3	

DESCRIPTION OF LAKEFRONT UTILITIES INC.

COMMUNITY SERVED: Town of Cobourg and the former Village of Colborne

TOTAL SERVICE AREA	28 sq km
RURAL SERVICE AREA	No Rural Service Area
DISTRIBUTION TYPE	Electricity

SERVICE AREA POPULATION 24,000

MUNICIPAL POPULATION 24,000

Cobourg
BOUNDARIES
West: Stacy / Lovshin Street
North: Hwy 401
East: Normar Road
South: Lake Ontario

Colborne
BOUNDARIES
West: Ontario Street
North: Concession II – Part Lots 27-32 (Percy Street)
East: Colton Street
South: Lake Ontario

LAKEFRONT UTILITIES INC.

EXPLANATION OF HOST AND EMBEDDED UTILITIES

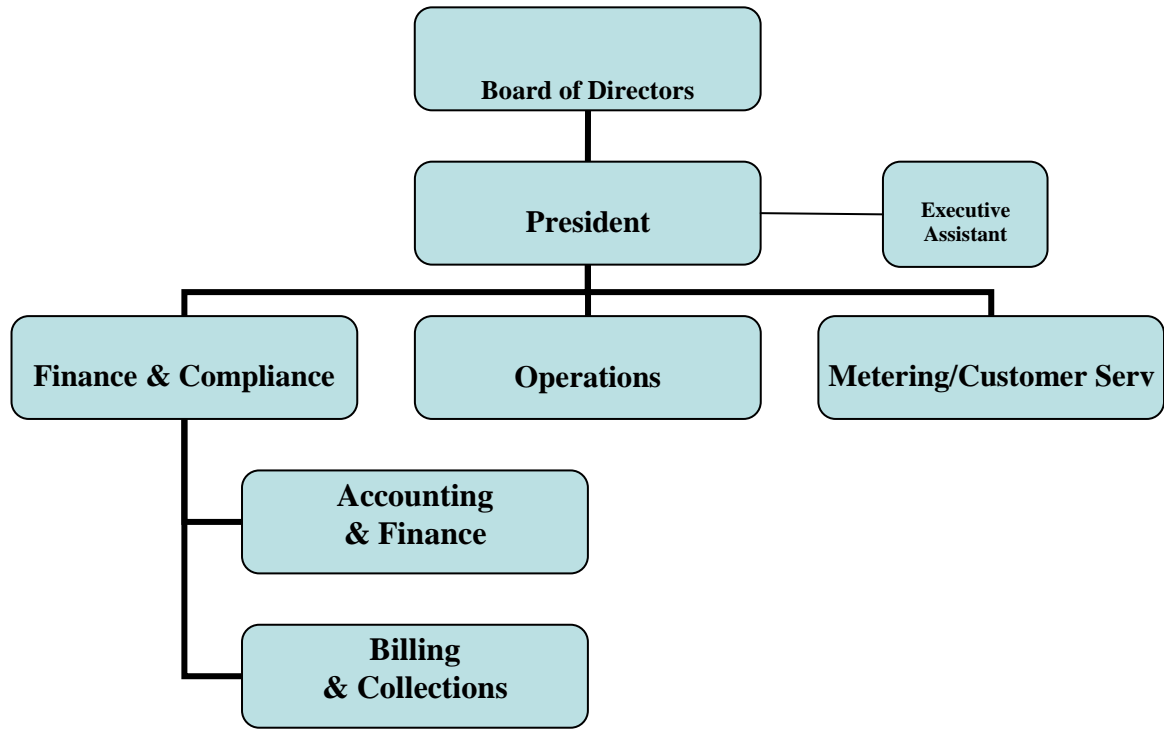
LUI does not host any utilities within its service area.

LUI does not have any embedded utilities within its service area.

LUI is an embedded distributor within Hydro One's service territory. LUI is a registered Market Participant, dealing directly with the IESO for the electricity, which is passed through to our customers. As an embedded utility, LUI is billed monthly by Hydro One for Transmission Charges.

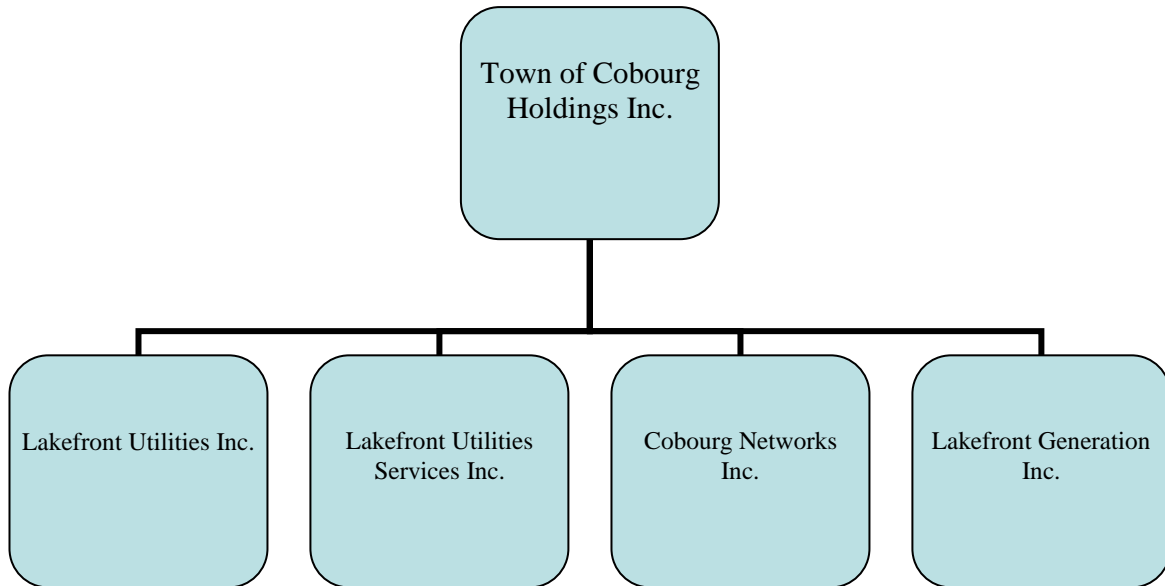
LAKEFRONT UTILITIES INC.

UTILITY ORGANIZATIONAL CHART



LAKEFRONT UTILITIES INC.

CORPORATE ENTITIES RELATIONSHIP CHARTS



LUI is a subsidiary of the Town of Cobourg Holdings Inc. and the associated affiliates are Lakefront Utility Services Inc. (“LUSI”), Cobourg Networks Inc. (“CNI”) and Lakefront Generations Inc. (“LGI”).

LUSI is a service company providing services to LUI and CNI. The revenues and expenses associated with providing the services are allocated to the affiliates at cost. LUSI also provides water services to the Town of Cobourg, Village of Grafton and Village of Colborne.

CNI provides Internet services to LUI in order for LUI to operate its Billing system through the Application Service Provider (ASP) model via Erie Thames Services (“ETS”). Building and administration expenses are also allocated at cost on a user-based calculation.

LGI is a venture company investigating generation initiative opportunities. At this point, LGI does not have any operational projects.

LAKEFRONT UTILITIES INC.

PLANNED CHANGES IN CORPORATE AND OPERATIONAL STRUCTURE

LUI does not have any planned changes in corporate and operational structure at this present time.

LAKEFRONT UTILITIES INC.

STATUS REPORT ON BOARD DIRECTIVES

Not Applicable

LAKEFRONT UTILITIES INC.

CONDITIONS OF SERVICE

A copy of LUI Conditions of Service ("COS") is attached as Appendix A. The preparation of the COS was a joint effort of the Cornerstone Hydro Electric Concept ("CHEC") a group of utilities that work collaboratively in seeking cost savings and other efficient synergies.

LAKEFRONT UTILITIES INC.

PLANNED CHANGES IN CONDITIONS OF SERVICE AND SERVICE CHARGES

LUI is a member of the Cornerstone Hydro Electric Concepts group and is planning to review and make changes to the Conditions of Service appropriately with the group's Operations Committee. The new Conditions of Service will be developed in accordance with the Distribution System Code and Guidelines set out by the Ontario Energy Board to reflect any recent changes. The attached version submitted by LUI is **(5.3a)**.

LAKEFRONT UTILITIES INC.

LIST OF WITNESSES

LUI will be pleased to provide a list of witnesses if an oral hearing is required.

LAKEFRONT UTILITIES INC.

SUMMARY OF THE APPLICATION

PURPOSE AND NEED

Lakefront Utilities Inc. (LUI) self-nominated for 2008 rate rebasing. We calculated a base Revenue requirement of \$5,077,851 and our present rates will produce a deficiency in distribution revenue of \$1,011,962 for the 2008 Test Year. LUI therefore seeks the Ontario Energy Board's approval to revise its rates applicable to its distribution of electricity. The issues to be reviewed in this case, as LUI sees them, are discussed below.

Through this Application, LUI seeks approval from the Ontario Energy Board for the following:

- To recover the Revenue Deficiency arising from changes in Capital, OM&A, Amortization, Rate of Return, Interest and PILS
- To recover listed outstanding Deferral Variance Accounts in Exhibit 5, Tab 1, Schedule 3
- To change the Distribution Loss Factor
- To change the deemed common equity from 50% to 46.67% in 2008.
- To reflect just and reasonable Distribution Rates that have been modeled in accordance with the Ontario Energy Board Filing Requirements for Distribution Rate Applications.
- To recover Specific Service Charges as listed in Exhibit 1, Tab 2, Schedule 5, page 3.
- LUI operates its Finance Department with the same staff that it had prior to the restructuring of the electrical market in Ontario. We have endured the workload demanded by the new regulatory environment, including but not limited to, IESO stats and reporting, retailer communications, new USofA development of statistics collection, income tax filing, the many audits relating to transition costs, IESO, provincial rebates, GST, financial, etc. LUI proposes that in order to continue to meet the workload requirements being demanded by the market, that more clerical staff time is needed to ensure the timely and proper recording and filing of information required by all parties. Therefore, we request that an additional Financial Clerk be approved in our 2008 rate application.

LUI has been assisted in this rate application by Elenchus Research Associates who provided the model used in the determination of just and reasonable 2008 Distribution Rates, and by Ogilvy Renault who have reviewed our application. LUI is a slow growing LDC with a slight increase in the number of customers and stable kilowatt hour consumption. The information used in this Application is LUI's forecasted results for its 2008 Test Year. With the rates presently in effect, LUI estimates that its revenue for 2008 would not be sufficient to provide a reasonable return. LUI is presenting in this application the following financial information:

- historical and actual information for fiscal year 2006
- projected fiscal 2007 base on six months actual and six months forecast information
- forecast information for the 2008 test year.

LAKEFRONT UTILITIES INC.**TIMING**

The financial information supporting the test year for this Application will be LUI's fiscal year beginning January 1, 2008 and ending December 31, 2008 (the "2008 Test Year"). However, this information will be used to set rates effective May 1, 2008. The Test Year revenue requirement is that forecast by LUI, as needed to enable it to earn a reasonable return for fiscal 2008. For the required revenues to match and appropriately offset the expected costs of service for the Test Year, revised rates reflecting the Board's decision must be effective for volumes consumed on and after May 1, 2008.

CUSTOMER IMPACT

The following table is a comparator between the current rates and the proposed rates in 2008 test year for typical customers in their classes.

Class	Consumption	Current Bill 2007 approved rates	Proposed Bill 2008 Proposed Rates	Bill Impact \$	Bill Impact %
Residential	750 kWh	\$ 84.32	\$ 88.57	\$ 4.25	5.0%
Residential	1000 kWh	\$ 109.26	\$ 114.28	\$ 5.02	4.6%
Residential	1500 kWh	\$ 159.13	\$ 165.70	\$ 6.58	4.1%
General Service < 50kW	3,000 kWh	\$ 303.18	\$ 319.19	\$ 16.00	5.3%
General Service > 50kW	5,000 kWh	\$ 488.58	\$ 512.58	\$ 24.00	4.9%
General Service 50 – 2999 kW	15,000 kWh	\$1,703.95	\$1,857.73	\$ 153.78	9.0%
General Service 50 – 2999 kW	40,000 kWh	\$3,788.96	\$4,024.38	\$ 235.42	6.2%
General Service 3,000–4,999 kW	2,100,000 kWh	\$167,120.34	\$183,397.88	\$16,277.54	9.7%
General Service 3,000–4,999 kW	3,000,000 kWh	\$237,603.23	\$260,240.21	\$22,636.98	9.5%
Street Lighting	118,000 kWh	\$10,058.99	\$10,929.02	\$870.02	8.6%
Unmetered Scattered Load	800 kWh	\$102.29	\$112.23	\$9.94	9.7%
Sentinel Lighting	50 kWh	\$10.80	\$17.48	\$6.68	61.8%

Residential

A typical residential customer, with a consumption of 750 kWh, will see its invoice increased by \$4.25. In this increase a re-allocation of revenues from other classes contributed to minimize the impact of the residential class. In the cost allocation it showed that the Residential contribution to revenue was over sufficient. The percentage revenue allocation for the rate for Residential was decreased from 47.93% to 44.35%. Please refer to Exhibit 8, Tab 1, Schedule 2, page 5.

General Service less than 50kW

A typical General Service customer, less than 50 kW, with a consumption of 3000 kWh will see its invoice increased by 5.3%. In this increase a re-allocation of revenues from other classes contributed to the reduction in the increase to the class. In LUI cost allocation filing, it showed that the General Service less than 50 kW contribution to revenue was over sufficient. The percentage revenue allocation for the rate for General Service less than 50 kW was decreased from 18.28% to 16.96%. Please refer to Exhibit 8, Tab 1, Schedule 2, page 5.

LAKEFRONT UTILITIES INC.

General Service over 50 kW

A typical General Service customer, over 50 kW, with a demand of 60 kW and a consumption of 15,000 kWh will see its invoice increased by 9%, whereas a customer with a demand of 100 kW and a consumption of 40,000 kWh will see its invoice increased by 6.2%. In this increase a re-allocation of revenues from other classes contributed to minimize the increase to the class. In the LUI cost allocation filing, it showed that the General Service over 50 kW contribution to revenue was over sufficient. The percentage revenue allocation for the rate for General Service over 50 kW was decreased from 29.64% to 28.19%. Please refer to Exhibit , Tab 1, Schedule 2, page 5.

General Service from 3000 to 4999 kW

A General Service customer, with a demand of 3000 kW and a consumption of 2,100,000 kWh, will see their invoice increase by 9.7%. In this increase a re-allocation of revenues from other classes contributed to increase the cost to this class. In the LUI cost allocation filing, it showed that the General Service 3,000 to 4,999 kW contribution to revenue was deficient. The percentage revenue allocation for the rate for General Service 3,000 to 4,999 kW increased from 3.12% to 9.29%. Please refer to Exhibit 8, Tab 1, Schedule 2, page 5.

Street Lighting

The Street Light Class is composed of two customers with average consumption of 346 kW and 118,000 kWh, and they will see their invoices increase by 8.6%. In this increase a re-allocation of revenues from other classes contributed to boost the increase to the class. In LUI cost allocation filing, it showed that the Street Light class contribution to revenue was deficient. The percentage revenue allocation for Street Light was increase from 0.27% to 0.37%. Please refer to Exhibit 8, Tab 1, Schedule 2, page 5.

Unmetered Scattered Load

A typical Unmetered Scattered Load with a consumption of 800 kWh will see its invoice increase by 9.7%. In this increase a re-allocation of revenue requirement from other classes contributed to boost the increase to the class. In the LUI cost allocation filing, it showed that the Unmetered Scattered Load contribution to revenue was slightly deficient. The percentage revenue allocation for the rate for Unmetered Scattered Load was increased from 0.71% to 0.77%. Please refer Exhibit 8, Tab 1, Schedule 2, page 5.

Sentinel Lighting

The Sentinel Lighting Class is comprised of only 56 customers with a typical consumption of 50 kWh. A typical customer will see their invoices increase by 61.8%. Though this percentage increase seems significant, the actual monthly dollar amount is only a \$6.68 increase. In the LUI cost allocation filing, it showed that the Sentinel Lighting class contribution to revenue was deficient, a re-allocation of revenues from other classes contributed to boost the increase to the class. The percentage revenue allocation for Street Light was increase from 0.05% to 0.07%. Please refer to Exhibit 8, Tab 1, Schedule 2, page 5.

LAKEFRONT UTILITIES INC.

MAJOR ISSUES

There are a number of issues that, although they may not all be defined as major, are anticipated to be examined in this case. These issues are listed below.

Capital Structure

LUI is requesting a change in its deemed capital structure. Specifically, the Applicant is requesting a decrease in the deemed equity ratio from 50% to 46.67% in 2008 consistent with the 3 year phase in of LUI's capital structure from 50%to 40% equity as outlined in the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation fro Ontario Electricity Distributors dated December 20, 2006.

Return on Equity

In addition, LUI has assumed a return on equity of 8.68% based on current yield rates and forecasts consistent with the methodology outlined in Appendix B of the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario Electricity Distributors dated December 20, 2006. LUI understands the OEB will be finalizing the return on equity for 2008 rates based on January 2008 market interest rate information.

Capital Expenditures

LUI is continuing its program of voltage conversion from 4,160 V to 27,600 V, which is a more efficient delivery system as fewer substations are required (old 4kv substations will be retired) and has lower system losses which will lower costs to our customers.

Included in this application are the capital costs associated with deploying smart meters within our service territory.

Operating and Maintenance Costs

In 2006, LUI was operating a total of 45 weeks without its full complement of linemen as a result of timing with new hires and replacements for departures. Therefore operating and maintenance costs included these normalized adjustments and further updated to reflect the impact of inflation and expected changes in costs.

LUI's existing pay scale required progression adjustments to key operational personnel which had an impact on wage costs. LUI also identified a requirement for an additional financial clerical employee in order to comply with the financial information demands imposed on LUI.

The operating costs associated with implantation of smart meters is included.

LAKEFRONT UTILITIES INC.

Major Industrial Customer Billing Error

In 2007 a metering error was discovered at one of our major industrial customers which resulted in a billing correction for a 39 month period. The error resulted in the customer being over-billed as the multiplier was higher than it should have been. The over-billing resulted in a reduction of our calculated system losses. The error was significant enough that it impacted the calculation of our system loss factor and variance accounts. See the Issues List for more detail.

Smart Metering

LUI participated with the CHEC group in submitting a comprehensive smart metering plan to the Ministry of Energy. Our intent is to install smart meters throughout our entire service territory in 2008.

LUI has included our smart metering program, as noted in capital and OM&A costs, as part of our rate application. LUI is not requesting the continuance of the existing smart metering rate rider or the establishment of a new comprehensive rate rider in this application as all costs relating to smart meter implementation is included as part of normal operation.

Please note costs associated with the MDMR are not included as part of smart metering implementation costs as the costing model is uncertain at this time. In light of this, LUI has requested a deferral account to handle this issue.

LAKEFRONT UTILITIES INC.

BUDGET DIRECTIVES

LUI compiled budget information for the three major components of the budgeting process: revenue forecasts, operating and maintenance expense forecast and capital budget. This budget information is compiled for both the bridge and test years.

Revenue Forecast

The energy sales and revenue forecast model was updated to reflect more recent information. This model was then used to prepare the throughput volume and revenue forecast at existing rates for LUI's fiscal years 2007 and 2008. The forecast is weather normalized as outlined in Exhibit 3 Tab 2, Schedule 6 and considers such factors as new customer additions and load profiles for all classes of customers.

Operating and Maintenance Expense Forecast

The operating and maintenance expenses for fiscal 2007 bridge year and the 2008 test year have been forecast using a zero based methodology and is strongly influenced by prior years experience. Each item is reviewed account by account for each of the forecast years.

Capital Budget

The capital budgeting process begins with a review of all the accounts and the previous year's work. All other capital expenditures are budgeted on a line by line basis based on need.

LAKEFRONT UTILITIES INC.

CHANGES IN METHODOLOGY

The following is a summary of the changes in methodology requested by LUI in the current proceeding:

a) Capital Structure

LUI is following the Board guideline and will go from a deemed 50% debt and 50% common equity to a 60% debt and 40 % common equity (phased in). LUI has no current request to change this methodology.

b) Return on Equity

LUI is following the Board guideline and has no current request to change the methodology addressing Return on Equity.

c) Interest Rate Applicable to Deferral/Variance Accounts

LUI is following Board directive and will apply the interest rates prescribed. We do not have any current request to change the methodology relating to the Interest Rate Applicable to Deferral/Variance Accounts.

d) Cost Allocation & Fully Allocated Costing Study

Lakefront Utilities Inc. will use its cost allocation study to start moving its rates toward the recommendation of the cost allocation study but has concerns on the output of a certain customer classes from the Cost Allocation Study; i.e., Street Lighting. LUI is planning to redo the Cost Allocation Study in 2008 due to changes in customer data and misapplication of the Street Lighting data.

LAKEFRONT UTILITIES INC.NUMERICAL DETAILS OF CAUSES OF DEFICIENCY/SUFFICIENCY 2008 TEST YEAR
2008 Test Forecast at Existing 2007 Rate

	2008 Test Existing Rates	2008 Test Proposed Rates
Revenue		
(Suff)/ Def From Below.		\$ 1,011,962
Distribution Revenue	\$ 3,730,325	\$ 3,730,325
Other Operating Revenue (Net)	\$ 335,564	\$ 335,564
Total Revenue	\$ 4,065,889	\$ 5,077,851
Distribution Costs		
Operation, Maintenance, and Administration	\$ 2,564,293	\$ 2,564,293
Depreciation & Amortization	\$ 888,341	\$ 888,341
Capital Taxes	\$ 1,646	\$ 1,646
Interest- Deemed Interest	\$ 586,877	\$ 586,877
Total Costs and Expenses	\$ 4,041,157	\$ 4,041,157
Utility Income Before Income Taxes	\$ 24,732	\$ 1,036,694
Net Adjustments per 2008 Pils	\$ 73,740	\$ 73,740
	\$ 98,472	\$ 1,110,434
Income Tax (Tax Rate 36.519%)	\$ 35,961	\$ 405,519
Utility Income	\$ (11,229)	\$ 631,175
Rate Base	15,577,507	15,577,507
Equity	46.67%	46.67%
Equity Component Rate Base	\$ 7,269,503	\$ 7,269,503
Income / Equity Rate Base %	-0.15%	8.68%
Target Return -Equity on Rate Base	8.68%	8.68%
Return- Equity on Rate Base	\$ 631,175	\$ 631,175
Revenue Deficiency	\$ 642,404	
Rev. Deficiency [Gross-up: \$642.4K/(1-0.36519)]	\$ 1,011,962	

LAKEFRONT UTILITIES INC.

The increase in LUI's OM&A expenses in the 2008 Test Year as compared to the 2006 EDR is \$881,771. This is a result of normal operating expenses, achieving full staff complement, inflation and additional amortization related to the Capital program at LUI.

The change in LUI's return on capital in the 2008 Test Year (\$1,218,052) as compared to the 2006 EDR (\$1,038,513) is \$179,539. This indicates that LUI was not earning its regulated return based on 2006 EDR (which was based on 2004 actual).

The change in LUI PILs in the 2008 Test Year as compared to 2006 EDR is \$83,782. This change is relative to the estimated amount to be collected based on increased revenue.

LAKEFRONT UTILITIES INC.**DETAILS OF SPECIFIC CHARGES FOR 2008 TEST YEAR**

Lakefront Utilities Inc. Specific Service Charges									
Rate Code	Description	Standard Amount (Rate) \$	Applicable ?	2006 Volume	2007 Volume	2008 Volume	Test Year Volume (3 yr. avg.)	Calc'd. Amt. - Std. Formula \$	Amount for Rate Calculations \$
1	Arrears certificate	15.00	Y	0	0	0	0	0.00	0.00
2	Statement of account	15.00	N	0	0	0	0	0.00	0.00
3	Pulling post dated cheques	15.00	N	20	13	17	17	250.00	250.00
4	Duplicate invoices for previous billing		N	0	0	0	0	0.00	0.00
5	Request for other billing information	15.00	N	1	2	2	2	25.00	25.00
6	Easement letter	15.00	Y	20	24	24	23	340.00	340.00
7	Income tax letter	15.00	N	25	30	30	28	425.00	425.00
8	Notification charge		Y	0	0	0	0	0.00	0.00
9	Account history		Y	0	0	0	0	0.00	0.00
10	Credit reference/credit check (plus credit agency costs)	15.00	Y	150	106	128	128	1,920.00	1,920.00
11	Returned cheque charge (plus bank charges)	15.00	Y	471	475	475	474	7,105.00	7,105.00
12	Charge to certify cheque		N	0	0	0	0	0.00	0.00
13	Legal letter charge	15.00	Y	95	89	93	93	1,395.00	1,395.00
14	Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	30.00	Y	1,310	1,560	1,500	1,457	43,700.00	43,700.00
15	Special meter reads	30.00	Y	0	0	0	0	0.00	0.00
16	Collection of account charge - no disconnection	30.00	Y	49	801	800	599	17,970.00	17,970.00
17	Collection of account charge - no disconnection - after regular hours	185.00	N	0	0	0	0	0.00	0.00
18	Disconnect/Reconnect at meter - during regular hours	65.00	Y	53	150	150	118	7,648.33	7,648.33
19	Install/Remove load control device - during regular hours	65.00	Y	6	4	5	5	325.00	325.00
20	Disconnect/Reconnect at meter - after regular hours	185.00	Y	0	0	0	0	0.00	0.00
21	Install/Remove load control device - after regular hours	185.00	N	0	0	0	0	0.00	0.00
22	Disconnect/Reconnect at pole - during regular hours	185.00	Y	0	2	2	1	246.67	246.67
23	Disconnect/Reconnect at pole - after regular hours	415.00	Y	0	0	0	0	0.00	0.00
24	Meter dispute charge plus Measurement Canada fees (if meter found correct)		Y	0	0	0	0	0.00	0.00
25	Service call - customer-owned equipment	30.00	Y	0	0	0	0	0.00	0.00
26	Service call - after regular hours	165.00	Y	0	0	0	0	0.00	0.00
27	Temporary service install & remove - overhead - no transformer	500.00	Y	5	3	5	4	2,166.67	2,166.67
28	Temporary service install & remove - underground - no transformer	300.00	N	3	7	7	6	1,700.00	1,700.00
29	Temporary service install & remove - overhead - with transformer	1,000.00	N	0	0	0	0	0.00	0.00
30	Specific Charge for Access to the Power Poles \$/pole/year	22.35	Y	2,519	2,519	2,519	2,519	56,299.65	56,299.65
Additional Charges - Please be Specific							0	0.00	
31	Interval Meter Load Management Tool Charge (\$110/ month)	110.00	Y	14	14	14	14	18,480.00	18,480.00
Total Specific Service Charge Revenue								159,996.32	159,996.32

LAKEFRONT UTILITIES INC.

AUDITED FINANCIAL STATEMENTS

AT

DECEMBER 31, 2006

LUI has relied on the data filed with the OEB in fulfillment of the OEB's Reporting and Record-keeping Requirements ("RRR") for the purposes of this application. This data is consistent with LUI's audited financial statements. There were no changes in LUI's accounting policies in 2006.

A copy of LUI's 2006 Financial Statements, are attached as Appendix G.

LAKEFRONT UTILITIES INC.

PRO FORMA FINANCIAL STATEMENTS AT DECEMBER 31 2007

Pro forma financial statements at December 31, 2007 are in pdf format and included in electronic submission. Printed copies are included in Appendix B.

LAKEFRONT UTILITIES INC.

PRO FORMA FINANCIAL STATEMENTS AT DECEMBER 31 2008

Pro forma financial statements at December 31, 2008 are in pdf format and included in electronic submission. Printed copies are included in Appendix C.

LAKEFRONT UTILITIES INC.**RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND FINANCIAL RESULTS FILED**

Reconciliation between 2006 Audited financial statements and financial results filed.

F/S classification	OEB acct. #	Difference	Rationale
Regulatory asset recovery	1590	\$ 878,611	Adjusted account to agree to OEB approved Regulatory Assets to be recovered. Approved for \$2,986,579. Balance unrecovered at Dec.31/05 was \$1,359,160. Balance recovered in 2006 was \$683,032 leaving a balance at Dec. 31, 2006 of \$676,128. Interest improvement to be recovered for 8 months in 2006 is \$197,444 was added, See account 4080 below, leaving a balance of \$873,572 to be recovered in 1590.
Accounts payable	2205	-\$ 681,166	To agree account 1590 account 2205 was credit by 681,166, account 1590 was originally -\$5,038 was adjusted to Dec.31 balance of \$676,128 by debiting 1590 for \$681,166 and crediting account 2205 for \$681,166
Items impacting net income			
Distribution services rev.	4080	-\$ 197,444	Interest improvement on regulatory assets see account 1590 above
Revenues from non-utility operations	4375	\$ 238,124	Previously written off transition costs that were brought back onto the books for tax purposes, should not be included for rate setting purposes
Overhead distribution	5020	\$ 58,815	To adjust for lineman for full year in 2006, needed to add 45 weeks
Underground distribution	5040	\$ 7,953	To adjust for lineman for full year in 2006, needed to add 45 weeks
Mtce. of line transformers	5160	\$ 7,308	To adjust for lineman for full year in 2006, needed to add 45 weeks
Power purchased	4705	-\$ 347,944	Adjustment for incorrect Horizon Plastics billing, error adjusted
Charges- WMS	4708	-\$ 44,631	Adjustment for incorrect Horizon Plastics billing, error adjusted
Distribution services rev.	4080	-\$ 6,746	Adjustment for incorrect Horizon Plastics billing, error adjusted
Charges-NW	4714	-\$ 31,764	Adjustment for incorrect Horizon Plastics billing, error adjusted
Charges- CN	4716	-\$ 27,748	Adjustment for incorrect Horizon Plastics billing, error adjusted
Industrial energy sales	4015	\$ 347,944	Adjustment for incorrect Horizon Plastics billing, error adjusted
Billed NW	4066	\$ 31,764	Adjustment for incorrect Horizon Plastics billing, error adjusted
Billed CN	4068	\$ 27,748	Adjustment for incorrect Horizon Plastics billing, error adjusted
Billed WMS	4062	\$ 44,631	Adjustment for incorrect Horizon Plastics billing, error adjusted
Net income difference		\$ 108,010	

LAKEFRONT UTILITIES INC.

PROPOSED ACCOUNTING TREATMENT

LUI intends to continue voltage conversion work from 4.16 kV to 27.6 kV throughout 2007, 2008 and ongoing. This project is consistent with the CDM initiative and the study LUI had done in 2004 indicate significant line loss savings would result from voltage conversions. Many of these projects may overlap from year to year.

We will account for these costs in Construction In Progress and once the project is complete, these costs will be capitalized and depreciated over the appropriate term.

LAKEFRONT UTILITIES INC.

INFORMATION ON PARENT AND SUBSIDIARIES

Lakefront Utilities Inc. is a municipally owned distribution company, incorporated under the Ontario Business Corporations Act (OBCA) on April 12, 2000 and began doing business as Lakefront Utilities Inc. on May 1, 2000. The corporate structure is outlined in Exhibit 1, Tab 1, Schedule 14, page 1.

LAKEFRONT UTILITIES INC.

Exhibit	Tab	Schedule	Contents of Schedule
			<u>2 – Rate Base</u>
	1		<u>Overview</u>
		1	Rate Base Overview
		2	Rate Base Summary Table
		3	Variance Analysis on Rate Base Table
	2		<u>Gross Assets – Property, Plant and Equipment Accumulated Depreciation</u>
		1	Continuity Statements
		2	Gross Assets Table
		3	Materiality Analysis on Gross Assets
		4	Accumulated Depreciation Table
		5	Materiality Analysis on Accumulated Depreciation
	3		<u>Capital Budget</u>
		1	Capital Budget by Project
		2	Materiality Analysis on Capital Additions
		3	System Expansions
		4	Capitalization Policy
	4		<u>Allowance for Working Capital</u>
		1	Working Capital Allowance calculations by account

LAKEFRONT UTILITIES INC.

RATE BASE OVERVIEW

A projection of LUI's rate base is provided for both the Bridge Year (2007) and the Test Year (2008). Historical data pertaining to rate base is also presented for 2006 Board Approved and 2006 Actual.

LUI's forecast rate base for the test year is \$15,577,513. The rate base underlying the test year revenue requirement includes a forecast of net fixed assets, plus a working capital allowance. Net fixed assets are gross assets in service minus accumulated depreciation and contributed capital. Details for LUI's Rate Base Summary are provided at Exhibit 2, Tab 1, Schedule 2.

Fixed Asset Continuity Schedules for Historical Actual, Bridge and Test years are provided at Exhibit 2, Tab 2, Schedule 1.

Gross Asset – Property, Plant and Equipment and Accumulated Depreciation

The bridge and test year's gross asset balance reflects the capital expenditure programs forecast for each year respectively. These programs are described in detail in LUI's written evidence for Gross Assets - Exhibit 2, Tab 2, Schedule 2.
Accumulative Depreciation - Exhibit 2, Tab 2, Schedule 4.

Capital Budget

The Capital Budget for both the bridge year and test year is included in Exhibit 2, Tab 3, Schedule 1. This provides all the relevant information pertaining to the Capital Program at Lakefront Utilities Inc. The review for capital projects in excess of 1% of the net fixed assets are in Exhibit 2, Tab 3, Schedule 2.

Allowance for Working Capital

The calculation of working capital is in Exhibit 2, Tab 4, Schedule 1.

LAKEFRONT UTILITIES INC.
RATE BASE SUMMARY TABLE

Lakefront Utilities Inc. RATE BASE SUMMARY	2006 Board Approved	2006 Actual	Variance from 2006 Board Approved	Variance %	2006 Actual	2007 Bridge	Variance from 2006 Actual	Variance %	2007 Bridge	2008 Test	Variance from 2007 Bridge	Variance %
	(\$'s)	(\$'s)	(\$'s)		(\$'s)	(\$'s)	(\$'s)		(\$'s)	(\$'s)	(\$'s)	
<u>Fixed Assets in Service</u>												
Opening Balance	9,586,771	9,586,771	-	--	9,586,771	10,181,881	595,110	5.8%	10,181,881	10,944,834	762,953	7.0%
Ending Balance	9,803,591	10,181,881	378,290	3.7%	10,181,881	10,944,834	762,953	7.0%	10,944,834	13,007,066	2,062,232	15.9%
Average Balance	9,695,181	9,884,326	189,145	1.9%	9,884,326	10,563,358	679,032	6.4%	10,563,358	11,975,950	1,412,593	11.8%
Allowance for Working Capital	3,134,005	3,343,721	209,716	6.3%	3,343,721	3,461,042	117,321	3.4%	3,461,042	3,601,563	140,521	3.9%
Utility Rate Base	12,829,186	13,228,047	398,861	3.0%	13,228,047	14,024,399	796,352	5.7%	14,024,399	15,577,513	1,553,113	10.0%

LAKEFRONT UTILITIES INC.

VARIANCE ANALYSIS ON RATE BASE SUMMARY TABLE

A summary of LUI rate base is presented in Exhibit 2, Tab 1, Schedule 2 above.

2008 Test Year

As shown in the above table, the total rate base in the 2008 test year is forecast to be \$15,577,513. Net fixed assets accounts for \$11,975,950 of this total. The allowance for working capital totals \$3,601,563.

Comparison to 2007 Bridge Year

The 2008 Test Year rate base is expected to be \$1,553,113 or 10% higher than the 2007 bridge year. This increase in the test year is comprised of \$1,412,593 in net capital additions and \$140,521 in working capital allowance. This increase is the result of LUI Capital Plans detailed in Exhibit 2, Tab 3, Schedule 2, Page 3-4 of this application.

2007 Bridge Year

Comparison to 2006 Actual

The 2007 Bridge Year rate base is expected to be \$796,352 or 5.7% higher than the 2006 Actual. The increase is comprised of \$679,032 in net capital additions and \$117,321 in working capital allowance. This increase is the result of LUI Capital Plans detailed in Exhibit 2, Tab 3, Schedule 2, Page 2 of this application.

2006 Actual

Comparison to 2006 Board Approved

The 2006 Actual rate base was \$398,861 or 3% higher than the 2006 Board approved rate base. The increase is comprised of \$189,145 in net capital additions and \$209,716 increase in working capital allowance. This difference is the result of LUI 2006 Capital Expenditures detailed in Exhibit 2, Tab 3, Schedule 2, Page 1 of this application.

LAKEFRONT UTILITIES INC.

FIXED ASSET CONTINUITY STATMENTS

CONTINUITY STATEMENTS

	2006 Actual			2007 Bridge			2008 Test		
	Gross Asset Value	Accumulated Depreciation	Net Book Value	Gross Asset Value	Accumulated Depreciation	Net Book Value	Gross Asset Value	Accumulated Depreciation	Net Book Value
Intangible Plant									
1610-Land -Opening Balance	482,400		482,400	482,400	-	482,400	482,400	-	482,400
1610-Land -Closing Balance	482,400	-	482,400	482,400	-	482,400	482,400	-	482,400
Average				482,400	-	482,400	482,400	-	482,400
Total	482,400	-	482,400	482,400	-	482,400	482,400	-	482,400
Land and Buildings									
1805-Land -Opening Balance	54,465		54,465	219,284	-	219,284	219,284	-	219,284
1805-Land -Additions	164,819		164,819			-			-
1805-Land -Closing Balance	219,284	-	219,284	219,284	-	219,284	219,284	-	219,284
Average				219,284	-	219,284	219,284	-	219,284
1806-Land Rights -Opening Balance	11,363		11,363	11,363	-	11,363	11,363	(455)	10,908
1806-Land Rights -Depreciation			-		(455)	(455)		(455)	(455)
1806-Land Rights -Closing Balance	11,363	-	11,363	11,363	(455)	10,908	11,363	(910)	10,453
Average				11,363	(228)	11,136	11,363	(683)	10,681
1808-Buidlings & Fixtures -Opening Balance	45,491	(13,451)	32,040	765,069	(45,380)	719,689	815,069	(61,181)	753,888
1808-Buidlings & Fixtures -Additions	719,578		719,578	50,000		50,000	10,000		10,000
1808-Buidlings & Fixtures -Depreciation		(31,929)	(31,929)		(15,801)	(15,801)		(16,401)	(16,401)
1808-Buidlings & Fixtures -Closing Balance	765,069	(45,380)	719,689	815,069	(61,181)	753,888	825,069	(77,582)	747,487
Average				790,069	(53,281)	736,789	820,069	(69,382)	750,688
Average				-	-	-	-	-	-
Total	995,716	(45,380)	950,336	1,045,716	(61,636)	984,080	1,055,716	(78,492)	977,224
DS									
1820-Distribution Station Equipment - Normally Primary below 50 kV-Opening Balance	2,539,002	(1,189,041)	1,349,961	2,730,090	(1,277,201)	1,452,889	2,730,090	(1,368,113)	1,361,977
1820-Distribution Station Equipment - Normally Primary below 50 kV-Additions	191,088		191,088			-			-
1820-Distribution Station Equipment - Normally Primary below 50 kV-Depreciation		(88,160)	(88,160)		(90,912)	(90,912)		(90,912)	(90,912)
1820-Distribution Station Equipment - Normally Primary below 50 kV-Closing Balance	2,730,090	(1,277,201)	1,452,889	2,730,090	(1,368,113)	1,361,977	2,730,090	(1,459,025)	1,271,065
Average				2,730,090	(1,322,657)	1,407,433	2,730,090	(1,413,569)	1,316,521
Total	2,730,090	(1,277,201)	1,452,889	2,730,090	(1,368,113)	1,361,977	2,730,090	(1,459,025)	1,271,065

LAKEFRONT UTILITIES INC.

CONTINUITY STATEMENTS

	2006 Actual			2007 Bridge			2008 Test		
	Gross Asset Value	Accumulated Depreciation	Net Book Value	Gross Asset Value	Accumulated Depreciation	Net Book Value	Gross Asset Value	Accumulated Depreciation	Net Book Value
Poles and Wires									
1830-Poles, Towers and Fixtures-Opening Balance	3,787,529	(3,494,905)	292,624	3,883,075	(3,511,776)	371,299	4,142,537	(3,672,288)	470,249
1830-Poles, Towers and Fixtures-Additions	95,546		95,546	259,462		259,462	115,229		115,229
1830-Poles, Towers and Fixtures-Depreciation		(16,871)	(16,871)		(160,512)	(160,512)		(168,006)	(168,006)
1830-Poles, Towers and Fixtures-Closing Balance	3,883,075	(3,511,776)	371,299	4,142,537	(3,672,288)	470,249	4,257,766	(3,840,294)	417,472
Average				4,012,806	(3,592,032)	420,774	4,200,152	(3,756,291)	443,861
1835-Overhead Conductors and Devices									
1835-Overhead Conductors and Devices-Opening Balance	3,564,880	(393,594)	3,171,286	3,620,842	(656,868)	2,963,974	4,052,969	(773,139)	3,279,830
1835-Overhead Conductors and Devices-Additions	55,962		55,962	432,127		432,127	177,612		177,612
1835-Overhead Conductors and Devices-Depreciation		(263,274)	(263,274)		(116,271)	(116,271)		(123,876)	(123,876)
1835-Overhead Conductors and Devices-Closing Balance	3,620,842	(656,868)	2,963,974	4,052,969	(773,139)	3,279,830	4,230,581	(897,015)	3,333,566
Average				3,836,906	(715,004)	3,121,902	4,141,775	(835,077)	3,306,698
1840-Underground Conduit									
1840-Underground Conduit-Opening Balance	433,243	(70,152)	363,091	446,063	(88,765)	357,298	446,063	(106,608)	339,455
1840-Underground Conduit-Additions	12,820		12,820			-			-
1840-Underground Conduit-Depreciation		(18,613)	(18,613)		(17,843)	(17,843)		(17,843)	(17,843)
1840-Underground Conduit-Closing Balance	446,063	(88,765)	357,298	446,063	(106,608)	339,455	446,063	(124,451)	321,612
Average				446,063	(97,687)	348,376	446,063	(115,530)	330,533
1845-Underground Conductors and Devices									
1845-Underground Conductors and Devices-Opening Balance	2,772,488	(1,255,705)	1,516,783	2,807,068	(1,366,819)	1,440,249	2,807,068	(1,479,102)	1,327,966
1845-Underground Conductors and Devices-Additions	34,580		34,580			-			-
1845-Underground Conductors and Devices-Depreciation		(111,114)	(111,114)		(112,283)	(112,283)		(112,283)	(112,283)
1845-Underground Conductors and Devices-Closing Balance	2,807,068	(1,366,819)	1,440,249	2,807,068	(1,479,102)	1,327,966	2,807,068	(1,591,385)	1,215,683
Average				2,807,068	(1,422,961)	1,384,107	2,807,068	(1,535,244)	1,271,824
Total	10,757,048	(5,624,228)	5,132,820	11,448,637	(6,031,137)	5,417,500	11,741,478	(6,453,145)	5,288,333

LAKEFRONT UTILITIES INC.

CONTINUITY STATEMENTS

	2006 Actual			2007 Bridge			2008 Test		
	Gross Asset Value	Accumulated Depreciation	Net Book Value	Gross Asset Value	Accumulated Depreciation	Net Book Value	Gross Asset Value	Accumulated Depreciation	Net Book Value
Line Transformers									
1850-Line Transformers-Opening Balance	3,471,471	(1,550,592)	1,920,879	3,547,905	(1,684,700)	1,863,205	4,185,248	(1,832,557)	2,352,691
1850-Line Transformers-Additions	76,435		76,435	637,343		637,343	180,912		180,912
1850-Line Transformers-Depreciation		(134,108)	(134,108)		(147,857)	(147,857)		(164,222)	(164,222)
1850-Line Transformers-Closing Balance	3,547,905	(1,684,700)	1,863,205	4,185,248	(1,832,557)	2,352,691	4,366,160	(1,996,779)	2,369,381
Average				3,866,577	(1,758,629)	2,107,948	4,275,704	(1,914,668)	2,361,036
Total	3,547,905	(1,684,700)	1,863,205	4,185,248	(1,832,557)	2,352,691	4,366,160	(1,996,779)	2,369,381
Services and Meters									
1855-Services-Opening Balance	479,015	(200,002)	279,013	516,197	(214,619)	301,578	516,197	(229,722)	286,475
1855-Services-Additions	37,182		37,182			-			-
1855-Services-Depreciation		(14,617)	(14,617)		(15,103)	(15,103)		(15,103)	(15,103)
1855-Services-Closing Balance	516,197	(214,619)	301,578	516,197	(229,722)	286,475	516,197	(244,825)	271,372
Average				516,197	(222,171)	294,026	516,197	(237,274)	278,923
1860-Meters									
1860-Meters-Opening Balance	829,473	(358,893)	470,580	825,640	(392,534)	433,106	905,640	(441,875)	463,765
1860-Meters-Additions	(3,832)		(3,832)	80,000		80,000	2,041,819		2,041,819
1860-Meters-Depreciation		(33,641)	(33,641)		(49,341)	(49,341)		(109,813)	(109,813)
1860-Meters-Closing Balance	825,640	(392,534)	433,106	905,640	(441,875)	463,765	2,947,459	(551,688)	2,395,771
Average				865,640	(417,205)	448,436	1,926,550	(496,782)	1,429,768
Total	1,341,837	(607,153)	734,684	1,421,837	(671,597)	750,240	3,463,656	(796,513)	2,667,143
General Plant									
1908-Buildings and Fixtures-Opening Balance	507,818	(450,188)	57,630	507,818	(479,003)	28,815	507,818	(483,289)	24,529
1908-Buildings and Fixtures-Additions			-			-	-		-
1908-Buildings and Fixtures-Depreciation		(28,815)	(28,815)		(4,286)	(4,286)		-	-
1908-Buildings and Fixtures-Closing Balance	507,818	(479,003)	28,815	507,818	(483,289)	24,529	507,818	(483,289)	24,529
Average				507,818	(481,146)	26,672	507,818	(483,289)	24,529
Total	507,818	(479,003)	28,815	507,818	(483,289)	24,529	507,818	(483,289)	24,529

LAKEFRONT UTILITIES INC.

CONTINUITY STATEMENTS

	2006 Actual			2007 Bridge			2008 Test		
	Gross Asset Value	Accumulated Depreciation	Net Book Value	Gross Asset Value	Accumulated Depreciation	Net Book Value	Gross Asset Value	Accumulated Depreciation	Net Book Value
IT Assets									
1920-Computer Equipment - Hardware-Opening Balance	250,972	(143,522)	107,450	260,963	(180,556)	80,407	260,963	(206,018)	54,945
1920-Computer Equipment - Hardware-Additions	9,990		9,990	-		-			-
1920-Computer Equipment - Hardware-Depreciation		(37,034)	(37,034)		(25,462)	(25,462)		(16,211)	(16,211)
1920-Computer Equipment - Hardware-Closing Balance	260,963	(180,556)	80,407	260,963	(206,018)	54,945	260,963	(222,229)	38,734
Average				260,963	(193,287)	67,676	260,963	(214,124)	46,839
1925-Computer Software-Opening Balance	166,411	(166,411)	0	168,398	(166,808)	1,590	183,398	(174,493)	8,905
1925-Computer Software-Additions	1,987		1,987	15,000		15,000	115,000		115,000
1925-Computer Software-Depreciation		(397)	(397)		(7,685)	(7,685)		(20,685)	(20,685)
1925-Computer Software-Closing Balance	168,398	(166,808)	1,590	183,398	(174,493)	8,905	298,398	(195,178)	103,220
Average				175,898	(170,651)	5,248	240,898	(184,836)	56,063
Total	429,361	(347,364)	81,997	444,361	(380,511)	63,850	559,361	(417,407)	141,954
Equipment									
1915-Office Furniture and Equipment-Opening Balance	37,448	(11,589)	25,859	83,191	(28,227)	54,964	83,191	(36,546)	46,645
1915-Office Furniture and Equipment-Additions	45,742		45,742			-	25,000		25,000
1915-Office Furniture and Equipment-Depreciation		(16,638)	(16,638)		(8,319)	(8,319)		(9,569)	(9,569)
1915-Office Furniture and Equipment-Closing Balance	83,191	(28,227)	54,964	83,191	(36,546)	46,645	108,191	(46,115)	62,076
Average				83,191	(32,387)	50,804	95,691	(41,331)	54,360
1930-Transportation Equipment-Opening Balance	100,406	(40,162)	60,244	290,540	(98,270)	192,270	350,540	(138,337)	212,203
1930-Transportation Equipment-Additions	190,134		190,134	60,000		60,000	260,000		260,000
1930-Transportation Equipment-Depreciation		(58,108)	(58,108)		(40,067)	(40,067)		(53,792)	(53,792)
1930-Transportation Equipment-Closing Balance	290,540	(98,270)	192,270	350,540	(138,337)	212,203	610,540	(192,129)	418,411
Average				320,540	(118,304)	202,236	480,540	(165,233)	315,307
1940-Tools, Shop and Garage Equipment-Opening Balance	124,744	(83,853)	40,891	129,044	(91,087)	37,957	139,044	(97,918)	41,126
1940-Tools, Shop and Garage Equipment-Additions	4,300		4,300	10,000		10,000	25,000		25,000
1940-Tools, Shop and Garage Equipment-Depreciation		(7,234)	(7,234)		(6,831)	(6,831)		(8,172)	(8,172)
1940-Tools, Shop and Garage Equipment-Closing Balance	129,044	(91,087)	37,957	139,044	(97,918)	41,126	164,044	(106,090)	57,954
Average				134,044	(94,503)	39,541	151,544	(102,004)	49,540

LAKEFRONT UTILITIES INC.

CONTINUITY STATEMENTS

	2006 Actual			2007 Bridge			2008 Test		
	Gross Asset Value	Accumulated Depreciation	Net Book Value	Gross Asset Value	Accumulated Depreciation	Net Book Value	Gross Asset Value	Accumulated Depreciation	Net Book Value
1945-Measurement and Testing Equipment-Opening Balance	2,151	(2,785)	(634)	2,151	(2,785)	(634)	2,151	(2,506)	(355)
1945-Measurement and Testing Equipment-Depreciation			-		279	279		279	279
1945-Measurement and Testing Equipment-Closing Balance	2,151	(2,785)	(634)	2,151	(2,506)	(355)	2,151	(2,227)	(76)
Average				2,151	(2,646)	(494)	2,151	(2,367)	(215)
1960-Miscellaneous Equipment-Opening Balance	4,290	(4,290)	0	4,290	(4,290)	0	4,290	(4,290)	0
1960-Miscellaneous Equipment-Closing Balance	4,290	(4,290)	0	4,290	(4,290)	0	4,290	(4,290)	0
Average				4,290	(4,290)	0	4,290	(4,290)	0
Total	509,215	(224,659)	284,556	579,215	(279,597)	299,618	889,215	(350,851)	538,364
1980-System Supervisory Equipment-Opening Balance	28,619	(22,649)	5,970	28,619	(25,634)	2,985	28,619	(26,588)	2,031
1980-System Supervisory Equipment-Depreciation		(2,985)	(2,985)		(954)	(954)		-	-
1980-System Supervisory Equipment-Closing Balance	28,619	(25,634)	2,985	28,619	(26,588)	2,031	28,619	(26,588)	2,031
Average				28,619	(26,111)	2,508	28,619	(26,588)	2,031
1995-Contributions and Grants - Credit-Opening Balance	(751,689)	96,565	(655,124)	(968,096)	135,289	(832,807)	(968,096)	174,013	(794,083)
1995-Contributions and Grants - Credit-Additions	(216,407)		(216,407)	-		-	-		-
1995-Contributions and Grants - Credit-Depreciation		38,724	38,724		38,724	38,724		38,724	38,724
1995-Contributions and Grants - Credit-Closing Balance	(968,096)	135,289	(832,807)	(968,096)	174,013	(794,083)	(968,096)	212,737	(755,359)
Average				(968,096)	154,651	(813,445)	(968,096)	193,375	(774,721)
Total	(939,477)	109,655	(829,822)	(939,477)	147,425	(792,052)	(939,477)	186,149	(753,328)
Total Opening Balance	18,941,990	(9,355,219)	9,586,771	20,361,914	(10,180,033)	10,181,881	21,905,846	(10,961,012)	10,944,834
Total Additions	1,419,924	-	1,419,924	1,543,932	-	1,543,932	2,950,572	-	2,950,572
Total Depreciation	-	(824,814)	(824,814)	-	(780,979)	(780,979)	-	(888,340)	(888,340)
Total Adjustments	-	-	-	-	-	-	-	-	-
Total Closing Balance (Net Book Value)	20,361,914	(10,180,033)	10,181,881	21,905,846	(10,961,012)	10,944,834	24,856,418	(11,849,352)	13,007,066
Average				21,133,880	(10,570,523)	10,563,358	23,381,132	(11,405,182)	11,975,950

LAKEFRONT UTILITIES INC.**GROSS ASSETS TABLE**

LUI applies a systematic and comprehensive planning process for all of its capital additions. This process ensures only those capital investments that are required to maintain a safe, reliable and efficient operation of LUI's distribution system are made. As a result of this process, LUI is of the opinion that capital spending decisions are in-line with best practices in the industry. The main capital projects for 2008 are a continuation of our distribution system replacement and voltage upgrade, the installation of smart meters, truck replacement and software upgrades to our billing system.

GROSS ASSETS	2006 Board Approved (\$'s)	2006 Actual (\$'s)	Variance from 2006 Board Approve	2006 Actual (\$'s)	2007 Bridge (\$'s)	Variance from 2006 Actual	2007 Bridge (\$'s)	2008 Test (\$'s)	Variance form 2007 Bridge
Misc. Intangible Plant									
1610-Tangible Plant	293,600	482,400	188,800	482,400	482,400	-	482,400	482,400	-
Sub-Total-Intangible Plant	293,600	482,400	188,800	482,400	482,400	-	482,400	482,400	-
Land and Buildings									
1805-Land	54,465	219,284	164,819	219,284	219,284	-	219,284	219,284	-
1806-Land Rights	11,363	11,363	-	11,363	11,363	-	11,363	11,363	-
1808-Buildings and Fixtures	385,981	765,069	379,088	765,069	815,069	50,000	815,069	825,069	10,000
1810-Leasehold Improvements	-	-	-	-	-	-	-	-	-
Sub-Total-Land and Buildings	451,809	995,716	543,907	995,716	1,045,716	50,000	1,045,716	1,055,716	10,000
TS Primary Above 50									
1815-Transfmr Station Equip - Normally Primary >50 kV	21,401	-	(21,401)	-	-	-	-	-	-
Sub-Total-TS Primary Above 50	21,401	-	(21,401)	-	-	-	-	-	-
DS									
1820-Dist Station Equip - Normally Primary < 50 kV	2,517,601	2,730,090	212,489	2,730,090	2,730,090	-	2,730,090	2,730,090	-
Sub-Total-DS	2,517,601	2,730,090	212,489	2,730,090	2,730,090	-	2,730,090	2,730,090	-
Poles and Wires									
1830-Poles, Towers and Fixtures	3,658,034	3,883,075	225,041	3,883,075	4,142,537	259,462	4,142,537	4,257,766	115,229
1835-Overhead Conductors and Devices	3,253,759	3,620,842	367,083	3,620,842	4,052,969	432,127	4,052,969	4,230,581	177,612
1840-Underground Conduit	433,112	446,063	12,951	446,063	446,063	-	446,063	446,063	-
1845-Underground Conductors and Devices	2,762,564	2,807,068	44,504	2,807,068	2,807,068	-	2,807,068	2,807,068	-
Sub-Total-Poles and Wires	10,107,469	10,757,048	649,579	10,757,048	11,448,637	691,589	11,448,637	11,741,478	292,841
Line Transformers									
1850-Line Transformers	3,271,547	3,547,905	276,358	3,547,905	4,185,248	637,343	4,185,248	4,366,160	180,912
Sub-Total-Line Transformers	3,271,547	3,547,905	276,358	3,547,905	4,185,248	637,343	4,185,248	4,366,160	180,912

LAKEFRONT UTILITIES INC.

GROSS ASSETS	2006 Board	2006 Actual	Variance from	2006 Actual	2007 Bridge	Variance from	2007 Bridge	2008 Test	Variance
	Approved		2006 Board			Actual			form 2006
	(\$'s)	(\$'s)	Approve	(\$'s)	(\$'s)	Actual	(\$'s)	(\$'s)	Bridge
Services and Meters									
1855-Services	430,171	516,197	86,026	516,197	516,197	0	516,197	516,197	-
1860-Meters	908,370	825,640	(82,730)	825,640	905,640	80,000	905,640	2,947,459	2,041,819
Sub-Total-Services and Meters	1,338,541	1,341,837	3,296	1,341,837	1,421,837	80,000	1,421,837	3,463,656	2,041,819
General Plant									
1908-Buildings and Fixtures	507,818	507,818	(0)	507,818	507,818	0	507,818	507,818	-
1910-Leasehold Improvements			-	-		-	-		-
Sub-Total-General Plant	507,818	507,818	(0)	507,818	507,818	0	507,818	507,818	-
IT Assets									
1920-Computer Equipment - Hardware	228,476	260,962	32,486	260,962	260,963	1	260,963	260,963	-
1925-Computer Software	88,902	168,399	79,497	168,399	183,398	14,999	183,398	298,398	115,000
Sub-Total-IT Assets	317,378	429,361	111,983	429,361	444,361	15,000	444,361	559,361	115,000
Equipment									
1915-Office Furniture and Equipment	9,735	83,191	73,456	83,191	83,191	-	83,191	108,191	25,000
1930-Transportation Equipment	100,406	290,540	190,134	290,540	350,540	60,000	350,540	610,540	260,000
1940-Tools, Shop and Garage Equipment	108,355	129,043	20,688	129,043	139,044	10,001	139,044	164,044	25,000
1945-Measurement and Testing Equipment	2,151	2,151	(0)	2,151	2,151	-	2,151	2,151	-
1960-Miscellaneous Equipment	4,290	4,290	-	4,290	4,290	(0)	4,290	4,290	-
Sub-Total-Equipment	224,937	509,215	284,278	509,215	579,216	70,001	579,216	889,216	310,000
Other Distribution Assets									
1980-System Supervisory Equipment	28,619	28,619	(0)	28,619	28,619	-	28,619	28,619	-
1995-Contributions and Grants - Credit	(573,975)	(968,096)	(394,121)	(968,096)	(968,096)	-	(968,096)	(968,096)	-
Sub-Total-Other Distribution Assets	(545,356)	(939,477)	(394,121)	(939,477)	(939,477)	-	(939,477)	(939,477)	-
GROSS ASSET TOTAL	18,506,746	20,361,912	1,855,167	20,361,912	21,905,846	1,543,934	21,905,846	24,856,418	2,950,572

LAKEFRONT UTILITIES INC.**MATERIALITY ANALYSIS ON GROSS ASSET**

The calculation of the Materiality Threshold on gross assets is shown as the following:

Materiality Threshold = 1% of net fixed assets

LUI has selected 1% of 2006 Actual Fixed Assets as our materiality threshold, of \$101,818, to allow for the most detailed review of gross asset changes.

Comments for variances that exceed the materiality thresholds as prescribed in the Filing Guidelines are set out below in the Materiality Analysis on Gross Assets Table:

Asset Account	Board Approved 2006 \$	Actual 2006 \$	Variance from 2006 Board Approved \$	Actual 2006 \$	Bridge 2007 \$	Variance from 2006 Actual \$	Bridge 2007 \$	Test 2008 \$	Variance from 2007 Bridge \$	Comments
1808-Buildings and Fixtures	385,981	765,069	379,088							New Garage Facility - See Tab 3, Schedule 2, Page 1
1820-Dist Station Equip - Primary < 50 kV	2,517,601	2,730,090	212,489							MSP Wholesale Metering - See Tab 3, Schedule 2, Page 1
1835-Overhead Conductors and Devices	3,253,759	3,620,842	367,083	3,620,842	4,052,969	432,127	4,052,969	4,230,581	177,612	Capital Project Enhancements - See Capital Budget by Project 2006 - Tab 3, Schedule 1, Page 2, 2007 - Tab 3, Schedule 1, Page 3, 2008 - Tab 3, Schedule 1, Page 6
1830-Poles, Towers & Fixtures	3,658,034	3,883,075	225,041	3,883,075	4,142,537	259,462				Tab 3, Schedule 1, Page 2, 2007 - Tab 3, Schedule 1, Page 3, 2008 - Tab 3, Schedule 1, Page 6
1850-Line Transformers	3,271,547	3,547,905	276,358	3,547,905	4,185,248	637,343	4,185,248	4,366,160	180,912	Capital Project Enhancements - See Capital Budget by Project 2006 - Tab 3, Schedule 1, Page 2, 2007 - Tab 3, Schedule 1, Page 3, 2008 - Tab 3, Schedule 1, Page 6
1860-Meters							905,640	2,947,459	2,041,819	Smart Meter plan is outlined in Appendix D attached
1930-Transportation Equipment	100,406	290,540	190,134				350,540	610,540	260,000	2006 - Digger Truck, 2008 - Radial Boom Truck
1995-Contributions and Grants - Credit	-573,975	-968,096	-394,121							New Development of New Services - Transformers

LAKEFRONT UTILITIES INC.

ACCUMULATED DEPRECIATION TABLE

The following table provides a numerical summary of LUI's Accumulated Depreciation:

ACCUMULATED DEPRECIATION TABLE	2006 Board		variance			Variance			Variance
	Approved	2006 Actual	form 2006 Board Approved	2006 Actual	2007 Bridge	form 2006 Actual	2007 Bridge	2008 Test	form 2007 Bridge
	(\$'s)	(\$'s)		(\$'s)	(\$'s)		(\$'s)	(\$'s)	
Land and Buildings									
1806-Land Rights-Depreciation			-	-	455	455	455	910	455
1808-Buildings and Fixtures-Depreciation	4,564	45,380	40,816	45,380	61,181	15,801	61,181	77,582	16,401
Sub-Total-Land and Buildings	4,564	45,380	40,816	45,380	61,636	16,256	61,636	78,492	16,856
TS Primary Above 50									
1815-Transformer Station Equipment - Normally Primary above 50 KV- Depreciation	2,568		(2,568)	-		-	-		-
Sub-Total-TS Primary Above 50	2,568	-	(2,568)	-	-	-	-	-	-
DS									
1820-Distribution Station Equipment - Normally Primary below 50 KV- Depreciation	1,079,547	1,277,201	197,654	1,277,201	1,368,113	90,912	1,368,113	1,459,025	90,912
Sub-Total-DS	1,079,547	1,277,201	197,654	1,277,201	1,368,113	90,912	1,368,113	1,459,025	90,912
Poles and Wires									
1830-Poles, Towers and Fixtures-Depreciation	3,341,409	3,511,776	170,367	3,511,776	3,672,288	160,512	3,672,288	3,840,294	168,006
1835-Overhead Conductors and Devices-Depreciation	411,894	656,868	244,974	656,868	773,139	116,271	773,139	897,015	123,876
1840-Underground Conduit-Depreciation	51,026	88,765	37,739	88,765	106,608	17,843	106,608	124,451	17,843
1845-Underground Conductors and Devices-Depreciation	1,145,974	1,366,819	220,845	1,366,819	1,479,102	112,283	1,479,102	1,591,385	112,283
Sub-Total-Poles and Wires	4,950,303	5,624,228	673,925	5,624,228	6,031,137	406,909	6,031,137	6,453,145	422,008
Line Transformers									
1850-Line Transformers-Depreciation	1,416,688	1,684,700	268,012	1,684,700	1,832,557	147,857	1,832,557	1,996,779	164,222
Sub-Total-Line Transformers	1,416,688	1,684,700	268,012	1,684,700	1,832,557	147,857	1,832,557	1,996,779	164,222
Services and Meters									
1855-Services-Depreciation	185,730	214,619	28,889	214,619	229,722	15,103	229,722	244,825	15,103
1860-Meters-Depreciation	376,300	392,534	16,234	392,534	441,875	49,341	441,875	551,688	109,813
Sub-Total-Services and Meters	562,030	607,153	45,123	607,153	671,597	64,444	671,597	796,513	124,916

LAKEFRONT UTILITIES INC.

**ACCUMULATED DEPRECIATION
 TABLE**

	2006 Board Approved	2006 Actual	variance form 2006 Board Approved	2006 Actual	2007 Bridge	Variance form 2006 Actual	2007 Bridge	2008 Test	Variance form 2007 Bridge
	(\$'s)	(\$'s)		(\$'s)	(\$'s)		(\$'s)	(\$'s)	
General Plant									
1908-Buildings and Fixtures-Depreciation	421,373	479,003	57,630	479,003	483,289	4,286	483,289	483,289	-
1910-Leasehold Improvements-Depreciation			-	-		-	-		-
Sub-Total-General Plant	421,373	479,003	57,630	479,003	483,289	4,286	483,289	483,289	-
IT Assets									
1920-Computer Equipment - Hardware-Depreciation	151,056	180,556	29,500	180,556	206,018	25,462	206,018	222,229	16,211
1925-Computer Software-Depreciation	80,220	166,808	86,588	166,808	174,493	7,685	174,493	195,178	20,685
Sub-Total-IT Assets	231,276	347,364	116,088	347,364	380,511	33,147	380,511	417,407	36,896
Equipment									
1915-Office Furniture and Equipment-Depreciation	4,099	28,227	24,128	28,227	36,546	8,319	36,546	46,115	9,569
1930-Transportation Equipment-Depreciation	20,081	98,270	78,189	98,270	138,337	40,067	138,337	192,129	53,792
1940-Tools, Shop and Garage Equipment-Depreciation	53,888	91,087	37,199	91,087	97,918	6,831	97,918	106,090	8,172
1945-Measurement and Testing Equipment-	2,151	2,785	634	2,785	2,506	(279)	2,506	2,227	(279)
1960-Miscellaneous Equipment-Depreciation	1,420	4,290	(2,870)	4,290	4,290	-	4,290	4,290	-
Sub-Total-Equipment	81,639	224,659	137,280	224,659	279,597	54,938	279,597	350,851	71,254
Other Distribution Assets									
1980-System Supervisory Equipment-Depreciation	19,664	25,634	5,970	25,634	26,588	954	26,588	26,588	-
1995-Contributions and Grants - Credit-Depreciation	-66,498	-135,289	(68,791)	(135,289)	-174,013	(38,724)	(174,013)	(212,737)	(38,724)
Sub-Total-Other Distribution Assets	(46,834)	(109,655)	(62,821)	(109,655)	(147,425)	(37,770)	(147,425)	(186,149)	(38,724)
ACCUMULATED DEPRECIATION TOTAL	8,703,155	10,180,033	1,471,138	10,180,033	10,961,012	780,979	10,961,012	11,849,352	888,340

LAKEFRONT UTILITIES INC.

MATERIALITY ANALYSIS ON ACCUMULATED DEPRECIATION

The calculation of the Materiality Threshold on accumulated depreciation is shown as the following: Accumulated Depreciation = 1% of net fixed assets. LUI has selected 1% of 2006 Actual Fixed Assets of \$101,818 to allow for the most detailed review of accumulated depreciation.

**MATERIALITY ANALYSIS ON
 ACCUMULATIVE DEPRECIATION**

Asset Account	Board Approved 2006 \$	Actual 2006 \$	Variance from 2006 Board Approved \$	Actual 2006 \$	Bridge 2007 \$	Variance from 2006 Actual \$	Bridge 2007 \$	Test 2008 \$	Variance from 2007 Bridge \$	Comments
1820-Dist Station Equip - Normally Primary < 50 kV	1,079,547	1,277,201	197,654	1,277,201	1,368,113	90,912	1,368,113	1,459,025	90,912	MSP Wholesale Metering - See Tab 3, Schedule 2, Page 1
1835-Overhead Conductors and Devices	411,894	656,868	244,974	656,868	773,139	116,271	773,139	897,015	123,876	Capital Project Enhancements - See Capital Budget by Project 2006 - Tab 3, Schedule 1, Page 2, 2007 - Tab 3, Schedule 1, Page 3, 2008 - Tab 3, Schedule 1, Page 6
1830-Poles, Towers & Fixtures	3,341,409	3,511,776	170,367	3,511,776	3,672,288	160,512	3,672,288	3,840,294	168,006	Capital Project Enhancements - See Capital Budget by Project 2006 - Tab 3, Schedule 1, Page 2, 2007 - Tab 3, Schedule 1, Page 3
1850-Line Transformers	1,416,688	1,684,700	268,012	1,684,700	1,832,557	147,857	1,832,557	1,996,779	164,222	Capital Project Enhancements - See Capital Budget by Project 2006 - Tab 3, Schedule 1, Page 2, 2007 - Tab 3, Schedule 1, Page 3, 2008 - Tab 3, Schedule 1, Page 6
1860-Meters							441,875	551,688	109,813	Smart Meter plan is outlined in Appendix D attached
1845-Underground Conductors & Devices	1,145,974	1,366,819	220,845	1,366,819	1,479,102	112,283	1,479,102	1,591,385	112,283	Capital Project Enhancements

The accumulated depreciation variance shown in Exhibit 2, Tab 2, Schedule 5, between the Board Approved 2006 and the Actual 2006, represents a difference of two years. The items that exceeded the materiality analysis are normal increases. The accumulated depreciation between the Actual 2006 and 2007 Bridge Year show an increase in the total yearly depreciation amount for accounts 1830 and 1850, and demonstrate our increase in capital expenditures over previous years. The variance between the Bridge 2007 and the 2008 Test year, show an increase in the total yearly depreciation amount in account 1860 and demonstrate our increase in capital expenditures for smart metering.

LAKEFRONT UTILITIES INC.

CAPITAL BUDGET

LUI applies a systematic planning process for all of its capital additions. This process ensures only those capital investments that are required to maintain a safe and reliable operation of LUI's distribution system are made. As a result of this process LUI is of the opinion that capital spending decisions are in line with best practices in the industry.

Included at the conclusion of this section of the application is a breakdown of capital projects for 2006, projected capital projects for 2007 Bridge Year and forecasted capital projects for 2008 Test Year. Details for each capital project exceeding the materiality threshold as prescribed in the filing guidelines are also presented.

Since 2006 LUI has returned to its voltage conversion program which started in 1988. Over the past six years, in order to meet the demanding requirements of the new electricity market and regulatory regime, a large portion of our expenditures have been on computer systems, increased staff, consulting and legal fees. We have also spent \$719,578 on a new garage facility. These expenditures have resulted in a decrease in capital expenditures on our voltage conversion program.

We have reviewed our distribution system assets over the 5 years 2002 to 2006 and our reinvestment in the system has been less than the depreciation allowance over this period. Our Distribution System Book Value is \$1 million less than it was in 2001.

This 2008 rate application is the first opportunity for LUI to receive approval to proceed with important previously postponed projects which will contribute to ensuring the safety of the infrastructure of its distribution system and to replace aged and deteriorating assets that have exceeded their expected lives.

The following tables provide a description for each of the capital projects completed in 2006 and forecasted for the 2007 Bridge and 2008 Test Years:

LAKEFRONT UTILITIES INC.**CAPITAL BUDGETS**

Projects for 2006, 2007 and 2008 exceeding the materiality value of \$101,818 (1% of fixed assets in 2006), are explained following the tables in the materiality variance section.

CAPITAL BUDGET BY PROJECT 2006

Project Description	Year	USoA Account	Expansion or Enhancement	Amount
Land - Transferred from Land held for future use for new Garage	2006	1805	Expansion	164,819
Buildings & Fixtures - New Garage	2006	1808	Expansion	719,578
Substation Equipment - MSP Wholesale	2006	1820	Enhancement	191,088
Poles - Upgrade Pole Line	2006	1830	Enhancement	95,456
Overhead Cond & Dev - Elgin St Reconstruction	2006	1835	Enhancement	55,962
Underground Conduit - Elgin St Reconstruction	2006	1840	Enhancement	12,820
Underground Conductors - Elgin St Reconstruction	2006	1845	Enhancement	34,580
Transformer - New Services	2006	1850	Enhancement	76,435
Services - Overhead	2006	1855	Enhancement	8,643
Services - Underground	2006	1855	Enhancement	28,539
Office Equipment - Ricoh Scanner/Photocopier Mailing machine, billing stuffer, garage furniture	2006	1915	Enhancement	44,742
Computer Equipment	2006	1920	Enhancement	9,990
Transportation Equipment - Altec Digger Truck	2006	1930	Enhancement	190,134
Tools & Equipment	2006	1940	Enhancement	4,300
2006 CAPITAL BUDGET BY PROJECT TOTAL				1,637,086

LAKEFRONT UTILITIES INC.**CAPITAL BUDGET BY PROJECT - 2007**

Project Description	Year	USoA Account	Expansion or Enhancement	Amount	
WO# 7588 Anne St Conversion	2007	1830	Enhancement	5,680	
WO# 7588 Anne St Conversion	2007	1835	Enhancement	15,048	
WO# 7588 Anne St Conversion	2007	1850	Enhancement	6,765	
28 KV Conversion					27,493
Project Description		USoA Account	Expansion or Enhancement	Amount	
WO# 6174 Carlisle St Conversion	2007	1830	Enhancement	2,272	
WO# 6174 Carlisle St Conversion	2007	1835	Enhancement	3,216	
WO# 6174 Carlisle St Conversion	2007	1850	Enhancement	35,682	
28 KV Conversion					41,170
Project Description		USoA Account	Expansion or Enhancement	Amount	
WO# 7585 Division St Conversion	2007	1830	Enhancement	15,360	
WO# 7585 Division St Conversion	2007	1835	Enhancement	24,751	
WO# 7585 Division St Conversion	2007	1850	Enhancement	96,097	
28 KV Conversion					136,208
Project Description		USoA Account	Expansion or Enhancement	Amount	
WO# 7586 Densmore Rd Load Transfer Coi	2007	1830	Enhancement	9,912	
WO# 7586 Densmore Rd Load Transfer Coi	2007	1835	Enhancement	16,839	
WO# 7586 Densmore Rd Load Transfer Coi	2007	1850	Enhancement	4,513	
28 KV Conversion					31,264
Project Description		USoA Account	Expansion or Enhancement	Amount	
WO# 7587 Jarvis Rd Load Transfer Convers	2007	1830	Enhancement	2,140	
WO# 7587 Jarvis Rd Load Transfer Convers	2007	1835	Enhancement	4,187	
WO# 7587 Jarvis Rd Load Transfer Convers	2007	1850	Enhancement	4,217	
28 KV Conversion					10,544
Project Description		USoA Account	Expansion or Enhancement	Amount	
WO# 7591 John St N Conversion	2007	1850	Enhancement	30,497	
28 KV Conversion					30,497
Project Description		USoA Account	Expansion or Enhancement	Amount	
WO# 7592 John St S Conversion	2007	1830	Enhancement	13,824	
WO# 7592 John St S Conversion	2007	1835	Enhancement	23,593	
WO# 7592 John St S Conversion	2007	1850	Enhancement	28,343	
28 KV Conversion					65,760
Project Description		USoA Account	Expansion or Enhancement	Amount	
WO# 7595 University Ave Conversion	2007	1830	Enhancement	36,690	
WO# 7595 University Ave Conversion	2007	1835	Enhancement	91,109	
WO# 7595 University Ave Conversion	2007	1850	Enhancement	41,305	
28 KV Conversion					169,104
Project Description		USoA Account	Expansion or Enhancement	Amount	
WO# 7596 King St E Conversion	2007	1835	Enhancement	8,970	
WO# 7596 King St E Conversion	2007	1850	Enhancement	40,645	
28 KV Conversion					49,615

LAKEFRONT UTILITIES INC.**CAPITAL BUDGET BY PROJECT - 2007 (Cont.)**

Project Description		USoA Account	Expansion or Enhancement	Amount	
WO# 7593 King St E (Back Yard) Conversion	2007	1830	Enhancement	6,144	
WO# 7593 King St E (Back Yard) Conversion	2007	1835	Enhancement	14,759	
WO# 7593 King St E (Back Yard) Conversion	2007	1850	Enhancement	17,175	
28 KV Conversion					38,078
Project Description		USoA Account	Expansion or Enhancement	Amount	
WO# 6155 William St Conversion	2007	1830	Enhancement	19,754	
WO# 6155 William St Conversion	2007	1835	Enhancement	25,595	
WO# 6155 William St Conversion	2007	1850	Enhancement	113,340	
28 KV Conversion					158,689
Project Description		USoA Account	Expansion or Enhancement	Amount	
William St Conversion	2007	1830	Enhancement	60,560	
William St Conversion	2007	1850	Enhancement	59,400	
28 KV Conversion					119,960
Project Description		USoA Account	Expansion or Enhancement	Amount	
Boulton, Jeffery, Sinclair Streets Conversion	2007	1830	Enhancement	16,704	
Boulton, Jeffery, Sinclair Streets Conversion	2007	1835	Enhancement	22,810	
Boulton, Jeffery, Sinclair Streets Conversion	2007	1850	Enhancement	40,857	
28 KV Conversion					80,371
Project Description		USoA Account	Expansion or Enhancement	Amount	
Burnham St - William to Heath	2007	1830	Enhancement	15,400	
Burnham St - William to Heath	2007	1835	Enhancement	22,300	
Burnham St - William to Heath	2007	1850	Enhancement	13,500	
28 KV Conversion					51,200
Project Description		USoA Account	Expansion or Enhancement	Amount	
Carlisle St East	2007	1830	Enhancement	10,750	
Carlisle St East	2007	1835	Enhancement	15,050	
Carlisle St East	2007	1850	Enhancement	7,700	
28 KV Conversion					33,500
Project Description		USoA Account	Expansion or Enhancement	Amount	
Carlisle St	2007	1830	Enhancement	3,100	
Carlisle St	2007	1835	Enhancement	3,750	
Carlisle St	2007	1850	Enhancement	7,550	
28 KV Conversion					14,400
Project Description		USoA Account	Expansion or Enhancement	Amount	
Curtis Cres	2007	1830	Enhancement	14,400	
Curtis Cres	2007	1835	Enhancement	20,200	
Curtis Cres	2007	1850	Enhancement	20,400	
28 KV Conversion					55,000

LAKEFRONT UTILITIES INC.**CAPITAL BUDGET BY PROJECT - 2007 (Cont.)**

Project Description		USoA Account	Expansion or Enhancement	Amount	
Northwood Drive	2007	1830	Enhancement	7,650	
Northwood Drive	2007	1835	Enhancement	10,800	
Northwood Drive	2007	1850	Enhancement	15,200	
28 KV Conversion					33,650
Project Description		USoA Account	Expansion or Enhancement	Amount	
Westwood Drive	2007	1835	Enhancement	31,450	
Westwood Drive North	2007	1850	Enhancement	27,350	
28 KV Conversion					58,800
Project Description		USoA Account	Expansion or Enhancement	Amount	
William ROW to Tracks	2007	1830	Enhancement	16,850	
William ROW to Tracks	2007	1835	Enhancement	15,100	
William ROW to Tracks	2007	1850	Enhancement	34,100	
28 KV Conversion					66,050
Project Description		USoA Account	Expansion or Enhancement	Amount	
WO#7590 Chapel St Conversion	2007	1830	Enhancement	2,272	
WO#7590 Chapel St Conversion	2007	1835	Enhancement	3,200	
WO#7590 Chapel St Conversion	2007	1850	Enhancement	13,075	
28 KV Conversion					18,547
Project Description		USoA Account	Expansion or Enhancement	Amount	
WO# 7589 College St	2007	1850	Enhancement	23,332	
28 KV Conversion					23,332
Project Description		USoA Account	Expansion or Enhancement	Amount	
Westwood Drive	2007	1850	Enhancement	15,700	
28 KV Conversion					15,700
Project Description		USoA Account	Expansion or Enhancement	Amount	
Meters	2007	1860	Expansion	80,000	
					80,000
Project Description		USoA Account	Expansion or Enhancement	Amount	
Computer Hardware/Software	2007	1925	Enhancement	15,000	
					15,000
Project Description		USoA Account	Expansion or Enhancement	Amount	
RBD Chasis - Replacing Elec-5 (1990)	2007	1930	Enhancement	60,000	
					60,000
Project Description		USoA Account	Expansion or Enhancement	Amount	
Tools & Equipment	2007	1940	Enhancement	10,000	
					10,000
Project Description		USoA Account	Expansion or Enhancement	Amount	
Pole Yard Upgrade - Fence	2007	1808	Enhancement	50,000	
					50,000
TOTAL CAPITAL BUDGET BY PROJECT 2007					1,543,932

LAKEFRONT UTILITIES INC.**CAPITAL BUDGET BY PROJECT - 2008**

Project Description	Year	USoA Account	Expansion or Enhancement	Amount	
WO#7594 Swayne St Conversion	2008	1830	Enhancement	11,076	
WO#7594 Swayne St Conversion	2008	1835	Enhancement	25,065	
WO#7594 Swayne St Conversion	2008	1850	Enhancement	68,822	104,963
Project Description					
		USoA Account	Expansion or Enhancement	Amount	
Burwash St	2008	1830	Enhancement	13,825	
Burwash St	2008	1835	Enhancement	18,564	
Burwash St	2008	1850	Enhancement	6,765	
Hayden Cres	2008	1830	Enhancement	15,362	
Hayden Cres	2008	1835	Enhancement	19,932	
Hayden Cres	2008	1850	Enhancement	18,390	
Murray Cres	2008	1830	Enhancement	15,228	
Murray Cres	2008	1835	Enhancement	19,474	
Murray Cres	2008	1850	Enhancement	20,290	
Spragge Cres	2008	1830	Enhancement	3,408	
Spragge Cres	2008	1835	Enhancement	9,321	
Spragge Cres	2008	1850	Enhancement	7,598	168,157
Project Description					
		USoA Account	Expansion or Enhancement	Amount	
Harden Cres	2008	1830	Enhancement	9,216	
Harden Cres	2008	1835	Enhancement	16,642	
Harden Cres	2008	1850	Enhancement	13,795	
Harden St	2008	1830	Enhancement	19,968	
Harden St	2008	1835	Enhancement	25,884	
Harden St	2008	1850	Enhancement	12,167	
Marion St	2008	1830	Enhancement	3,990	
Marion St	2008	1835	Enhancement	5,322	
Sandra Cres	2008	1830	Enhancement	5,732	
Sandra Cres	2008	1835	Enhancement	7,268	
Sandra Cres	2008	1850	Enhancement	6,764	
Sinclair St	2008	1830	Enhancement	16,896	
Sinclair St	2008	1835	Enhancement	28,944	
Sinclair St	2008	1850	Enhancement	23,038	195,626

LAKEFRONT UTILITIES INC.**CAPITAL BUDGET BY PROJECT - 2008 (Cont'd)**

Project Description		USoA Account	Expansion or Enhanceme	Amount	
MS 1 Security Card System	2008	1808	Enhancement	10,000	
					10,000
Project Description		USoA Account	Expansion or Enhanceme	Amount	
Meters	2008	1860	Expansion	1,956,245	
Meters	2008	1860	Expansion	81,678	
					2,037,923
Project Description		USoA Account	Expansion or Enhanceme	Amount	
Office Equipment - Storage & she	2008	1915	Enhancement	25,000	
					25,000
Project Description		USoA Account	Expansion or Enhanceme	Amount	
Computer Hardware/Software	2008	1925	Enhancement	115,000	
					115,000
Project Description		USoA Account	Expansion or Enhanceme	Amount	
Tools & Equipment	2008	1940	Enhancement	25,000	
					25,000
Project Description		USoA Account	Expansion or Enhanceme	Amount	
Truck	2008	1930	Enhancement	260,000	
					260,000
				TOTAL CAPITAL BUDGET BY PROJECT 2008	2,941,669

Details of USoA Account 1860 - LUI Smart Meter plan is outlined in Appendix D

Summary of Lakefront Utilities Smart Meter Plan

Smart Meter Implementation Planning and Deployment 2008

As part of the Ontario Government Smart Meter Initiative (SMI), Lakefront Utilities Inc. has been working collaboratively with the Cornerstone Hydro Electric Concept (CHEC) group association and the Ontario Utility Smart Meter (OUSM) group for well over two years. Group representatives met with the Minister of Energy staff in September of 2007 and have since received a directive, which will allow members to participate in the London Hydro RFP.

The following pages contain a carefully considered process, which identifies generic steps that will be pursued by CHEC members. We feel the structure of the document will allow the Ontario Energy Board to understand the direction LUI intend to follow in the development and completion of our smart meter investment plan for current and future rate years.

LAKEFRONT UTILITIES INC.

LUI, as part of the working group has been actively reviewing all areas of the distribution business which will be affected by Smart Metering.

- Procurement / Vendor Selection
- Smart Meter Vendor – Product Testing
- Security Authentication
- Back Office Integration
- Implementation
- AMR Technology Evaluation
- Change Management
- Customer Presentment
- Meter Disposal

In order to meet the provincial government's mandate of installing a Smart Meter in every Ontario home by December 31, 2010 LUI will be in the first phase of the CHEC members to install smart meters throughout our service territory. LUI is planning a full deployment of Smart Meters in 2008 to all our customers.

Third party debt will be secured by LUI to fund the approximate \$2 million dollars of capital investment that will be required to meet the Ontario Government's SMI plan by the end of 2010.

In discussions with vendor and installation companies, LUI estimates it will take between three to four months to deploy smart meters in our service territory.

LUI has included in the tables below a cost breakdown for the capital and operating expenses expected from 2007-2012.

LAKEFRONT UTILITIES INC.

Lakefront Utilities	9,088
Residential Customer Base	7,873
General Service (<50kW)	1,050
General Service (50kW - 200kW)	112
General Service (>200kW)	53

OPERATIONS	Rate Filings		2007		2008	
	Capital	Operating	Capital	Operating	Capital	Operating
Repair of unsafe meter bases (1%)	2	2	\$21,682.89		\$21,682.89	
Costs for Detailed Propagation Studies	D	D	\$2,106.00			
Smart Meter Network Infrastructure						
AMCD Vendor 5	A	J			\$1,121,093.49	\$0.00
AMRC Including WAN Costs Vendor 5	B	J			\$60,951.56	\$4,941.12
AMCC Vendor 5	F	J			\$171,073.87	\$17,093.48
AMI Miscellaneous (Including Labour For Daily Ops) Vendor 5	D	J			\$11,598.12	\$116,316.00
Smart Meter Installation Process Vendor 4	C				\$154,016.83	
Adaptor Installation Vendor 4	C				\$1,205.02	
Workforce Management System Vendor 4	D				\$9,636.84	
Capturing of GPS Coordinates Vendor 4	D				\$674.58	
Imaging of All Old Meters Vendor 4	D				\$4,400.82	
Delivery of Customer Notification Package Vendor 4	C				\$4,208.09	
Meter Seals	C				\$2,891.05	
Meter Rings	C				\$40,956.57	
Meter Adaptors	C				\$12,015.00	
Rent for Space for Meter Inventory and Scrapping Process	C				\$10,800.00	
AMI Installation Operational Verification Tools (Temp MDM/R)	D	J			\$40,474.73	
Scrapping Process Separation Costs	D				\$10,368.00	
Meter Scrapping/Recycling Process	D				-\$8,923.00	
Staff Training and Department Integration	D	K			\$16,200.00	
AMI Warranty Costs (1% Failure Rate)	A				\$12,874.32	
Measurement Canada Re-Verification Accrual Account	B	J				\$23,379.61
AMI Inventory Costs (Meters to Replace Rever Meters)	A				\$30,269.52	
Contingency at 5.0%			\$1,189.44	\$0.00	\$86,423.42	\$8,086.51
Section Sub Total			\$24,978.33	\$0.00	\$1,814,891.72	\$169,816.72
Total Smart Meter Asset Investment			\$24,978.33		\$1,839,870.06	
Total Depreciation Amount Based On 15 Years Straight Line			\$1,665.22		\$124,323.23	
Current Value of Sections Smart Meter Assets			\$23,313.11		\$1,715,546.83	
BILLING / CUSTOMER SERVICE						
CIS Automated Meter Change Package	G				\$13,783.00	
Smart Meter Customer Presentment Tools (Web, IVR)	3	3			\$27,566.00	
Smart Meter Entity MDM/R (est Based On OEB 2005 Report)	3	3			\$16,200.00	\$40,474.73
Bill Print Modifications	3	3			\$0.00	
Customer Education Packages	3	3			\$19,273.68	
CIS TOU Modifications and MDM/R Integration	3	3			\$16,200.00	
Staff Training and Department Integration	3	3				
Contingency at 5.0%			\$0.00	\$0.00	\$4,651.13	\$2,023.74
Section Sub Total			\$0.00	\$0.00	\$97,673.81	\$42,498.46
Total Smart Meter Asset Investment			\$0.00		\$97,673.81	
Total Depreciation Amount Based On 5 Years Straight Line			\$0.00		\$19,534.76	
Current Value of Sections Smart Meter Assets			\$0.00		\$78,139.05	
FINANCE / CORPORATE						
Consulting Services	B		\$20,000.00		\$20,000.00	
Legal for AMI Contracts	B		\$20,000.00			
Legal for Installation Contract	B		\$10,000.00			
Legal for Old Meter Recycling Contract	B		\$4,000.00			
AMI Security Audits	B	L			\$21,600.00	
Contingency at 5.0%			\$2,700.00	\$0.00	\$2,080.00	\$0.00
Section Sub Total			\$56,700.00	\$0.00	\$43,680.00	\$0.00
Total Smart Meter Asset Investment			\$56,700.00		\$100,380.00	
Total Depreciation Amount Based On 15 Years Straight Line			\$3,780.00		\$10,472.00	
Current Value of Sections Smart Meter Assets			\$52,920.00		\$89,908.00	
Totals			\$81,678.33	\$0.00	\$1,956,245.54	\$212,315.18

LAKEFRONT UTILITIES INC.

OPERATIONS	Rate Filings		2009		2010	
	Capital	Operating	Capital	Operating	Capital	Operating
Repair of unsafe meter bases (1%)	2	2				
Costs for Detailed Propagation Studies	D	D				
Smart Meter Network Infrastructure						
AMCD Vendor 5	A	J		\$0.00		\$0.00
AMRC Including WAN Costs Vendor 5	B	J		\$4,969.47		\$4,998.53
AMCC Vendor 5	F	J		\$21,704.33		\$21,836.40
AMI Miscellaneous (Including Labour For Daily Ops) Vendor 5	D	J		\$119,211.75		\$122,179.89
Smart Meter Installation Process Vendor 4						
Adaptor Installation Vendor 4	C					
Workforce Management System Vendor 4	D					
Capturing of GPS Coordinates Vendor 4	D					
Imaging of All Old Meters Vendor 4	D					
Delivery of Customer Notification Package Vendor 4	C					
Meter Seals	C					
Meter Rings	C					
Meter Adaptors	C					
Rent for Space for Meter Inventory and Scrapping Process	C					
AMI Installation Operational Verification Tools (Temp MDM/R)	D	J		\$40,474.73		
Scrapping Process Separation Costs	D					
Meter Scrapping/Recycling Process	D					
Staff Training and Department Integration	D	K		\$3,240.00		
AMI Warranty Costs (1% Failure Rate)	A		\$12,874.32		\$12,874.32	
Measurement Canada Re-Verification Accrual Account	B	J		\$23,379.61		\$23,379.61
AMI Inventory Costs (Meters to Replace Revere Meters)	A					
Contingency at 5.0%			\$643.72	\$10,648.99	\$643.72	\$8,619.72
Section Sub Total						
Total Smart Meter Assest Investment			\$13,518.03	\$223,628.88	\$13,518.03	\$181,014.16
Total Depreciation Amount Based On 15 Years Straight Line			\$1,853,388.09		\$1,866,906.12	
Current Value of Sections Smart Meter Assets			\$247,882.43		\$372,342.84	
			\$1,605,505.66		\$1,494,563.28	
BILLING / CUSTOMER SERVICE						
CIS Automated Meter Change Package	G					
Smart Meter Customer Presentment Tools (Web, IVR)	3	3				\$3,854.74
Smart Meter Entity MDM/R (est Based On OEB 2005 Report)	3	3		\$40,474.73		\$40,474.73
Bill Print Modifications	3	3	\$10,800.00			
Customer Education Packages	3	3	\$19,273.68			
CIS TOU Modifications and MDM/R Integration	3	3	\$10,800.00			
Staff Training and Department Integration	3	3	\$16,200.00			\$3,240.00
Contingency at 5.0%			\$2,853.68	\$2,023.74	\$0.00	\$2,378.47
Section Sub Total						
Total Smart Meter Assest Investment			\$59,927.36	\$42,498.46	\$0.00	\$49,947.94
Total Depreciation Amount Based On 5 Years Straight Line			\$157,601.18		\$157,601.18	
Current Value of Sections Smart Meter Assets			\$51,055.00		\$82,575.23	
			\$106,546.18		\$75,025.94	
FINANCE / CORPORATE						
Consulting Services	B		\$20,000.00			
Legal for AMI Contracts	B					
Legal for Installation Contract	B					
Legal for Old Meter Recycling Contract	B					
AMI Security Audits	B	L		\$21,600.00		\$21,600.00
Contingency at 5.0%			\$1,000.00	\$1,080.00	\$0.00	\$1,080.00
Section Sub Total						
Total Smart Meter Assest Investment			\$21,000.00	\$22,680.00	\$0.00	\$22,680.00
Total Depreciation Amount Based On 15 Years Straight Line			\$121,380.00		\$121,380.00	
Current Value of Sections Smart Meter Assets			\$18,564.00		\$26,656.00	
			\$102,816.00		\$94,724.00	
			2009		2010	
			Capital	Operating	Capital	Operating
Totals			\$94,445.40	\$288,807.35	\$13,518.03	\$253,642.09

LAKEFRONT UTILITIES INC.**Lakefront Utilities**

	Current Budgeted	Verified Actual
INVENTORIES		
Residential Customer Base	7,873	7,873
General Service (<50kW)	1,050	1,050
TOTAL RESIDENTIAL METERS SERVICED	8,923	8,923
General Service (50kW - 200kW)	112	112
General Service (>200kW)	53	53
TOTAL METERS SERVICED	9,088	9,088

Residential Form 2S	8,158	8,158
Residential Transformer Rated	80	80
Small Commercial Non Demand	308	308
Residential Form 12S	377	377
SUB TOTAL METERS TO BE PROCURED	8,923	8,923

Inside Residential	3,000	3,000
Outside Residential	5,923	5,923
Semi-Urban Residential	0	0
Rural Residential	0	0
TOTAL METERS TO INSTALL	8,923	8,923

Note: Total Install should balance to number of meters being procured which then balances to customer base

OPERATIONS	Current Budgeted	Verified Actual
Repair of unsafe meter bases (1%)		
Please verify the percentage OR the amount you would like to use for budgeting:		
Percentage	1%	1%
Amount	\$21,682.89	\$21,682.89
Rent for Space for Meter Inventory and Scrapping Process		
Price per Square Foot	\$25	\$15
Square Footage	2000	2000
Term of Rental	6 months	4 months

BILLING / CUSTOMER SERVICE	Current Budgeted	Verified Actual
Please verify the budgeted dollar amount is within par of what your CIS vendor is suggesting:		
CIS Automated Meter Change Package	\$13,783.00	
Smart Meter Customer Presentment Tools (Web, IVR)	\$27,566.00	

AMI	Current Budgeted	Verified Actual
Staffing to Manage Network Daily		
Annual Salary	\$65,000	
Overhead Burden	65%	

LAKEFRONT UTILITIES INC.

MATERIALITY ANALYSIS ON 2006 CAPITAL BUDGETS

Information is provided below for each project over the materiality threshold of 1% of the total net fixed assets (\$101,818):

Project Description: New Garage Facility – 25 Ewart St

Need: LUI had purchased land for expansion in 1991. In 2005 LUI was informed that the existing leased truck yard would no longer be available due to the new owner's plans to develop the property. LUI decided to build its own facility on its own property.

Scope: The garage facility consists of a six bay (double depth) garage with offices for field staff, complete with lunchroom, locker room and washrooms.

Capital Costs: \$ 719,578 Work completed by: Tendered Contractor

Start Date: October 2005 In-Service Date: March 2006

Project Description: MSP Wholesale Metering, Cobourg & Colborne

Need: Market participants were required, by the IESO, to upgrade/replace existing non-conforming meter installations and assume ownership.

Scope: There were two metering points in Colborne which were upgraded and there were two feeder metering points at the Port Hope TS, for Cobourg, which were relocated to Cobourg's boundary.

Capital Costs: \$ 191,088 Work completed by: Tendered Contract

Start Date: January 2006 In-Service Date: Various dates, 2006

Project Description: Bucket Truck

Need: To replace an existing bucket truck that had reached the end of its useful life.

Scope: In order to economize, LUI purchased a used 2003 bucket truck.

Capital Costs: \$ 190,134

LAKEFRONT UTILITIES INC.

MATERIALITY ANALYSIS ON 2007 CAPITAL BUDGETS

Information is provided below for each projects over the materiality threshold of 1% of the total net fixed assets (\$101,818):

Project Description: WO# 7585 Division St/Park Street Conversion

Need: LUI is continuing its 28KV System Conversion which started in 1988 to upgrade existing lines to current standards and eventually eliminate the older inefficient 4KV system and substations.

Scope: This project deals with the conversion of the pole line on Division Street from CN Tracks to Munroe Street and Park Street.

Capital Costs: \$ 136,208 Work completed by: LUI

Start Date: July 2007 In-Service Date: October 2007

Project Description: WO# 7595 University Ave Conversion

Need: LUI is continuing its 28KV System Conversion which started in 1988 to upgrade existing lines to current standards and eventually eliminate the older inefficient 4KV system and substations.

Scope: This project deals with the conversion of the pole line on University Avenue from Division Street to D'Arcy Street.

Capital Costs: \$ 169,104 Work completed by: Contract Labour

Start Date: August 2007 In-Service Date: September 2007

Project Description: WO# 6155 William St Conversion

Need: LUI is continuing its 28KV System Conversion which started in 1988 to upgrade existing lines to current standards and eventually eliminate the older inefficient 4KV system and substations.

Scope: This project deals with the conversion of the pole line on William Street from Elgin Street to Bolton Street.

Capital Costs: \$ 278,649 Work completed by: LUI & Contract Labour

Start Date: January 2007 In-Service Date: September 2007

LAKEFRONT UTILITIES INC.

MATERIALITY ANALYSIS ON 2008 CAPITAL BUDGETS

Information is provided below for each projects over the materiality threshold of 1% of the total net fixed assets (\$101,818):

Project Description: WO# 7594 Swayne Street Conversion

Need: LUI is continuing its 28KV System Conversion which started in 1988 to upgrade existing lines to current standards and eventually eliminate the older inefficient 4KV system and substations.

Scope: This project deals with the conversion of the pole line on Swayne Street from Division Street to College Street.

Capital Costs: \$ 104,963 Work completed by: Contract Labour / LUI

Start Date: 2008 In-Service Date: MID 2008

Project Description: Burwash St, Hayden Cres, Murray Cres, Spragge Cres

Need: LUI is continuing its 28KV System Conversion which started in 1988 to upgrade existing lines to current standards and eventually eliminate the older inefficient 4KV system and substations.

Scope: This project deals with the conversion of the pole lines on Burwash Street, Hayden Crescent., Murray Crescent and Spragge Crescent.

Capital Costs: \$ 168,157 Work completed by: Contract Labour / LUI

Start Date: 2008 In-Service Date: 2008

Project Description: Harden Cres, Harden St, Sandra Cres, Sinclair St

Need: LUI is continuing its 28KV System Conversion which started in 1988 to upgrade existing lines to current standards and eventually eliminate the older inefficient 4KV system and substations.

Scope: This project deals with the conversion of the pole lines on Harden Crescent, Harden Street, Sandra Crescent and Sinclair Street.

Capital Costs: \$ 195,626 Work completed by:

Start Date: 2008 In-Service Date: 2008

LAKEFRONT UTILITIES INC.

Project Description: Computer Hardware/Software 2008

Need: LUI plans on upgrading our current software to comply with new requirements including smart metering.

Scope: The costs listed for this are for converting our existing data to the new version of Harris Software. The cost of software is not included as we obtain service through an application service provider on a fee-for-service basis.

Capital Costs: \$ 115,000

Start Date: 2008 In-Service Date: 2008

Project Description: Truck – Digger (New)

Need: The existing 1991 Radial Boom Derrick has reached the end of its useful life and must be replaced to ensure the safety of our staff and the public.

Scope: LUI is tendering the Chassis/Radial Boom Derrick as one unit.

Capital Costs: \$ 290,000

Start Date: RFQ 2007 In-Service Date: December 2008

Project Description: Smart Meters Implementation

Need: The Province of Ontario has mandated the installation of smart meters by the end of 2010. LUI has participated with the CHEC Group in having a detailed plan for the selection and implementation of smart meters. LUI has scheduled to install smart meters in our service territory in 2008. The timing is important as the CHEC Group are engaging a single contractor to install the CHEC Group meters. As there are seventeen utilities in the CHEC Group, we must ensure that the installation process conforms with the Contractor's timetable. In order to ensure proper functioning of the smart meters the information system, billing system, MDMR, etc. the time frame for installation is much shorter than the end of 2010 for the group. See the attached Smart Meter Initiative Project Overview.

Scope: LUI plans to install approximately 8923 smart meters, including communication systems, billing system enhancements and connection to the MDMR in order to meet the mandate.

Capital Costs: \$2,041,819

Start Date: 2008 In-Service Date: 2008

LAKEFRONT UTILITIES INC.

SYSTEM ENHANCEMENTS

2008 Test Year

Detailed description of each system enhancement by project is provided in LUI's Capital plans above in Exhibit 2, Tab 2, Schedule 2.

2007 Bridge Year

Detailed description of each system enhancement by project is provided in LUI's Capital plans above Exhibit 2, Tab 2, Schedule 2.

2006 Actual

Detailed description of each system enhancement by project is provided in LUI's Capital plans above Exhibit 2, Tab 2, Schedule 2.

LAKEFRONT UTILITIES INC.

CAPITALIZATION POLICY

The following capitalization policy is currently in use and under development for LUI. It will be reviewed at a Board of Directors meeting in the near future.

PURPOSE AND APPLICABILITY

To prescribe the procedure for the acquisition of capital assets. This policy applies to Lakefront Utilities Inc. (LUI).

POLICY STATEMENT

It is the policy of the company to maintain strong financial control over expenditures for capital assets by evaluating and approving capital requests for projects that enhance or improve the efficiency of the Company's assets. Any expenditure under \$500 will not be capitalized.

PROCEDURE AND RESPONSIBILITY

It is the responsibility of Management Staff to act for the Company to ensure that all expenditures for capital assets are properly evaluated and approved in accordance with the procedure set forth below.

APPROVAL REQUIREMENT

The capital approval/tracking procedure is broken down as follows:

1. Submission of an annual capital plan – for approval by the Board of Directors
2. Approval for individual capital expenditure requests if not included in the capital budget, must have supporting pricing documentation and a recommendation from department supervisors.
3. Monthly tracking of the capital plan implementation
4. Evaluation of actual benefits derived from expenditures

1. Annual Capital Plan

The capital plan consists of:

A. A list of planned expenditures prioritized within the following categories:

- a) Maintenance of business
- b) Environmental & safety
- c) Cost reduction
- d) Strategic projects

B. A planned implementation schedule indicating the following:

- a) Planned start date
- b) Planned completion date

LAKEFRONT UTILITIES INC.

2. Individual Capital Expenditure Requests (CER)

The Board of Directors approved capital budget forms the basis for individual capital expenditures throughout the budget year. Management may alter specific projects to allow for municipal construction programs.

A. General Information

- a) A separate CER is required for each project having a distinct purpose.

Some major projects could involve multiple capital requests that are dependent upon each other to generate the overall benefits. Such projects should be submitted as a single capital request even though the total funds will be approved in stages as they are needed. Each individual capital request should show its contribution to the overall project along with any revisions/up-dates to the anticipated benefits of the overall project.

- b) All data should be submitted in CDN funds

- c) Overruns

Expenditures which will likely exceed the approved appropriation by 20% or more require a supplemental Capital Expenditure Request to cover the project's overrun. The CER's financial justification should be revised at the time of the supplemental request.

- d) CER Authorization

CER approval provides authorization for the operations unit to purchase only items included in the CER. If a project is under-spent, the Operations Department is not permitted to purchase additional items. For example, if approval was obtained to purchase a computer with one disc drive and the actual costs are below the authorized amount, the excess funds cannot be used to purchase an additional disc drive. A new/revised CER is needed.

- e) Disposals

When the Capital Request replaces an existing asset, a Disposal Request should be attached if required.

3. Monthly Tracking of the Capital Plan Implementation

Labour and material shall be recorded on a daily basis and a summarized on a monthly basis in the monthly performance report. This report tracks planned capital spending as compared to actual capital spending.

4. Notification of Board of Directors

The Board of Directors shall receive reports on capital expenditures at their regular Board meetings.

LAKEFRONT UTILITIES INC.

WORKING CAPITAL ALLOWANCE CALCULATION BY ACCOUNT

LUI applies the 15% of specific O&M accounts formula approach in the calculation of its Working Capital. The following table provides the data used to calculate the working capital contained in the application for the years 2006, 2007, and 2008

WORKING CAPITAL ALLOWANCE CALCULATION BY ACCOUNT	2006 Actual	15%	Allowance for Working Capital	2007 Bridge	15%	Allowance for Working Capital	2008 Test	15%	Allowance for Working Capital
Operation (Working Capital)									
5005-Operation Supervision and Engineering	126,807	15%	19,021	136,368	15%	20,455	140,459	15%	21,069
5014-Transformer Station Equipment - Operation Labour	5,175	15%	776	7,462	15%	1,119	7,686	15%	1,153
5015-Transformer Station Equipment - Operation Supplies and Expenses	29,979	15%	4,497	43,672	15%	6,551	41,527	15%	6,229
5020-Overhead Distribution Lines and Feeders - Operation Labour	193,599	15%	29,040	215,752	15%	32,363	222,167	15%	33,325
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	94,909	15%	14,236	133,140	15%	19,971	158,134	15%	23,720
5030-Overhead Sub transmission Feeders - Operation	0	15%	0	0	15%	0	0	15%	0
5035-Overhead Distribution Transformers- Operation	1,069	15%	160	1,514	15%	227	1,558	15%	234
5040-Underground Distribution Lines and Feeders - Operation Labour	22,091	15%	3,314	24,725	15%	3,709	25,467	15%	3,820
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	6,017	15%	903	3,850	15%	578	3,966	15%	595
5085-Miscellaneous Distribution Expense	2,089	15%	313	2,152	15%	323	2,216	15%	332
5096-Other Rent		15%	0	0	15%	0	0	15%	0
Sub-Total	481,735		72,260	568,635		85,295	603,180		90,477
Maintenance (Working Capital)									
5120-Maintenance of Poles, Towers and Fixtures	3,433	15%	515	3,033	15%	455	3,124	15%	469
5135-Overhead Distribution Lines and Feeders - Right of Way	21,539	15%	3,231	17,492	15%	2,624	18,016	15%	2,702
5155-Maintenance of Underground Services	214	15%	32	214	15%	32	214	15%	32
5160-Maintenance of Line Transformers	34,975	15%	5,246	63,613	15%	9,542	65,522	15%	9,828
5175-Maintenance of Meters	27,872	15%	4,181	41,659	15%	6,249	249,509	15%	37,426
Sub-Total	88,033		13,205	126,011		18,902	336,385		50,458
Billing and Collections									
5310-Meter Reading Expense	55,580	15%	8,337	63,624	15%	9,544	65,533	15%	9,830
5315-Customer Billing	115,706	15%	17,356	119,269	15%	17,890	122,846	15%	18,427
5320-Collecting	89,253	15%	13,388	94,469	15%	14,170	97,303	15%	14,595
5325-Collecting- Cash Over and Short	-17	15%	-3	-17	15%	-3	-17	15%	-3
5330-Collection Charges	674	15%	101	501	15%	75	516	15%	77
5335-Bad Debt Expense	46,344	15%	6,952	46,344	15%	6,952	46,344	15%	6,952
5340-Miscellaneous Customer Accounts Expenses	112,881	15%	16,932	117,796	15%	17,669	121,319	15%	18,198
Sub-Total	420,421		63,063	441,986		66,298	453,844		68,077

LAKEFRONT UTILITIES INC.

WORKING CAPITAL ALLOWANCE CALCULATION BY ACCOUNT

WORKING CAPITAL ALLOWANCE CALCULATION BY ACCOUNT	2006 Actual	15%	Allowance for Working Capital	2007 Bridge	15%	Allowance for Working Capital	2008 Test	15%	Allowance for Working Capital
Community Relations									
5410-Community Relations - Sundry	17,130	15%	2,570	19,767	15%	2,965	19,767	15%	2,965
5415-Energy Conservation		15%	0	119,169	15%	17,875	80,408	15%	12,061
Sub-Total	17,130		2,570	138,936		20,840	100,175		15,026
Administrative and General Expenses									
5605-Executive Salaries and Expenses	16,644	15%	2,497	17,143	15%	2,571	17,657	15%	2,649
5610-Management Salaries and Expenses	268,484	15%	40,273	303,221	15%	45,483	312,318	15%	46,848
5615-General Administrative Salaries and Expenses	75,625	15%	11,344	79,406	15%	11,911	148,698	15%	22,305
5620-Office Supplies and Expenses	80,603	15%	12,090	91,195	15%	13,679	93,931	15%	14,090
5630-Outside Services Employed	201,180	15%	30,177	121,974	15%	18,296	148,624	15%	22,294
5635-Property Insurance	14,466	15%	2,170	36,335	15%	5,450	36,915	15%	5,537
5640-Injuries and Damages	37,409	15%	5,611	38,404	15%	5,761	39,556	15%	5,933
5655-Regulatory Expenses	46,296	15%	6,944	49,198	15%	7,380	149,198	15%	22,380
5660-General Advertising Expenses	5,444	15%	817	4,879	15%	732	5,025	15%	754
5665-Miscellaneous General Expenses	1,750	15%	263	3,422	15%	513	3,524	15%	529
5675-Maintenance of General Plant	27,846	15%	4,177	31,519	15%	4,728	32,464	15%	4,870
5680-Electrical Safety Authority Fees	26,004	15%	3,901	26,784	15%	4,018	27,588	15%	4,138
Sub-Total	801,751		120,263	803,480		120,522	1,015,498		152,325
Taxes Other than Income Taxes									
6105-Taxes Other than Income Taxes	52,040	15%	7,806	53,601	15%	8,040	55,209	15%	8,281
Sub-Total	52,040		7,806	53,601		8,040	55,209		8,281
Cost of Power									
4705-Power Purchased	16,246,323	15%	2,436,948	16,747,222	15%	2,512,083	17,249,638	15%	2,587,446
4708-Charges-WMS	1,467,830	15%	220,175	1,423,198	15%	213,480	1,423,198	15%	213,480
4714-Charges-NW	1,354,470	15%	203,171	1,322,705	15%	198,406	1,322,705	15%	198,406
4716-Charges-CN	1,132,137	15%	169,821	1,104,389	15%	165,658	1,104,389	15%	165,658
4750-LV Charges Costs	229,603	15%	34,440	343,449	15%	51,517	346,196	15%	51,929
Sub-Total	20,430,363		3,064,554	20,940,963		3,141,144	21,446,126		3,216,919
Total	22,291,473		3,343,721	23,073,612		3,461,042	24,010,417		3,601,563
WORKING CAPITAL ALLOWANCE TOTAL			3,343,721			3,461,042			3,601,563

LAKEFRONT UTILITIES INC.

<u>Ex.</u>	<u>Tab</u>	<u>Schedule</u>	<u>Contents of Schedule</u>
<u>3 - Operating Revenue</u>			
	1	1	Overview of Operation Revenue
		2	Summary of Operating Revenue Table
		3	Variance Analysis on Operating Revenue
	2		Throughput Revenue
		1	Weather Normalized Forecasting Methodology
		2	Normalized Volume Forecast Table
		3	Variance Analysis on Normalized Volume Forecast
		4	Customer Count Forecast Table
		5	Variance Analysis on Customer Count Forecast
		6	Historical Average Consumption
	3		Other Revenue
		1	Other Distribution Revenue
		2	Materiality Analysis on Other Distribution Revenue
		3	Rate of Return on Other Distribution Revenue
		4	Distribution Revenue Data

LAKEFRONT UTILITIES INC.

OVERVIEW OF OPERATING REVENUE

This exhibit provides the details on LUI's operating revenue for Historical, Historical Board Approved, Bridge and Test years. This exhibit also provides a detailed variance analysis by rate class of the operating revenue components.

Distribution revenues have been calculated using the most recently approved rates. In particular, delivery rates are based on the EB-2007-0550 Tariff of Rates and Charges, dated April, 12th, 2007. Distribution revenues do not include a smart meter adder. It does however, include Hydro One LV charges. A summary of normalized operating revenues is presented below in Exhibit 3, Tab 1, Schedule 2.

Throughput Revenue

Information related to Lakefront Utilities Inc.'s throughput revenue include details of forecasting methodology, normalized volume and customer counts forecast tables. Throughput details showing volumes, revenues, unit revenues and customer count by rate class as well as a variance analysis on the forecast information is also provided.

Other Revenue

Other revenues include revenues such as Late Payment Charges, Miscellaneous Service Revenues and Retail Services Revenues. A summary of these operating revenues is presented in Exhibit 3, Tab 3, Schedule 1.

LAKEFRONT UTILITIES INC.**SUMMARY OF OPERATING REVENUE TABLE**

	2006 Board Approved (\$'s)	2006 Actual (\$'s)	Variance from 2006 Board Approved (\$'s)	2006 Actual (\$'s)	2007 Bridge (\$'s)	Variance from 2006 Actual (\$'s)	2007 Bridge (\$'s)	2008 Test (\$'s)	Variance from 2007 Actual (\$'s)
<u>Distribution Revenues</u>									
Residential	1,556,630	1,581,240	24,610	1,581,240	1,787,945	206,705	1,787,945	2,147,948	360,003
General Service Less Than 50 kW	588,252	588,439	187	588,439	681,903	93,464	681,903	790,653	108,750
General Service 50 to 2,999 kW	1,082,674	982,452	(100,222)	982,452	1,105,668	123,217	1,105,668	1,314,181	208,513
General Service 3,000 to 4,999 kW	73,807	106,776	32,969	106,776	116,386	9,610	116,386	433,088	316,702
Unmetered Scattered Load	22,113	9,240	(12,873)	9,240	10,072	832	10,072	17,249	7,177
Sentinel Lighting	1,803	1,711	(91)	1,711	1,865	154	1,865	3,263	1,398
Street Lighting	8,957	24,298	15,341	24,298	26,485	2,187	26,485	35,896	9,411
	3,334,236	3,294,157	(40,079)	3,294,157	3,730,325	436,168	3,730,325	4,742,278	1,011,953
<u>Other Distribution Revenue</u>									
Late Payment Charges	27,246	27,565	319	27,565	27,565	-	27,565	27,565	-
Specific Service Charges	31,099	31,922	823	31,922	35,192	3,270	35,192	35,192	-
Other Distribution Revenue	520,140	520,931	791	520,931	272,807	(248,124)	272,807	272,807	-
Subtotal	578,485	580,418	1,932	580,418	335,564	(244,854)	335,564	335,564	-
TOTAL	3,912,721	3,874,575	(38,147)	3,874,575	4,065,889	191,314	4,065,889	5,077,842	1,011,953

LAKEFRONT UTILITIES INC.

VARIANCE ANALYSIS ON OPERATING REVENUE

LUI's distribution revenue has been calculated using the most recently approved rates. In particular, delivery rates are based on the EB-2007-0550 Tariff of Rates and Charges, dated April, 12th, 2007. Distribution revenue does not include commodity related revenue.

2008 Test Year

Lakefront Utilities Inc. operating revenue is forecast to be \$5,077,842 in Fiscal 2008, as shown in Exhibit 3, Tab 1, Schedule 2. Distribution revenue totals \$4,742,278 or 93.4% of total revenues. Other operating revenue accounts for the remaining revenue of \$335,564.

2007 Bridge Year

Lakefront Utilities Inc. operating revenue is forecast to be \$4,065,889 in Fiscal 2007, as shown in Exhibit 3, Tab 1, Schedule 2. Distribution revenue totals \$3,730,325 or 91.75% of total revenues. Other operating revenue accounts for the remaining revenue of \$335,564.

2006 Actual

Lakefront Utilities Inc. operating revenue was \$3,874,575 in Fiscal 2006, as shown in Exhibit 3, Tab 1, Schedule 2. Distribution revenue totals \$3,294,157 or 85% of total revenues. Other operating revenue of \$580,418 accounts for the remaining revenue.

2006 Board Approved

Lakefront Utilities Inc. operating revenue was \$3,912,721 in Fiscal 2006, as shown in Exhibit 3, Tab 1, Schedule 2. Distribution revenue totals \$3,334,236 or 85.22% of total revenues. Other operating revenue of \$578,485 accounts for the remaining revenue.

LAKEFRONT UTILITIES INC.

WEATHER NORMALIZED FORECASTING METHODOLOGY

This exhibit discusses the methodology used to determine LUI's customer and load forecast. A projection for the number of customers in each customer class is provided for both the Bridge Year (2007) and the Test Year (2008). Historical data for the annual number of customers in each rate class is available for 2003 through to 2006 as part of the Cost Allocations study filing with the OEB. Due to significant restructuring at market opening and system conversions, accurate customer data prior to 2003 is not available. As a result of the limited amount of data available, time series techniques that are often used to help estimate forecast values cannot be used. Rather, LUI has used a simple trend growth in customer connections, by class, to forecast Bridge and Test Year customer numbers. Given the growth and trends in customer numbers in LUI's service territory over the past five years, the resulting customer forecast is likely not materially different than what would result from using more sophisticated time series techniques. In recent history, there has been very little year-to-year variation in customer growth by class. Historical and forecast customer numbers, by class, are displayed in the next section.

As required by the OEB Filing Requirements for Transmission and Distribution Applications, we are providing normalized historical and forecast (Bridge Year and Test Year) throughput data. Weather normalization (where required) is based on normalized average use per customer ("NAC") calculated from the weather-normalized throughput of the utility from 2004. This weather-normalized throughput was generated by Hydro One using their weather normalization model for the Cost Allocation process previously undertaken by the Board. The process to obtain these weather normal data was an intensive effort for all parties involved, and we are leveraging the value of this work by using most of the results for this process. The exception is LUI's conclusion that there were some skewed results for the Street Lighting customer class, which did not represent a realistic forward scenario. For this reason LUI has used actual consumption data for this class in its projection and will be redoing the Cost Allocation process with Hydro One in 2008.

LAKEFRONT UTILITIES INC.**Customer and Load Forecast Data**

<u>Lakefront Utilities</u>		Historical Actual 2006	Historical Board Approved 2004	Historical Actual Normalized 2006	Bridge Year - Est. 2007	Bridge Year Estimate Normalized 2007	Test Year Normalized Forecast 2008
Year							
Customer Class							
Residential	Customers	7,781	7,494	7,781	7,896	7,896	8,012
	Consumption - kWh	72,312,541	69,840,545	75,014,202	75,249,578	76,122,882	77,241,202
GS < 50 kW	Customers	1,044	973	1,044	1,059	1,059	1,075
	Consumption - kWh	33,771,049	34,387,927	35,903,691	35,060,066	36,428,118	36,960,206
GS > 50 - 2999 kW	Customers	142	136	142	129	129	127
	Consumption - kWh	127,018,112	117,177,139	131,145,328	113,052,296	119,139,065	117,291,948
	Demand - KW	297,477	276,730	307,143	260,742	274,780	270,520
Int 3000 - 4999 kW	Customers	2	2	2	2	2	2
	Consumption - kWh	55,719,421	55,377,072	55,719,421	55,719,421	55,719,421	55,719,421
	Demand - KW	123,329	102,714	123,329	123,329	123,329	123,329
Sentinel Lights	Connections	56	55	56	57	57	58
	Consumption - kWh	53,214	39,498	53,214	48,575	48,575	49,428
	Demand - KW	106	108	106	97	97	98
Street Lighting	Connections	2,693	2,643	2,693	2,716	2,716	2,739
	Consumption - kWh	2,017,028	1,894,110	2,017,028	2,047,875	2,047,875	2,065,217
	Demand - KW	5,220	5,161	5,220	5,290	5,290	5,335
USL	Customers	79	76	79	79	79	79
	Consumption - kWh	620,588	492,298	620,588	620,588	620,588	620,588

LAKEFRONT UTILITIES INC.

Load Forecast

Weather sensitive load (Residential, GS<50, and GS>50 classes) is calculated by using a retail normalized average use per customer ("retail NAC"). This is calculated by dividing the class weather normal retail kWh for 2004 by the number of customers in class in 2004. Class weather normal retail kWh for 2004 is determined by dividing the class weather normal wholesale kWh for 2004 reported in the Hydro One weather normalization analysis by the class loss factor. The class loss factor is calculated for 2004 by dividing the class weather actual wholesale consumption for 2004 (Hydro One file) by the class weather actual retail consumption (utility data).

Annual percentage change is presented for all customer classes in Exhibit 3, Tab 2, Schedule 6, page 4 below. For the Residential and GS<50 kW customer classes, the change for 2007 represents the annual average geometric mean growth rate for 2002 to 2006. The annual trend growth rate is used to project customer growth into 2007 and 2008.

The General Service over 50-2,999 kW contains only a handful of customers (136 in the Board Approved average, falling to 129 in 2007). The 2007 customer number is the current actual number of customers in this class. LUI does not expect the number of customers in this class to change within the next year to 18 months, and has used this for the number of customers expected at Bridge Year end and Test Year.

For the GS>3,000 to 4,999 kW customer classes, an annual growth rate of 0% was assumed for 2007 and 2008. From LUI Cost Allocation filing, 2004-05 were anomalous years for growth (2.46% in 2003 followed by 4% in 2004). This anomalous growth was excluded from the trend line.

Customer numbers for Sentinel Lighting, Street Lighting, and USL classes in 2007 also represent current (early 2007) number of connections in each of these classes. LUI does not expect the number of customers in the Sentinel and USL classes to change within the next year) and the 2007 current figures are used for 2008. Customer growth for the Street Lighting Class is calculated based on the annual average geometric mean of growth from 2003 to current year (2007).

LAKEFRONT UTILITIES INC.

NORMALIZED VOLUME FORECAST TABLE

NORMALIZED VOLUME FORECAST																		
	2006 Board		2006 Actual		Variance from		2006 Actual		2007 Bridge		Variance from		2007 Bridge		Variance from			
	Approved	Approved	Normalized	Normalized	Approved	Approved	Normalized	Normalized	Normalized	Normalized	2006 Actual	2006 Actual	Normalized	Normalized	2008 Test	2008 Test	2007 Bridge	2007 Bridge
(Volumetric + Monthly Service Charge)	(kWh)	(kW)	(kWh)	(kW)	(kWh)	(kW)	(kWh)	(kW)	(kWh)	(kW)	(kWh)	(kW)	(kWh)	(kW)	(kWh)	(kW)	(kWh)	(kW)
Rate Classes																		
Residential	69,840,545		75,014,202		5,173,657	-	75,014,202	-	76,122,882		1,108,680	-	76,122,882	-	77,241,202	-	1,118,320	-
General Service Less Than 50 kW	34,387,927		35,903,691		1,515,764	-	35,903,691	-	36,428,118		524,427	-	36,428,118	-	36,960,206	-	532,088	-
General Service 50 to 2,999 kW	117,177,139	276,730	131,145,328	307,143	13,968,189	30,413	131,145,328	307,143	119,139,065	274,780	(12,006,263)	(32,363)	119,139,065	274,780	117,291,948	270,520	(1,847,117)	(4,260)
General Service 3,000 to 4,999 kW	55,377,072	102,714	55,719,421	123,329	342,349	20,615	55,719,421	123,329	55,719,421	123,329	-	-	55,719,421	123,329	55,719,421	123,329	-	-
Unmetered Scattered Load	492,298		620,588		128,290	-	620,588	-	620,588		-	-	620,588	-	620,588	-	-	-
Sentinel Lighting	39,498	108	53,214	106	13,716	(2)	53,214	106	48,575	97	(4,639)	(9)	48,575	97	49,428	98	853	1
Street Lighting	1,894,110	5,161	2,017,028	5,220	122,918	59	2,017,028	5,220	2,047,875	5,290	30,847	70	2,047,875	5,290	2,065,217	5,335	17,342	45
	279,208,589	384,713	300,473,472	435,798	21,264,883	51,085	300,473,472	435,798	290,126,524	403,496	(10,346,948)	(32,302)	290,126,524	403,496	289,948,010	399,282	(195,856)	(4,259)

CUSTOMER COUNT FORECAST TABLE	2006 Board		Variance from 2006 Board		2007 Bridge		Variance from 2006 Board		Variance from 2007 Bridge	
	Approved	2006 Actual	Approved	2006 Actual	Bridge	Actual	2007 Bridge	2008 Test	Actual	Actual
Residential	7,494	7,781	287	7,781	7,896	115	7,896	8,012	116	
General Service Less Than 50 kW	973	1,044	71	1,044	1,059	15	1,059	1,075	16	
General Service 50 to 2,999 kW	136	142	6	142	129	(13)	129	127	(2)	
General Service 3,000 to 4,999 kW	2	2	-	2	2	-	2	2	-	
Unmetered Scattered Load	76	79	3	79	79	-	79	79	-	
Sentinel Lighting	55	56	1	56	57	1	57	58	1	
Street Lighting	2,643	2,693	50	2,693	2,716	23	2,716	2,739	23	
	11,379	11,797	418	11,797	11,938	141	11,938	12,092	154	

LAKEFRONT UTILITIES INC.

VARIANCE ANALYSIS ON NORMALIZED VOLUME FORECAST

2006 Approved compared to 2006 Actual

The 2006 EDR Board Approved load figures were calculated using a three year average of the loads from 2002, 2003 and 2004, as per the filing requirements for the 2006 EDR.

Using a 3 year average of 2002, 2003 and 2004, plus an increase of 287 residential customers by 2006, and the normalization of loads, has resulted in increase in kWh of 5.1 million kWh in the Residential class.

The GS<50 kW class shows an increase of 71 customers and 1.5 million kWh when comparing the 3 year average in the 2006 EDR to the 2006 Actual. There is a shift in consumption between classes due to reclassification of customers to ensure accounts are within their appropriate class base on historical data. Bulk metering of Condo Developments creates a larger consumption than customer growth indicates.

In the GS>50 to 2,999 kW class, there is an increase of 13.9 million kWh between the 3 year average and 2006 Actual. In comparing this class year by year, it seems 2006 was an abnormally high consumption year for this class of customers. This is an example of how the average used in the 2006 EDR can distort data for comparison purposes.

The difference in the kW data for the USL and Sentinel class when comparing the periods can be attributed to normalization.

Street Lighting increased by 50 connections in 2006 compared to the 3-year average in the 2006 EDR and the load increase is relative.

2006 Actual compared to 2007 Bridge Year

The increase in consumption of approximately 1.1 million kWh for the residential class is primarily due to the projected increase in customers for this class. The residential class is increasing by 115 customers using the annual trend growth rate as a conservative projection for the 2007 Bridge Year while the General Service <50 kW class is seeing an increase of 15 customers, projecting an increase in consumption of approximately .5 million kWh.

General Service >50-2,999 kW class is showing a decrease of 12 million kWh between the 3 year average and 2006 Actual and the loss of 13 customer for that same period.

Street Lighting had 23 connections added with a relative increase in load.

Unmetered Scattered class had no variance between 2006 and the 2007 Bridge forecast.

LAKEFRONT UTILITIES INC.

2007 Bridge Year compared to 2008 Test Year

The increase in consumption of 1.1 million kWh for the residential class is primarily due to the projected increase of approximately 116 customers for this class. This forecast is using the annual trend growth rate as a conservative projection for the 2008 Test Year.

The forecast of General Service <50 kW class is seeing an increase of 16 customers, projecting an increase in consumption of approximately .5 million kWh.

Customer numbers for Sentinel Lighting, Street Lighting, and Unmetered Scattered Load classes in 2007 also represent current (early 2007) number of connections in each of these classes. LUI does not expect the number of customers in these classes to change within the next year and the 2007 current figures are used for 2008.

LAKEFRONT UTILITIES INC.**Customer Count Forecast**

The table below presents historical and forecast customer numbers, by class, for LUI.

CUSTOMER COUNT FORECAST TABLE	2006 Board	2006 Actual	Variance	2006 Actual	2007	Variance	2007 Bridge	2008 Test	Variance
	Approved		Board		Bridge	from 2006			from 2007
Residential	7,494	7,781	287	7,781	7,896	115	7,896	8,012	116
General Service Less Than 50 kW	973	1,044	71	1,044	1,059	15	1,059	1,075	16
General Service 50 to 2,999 kW	136	142	6	142	129	(13)	129	127	(2)
General Service 3,000 to 4,999 kW	2	2	-	2	2	-	2	2	-
Unmetered Scattered Load	76	79	3	79	79	-	79	79	-
Sentinel Lighting	55	56	1	56	57	1	57	58	1
Street Lighting	2,643	2,693	50	2,693	2,716	23	2,716	2,739	23
	11,379	11,797	418	11,797	11,938	141	11,938	12,092	154

LAKEFRONT UTILITIES INC.

VARIANCE ANALYSIS ON CUSTOMER COUNT FORECAST

2006 Board Approved compared to 2006 Actual

There are modest differences between the number of Residential customers in 2006 Approved year and the number actually connected in 2006. The residential class showed an increase of 287 customers over this two year period. This growth was driven by subdivision growth and economical growth in 2006 and is forecast to continue at a modest pace.

The GS<50 kW class shows an increase of 71 customers when comparing the 3 year average in the 2006 EDR and GS>50 to 2,999 kW had an increase of 6 customer.

There was no change to the customer count for GS>3,000 to 4,999 kW class.

USL had an increase of 3 accounts and Sentinel Light I customer.

Street Light class had an increase of 50 connections.

2006 Actual compared to 2007 Bridge Year

Four classes are projecting to show a change in customer numbers from 2006 to 2007. These are residential, GS<50 kW, Sentinel Light and Street Lighting classes. The residential class is increasing by 115 customers, the GS <50 kW class by 15 customers, Sentinel Lights by 1 customer and Street Lighting by 23 connections, using the annual trend growth rate as a conservative projection for the 2007 Bridge Year.

The GS >50 to 2,999 kW class is seeing a decline of 13 customers and the GS> 3,000 to 4,999 kW and USL classes does not expect the number of customers in these classes to change within the Bridge Year.

2007 Bridge Year compared to 2008 Test Year

The same four classes are again projecting to show a change in customer numbers from 2006 to 2007. These are residential, GS<50 kW, Sentinel Light and Street Lighting classes. The residential class is increasing by 116 customers, the GS <50 kW class by 16 customers, Sentinel Lights by 1 customer and Street Lighting by 23 connections, using the annual trend growth rate as a conservative projection for the 2008 Test Year.

The GS >50 to 2,999 kW class is seeing a decline of 2 customers and the GS> 3,000 to 4,999 kW and USL classes does not expect the number of customers in these classes to change in the next year.

LAKEFRONT UTILITIES INC.**HISTORICAL AVERAGE CONSUMPTION****HISTORICAL AVERAGE CONSUMPTION****Residential**

<u>Year</u>	<u>Weather Actual</u>	<u>Weather Normalized</u>	<u>Difference</u>	<u>Actual % Diff</u>
2004	72,371,676	72,247,325	(124,351)	-0.17%
2005 Actual Only	76,866,668	76,866,668	-	0.00%
2006	72,312,541	75,014,202	2,701,661	3.74%
2007 Projection	75,249,578	76,122,882	873,304	1.16%
2008 Projection	77,241,202	77,241,202	-	0.00%

General Service Less Than 50 kW

<u>Year</u>	<u>Weather Actual</u>	<u>Weather Normalized</u>	<u>Difference</u>	<u>Actual % Diff</u>
2004	33,457,986	33,461,965	3,979	0.01%
2005 Actual Only	33,441,962	33,441,962	-	0.00%
2006	33,771,049	35,903,691	2,132,642	6.32%
2007 Projection	35,060,066	36,428,118	1,368,052	3.90%
2008 Projection	36,960,206	36,960,206	-	0.00%

General Service 50 to 2,999 kW

<u>Year</u>	<u>Weather Actual</u>	<u>Weather Normalized</u>	<u>Difference</u>	<u>Actual % Diff</u>
2004	125,155,484	125,603,976	448,492	0.36%
2005 Actual Only	125,407,951	125,407,951	-	0.00%
2006	127,018,112	131,145,328	4,127,216	3.25%
2007 Projection	113,052,296	119,139,065	6,086,769	5.38%
2008 Projection	117,291,948	117,291,948	-	0.00%

LAKEFRONT UTILITIES INC.

General Service 3,000 to 4,999 kW

<u>Year</u>	<u>Weather Actual</u>	<u>Weather Normalized</u>	<u>Difference</u>	<u>Actual % Diff</u>
2004	61,881,063	61,881,063	-	0.00%
2005 Actual Only	52,606,618	52,606,618	-	0.00%
2006	55,719,421	55,719,421	-	0.00%
2007 Projection	55,719,421	55,719,421	-	0.00%
2008 Projection	55,719,421	55,719,421	-	0.00%

Unmetered Scattered Load

<u>Year</u>	<u>Weather Actual</u>	<u>Weather Normalized</u>	<u>Difference</u>	<u>Actual % Diff</u>
2004	470,547	470,547	-	0.00%
2005	574,468	574,468	-	0.00%
2006	620,588	620,588	-	0.00%
2007 Projection	620,588	620,588	-	0.00%
2008 Projection	620,588	620,588	-	0.00%

Sentinel Lighting

<u>Year</u>	<u>Weather Actual</u>	<u>Weather Normalized</u>	<u>Difference</u>	<u>Actual % Diff</u>
2004	54,199	54,199	-	0.00%
2005	43,908	43,908	-	0.00%
2006	53,214	53,214	-	0.00%
2007 Projection	48,575	48,575	-	0.00%
2008 Projection	49,428	49,428	-	0.00%

Street Lighting

<u>Year</u>	<u>Weather Actual</u>	<u>Weather Normalized</u>	<u>Difference</u>	<u>Actual % Diff</u>
2004	2,001,724	2,001,724	-	0.00%
2005	2,010,797	2,010,797	-	0.00%
2006	2,017,028	2,017,028	-	0.00%
2007 Projection	2,047,875	2,047,875	-	0.00%
2008 Projection	2,065,217	2,065,217	-	0.00%

LAKEFRONT UTILITIES INC.**OTHER DISTRIBUTION REVENUE**

OTHER DISTRIBUTION REVENUE	2006 Board Approved (\$'s)	2006 Actual (\$'s)	Variance from 2006 Board Approved (\$'s)	2006 Actual (\$'s)	2007 Bridge (\$'s)	Variance from 2006 Actual (\$'s)	2007 Bridge (\$'s)	2008 Test (\$'s)	Variance from 2007 Actual (\$'s)
<u>Other Distribution Revenue</u>									
Revenues from Non-Utility Operation #4375	-	238,124	238,124	238,124	-	-	-	-	-
Retail Services Revenues #4082	6,925	12,022	5,097	12,022	12,022	-	12,022	12,022	-
Service Transaction Requests (STR) Revenues #4084	3,419	347	(3,072)	347	347	-	347	347	-
SSS Admin #4080	31,099	31,922	823	31,922	35,192	3,270	35,192	35,192	-
Interdepartmental Rents #4205	10,014	45,600	35,586	45,600	45,600	-	45,600	45,600	-
Rent from Electric Property #4210	74,984	56,300	(18,684)	56,300	56,300	-	56,300	56,300	-
Other Utility Operating Income #4215	337,254	-	(337,254)	-	-	-	-	-	-
Revenue from Jobbing #4325	170	-	(170)	-	-	-	-	-	-
Late Payment Charges #4225	27,246	27,565	319	27,565	27,565	-	27,565	27,565	-
Miscellaneous Service Revenues #4235	48,457	103,267	54,810	103,267	103,267	-	103,267	103,267	-
Gain on Disposal #4355	-	10,000	10,000	10,000	-	(10,000)	-	-	-
Interest & Dividend Income #4405	38,917	55,271	16,354	55,271	55,271	-	55,271	55,271	-
TOTAL	578,485	580,418	1,932	580,418	335,564	(6,730)	335,564	335,564	-

In 2004, the interest improvement of \$337,254 on Transition Costs was mistakenly booked to Ac#4215 instead of Regulatory Asset Recovery Account #1590 and reflected in LUI's 2006 EDR. This incorrect booking led to an incorrect offset to LUI's revenue requirement in the 2006 EDR. We adjusted Ac #1590 accordingly in the normalization process for this application.

In 2006 Actual, \$238,124 was booked to Revenue Ac#4375 instead of Regulatory Asset Recovery Ac#1590 due to recoveries of Transition Costs from May 1,2006 to December 31,2006. Lakefront was one of the utilities who, on the advice of our auditors, wrote-down our transition costs, from a tax perspective, in 2002. Subsequent to this, Lakefront was awarded recovery of transition costs in 2006 to be collected in the 2006/2007 and 2007/2008 rate years. In order to reverse the write-down we were advised by KPMG and BDO Dunwoody to create a revenue account and add \$238,124 per year to return the asset to our financial statements to correctly represent our financial position for tax purposes. In utilizing our financial statements for OEB reporting purposes, this additional revenue needs to be removed for rate setting purposes as it is a tax oriented adjustment. Lakefront has accounted for this adjustment in this application.

LAKEFRONT UTILITIES INC.**MATERIALITY ANALYSIS ON OTHER DISTRIBUTION REVENUE**

For any revenue related variance exceeding the materiality threshold of 1%, a detailed explanation is required. The materiality threshold of 1% is based on 2006 Board Approved base revenue requirement equals (1% x \$3,334,235) or \$33,343. The following represents Revenue accounts that exceed the materiality threshold:

Revenue Account	2006 Board Approved	2007 Bridge	Variance
Revenues from Non-Utility Operation #4375	\$ -	\$ 238,124	\$ 238,124
Explanation: Collection of transition costs / premarket opening expenses previously written off brought back into income.			

Revenue Account	2006 Board Approved	2007 Bridge	Variance
Interdepartmental Rent	\$ 10,014	\$ 45,600	\$ 35,586
Explanation: New garage facility rental income resulting in increase.			

Revenue Account	2006 Board Approved	2007 Bridge	Variance
Other Utility Operating Income #4215	\$ 337,254	\$ -	\$ (337,254.00)
Explanation: Interest on Regulatory Asset was included in Reg Asset Application and ALSO as a revenue offset in 2006 EDR incorrectly			

Revenue Account	2006 Board Approved	2007 Bridge	Variance
Miscellaneous Service Revenues #4235	\$ 48,457	\$ 103,267	\$ 54,810
Explanation: Increase in change of occupancy rate			

LAKEFRONT UTILITIES INC.

RATE OF RETURN ON OTHER REVENUE

Not Applicable

LAKEFRONT UTILITIES INC.**DISTRIBUTION REVENUE DATA****DISTRIBUTION REVENUE DATA**

Board Approved (2004 Data)						
	Customers	Consumption	Consumption	Distribution	Unit	Unit
	(Year-End)	(kWh)	(KW)	Revenues	Revenues	Revenues
				(\$)	\$/kWh	\$/KW
Residential	7,494	69,840,545	-	1,556,630	0.022	
General Service Less Than 50 kW	973	34,387,927	-	588,252	0.017	
General Service 50 to 2,999 kW	136	117,177,139	276,730	1,082,674		3.912
General Service 3,000 to 4,999 kW	2	55,377,072	102,714	73,807		0.719
Unmetered Scattered Load	76	492,298	-	22,113	0.045	
Sentinel Lighting	55	39,498	108	1,803		16.691
Street Lighting	2,643	1,894,110	5,161	8,957		1.736
TOTAL	11,379	279,208,589	384,713	3,334,236		

2006 Actual						
	Customers	Consumption	Consumption	Distribution	Unit	Unit
	(Year-End)	(kWh)	(KW)	Revenues	Revenues	Revenues
				(\$)	\$/kWh	\$/KW
Residential	7,781	72,312,541	-	1,581,240	0.022	
General Service Less Than 50 kW	1,044	33,771,049	-	588,439	0.017	
General Service 50 to 2,999 kW	142	127,018,112	297,477	982,452		3.303
General Service 3,000 to 4,999 kW	2	55,719,421	123,329	106,776		0.866
Unmetered Scattered Load	79	620,588	-	9,240	0.015	
Sentinel Lighting	56	53,214	106	1,711		16.143
Street Lighting	2,693	2,017,028	5,220	24,298		4.655
TOTAL	11,797	291,511,953	426,132	3,294,157		

2006 Normalized						
	Customers	Normalized	Consumption	Distribution	Unit	Unit
	(Year-End)	Consumption	Consumption	Revenues	Revenues	Revenues
		(kWh)	(KW)	(\$)	\$/kWh	\$/KW
Residential	7,781	75,014,202	-	1,640,316	0.022	
General Service Less Than 50 kW	1,044	35,903,691	-	625,599	0.017	
General Service 50 to 2,999 kW	142	131,145,328	307,143	1,014,375		3.303
General Service 3,000 to 4,999 kW	2	55,719,421	123,329	106,776		0.866
Unmetered Scattered Load	79	620,588	-	9,240	0.015	
Sentinel Lighting	56	53,214	106	1,711		16.143
Street Lighting	2,693	2,017,028	5,220	24,298		4.655
TOTAL	11,797	300,473,472	435,798	3,422,317		

LAKEFRONT UTILITIES INC.**DISTRIBUTION REVENUE DATA**

Board Approved (2004 Data)						
2007 Bridge - Projection						
	Customers	Projected Consumption	Consumption	Distribution Revenues	Unit Revenues	Unit Revenues
	(Year-End)	(kWh)	(KW)	(\$)	\$/kWh	\$/KW
Residential	7,896	76,122,882	-	1,787,945	0.022	
General Service Less Than 50 kW	1,059	36,428,118	-	681,903	0.018	
General Service 50 to 2,999 kW	129	119,139,065	274,780	1,105,668		3.332
General Service 3,000 to 4,999 kW	2	55,719,421	123,329	116,386		0.874
Unmetered Scattered Load	79	620,588	-	10,072	0.015	
Sentinel Lighting	57	48,575	97	1,865		16.288
Street Lighting	2,719	2,047,875	5,290	26,485		4.697
TOTAL	11,941	290,126,524	403,496	3,730,325		

2008 Test - Projected						
	Customers	Projected Consumption	Consumption	Projected Base Revenue Requirement	Unit Revenues	Unit Revenues
	(Year-End)	(kWh)	(KW)	(\$)	\$/kWh	\$/KW
Residential	8,012	77,241,202	-	2,147,948	0.028	
General Service Less Than 50 kW	1,075	36,960,206	-	790,653	0.021	
General Service 50 to 2,999 kW	127	117,291,948	270,520	1,314,181		4.858
General Service 3,000 to 4,999 kW	2	55,719,421	123,329	433,088		3.512
Unmetered Scattered Load	79	620,588	-	17,249	0.028	
Sentinel Lighting	58	49,428	98	3,263		33.296
Street Lighting	2,739	2,065,217	5,335	35,896		6.728
TOTAL	12,092	289,948,010	399,282	4,742,278		

LAKEFRONT UTILITIES INC.

<u>Ex.</u>	<u>Tab</u>	<u>Schedule</u>	<u>Contents of Schedule</u>
<u>4 - Operating Costs</u>			
	1		Overview
		1	Overview of Operating Costs
		2	Summary of Operating Costs Table
	2		OM&A Costs
		1	OM&A Costs Table
		2	Variance Analysis on OM&A Costs Table
		3	Materiality Analysis on OM&A Costs
		4	Shared Services
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		6	Purchase of Services
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		8	Depreciation, Amortization and Depletion
		9	Loss Adjustment Factor Calculation
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	3		Income Tax, Large Corporation Tax
		1	Tax Calculations
		2	Interest Expense
		3	Capital Cost Allowance (CCA)

LAKEFRONT UTILITIES INC.

OVERVIEW OF OPERATING COSTS

Operating Costs

The operating costs presented in this exhibit represent the annual expenditures required to sustain LUI's Distribution Operations. The information presented in this exhibit is grouped into two different categories: Operation & Maintenance and Other Costs which include items such as Administration & General, Customer Accounting, Depreciation, Amortization and Depletion, Shared Services and Loss Adjustment Factor.

The second category includes Income Tax, Large Corporation Tax and Ontario Capital Taxes. It provides a summary of LUI's Operating Costs for the historical, bridge and test years.

OM&A Costs

LUI is a subsidiary of the Town of Cobourg and the associated affiliates are Lakefront Utility Services Inc. ("LUSI"), Cobourg Networks Inc. ("CNI") that share services. LUSI is a service company providing services to LUI and CNI. LUSI also provides water services to the Town of Cobourg. The revenues and expenses associated with providing the services are allocated to the respective entity at cost. CNI provides Internet services to LUSI to operate the Billing system through the Application Service Provider (ASP) model via Erie Thames in order to provide billing services for both LUI and the Water Department. Building and administration expenses (such as Human Resources) are also allocated at cost on a user-based calculation.

LUSI is a non-profit services company that provides the manpower required by Lakefront Utilities Inc. The subsidiary, in this case LUI, requests the services company (LUSI) to perform the required functions in order for the utility (LUI) to meet its obligations. As LUSI is a non-profit organization, it serves as a vehicle to provide manpower services to LUI, and LUI is charged the actual cost of the services on a straight line pass-thru methodology. All expenses and charges associated with providing that manpower services to LUI by LUSI are based on actual costs incurred and are based solely on cost recovery. There is no margin or profit in the charges assessed to LUI so that when extra charges are incurred by LUSI related to the services provided, the costs must be passed through to LUI as though LUI incurred that expense on its own.

The OM&A costs in this exhibit represents LUI's integrated set of asset maintenance and customer activity needs to meet public and employee safety objectives; to comply with the Distribution System Code, environmental requirements and Government direction; and to maintain distribution business service quality and reliability at acceptable performance levels. These costs also include providing services to customers connected to LUI's distribution system, and to meet the service levels stipulated in the Standard Supply Service Code and the Retailer Settlement Codes.

The proposed OM&A cost expenditures for the 2008 test year result from a rigorous business planning and work prioritization process that reflects risk-based decision making to ensure that the most appropriate, cost effective solutions are put in place.

LAKEFRONT UTILITIES INC.

OM&A expenditures totaled \$2,549,552 in the 2006 Board Approved, \$2,685,925 in 2006 Actual and are forecast to be \$2,884,630 in 2007 and \$3,431,323 in 2008.

OM&A services for LUI are performed by Lakefront Utility Services Inc. ("LUSI") and the costs for these services are borne by LUI as though they were incurred directly by LUI.

Income Tax, Large Corporation Tax and Ontario Capital Taxes

This information consists of detailed calculations of income tax payments to the Province.

The Income Taxes, Large Corporation Taxes and Ontario Capital Taxes expenditures totaled \$323,376 in 2006 Board Approved, \$306,478 in 2006 Actual and are forecast to be \$568,665 in 2007 and \$407,157 in 2008.

LAKEFRONT UTILITIES INC.**SUMMARY OF OPERATING COSTS**

	2006 Board Approved	2006 Actual	2007 Bridge	2008 Test
OM&A expenses				
Operations	523,452	481,734	568,635	620,871
Maintenance	104,971	88,033	114,011	324,385
Biling & Collecting	223,962	420,421	441,986	453,844
Community Relations	8,918	17,130	138,936	100,175
Administrative and General Expenses	928,754	801,751	786,480	988,498
Taxes Other Than Income	21,919	52,040	53,601	55,209
	<u>1,811,976</u>	<u>1,861,109</u>	<u>2,103,649</u>	<u>2,542,982</u>
Amortization Expense	737,576	824,816	780,981	888,341
Total Distribution OM&A Expenses	2,549,552	2,685,925	2,884,630	3,431,323
LCT, OCT & Income Taxes	323,377	306,478	568,666	407,159
TOTAL OPERATING COSTS	2,872,929	2,992,403	3,453,296	3,838,482

Depreciation for 2006 was \$824,816 and for 2007 is forecasted to be \$780,981 a decrease of \$43,835. This decrease is in spite of the fact that we forecast additions to be \$1.5 million in 2007, which with the 50% rule, and a depreciation rate of approximately 5%, should increase depreciation by \$37,500. Below is an explanation of the decrease from 2006 to 2007:

Explanation of decrease in depreciation from 2006 to 2007:

Account #	Account Name	Decrease in depreciation
1808	Land and buildings	
	In 2006 the new garage was being depreciated over a period of 20 years , in 2007 the depreciation is being calculated over a period of 50 yrs resulting in a depreciation deduction from 2006 to 2007	\$ 16,000.00
1908	General buildings	
	Office renovations were fully depreciated in 2006 resulting in a deduction in depreciation of	\$ 25,000.00
	Computer	
1920	Hardware	
	Fully depreciated assets retired, resulting in reduction in depreciation of	\$ 12,000.00
	We were depreciating over a period of 5 years changed to 10 years in 2007 depreciation reduced in half, reduction	
1915	Office furniture	
	We had been depreciating trucks over 5 years changed to 8 years in 2007, reduction in depreciation despite the addition of a truck in 2007	\$ 8,500.00
1930	Rolling stock	
	Depreciation despite the addition of a truck in 2007	\$ 18,000.00
1980	Equipment	
	Decrease due to change in depreciation in 2006 over 10 years in 2007 over 15 years	\$ 2,000.00
	Total decrease from 2006 to 2007	<u>\$ 81,500.00</u>
	Less increase due to new additions	<u>\$ 37,500.00</u>
	Difference, decrease in depreciation from 2006 to 2007	<u>\$ 44,000.00</u>

LAKEFRONT UTILITIES INC.

OM&A COSTS TABLE

OM&A Detailed Costs Table	2006 Board		Variance	Variance	2007 Bridge		Variance	Variance	2008 Test		Variance	Variance
	Approved	2006 Actual	from 2006 Board Approved	% of Dist. Expense	2006 Actual	2007 Bridge	from 2006 Actual	% of Dist. Expense	2007 Bridge	2008 Test	from 2007 Bridge	% of Dist. Expense
3500 Distribution Expenses - Operation				26,859				28,846				34,313
		1 % of Distribution Expense		(26,859)		1 % of Distribution Expense		(28,846)		1 % of Distribution Expense		(34,313)
5005-Operation Supervision and Engineering	131,397	126,807	4,590		126,807	136,368	(9,561)		136,368	140,459	(4,091)	
5014-Transformer Station Equipment - Operation Labour	-	5,175	(5,175)		5,175	7,462	(2,287)		7,462	7,686	(224)	
5015-Transformer Station Equipment - Operation Supplies and Expenses	20,693	29,979	(9,286)		29,979	43,672	(13,693)		43,672	41,527	2,145	
5016-Distribution Station Equipment - Operation Labour	85,160	-	85,160	3.17%	-	-	-		-	-	-	
5017-Distribution Station Equipment - Operation Supplies and Expenses	4,241	-	4,241		-	-	-		-	-	-	
5020-Overhead Distribution Lines and Feeders - Operation Labour	192,532	159,245	33,287	1.24%	159,245	215,752	(56,507)	-1.96%	215,752	260,858	(45,106)	-1.31%
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	31,666	129,262	(97,596)	-3.63%	129,262	133,140	(3,878)		133,140	137,134	(3,994)	
5030-Overhead Subtransmission Feeders - Operation	-	-	-		-	-	-		-	-	-	
5035-Overhead Distribution Transformers- Operation	3,676	1,069	2,607		1,069	1,514	(445)		1,514	1,558	(44)	
5040-Underground Distribution Lines and Feeders - Operation Labour	51,572	22,091	29,481	1.10%	22,091	24,725	(2,634)		24,725	25,467	(742)	
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	2,083	6,017	(3,934)		6,017	3,850	2,167		3,850	3,966	(116)	
5055-Underground Distribution Transformers - Operation	432	-	432		-	-	-		-	-	-	
5085-Miscellaneous Distribution Expense	-	2,089	(2,089)		2,089	2,152	(63)		2,152	2,216	(64)	
3500 Distribution Expenses - Operation	\$ 523,452	481,734	41,718		481,734	568,635	(86,901)		568,635	620,871	(52,236)	

LAKEFRONT UTILITIES INC.
OM&A COSTS TABLE

OM&A Detailed Costs Table	2006 Board		Variance	Variance % of Dist. Expense	2006 Actual	2007 Bridge	Variance	Variance % of Dist. Expense	2007 Bridge	2008 Test	Variance	Variance % of Dist. Expense
	Approved	2006 Actual	from 2006 Board Approved				from 2006 Actual				from 2007 Bridge	
3550 Distribution Expenses - Maintenance												
5114-Maintenance of Distribution Station Equipment	4,640	-	4,640		-	-	-		-	-	-	
5120-Maintenance of Poles, Towers and Fixtures	4,883	3,433	1,450		3,433	3,033	400		3,033	3,124	(91)	
5135-Overhead Distribution Lines and Feeders - Right of Way	80,094	21,539	58,555	2.18%	21,539	17,492	4,047		17,492	18,016	(524)	
5155-Maintenance of Underground Services	39	214	(175)		214	214	-		214	214	-	
5160-Maintenance of Line Transformers	865	34,975	(34,110)	-1.27%	34,975	63,613	(28,638)		63,613	65,522	(1,909)	
5175-Maintenance of Meters	14,450	27,872	(13,422)		27,872	29,659	(1,787)		29,659	237,509	(207,850)	-6.06%
3550 Distribution Expenses - Maintenance	104,971	88,033	16,938		88,033	114,011	(25,978)		114,011	324,385	(210,374)	
3650 Billing and Collecting												
5310-Meter Reading Expense	48,560	55,580	(7,020)		55,580	63,624	(8,044)		63,624	65,533	(1,909)	
5315-Customer Billing	63,349	115,706	(52,357)	-1.95%	115,706	119,269	(3,563)		119,269	122,846	(3,577)	
5320-Collecting	76,796	89,253	(12,457)		89,253	94,469	(5,216)		94,469	97,303	(2,834)	
5325-Collecting- Cash Over and Short	(161)	(17)	(144)		(17)	(17)	-		(17)	(17)	-	
5330-Collection Charges	2,841	674	2,167		674	501	173		501	516	(15)	
5335-Bad Debt Expense	758	46,344	(45,586)	-1.70%	46,344	46,344	-		46,344	46,344	-	
Expenses	31,819	112,881	(81,062)	-3.02%	112,881	117,796	(4,915)		117,796	121,319	(3,523)	
3650 Billing and Collecting	223,962	420,421	(196,459)		420,421	441,986	(21,565)		441,986	453,844	(11,858)	
3700 Community Relations												
5410-Community Relations - Sundry	9,718	17,130	(7,412)		17,130	19,767	2,637		19,767	19,767	-	
5415-Energy Conservation	-	-	-		-	119,169	119,169	4.13%	119,169	80,408	38,761	1.13%
5515-Advertising Expense	(800)	-	(800)		-	-	-		-	-	-	
3700 Community Relations	8,918	17,130	(8,212)		17,130	138,936	121,806		138,936	100,175	38,761	

LAKEFRONT UTILITIES INC.

OM&A COSTS TABLE

OM&A Detailed Costs Table	2006 Board		Variance	Variance	2006 Actual		Variance	Variance	2007 Bridge		Variance	Variance
	Approved	2006 Actual	from 2006 Board Approved		% of Dist. Expense	2006 Actual	2007 Bridge		from 2006 Actual	% of Dist. Expense	2007 Bridge	
3800 Administrative and General Expenses												
5605-Executive Salaries and Expenses	30,151	16,644	13,507		16,644	17,143	(499)		17,143	17,657	(514)	
5610-Management Salaries and Expenses	285,002	268,484	16,518		268,484	303,221	(34,737)	-1.20%	303,221	312,318	(9,097)	
5615-General Administrative Salaries and Expenses	73,748	75,625	(1,877)		75,625	79,406	(3,781)		79,406	148,698	(69,292)	-2.02%
5620-Office Supplies and Expenses	81,592	80,603	989		80,603	91,195	(10,592)		91,195	93,931	(2,736)	
5630-Outside Services Employed	85,077	201,180	(116,103)	-4.32%	201,180	121,974	79,206	2.75%	121,974	138,624	(16,650)	
5635-Property Insurance	16,164	14,466	1,698		14,466	19,335	(4,869)		19,335	19,915	(580)	
5640-Injuries and Damages	33,445	37,409	(3,964)		37,409	38,404	(995)		38,404	39,556	(1,152)	
5645-Employee Pensions and Benefits	1,617	-	1,617		-	-	-		-	-	-	
5655-Regulatory Expenses	45,012	46,296	(1,284)		46,296	49,198	(2,902)		49,198	149,198	(100,000)	-2.91%
5660-General Advertising Expenses	-	5,444	(5,444)		5,444	4,879	565		4,879	5,025	(146)	
5665-Miscellaneous General Expenses	240,371	1,750	238,621	8.88%	1,750	3,422	(1,672)		3,422	3,524	(102)	
5675-Maintenance of General Plant	36,575	27,846	8,729		27,846	31,519	(3,673)		31,519	32,464	(945)	
5680-Electrical Safety Authority Fees	-	26,004	(26,004)		26,004	26,784	(780)		26,784	27,588	(804)	
3800 Administrative and General Expenses	928,754	801,751	127,003		801,751	786,480	15,271		786,480	988,498	(202,018)	
3850 Amortization Expense												
and Equipment	737,576	824,816	(87,240)	-3.25%	824,816	780,981	43,835	1.52%	780,981	888,341	(107,360)	-3.13%
5725-Miscellaneous Amortization	-	-	-		-	-	-		-	-	-	
3850 Amortization Expense	737,576	824,816	(87,240)		824,816	780,981	43,835		780,981	888,341	(107,360)	
3950 Taxes Other Than Income Taxes												
6105-Taxes Other Than Income Taxes	21,919	52,040	(30,121)	-1.12%	52,040	53,601	(1,561)		53,601	55,209	(1,608)	
3950 Taxes Other Tan Income Taxes	21,919	52,040	(30,121)		52,040	53,601	(1,561)		53,601	55,209	(1,608)	
Income Taxes												
6110-Income Taxes	323,377	306,478	16,899		306,478	568,666	(262,189)	-9.09%	568,666	407,159	161,508	4.71%
Income Taxes	323,377	306,478	16,899		306,478	568,666	(262,189)		568,666	407,159	161,508	
TOTAL OM&A COSTS	2,872,929	2,992,403	(119,474)		2,992,403	3,453,296	(217,282)		3,453,296	3,838,482	(385,185)	
TOTAL DISTRIBUTION EXPENSE	2,549,552	2,685,925			2,685,925	2,884,630			2,884,630	3,431,323		

LAKEFRONT UTILITIES INC.

VARIANCE ANALYSIS ON OM&A COSTS

A summary of operating and maintenance costs is presented above in Exhibit 4, Tab 2, Schedule 1 and provides a comparison year by year. A column was added to indicate costs that exceed the variance threshold of 1% of distribution expenses before PILs for each of the scenarios. While LUI understands the Filing Requirements, we feel these scenarios show a clear picture of the cost transitions presented.

LAKEFRONT UTILITIES INC.**MATERIALITY ANALYSIS ON OM&A COSTS****MATERIALITY ANALYSIS ON OM&A COSTS**

Distribution Expenses	2006 Actual	2007 Bridge	2008 Test
OM&A	1,861,109	2,103,649	2,542,982
Amortization	824,816	780,981	888,341
Distribution Expense Before PILs	2,685,925	2,884,630	3,431,323
1 % of Distribution Expense Before PILs	26,859	28,846	34,313

LUI has selected the lowest level of materiality amount of the 3 years (\$26,859) for the most effective review of costs.

Materiality Analysis: Historical Board Approved vs. Historical Actual

Account	2006 Board Approved	2006 Actual	Variance from 2006 Board Approved
5016-Distribution Station Equipment - Operation Labour	85,160	-	85,160
The 2006 cost was recorded in account 5025 below			
5020-Overhead Distribution Lines and Feeders - Operation Labour	192,532	159,245	33,287
Did not have full OEB approved employee compliment in 2006			
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	31,666	129,262	(97,596)
Increase in expense in 2006 included costs approved in account 5016 above			
5040-Underground Distribution Lines and Feeders - Operation Labour	51,572	22,091	29,481
Reallocation of costs between USoA accounts, actual costs lower then previous			
5135-Overhead Distribution Lines and Feeders - Right of Way	80,094	21,539	58,555
This account has been incorrectly used for tree trimming of Dist. Line feeders and varies with weather.			
5160-Maintenance of Line Transformers	865	34,975	(34,110)
Costs higher then previous due to more maintenance performed, transformer failure, storms, etc.			

LAKEFRONT UTILITIES INC.**Materiality Analysis: Historical Board Approved vs. Historical Actual (cont.)**

Account	2006 Board Approved	2006 Actual	Variance from 2006 Board Approved
5315-Customer Billing	63,349	115,706	(52,357)
Increase in costs due to some supervision time now allocated to billing and more time being allocated			
5335-Bad Debt Expense	758	46,344	(45,586)
Customer accounts receivable were reviewed and examined and older uncollected accounts were written off in 2006 that exceeded the bad debt provision			
5340-Miscellaneous Customer Accounts Expenses	31,819	112,881	(81,062)
Computer support etc. previously tracked and expensed as transition costs now recorded in here, costs of services received increased			
5630-Outside Services Employed	85,077	201,180	(116,103)
Reallocation of costs from miscellaneous account 5665 to this account; see 5340			
5665-Miscellaneous General Expenses	240,371	1,750	238,621
Reallocation of costs to other operating accounts such as 5630 and 5340			
5705-Amortization Expense - Property, Plant, and Equipment	737,576	824,816	(87,240)
Capital asset additions increased, such as a new garage, resulting in increase in amortization			
6105-Taxes Other Than Income Taxes	21,919	52,040	(30,121)
Property taxes increased, new garage and rate increases			

Materiality Analysis: Historical Actual vs. Bridge Year

Account	2006 Actual	2007 Bridge	Variance from 2006 Actual
5020-Overhead Distribution Lines and Feeders - Operation Labour	159,245	215,752	(56,507)
Difference allows for projected full compliment of linemen in 2007			
5160-Maintenance of Line Transformers	34,975	63,613	(28,638)
Costs of maintenance increased to address reliability of service issues			
5415-Energy Conservation	-	38,761	(38,761)
Additional CDM costs approval from Board Decision dated August 13, 2007			
5610-Management Salaries and Expenses	268,484	303,221	(34,737)
Increase in wage rates due to wage scale improvements (progressions)			
5630-Outside Services Employed	201,180	121,974	79,206
Reduction in services used from previous years			
5705-Amortization Expense - Property, Plant, and Equipment	824,816	780,981	43,835
The projected amortization expense is reasonable due to projected capital asset acquisitions and assets being retired			
6110-Income Taxes	306,478	568,666	(262,189)
Reflect increase in income before taxes in 2007			

LAKEFRONT UTILITIES INC.**OM&A Materiality Analysis: Bridge Year vs. Test Year**

Account	2007 Bridge	2008 Test	Variance from 2007 Bridge
5020-Overhead Distribution Lines and Feeders - Operation Labour	215,752	260,858	(45,106)
Increase in wage and benefit costs, reallocation of labour costs from capital to maintenance in 2008			
5175-Maintenance of Meters	29,659	237,509	(207,850)
Increase in costs due to the installation of smart meters and the resulting operating cost increases associated with their operation			
5415-Energy Conservation	38,761	80,408	(41,647)
\$38,761 CDM Board Decision in 2007 IRM & additional \$80,408 to collect in 2008 rates for a total of \$119,169			
5615-General Administrative Salaries and Expenses	79,406	148,698	(69,292)
Wages increases, 3%, and the additional requirement for an employee in the finance department			
5655-Regulatory Expenses	49,198	149,198	(100,000)
Increase in costs associated with the preparation of the 2008 rate application			
5705-Amortization Expense - Property, Plant, and Equipment	780,981	888,341	(107,360)
Additional capital assets resulting in increase in amortization expense			
6110-Income Taxes	568,666	407,159	161,508
Decrease in income before taxes resulting in less PILS, income taxes being paid			

2008 Test year

The 2008 test year the total net OM&A forecast cost is expected to be \$3,431,323.

Wages and benefits make up 29% of the total net Operating & Maintenance costs. Administration and General costs total a further 28%. Customer Accountings costs accounts for 13% of the total OM&A costs.

2007 Bridge Year

Total net OM&A forecast costs for 2007 is expected to be \$2,884,630. Wages and benefits make up 32% of the total net Operating & Maintenance costs. Administration and General costs total a further 27%. Customer Accountings costs accounts for 15% of the total OM&A costs.

2006 Actual

Total net OM&A forecast costs for 2006 was \$2,685,925. Wages and benefits make up 32.4% of the total net Operating & Maintenance costs. Administration and General costs total a further 30%. Customer Accountings costs accounts for 15.7% of the total OM&A costs.

LAKEFRONT UTILITIES INC.

SHARED SERVICES

Please refer to LUI's shared services model on Exhibit 4, Tab 1, Schedule 1, page 2 under OM&A costs.

LAKEFRONT UTILITIES INC.

CORPORATE COST ALLOCATION

LUI provides occupancy rental to Water Billing and CNI. The expenses of these services are shared in proportion of their use and at cost. The cost sharing is reviewed from time to time to ensure that the cost split reflects practice.

LAKEFRONT UTILITIES INC.**PURCHASE OF SERVICES****Lakefront Utilities Inc.
Purchase of Services**

	2006 Actual	2007 Bridge	2008 Test
<u>ERIE THAMES SERVICES CO</u>	\$ 112,200	\$ 125,400	\$ 129,160
Software Support/Utilismart Contract			
<u>BDO DUNWOODY</u>	\$ 103,300	\$ 70,000	\$ 75,000
Audit Fees/Valuation Cost Approach			
<u>RDI CONSULTING INC.</u>	\$ 54,063	\$ 55,000	\$ 57,000
Financial Consulting Cost Approach			
<u>The Ritz/Nick Rizzo, Alvin Ramer</u>	\$ 31,070	\$ 35,500	\$ 36,800
Meter Reading Contract			
<u>JAMES W. GORDON INS.</u>	\$ 19,350	\$ 20,000	\$ 21,000
Property Insurance Cost Approach			
<u>ALTERNATIVE RISK SERVICES</u>	\$ 9,348	\$ 7,534	\$ 8,000
Excess Liability Insurance Cost Approach			
<u>NEOPOST DIGITAL POSTAGE ON CALL</u>	\$ 18,000	\$ 18,000	\$ 18,500
Mailing maintenance costs Cost Approach			
<u>HYDRO ONE Truck Centre</u>	\$ 15,971	\$ 16,000	\$ 16,000
Maintenance/Hydraulic of Aerial Diggers Trucks Cost Approach			
<u>XTREME MOTORSPORTS</u>	\$ 13,830	\$ 14,000	\$ 14,500
Truck Repairs/Maintenance Cost Approach			
<u>ELECTRICITY DIST. ASSOC</u>	\$ 11,900	\$ 12,000	\$ 12,300
Membership Fees Cost Approach			

LAKEFRONT UTILITIES INC.

	2006 Actual	2007 Bridge	2008 Test
<u>ELECTRICAL SAFETY AUTHORITY</u>	\$ 6,138	\$ 4,862	\$ 6,500
Regulatory Oversight			
Cost Approach			
<u>HYDRO ONE NETWORKS INC.</u>	\$ 19,900	\$ 10,000	\$ 10,000
Cost Allocation/Load Analysis/Wholesale Meter Exit			
Cost Approach			
<u>OGILVY RENAULT</u>	\$ 19,549	\$ 5,000	\$ 25,000
Transition Cost/2008 Rate Application			
Cost Approach			
<u>CHEC (Cornerstone Hydro Electric Companies)</u>	\$ 8,800	\$ 9,050	\$ 9,200
Membership Fees			
Cost Approach			
<u>Elenchus Research Associates (ERA)</u>	\$ -	\$ 3,000	\$ 12,600
2008 Rate Application			
Cost Approach			
<u>ONTARIO LINE CLEARING &</u>	\$ 12,320	\$ 13,500	\$ 13,500
Tree-trimming			
Cost Approach			
<u>OSHAWA PUC NETWORKS</u>	\$ 19,110	\$ 6,520	\$ 14,520
Metering MSP SETUP & Verification			
Cost Approach			
<u>UTIL-ASSIST</u>	\$ 6,977	\$ 15,000	\$ 15,000
Smart-Meter Consulting Services/OUSM Working Group			
Cost Approach			
<u>UTILITY FINANCIAL CONCEPTS INC.</u>		\$ 5,000	\$ 5,000
Financial Consulting/Rate Application Consulting			
Cost Approach			
<u>D.O.S.S.</u>	\$ 6,701	\$ 7,000	\$ 7,250
Office Supplies			
Cost Approach			
Annual Total	488,528	452,366	506,830

LAKEFRONT UTILITIES INC.

EMPLOYEE DESCRIPTION

Number of employees (Full-time equivalents (FTE's)):

	2006 Board Approved	2006 Actual	2007 Bridge	2008 Test
Executive	3	1.5	1.5	1.5
Management	4	4	4	5
Non-Unionized	0	1	1	1
Unionized	10	9	10	10
TOTAL	17	15.5	16.5	17.5

Compensation (Total Salary and Wages (\$)):

	2006 Board Approved	Average	2006 Actual	Average	2007 Bridge	Average	2008 Test	Average
Executive	135,236	45,079	143,536	95,691	148,000	98,667	153,000	102,000
Management	227,853	56,963	272,246	68,062	280,000	70,000	322,400	64,480
Non-Unionized (Summer Students)	-	-	20,215	20,215	20,900	20,900	22,000	22,000
Unionized	376,296	37,630	469,239	52,138	550,000	55,000	566,000	56,600
TOTAL	739,385	43,493	905,236	58,402	998,900	60,539	1,063,400	60,766

Compensation (Total Benefits (\$)):

	2006 Board Approved	Average	2006 Actual	Average	2007 Bridge	Average	2008 Test	Average
Executive	33,809	11,270	28,143	18,762	29,269	19,512	30,440	20,293
Management	56,963	14,241	62,823	15,706	65,336	16,334	84,937	16,987
Non-Unionized (Summer Students)	-	-	2,159	2,159	2,245	2,245	2,335	2,335
Unionized	105,122	10,512	123,530	13,726	142,746	14,275	148,456	14,846
Total	195,894	11,523	216,655	13,978	239,596	14,521	266,168	15,210

Compensation (Total Incentives (\$)):

	2006 Board Approved	Average	2006 Actual	Average	2007 Bridge	Average	2008 Test	Average
Executive	169,045	56,348	171,679	114,453	177,269	118,179	183,440	122,293
Management	284,816	94,939	335,069	223,379	345,336	230,224	407,337	271,558
Non-Unionized	-	-	22,374	14,916	23,145	15,430	24,335	16,223
Unionized	481,418	160,473	592,769	395,179	692,746	461,831	714,456	476,304
Total	935,279	55,016	1,121,891	72,380	1,238,496	75,060	1,329,568	75,975

Total of Costs charged to O&M (\$):

	2006 Board Approved	Average	2006 Actual	Average	2007 Bridge	Average	2008 Test	Average
TOTAL	-	-	826,449	53,319	911,996	55,272	975,084	55,719

Status of pension funding

LUI contributes to the Ontario Municipal Employee Retirement System (OMERS), a defined benefit pension plan for employees. As LUI is only liable for the contributions, defined contribution plan accounting is used by LUI. LUI's contribution to the pension fund for employee's current service for the year ended December 31, 2006 was \$42,223.29

LAKEFRONT UTILITIES INC.**AMORTIZATION EXPENSES**

DEPRECIATION, AMORTIZATION AND DEPLETION	2006 Board Approved	Accumulative Depreciation		2006 Actual	Accumulative Depreciation		2007 Bridge	Accumulative Depreciation		2008 Test	Accumulative Depreciation	
	(\$'s)	Rate	(\$'s)	(\$'s)	Rate	(\$'s)	(\$'s)	Rate	(\$'s)	(\$'s)	Rate	(\$'s)
Intangible Plant	293,600	0%	-	482,400	0%	-	482,400	0%	-	482,400	0%	-
Land and Buildings	104,555		10,660	995,716	2 - 4 %	45,380	1,045,716	2 - 4 %	61,636	1,055,716	2 - 4 %	78,492
TS Primary Above 50	21,401		2,568	-		-	-		-	-		-
DS	2,517,601		1,079,547	2,730,090	3.3%	1,277,201	2,730,090	3.3%	1,368,113	2,730,090	3.3%	1,459,025
Poles and Wires	10,232,555	4%	4,970,599	9,887,102	4%	4,754,282	10,458,339	4%	5,040,839	10,642,006	4%	5,353,673
Line Transformers	3,362,875	4%	1,249,182	3,377,741	4%	1,514,536	4,015,084	4%	1,662,394	4,195,996	4%	1,826,616
Services and Meters	1,243,181	4%	542,909	1,203,221	4%	468,537	1,283,221	4 - 5.7%	532,981	3,325,040	4 - 5.7%	657,897
General Plant	507,818	6.6%	421,373	428,578	6.6%	399,763	1	6.6%	(24,528)	1	6.6%	(24,529)
IT Assets	337,840	20%	272,899	184,027	20%	102,030	147,446	20%	83,596	221,522	20%	79,568
Equipment	236,263	10%	102,900	437,204	10%	152,647	501,312	10%	201,693	708,624	10%	170,259
Other Distribution Assets	(604,837)	4 - 6.7 %	(46,834)	(939,477)	4 - 6.7 %	(109,655)	(968,096)	4 - 6.7 %	(176,044)	(968,096)	4 - 6.7 %	(214,768)
GROSS ASSET TOTAL	18,252,852		8,605,805	18,786,602		8,604,721	19,695,513		8,750,680	22,393,299		9,386,233

LAKEFRONT UTILITIES INC.**LOSS ADJUSTMENT FACTOR CALCULATION**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	
A "Wholesale" kWh (IESO)	295,392,679	294,449,711	295,830,926	
B Wholesale kWh for Large Use customer(s) (IESO)	-	-	-	
C Net "Wholesale" kWh (A)-(B)	295,392,679	294,449,711	295,830,926	
D Retail kWh (Distributor)	280,158,597	278,533,174	278,580,519	
Unbilled kWh	2,708,451	1,920,715	2,085,849	
E Retail kWh for Large Use Customer(s) (1% loss)	-	-	-	
F Net "Retail" kWh (D)-(E)	282,867,048	280,453,889	280,666,368	
G Loss Factor [(C)/(F)]	0.0443	0.0499	0.0540	Average
H Distribution Loss Adjustment Factor				1.0494
<u>Total Utility Loss Adjustment Factor</u>				<u>LAF</u>
Supply Facility Loss Factor				1.0045
Total Loss Factor				
Secondary Metered Customer				
Total Loss Factor - Secondary Metered Customer < 5,000kW				1.0541
Total Loss Factor - Secondary Metered Customer > 5,000kW				n/a
Primary Metered Customer				
Total Loss Factor - Primary Metered Customer < 5,000kW				1.0436
Total Loss Factor - Primary Metered Customer > 5,000kW				n/a

Based on the fact that we have invested our CDM funds in system upgrades we are confident our line losses will be reduced with the proactive capital planning for 2007, 2008 and going forward.

Lakefront Utilities Inc. is proposing to increase the distribution loss factor from 1.0471 to 1.0494 and the total loss factor to 1.0541. LUI has based its calculation of the Loss Factor on the average Wholesale and Retail kWh over 2004, 2005 and 2006.

LAKEFRONT UTILITIES INC.

MATERIALITY ANALYSIS ON DISTRIBUTION LOSSES

As per Filing Guidelines, "if the resulting distribution loss adjustment factor is greater than 5%, the distributor must provide a detailed explanation and justification."

Please note, without the Supply Facility Loss Factor, LUI loss factor is 4.94%, which is under the 5% threshold stipulated and therefore does not warrant an explanation.

We feel this is a conservative calculation due to the fact we have invested some CDM funds as well as \$577,000 of Tier II capital monies in system upgrades. We feel that our loss factor will continue to be reduced with our proactive capital plans for 2007, 2008 and ongoing years. LUI has major projects going forward to insure system reliability and safety.

LAKEFRONT UTILITIES INC.**TAX CALCULATIONS****INCOME TAX, LARGE CORPORATION TAX AND ONTARIO CAPITAL TAX TABLE**

Line Item	T2S1 line #	2006 Board Approved	2006 Actual	2007 Bridge	2008 Test
Income before PILs/Taxes	A	575,176	631,459	721,406	631,175
Additions:					
Provision for income taxes - current	101	-	-	-	-
Interest and penalties on taxes	103	-	-	-	-
Amortization of tangible assets	104	737,576	824,816	780,981	888,341
Non-deductible life insurance premiums	123	-	-	-	-
Reserves from financial statements- balance at end of year	126	145,000	249,434	256,917	264,625
Interest Expensed on Capital Leases	290	-	-	-	-
Actual Interest Expense	295	463,337	546,110	520,749	522,974
Total Additions		1,345,913	1,620,360	1,558,647	1,675,940
Deductions:					
Capital cost allowance from Schedule 8	403	477,265	555,297	607,558	820,083
Reserves from financial statements - balance at beginning of year	414	145,000	244,494	249,434	256,917
Interest capitalized for accounting deducted for tax	390	-	19,798	4,451	2,226
Capital Lease Payments	391	-	-	-	-
Deemed Interest Expense	394	555,796	629,085	520,749	522,974
Total Deductions		1,178,061	1,448,674	1,382,192	1,602,200
Net Income for Tax Purposes		743,028	803,145	897,861	704,915
TAXABLE INCOME		743,028	803,145	897,861	704,915
Federal Income Tax Rate		22.12%	22.12%	22.12%	20.50%
Ontario		5.50%	5.50%	14.00%	14.00%
Ontario SBC Clawback >400,000 to 1,128,519		4.67%	4.67%	4.67%	4.67%
COMBINED INCOME TAX RATE		29.77%	27.62%	38.708%	36.519%
INCOME TAXES		221,233	221,829	347,540	257,425
INCOME TAXES (Grossed up for tax purposes)		315,032	306,478	567,020	405,513
LARGE CORPORATION TAX		Exempt	Exempt	Exempt	Exempt
ONTARIO CAPITAL TAX		8,345	Exempt	1,646	1,646
LCT, OCT & INCOME TAXES		323,377	306,478	568,666	407,159

LAKEFRONT UTILITIES INC.**LUI's INTEREST EXPENSE**

	2006 Board Approved	2006 Actual	2007 Bridge	2008 Test
Interest Expense	48,296	38,610	17,700	17,700
Capitalized Interest	-	-	(4,451)	(2,226)
Interest on Long-Term Debt	507,500	507,500	507,500	507,500
Actual Interest Expense	<hr/> 555,796	<hr/> 546,110	<hr/> 520,749	<hr/> 522,974
Interest Forecast Adjustments	-	-	-	-
Total Interest	<hr/> 555,796	<hr/> 546,110	<hr/> 520,749	<hr/> 522,974
Deemed Interest	463,337			586,877
Excess Interest	92,459			(63,903)

LAKEFRONT UTILITIES INC.**CAPITAL COST ALLOWANCE****2006 Board Approved**

Class	Class Description	UCC Test Year Opening Balance	Test Year - Tier 1, Tier 2 Additions	Test Year - Tier 1, Tier 2 Disposals	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	Test Year CCA	UCC End of Test Year
1	Distribution System - post 1987	10,192,322	338,000	0	10,530,322	169,000	10,361,322	4%	414,453	10,115,869
2	Distribution System - pre 1988	0	0	0	-	0	0	6%	-	-
8	General Office/Stores Equip	0	0	0	-	0	0	20%	-	-
10	Computer Hardware/ Vehicles	161,139	0	0	161,139	0	161,139	30%	48,342	112,797
10.1	Certain Automobiles	-	0	0	-	0	0	30%	-	0
12	Computer Software	14,470	0	0	14,470	0	14,470	100%	14,470	0
13.1	Leasehold Improvement # 1	0	0	0	0	0	0		0	0
13.2	Leasehold Improvement # 2	0	0	0	0	0	0		0	0
13.3	Leasehold Improvement # 3	0	0	0	0	0	0		0	0
13.4	Leasehold Improvement # 4	0	0	0	0	0	0		0	0
14	Franchise	0	0	0	0	N/A	0		0	0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	0	0	0	0	0	0	8%	0	0
43.1	Certain Energy-Efficient Electrical Generating Equipment	0	0	0	0	0	0	30%	0	0
45	Computers & Systems Software acq'd post Mar 22/04	0	0	0	0	0	0	45%	0	0
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	0	0	0	0	0	0	30%	0	0
		0							0	0
	TOTAL	10,367,931	338,000	-	10,705,931	169,000	10,536,931		477,265	10,228,666

LAKEFRONT UTILITIES INC.**CAPITAL COST ALLOWANCE****2006 Actual**

Class	Class Description	UCC Opening Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	10,496,760	834,101	0	11,330,861	417,051	10,913,811	4%	436,553	10,894,308
2	Distribution System - pre 1988	0	0	0	0	0	0	6%	0	0
8	General Office/Stores Equip				0		0	20%	0	0
10	Computer Hardware/Vehicles	140,656	235,876	10,000	366,532	112,938	253,594	30%	76,078	290,454
10.1	Certain Automobiles	0	0	0	0	0	0	30%	0	0
12	Computer Software	31,520	6,286	0	37,806	3,143	34,663	100%	34,663	3,143
13.1	Lease # 1	0	0	0	0	0	0		0	0
13.2	Lease #2	0	0	0	0	0	0		0	0
13.3	Lease # 3	0	0	0	0	0	0		0	0
13.4	Lease # 4	0	0	0	0	0	0		0	0
14	Franchise	0	0	0	0	0	0		0	0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than	0	0	0	0	0	0	8%	0	0
43.1	Certain Energy-Efficient Electrical Generating Equipment	0	0	0	0	0	0	30%	0	0
45	Computers & Systems Software acq'd post Mar 22/04	12,790	9,990	0	22,780	4,995	17,785	45%	8,003	14,777
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	0	0	0	0	0	0	30%	0	0
47	Distribution System - post 22-Feb-2005	0	0	0	0	0	0	8%	0	0
98	No CCA	0	0	0	0	0	0		0	0
			0	0		0	0		0	0
			0	0		0	0		0	0
	TOTAL	10,681,726	1,086,253	10,000	11,757,979	538,127	11,219,853		555,297	11,202,682

LAKEFRONT UTILITIES INC.**CAPITAL COST ALLOWANCE****2007 Bridge**

Class	Class Description	UCC Opening Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	10,894,308	50,000	0	10,944,308	25,000	10,919,308	4%	436,772	10,507,536
2	Distribution System - pre 1988	0	0	0	0	0	0	6%	0	0
8	General Office/Stores Equip		10,000	0	10,000	5,000	5,000	20%	1,000	9,000
10	Computer Hardware/Vehicles	290,454	60,000	0	350,454	30,000	320,454	30%	96,136	254,318
10.1	Certain Automobiles	0	0	0	0	0	0	30%	0	0
12	Computer Software	3,143	15,000	0	18,143	7,500	10,643	100%	10,643	7,500
13.1	Lease # 1	0	0	0	0	0	0		0	0
13.2	Lease #2	0	0	0	0	0	0		0	0
13.3	Lease # 3	0	0	0	0	0	0		0	0
13.4	Lease # 4	0	0	0	0	0	0		0	0
14	Franchise	0	0	0	0	0	0		0	0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	0	0	0	0	0	0	8%	0	0
43.1	Certain Energy Efficient Electrical Generating Equipment	0	0	0	0	0	0	30%	0	0
45	Computers & Systems Software acq'd post Mar 22/04	14,777		0	14,777		14,777	45%	6,650	8,127
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	0	0	0	0	0	0	30%	0	0
47	Distribution System - post 22-Feb-2005	0	1,408,932	0	1,408,932	704,466	704,466	8%	56,357	1,352,575
98	No CCA	0	0	0	0	0	0		0	0
			0	0		0	0		0	0
			0	0			0		0	0
	TOTAL	11,202,682	1,543,932	0	12,746,614	771,966	11,974,648		607,558	12,139,056

LAKEFRONT UTILITIES INC.**CAPITAL COST ALLOWANCE**

2008 Test

Class	Class Description	UCC Opening Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	10,507,536	10,000	0	10,517,536	5,000	10,512,536	4%	420,501	10,097,034
2	Distribution System - pre 1988	0	0	0	0	0	0	6%	0	0
8	General Office/Stores Equip	9,000	50,000	0	59,000	25,000	34,000	20%	6,800	52,200
10	Computer Hardware/Vehicles	254,318	260,000	0	514,318	130,000	384,318	30%	115,295	399,022
10.1	Certain Automobiles	0	0	0	0	0	0	30%	0	0
12	Computer Software	7,500	115,000	0	122,500	57,500	65,000	100%	65,000	57,500
13.1	Lease # 1	0	0	0	0	0	0			0
13.2	Lease #2	0	0	0	0	0	0			0
13.3	Lease # 3	0	0	0	0	0	0			0
13.4	Lease # 4	0	0	0	0	0	0			0
14	Franchise	0	0	0	0	0	0			0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	0	0	0	0	0	0	8%	0	0
43.1	Certain Energy-Efficient Electrical Generating Equipment	0	0	0	0	0	0	30%	0	0
45	Computers & Systems Software acq'd post Mar 22/04	8,127	0	0	8,127	0	8,127	45%	3,657	4,470
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	0	0	0	0	0	0	30%	0	0
47	Distribution System - post 22-Feb-2005	1,352,575	2,515,572	0	3,868,146	1,257,786	2,610,360	8%	208,829	3,659,318
98	No CCA	0	0	0	0	0	0			0
			0	0		0	0			0
			0	0		0	0			0
	TOTAL	12,139,056	2,950,572	0	15,089,627	1,475,286	13,614,341		820,083	14,269,544

LAKEFRONT UTILITIES INC.

5 – Deferral and Variance Accounts

1	1	Description of Deferral and variance accounts
	2	Calculation of Balances by Account
	3	Method of Recovery

LAKEFRONT UTILITIES INC.**EXISTING DEFERRAL AND VARIANCE ACCOUNTS**

LUI is requesting approval for the clearance of certain balances and/or the continuance of the following Deferral and Variance Accounts:

Other Regulatory Assets	1508
Retail Cost Variance Account – Retail	1518
Power Purchase Variance Account	1520
Misc. Deferred Debits – incl. Rebate Cheques	1525
Development Charge Deposits/Receivables	1545
Retail Cost Variance Account – STR	1548
Low Voltage Variance Account	1550
Smart meter Capital Variance Account	1555
Smart meter OM&A Variance Account	1556
Deferred Development Costs	1560
Deferred Payments in Lieu of Taxes	1562
PILS Contra Account	1563
CDM Expenditures and Recoveries	1565
CDM Contra Account	1566
Extra-Ordinary Event Losses	1572
Deferred Rate Impact Amounts	1574
RSVA - Wholesale Market Service Charge	1580
RSVA - One-time Wholesale Market Service	1582
RSVA - Retail Transmission Network Charge	1584
RSVA - Retail Transmission Connection Charge	1586
RSVA - Power	1588
Recovery of Regulatory Asset Balances	1590
PILS Variance Deferral	1592

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DESCRIPTION OF DEFERRAL AND VARIANCE ACCOUNTS

Below are descriptions of the Deferral and Variance accounts in use by LUI.

DEFERRAL AND VARIANCE ACCOUNTS ARE CLASSIFIED AS FOLLOWS:

Wholesale and Retail Market Variance Accounts

- 1518 Retail Cost Variance Account – Retail
To record the net of revenues from services such as, establishing service agreements, distributor consolidated billing, Retailer consolidated billing, and split billing, AND the costs of entering into service agreements with retailers

- 1520 Power Purchase Variance Account
To record the difference in the cost of power charged by the IESO for SSS customers and the cost of power billed to SSS customers.

- 1548 Retail Cost Variance Account – STR
To record the net of revenues derived from Service Transaction Request services and the incremental costs of provided the services associated with STRs.

- 1560 Deferred Development Costs
This account shall be charged with the cost of all material expenditures meeting the criteria for deferral to future periods.

- 1580 Retail Settlement Variance Account - Wholesale Market Service Charges
This account is used to record the net difference between the amount charged by the IESO and the amount billed to customers.

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1582 RSVA one-time

This account shall be used to record the net of the amount charged by the IESO for Wholesale Market Service Charges and the amount billed to customers for the same services.

1584 Retail Settlement Variance Account - Retail Transmission Network Charges

To record the net of charges for Transmission Network Services and the amount billed to customers for the same services.

1586 Retail Settlement Variance Account - Retail Transmission Connection Charges

To record the net of charges for Transmission Connection Services and the amount billed to customers for the same services.

1588 Retail Settlement Variance Account - Power

To record the net difference between the energy amount billed to customers and the energy charge to a distributor by the IESO, Host distributor, or embedded generator.

1588 Retail Settlement Variance Account - Power Sub-Account Global Adjustments

To record the net difference between the global adjustment amount billed to customers and the global adjustment amount charged to distributors by the IESO, Host distributor, or embedded generator.

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Utility Deferral Accounts

- 1508 Other Regulatory Assets
- 1508 Other Regulatory Assets - Sub-account OEB Cost Assessments
- 1508 Other Regulatory Assets - Sub-account Pension Contributions
To record amount of regulatory created assets.

- 1525 Miscellaneous Deferred Debits
To record debits not elsewhere provided for which will benefit future periods.

- 1545 Development Charge – Deposits/Receivables
This account shall be used to record funds received or receivable in respect of future capital expenditures.

- 1550 LV Variance
To record the net of the amount charged by a host distributor to an embedded distributor for transmission low voltage services and the amount billed to the embedded distributor's customers.

- 1555 Smart Meter Capital and Recovery Offset Variance
To record the recoveries of smart meter funding included in the fixed charge for each class of customer.

- 1556 Smart Meter OM&A Variance Account
This account shall be used to record the costs associated with the operation and maintenance of smart meters and the funds recovered through billing for these costs.

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- 1562 Deferred Payments in Lieu of Taxes
To record the amount resulting from the Board approved PILs methodology
- 1563 PILs contra account
This account is a contra account to 1562
- 1565 Conservation and Demand Management Expenditures and Recoveries
To record the costs of conservation and demand management activities and investment expenditures, and related revenues, i.e. the third tranche of market adjusted revenue.
- 1566 CDM Contra Account
This account will be used to record transactions to offset amounts recorded in the CDM account 1565.
- 1572 Extraordinary Event Costs
This account shall be used to record extraordinary event costs.
- 1574 Deferred Rate Impact Amounts
This account shall be used to record amounts equal to rate impacts associated with market-based rate of return, transition costs and extraordinary costs that the utility has determined to be excessive and has decided to defer to future periods.
- 1590 Regulatory Asset Recovery
This account contains the amount of deferral and variance account amounts approved by the board for disposition.

LAKEFRONT UTILITIES INC.

Lakefront received approval in our 2006 rate application to recover transition costs over a two year period. The \$296,000 interest portion of the transition costs which was an allowed expense related to Regulatory Asset Recovery, was included in our 2004 financial statements as revenue and these financial statements were submitted to the OEB as required.

In the preparation of the 2006 EDR, these statements were used and offset our revenue requirement in the 2006 EDR. The interest stated in the financial statements were for financial reporting only and this interest should not have been included in the revenue offset for rate setting purposes. This resulted in an under-recovery of transition costs, and LUI is requesting that the Board allow transition cost recovery to continue until our approved recovery amount is achieved.

The projected balance on April 30, 2008 of account 1590 is \$598,999 and LUI is requesting to recover this amount over a two year period.

1592 2006 PILS and Taxes Variances

This account will capture the tax impact of any differences that result from legislative or regulatory change to the tax rates or rules assumed in the 2006 OEB Tax Model, any differences that result from a change in, or a disclosure of, a new assessing or administrative policy that is published in the public tax bulletins by federal or provincial tax authorities, and any difference in 2006 PILS that result in changes in opening 2006 balances for tax amounts due to tax re-assessment.

Closed Accounts not classified are as follows:

1570 Qualifying Transition Costs (closed December 31, 2002)

To record transition costs established in the Electricity Rate Handbook.

1571 Pre-Market Opening Energy Variances (closed April 30, 2002)

To record the difference between the utility's purchased cost of power based on time-of-use and the amounts billed to non-TOU customers.

Request for New Deferral and Variance Accounts:

LUI is requesting three new deferral/variance accounts:

LAKEFRONT UTILITIES INC.

1. Late Payment Class Action Suit
2. MDMR (Meter Data Management Repository)
3. Future Capital Projects

We are requesting these new deferral and variance accounts for the following reasons:

1. Late Payment Class Action Suit
The electric industry is still waiting for the courts to rule on the class action suit regarding the 5% penalty charged on utility bills for many years. If there is a decision to provide compensation to some or all customers, this may result in a rate applicable charge to recover any compensation required for utilities to pay. In order to keep our utility whole, we will require a variance account to track payments until we have the opportunity to rebase.
2. MDMR (Meter Data Management Repository)
Utilities will be required to provide an MDMR solution in order to implement our mandated Smart Metering plan. In order to keep our utility whole, we will require a variance account to track costs until we have the opportunity to rebase.
3. Future Capital Projects
In order to maintain a proper rate of return for expenditures made by LUI, we need to set up a variance account to track investments made between rebasing years.

LUI is aware the Ontario Energy Board has formed a working group to look at 3rd Generation Incentive Regulation Mechanism and hopes the results of that process will take into consideration expenditures like the ones identified above eliminating the need for deferral and variance accounting. In the coming years there are a number of issues that will impact distribution companies with added costs. LUI is requesting additional new accounts to deal with these expenses in the event the 3rd Generation Incentive Regulation Mechanism review is not completed in time to address these unusual expenditures.

LAKEFRONT UTILITIES INC.
CALCULATION OF BALANCES BY ACCOUNT

Account Description	Acct#	Dec 31/06 Balance			Accruals	Interest Improvement Jan 07-Apr 08	Adjusted Ending Balance April 30, 2008
		Principal Portion	Accum. Interest	Total			
Other Regulatory Assets	1508	114,912	7,351	122,263		7,033	129,296
Retail Cost Variance Account - Retail	1518	18,801	780	19,581		1,151	20,731
Retail Cost Variance Account - STR	1548	22,315	875	23,191		1,366	24,557
LV Variance Account	1550	86,187	256	86,443		5,275	91,718
Smart Meter Capital Variance Account	1555	(16,040)	(190)	(16,230)		(982)	(17,212)
Deferred Payments in Lieu of Taxes	1562	(74,268)	(39,402)	(113,669)		(4,545)	(118,214)
PILS Contra Account	1563	74,268	39,402	113,669		4,545	118,214
CDM Expenditures and Recoveries	1565	(22,338)	-	(22,338)		(1,367)	(23,705)
CDM Contra Account	1566	22,338	-	22,338		1,367	23,705
RSVA - Wholesale Market Service Charge	1580	(338,792)	51	(338,741)		(20,734)	(359,475)
RSVA - One-time Wholesale Market Service	1582	15,222	1,149	16,371		932	17,302
RSVA - Retail Transmission Network Charge	1584	(118,208)	(11,457)	(129,665)		(7,234)	(136,899)
RSVA - Retail Transmission Connection Charge	1586	(123,694)	(33,325)	(157,019)		(7,570)	(164,589)
RSVA - Power	1588	1,055,466	48,168	1,103,634		64,594	1,168,228
Sub-totals		716,169	13,658	729,828		43,830	773,657

LUI calculated the 2006 ending balance as the actual balance at December 31, 2006. We then added carrying costs to the balances, for an ending balance as of April 30, 2008. Please note, the above table consists of ALL variance accounts whereas the below table only list those accounts LUI is requesting disposal of and accounts 1555, 1562, 1563, 1565 and 1566 are excluded.

LAKEFRONT UTILITIES INC.

METHOD OF RECOVERY

Account Description	Account Number	Dec31/06 Balance	Apr 30/08 Balance	Allocation Basis	Residential	General Service Less Than 50 kW	General Service 50 to 2,999 kW	General Service 3,000 to 4,999 kW	Unmetered Scattered Load	Sentinel Lighting	Street Lighting	Totals
Other Regulatory Assets	1508	122,263	129,296	KWh	34,444	16,482	52,304	24,847	277	22	921	129,296
Retail Cost Variance Account - Retail	1518	19,581	20,731	Number of Customers	17,755	2,382	281	4	175	129	4	20,731
Retail Cost Variance Account - STR	1548	23,191	24,557	Number of Customers	21,031	2,822	333	5	207	152	5	24,557
LV Variance Account	1550	86,443	91,718	Dx Revenue	43,960	16,766	22,654	7,383	660	46	248	91,718
RSVA - Wholesale Market Service Charge	1580	(338,741)	(359,475)	KWh	(95,763)	(45,823)	(145,418)	(69,080)	(769)	(61)	(2,560)	(359,475)
RSVA - One-time Wholesale Market Service	1582	16,371	17,302	KWh	4,609	2,206	6,999	3,325	37	3	123	17,302
RSVA - Retail Transmission Network Charge	1584	(129,665)	(136,899)	KWh	(36,469)	(17,451)	(55,379)	(26,308)	(293)	(23)	(975)	(136,899)
RSVA - Retail Transmission Connection Chrg	1586	(157,019)	(164,589)	KWh	(43,846)	(20,980)	(66,581)	(31,629)	(352)	(28)	(1,172)	(164,589)
RSVA - Power	1588	1,103,634	1,168,228	KWh	311,212	148,916	472,580	224,499	2,500	199	8,321	1,168,228
Sub-total to Dispose at May1/08	Apr30/08	746,058	790,869		256,934	105,319	287,775	133,046	2,442	438	4,915	790,869
Clear residual 1590 balance as of April 30/08	YES				495,250	52,220	113,807	(63,877)	3,422	(68)	(1,754)	598,999
Total to Dispose at May1/08					752,184	157,539	401,582	69,169	5,864	370	3,161	1,389,869
Disposal period	2 YEARS				376,092	78,770	200,791	34,585	2,932	185	1,580	694,934
Projected 2008 Rate Riders					0.0049	0.0021	0.7422	0.2804	0.0047	1.8857	0.2962	
Rate Determinant					kWh	kWh	kW	kW	kWh	kW	kW	

LAKEFRONT UTILITIES INC.

METHOD OF RECOVERY

LUI has calculated the ending balance for each variance account as the actual balance at December 31, 2006. These balances agree with our audited financial statements and OEB RRR filings. LUI is requesting disposition of the account balance in account 1590 in this rate application as we expect the balance at April 30, 2008 in this account to be relatively high based on the projections.

Carrying costs up to April 30, 2008 have been calculated and added to determine final total for disposal in this rate application in the amount of \$1,389,869. LUI proposes to dispose of this balance over a two year period commencing May 1, 2008 and ending on April 30, 2010, for an annual recovery amount of \$694,934 using the above table's calculation.

LAKEFRONT UTILITIES INC.

Ex. Tab Schedule Contents of Schedule

6 – Cost of Capital and Rate of Return

1	1	Overview
	2	Capital Structure
	3	Cost of Debt
	4	Return on Equity

LAKEFRONT UTILITIES INC.

OVERVIEW

The purpose of this evidence is to summarize the method and cost of financing LUI's capital requirements for the 2008 test years.

Capital Structure

LUI has a deemed capital structure of 50% debt, 50% equity, as approved by the Ontario Energy Board in RP-2005-0020, and an approved return on equity of 9%, consistent with the return specified in the Board's Decision in EB-2005-0387, dated April 28, 2006. LUI is requesting Board approval of a capital structure of 53.33% debt, 46.67% equity in 2008.

This change in capital structure complies with the Ontario Energy Board's Report on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributor dated December 20, 2006. The OEB report indicates that Distributors will be required to phase-in a 60% debt and 40% capital structure that must be completed by 2010.

Return on Equity

LUI is requesting an 8.68% return on equity for 2008 rates.

Cost of Debt

Exhibit 6, Tab 1, Schedule 3 provides the detailed calculation of LUI's forecast long-term debt cost of 7.25% for 2008.

LAKEFRONT UTILITIES INC.**CAPITAL STRUCTURE**

<u>2006 Board Approved</u>		Actual	Deemed		
Elements	\$	Ratio (%)	Ratio (%)	Cost Rate (%)	Return (%)
Long-term debt Municipal	7,000,000	52.5%	50.0%	7.25%	3.63%
Unfunded short-term debt	-	0.0%			
Deposits	-	0.0%			
Common equity	6,337,916	47.5%	50.0%	9.00%	4.50%
Total	13,337,916	100.0%			8.13%

<u>2006 Actual</u>		Actual	Deemed		
Elements	\$	Ratio (%)	Ratio (%)	Cost Rate (%)	Return (%)
Long-term debt Municipal	7,000,000	52.26%	50.00%	7.25%	3.79%
Unfunded short-term debt	-				
Deposits	250,000	1.87%		Prime-1.85%	0.09%
Common equity	6,144,880	45.87%	50.00%	9.00%	4.13%
Total	13,394,880	100.0%			8.01%

<u>2007 Bridge</u>		Forecast	Deemed		
Elements	\$	Ratio (%)	Ratio (%)	Cost Rate (%)	Return (%)
Long-term debt Municipal	7,000,000	49.95%	50.00%	7.25%	3.62%
Unfunded short-term debt	-				
Deposits	280,001	2.00%		Prime-1.85%	0.10%
Common equity	6,732,807	48.05%	50.00%	9.00%	4.32%
Total	14,012,808	100.00%			8.04%

<u>2008 Test</u>		Forecast	Deemed		
Elements	\$	Ratio (%)		Cost Rate (%)	Return (%)
Long-term debt Municipal	7,000,000	44.94%	49.33%	7.25%	3.58%
Other Long-Term Debt	684,384	4.4%			
Deposits	300,000	1.9%	4.0%	4.77%	0.19%
Unfunded short-term debt	323,100	2.1%			
Common equity	7,270,023	46.67%	46.67%	8.68%	4.05%
Total	15,577,507	100.0%			7.82%

LUI intends to acquire a loan for an additional \$1,000,000 in 2008 to move to the capital structure closer to the "deemed" amount of 53.33% Debt and 46.67% Equity Capital Structure. This additional debt will be required as LUI continues with system optimization and Capital infrastructure spending plans as outlined in our capital plans.

LAKEFRONT UTILITIES INC.

COST OF DEBT

COST OF DEBT	2006 Board Approved			2006 Actual			2007 Bridge			2008 Test Projected		
	Principle	Carrying Costs	Calculated Cost Rate	Principle	Carrying Costs	Calculated Cost Rate	Principle	Carrying Costs	Calculated Cost Rate	Principle	Carrying Costs	Calculated Cost Rate
Long-Term Debt												
Town of Cobourg	7,000,000	507,500	7.25%	7,000,000	507,500	7.25%	7,000,000	507,500		7,000,000	507,500	7.25%
										1,000,000	64,487	6.45%
Total	7,000,000	507,500		7,000,000	507,500		7,000,000	507,500		8,000,000	571,987	

LAKEFRONT UTILITIES INC.

RETURN ON EQUITY

The calculations used to determine the return on equity and the debt are taken from the "Report to the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors" issued December 20, 2006.

Excerpt from the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors Appendix A and Appendix B

Method to Update the Deemed Long-term Debt Rate

The Board will use the Long Canada Bond Forecast plus an average spread with "A/BBB" rated corporate bond yields to determine the updated deemed debt rate.

The following approach is consistent with the ROE method. As per the approach adopted in the 2006 EDRH, the ROE and the long-term debt rates are based on the same risk-free rate forecast. Therefore, they differ only through the risk premiums that reflect their distinct natures and for which lenders/investors seek commensurate returns. This approach simplifies the calculations and aims to make it easier to understand the numbers. Specifically, the Long Canada Bond Forecast (*LCBF_t*) used will be the same as that used for updating the ROE. The average spread between "A/BBB" rated corporate bond yields and 30-year (long) Government of Canada Bond yields will be calculated as the average spread over the weeks of the month corresponding to the Consensus Forecasts.

The deemed Long-Term Debt Rate (*LTDR_t*) will be calculated as follows:

$$LTDR_t = LCBF_t + \frac{\sum (CorpBonds_{w,t} - {}_{30}CB_{w,t})}{n}$$

Where:

- **CorpBonds_{w,t}** is the average long-term corporate bond yield from Scotia Capital Inc. for week *w* of period *t* [Series V121761];
- **₃₀CB_{w,t}** is the 30-year (long) Government of Canada bond yield for week *w* of period *t* [Series V121791]; and
- ***n*** is the number of weeks in the month for which data are reported.

LUI's application uses 7.25% as the Long Term Debt rate.

"The Board has determined that for embedded debt the rate approved in prior Board decisions shall be maintained for the life of each active instrument, unless a new rate is negotiated, in which case it will be treated as new debt."

- Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors.

LAKEFRONT UTILITIES INC.

Method to Update ROE - ROE Update for any Period

Using March 1999 as the starting calculation and substituting for the initial ROE and Long Canada Bond Forecast approved by the Board in the Decision RP-1998-0001 the following is the adjustment formula for calculating the ROE at time t .

$$ROE_t = 9.35\% + 0.75 \times (LCBF_t - 5.50\%)$$

The ROE must be set in advance of the approved rates. The final ROE will be factored into rates using the Long Canada Bond Forecast based on *Consensus Forecasts* (as detailed below) and Bank of Canada data three months in advance of the effective date for the rate change. Therefore, for May 1 rate changes, the ROE will be based on January data – effectively *Consensus Forecasts* published during that month and Bank of Canada data for all business days during the month of January. The necessary data is available within the first or second business days after the end of the month and thus poses no delay for determining rates.

Long Canada Bond Forecast for any Period

For any period t the Long Canada Bond Forecast $LCBF_t$ can be expressed as:

$$LCBF_t = \left[\frac{{}_{10}CBF_{3,t} + {}_{10}CBF_{12,t}}{2} \right] + \frac{\sum_i ({}_{30}CB_{i,t} - {}_{10}CB_{i,t})}{I_t}$$

Where:

${}_{10}CB_{3,t}$ is the 3-month forecast of the 10-year Government of Canada bond yield as published in *Consensus Forecasts* at time t ,

${}_{10}CB_{12,t}$ is the 12-month forecast of the 10-year Government of Canada bond yield as published in *Consensus Forecasts* at time t ,

${}_{30}CB_{i,t}$ is the actual rate for the 30-year Government of Canada bond yield at the close of day i (as published by the Bank of Canada) [Series V39056] during the month (this is the previous month data, the same as used for updating the ROE for natural gas distribution) corresponding to time t ,

${}_{10}CB_{i,t}$ is the actual rate for the 10-year Government of Canada bond yield at the close of day i (as published by the Bank of Canada) [Series V39055] during the month corresponding to time t , and

I_t is the number of business days for which published 10- and 30- Government of Canada bond yields are published during the month corresponding to time t .

LAKEFRONT UTILITIES INC.

Return on Equity Calculation

<u>Government of Canada Bond Yields</u>	<u>Rate</u>
3-month forecast of the 10-year bond yield	4.60%
12-month forecast of the 10-year bond yield	4.80%
Average actual prior month 30-year bond yield	4.03%
Average actual prior month 10-year bond yield	4.12%
Long Canada Bond Forecast	4.61%
Return on Equity	8.68%

WEIGHTED AVERAGE COST OF CAPITAL

	Deemed Portion	Effective Rate	Average Cost of Capital
Long-Term Debt	49.33%	7.25%	3.58%
Short-Term Debt	4.00%	4.77%	0.19%
Return on Equity	46.67%	8.68%	4.05%
Regulated Rate of Return	100.00%		7.82%

LAKEFRONT UTILITIES INC.

Ex. Tab Schedule Contents of Schedule

7 - Calculation of Revenue Deficiency or Surplus

1 Determination of Net Utility Income and Calculation of Revenue Deficiency or Surplus

LAKEFRONT UTILITIES INC.**OVERVIEW OF CALCULATION OF REVENUE DEFICIENCY OR SURPLUS**

This exhibit provides an overview of the revenue deficiency or surplus calculation process used to project the revenue required by LUI, to continue to provide safe and reliable service to its customers.

LUI estimated in 2007 that \$3,730,325 of distribution revenue would be recovered through base distribution rates, by applying the current Ontario Energy Board approved rates as per the Decision and Order dated April 12, 2007.

Revenues at Existing Rates

2007 Bridge - Projection						
	Customers	Projected Consumption	Consumption	Distribution Revenues	Unit Revenues	Unit Revenues
	(Year-End)	(kWh)	(KW)	(\$)	\$/kWh	\$/KW
Residential	7,896	76,122,882	-	1,787,945	0.022	
General Service Less Than 50 kW	1,059	36,428,118	-	681,903	0.018	
General Service 50 to 2,999 kW	129	119,139,065	274,780	1,105,668		3.332
General Service 3,000 to 4,999 kW	2	55,719,421	123,329	116,386		0.874
Unmetered Scattered Load	79	620,588	-	10,072	0.015	
Sentinel Lighting	57	48,575	97	1,865		16.288
Street Lighting	2,719	2,047,875	5,290	26,485		4.697
TOTAL	11,941	290,126,524	403,496	3,730,325		

At the existing distribution rates, LUI's 2008 Test Year gross revenue deficiency is approximately \$1,011,962. It is derived from the chart in Exhibit 7, Tab 1, Schedule 2.

LUI projects that it will need to recover approximately \$5,077,851 in distribution service revenue in the 2008 Test Year through distribution rates and other regulated charges. This includes:

- \$4,742,287 recovered through fixed and variable distribution rates;
- \$335,564 recovered through Administration, Specific Service Charges and Other Miscellaneous Revenue.

The recovery of Regulatory Assets is not included in the revenue requirement. Regulatory Assets are recovered through a separate rate rider. Regulatory Assets, deferral accounts and recoveries are explained in Exhibit 5, Tab 1, Schedule 3.

LAKEFRONT UTILITIES INC.**Determination of Net Utility Income**

	2008 Test Existing Rates	2008 Test Proposed Rates
Revenue		
(Suff)/ Def From Below.		\$ 1,011,962
Distribution Revenue	\$ 3,730,325	\$ 3,730,325
Other Operating Revenue (Net)	\$ 335,564	\$ 335,564
Total Revenue	\$ 4,065,889	\$ 5,077,851
Distribution Costs		
Operation, Maintenance, and Administration	\$ 2,564,293	\$ 2,564,293
Depreciation & Amortization	\$ 888,341	\$ 888,341
Capital Taxes	\$ 1,646	\$ 1,646
Interest- Deemed Interest	\$ 586,877	\$ 586,877
Total Costs and Expenses	\$ 4,041,157	\$ 4,041,157
Utility Income Before Income Taxes	\$ 24,732	\$ 1,036,694
Net Adjustments per 2008 Pils	\$ 73,740	\$ 73,740
	\$ 98,472	\$ 1,110,434
Income Tax (Tax Rate 36.519%)	\$ 35,961	\$ 405,519
Utility Income	\$ (11,229)	\$ 631,175
Rate Base	15,577,507	15,577,507
Equity	46.67%	46.67%
Equity Component Rate Base	\$ 7,269,503	\$ 7,269,503
Income / Equity Rate Base %	-0.15%	8.68%
Target Return -Equity on Rate Base	8.68%	8.68%
Return- Equity on Rate Base	\$ 631,175	\$ 631,175
Revenue Deficiency	\$ 642,404	
Rev. Deficiency [Gross-up: \$642.4K/(1-0.36519)]	\$ 1,011,962	

LAKEFRONT UTILITIES INC.

<u>Ex.</u>	<u>Tab</u>	<u>Schedule</u>	<u>Contents of Schedule</u>
<u>8 – Cost Allocation</u>			
	1	1	Cost Allocation Overview
		2	Summary of Results and Proposed Changes

LAKEFRONT UTILITIES INC.

COST ALLOCATION OVERVIEW

Introduction:

On September 29, 2006 the Ontario Energy Board (the "OEB") issued the Board directions on Cost Allocation Methodology for Electricity Distributors ("the Directions"). On November 15, 2006 the OEB also issued the Cost Allocation Information Filing Guidelines for Electricity Distributors ("the Guidelines"), the Cost Allocation Model ("the Model") and User Instruction (the Instructions") for the Model. LUI prepared this information filing consistent with LUI's understanding of the Directions, the Guidelines, the Model and the Instructions.

The main purpose of this cost allocation filing was to provide evidence LUI rate classifications are being subsidized by other classes and those rate classifications that are over contributing based on the assumptions of the Model.

Background:

In the mid 1980's, Ontario Hydro, the regulator at the time, completed the last cost allocation study that reflected the distribution function but this was an integrated cost study. The integrated study reviewed the full costs of providing electricity to customers which included energy, transmission and distribution. Distribution represented only around 15% of the total costs reviewed. The results of this study assisted Ontario Hydro in developing the Rate Setting Guidelines that were used by Municipal Electric Utilities to develop the bundled rates they charged customers up until around 2000.

Under the Energy Competition Act, 1998, the electricity industry in Ontario was separated into Generation, Transmission and Distribution companies. Along with this separation the rates also needed to be unbundled to reflect the structure of the new companies. The unbundling of distribution from generation and transmission was completed in the 2000 to 2001 timeframe using the Electricity Distribution Rate Handbook Rate and the Rate Unbundling and Design Model (i.e. the RUD model). The Rate Handbook and RUD model provided a method to unbundle distribution rates from the other rates by rate classification but it did not determine whether the unbundled rates collected the cost of providing service to the rate classification. The current cost allocation process is the first time a cost allocation study has been conducted in Ontario that focuses completely on distribution to determine whether or not the distribution rates are collecting the cost of providing service to the rate classifications.

The filing was comprised of a first run ("Run 1") and a second run ("Run 2"). An optional Run 3 was available but in LUI's case, was not conducted. For LUI, Run 1 reflects the rate classifications as they were prior to May 1, 2006. Prior to May 1, the Unmetered Scattered Load ("USL") customers were included in the General Service < 50 kW rate classification. Run 2 has the USL customers pulled out of the General Service < 50 kW

LAKEFRONT UTILITIES INC.

class to form a class of their own which is consistent with the current rate classifications used by LUI.

In order to prepare this cost allocation filing, LUI used the services of Hydro One to prepare load data profiles by rate classification.

A copy of LUI's Cost Allocation filing with the Ontario Energy Board is attached as Appendix E.

LAKEFRONT UTILITIES INC.**SUMMARY OF RESULTS AND PROPOSED CHANGES**

The cost/financial data used in the Model is consistent with LUI's cost data that supports the 2006 approved distribution rates. Consistent with the Guidelines, LUI assets were broken out into primary and secondary distribution functions. The breakout of assets, capital contributions, depreciation, accumulated depreciation, customer data and load data by primary, line transformer and secondary categories were developed from the best data available from LUI's customer and financial information systems.

The results of a cost allocation are typically presented in the form of revenue to cost ratios. The ratio is shown by rate classification and is the percentage of distribution revenue collected by rate classification compared to the costs allocated to the classification. The percentage shows the rate classifications that are being subsidized and those that are over contributing. A percentage of less than 100% means the rate classification is under collecting and is being subsidized by other classes. A percentage of greater than 100% indicates the rate classification is over collecting the cost assigned to the classification and is subsidizing other classes.

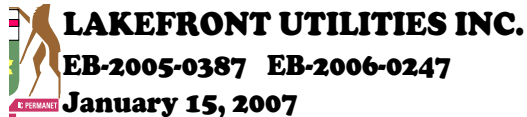
The following outlines the revenue to cost ratios for Run 2. The results for Run 1 are similar. In Run 1, the USL rate classification is combined with the General Service < 50 kW rate classification. It reflects the dollar amount that each rate classification is being subsidized or over contributing is provided.

SUMMARY OF RESULTS

Rate Classification	Revenue to Cost Ratio	(\$Being Subsidized)/ \$Over Contributing
Residential	113.99%	\$220,258
General Service <50 kW	141.43%	\$196,543
General Service >50–2,999 KW	148.27%	\$381,843
General Service - Intermediate	24.94%	(\$370,050)
Street Lights	12.86%	(\$420,467)
Sentinel Lights	29.33%	(\$6,954)
USL	96.53%	(\$1,174)
Total	100.00%	\$0

LAKEFRONT UTILITIES INC.

Below is a copy of the output sections of LUI Cost Allocation filing:



Sheet 01 Revenue to Cost Summary Worksheet - Second Run Lakefront Utilities Inc.

venue, Cost Analysis, and Return on Rate

Total	1	2	3	4	5	6	7	
	Residential	General Service Less Than 50 kW	General Service 50 to 2,999 kW	General Service 3,000 to 4,999 kW	Street Lighting	Sentinel Lighting	Unmetered Scattered Load	
Distribution Revenue (sale)	\$3,280,628	\$1,530,605	\$583,891	\$1,066,782	\$66,702	\$8,737	\$1,798	\$22,113
Miscellaneous Revenue (mi)	\$578,484	\$263,995	\$87,102	\$106,181	\$56,256	\$53,338	\$1,088	\$10,524
Total Revenue	\$3,859,112	\$1,794,600	\$670,993	\$1,172,963	\$122,958	\$62,075	\$2,886	\$32,637
Expenses								
Distribution Costs (di)	\$790,986	\$278,082	\$73,738	\$176,206	\$126,116	\$130,362	\$2,663	\$3,819
Customer Related Costs (cu)	\$238,411	\$147,462	\$59,607	\$17,616	\$1,660	\$451	\$0	\$11,614
General and Administration (ad)	\$730,251	\$300,939	\$94,016	\$138,605	\$91,216	\$93,048	\$1,894	\$10,532
Depreciation and Amortization (dep)	\$737,576	\$305,129	\$87,855	\$163,939	\$91,557	\$84,825	\$1,733	\$2,539
PILs (INPUT)	\$323,376	\$128,869	\$37,809	\$69,988	\$43,324	\$41,281	\$843	\$1,260
Interest	\$463,337	\$184,645	\$54,174	\$100,280	\$62,075	\$59,148	\$1,208	\$1,806
Total Expenses	\$3,283,937	\$1,345,127	\$407,200	\$666,634	\$415,949	\$409,116	\$8,341	\$31,570
Direct Allocation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Net Income (NI)	\$575,176	\$229,215	\$67,250	\$124,485	\$77,059	\$73,426	\$1,500	\$2,241
Revenue Requirement (includes NI)	\$3,859,113	\$1,574,342	\$474,450	\$791,120	\$493,008	\$482,541	\$9,841	\$33,811
Revenue Requirement Input equals Output								

LAKEFRONT UTILITIES INC.

Rate Base Calculation									
Net Assets									
dp	Distribution Plant - Gross	\$17,386,695	\$6,656,454	\$1,915,460	\$3,971,733	\$2,454,355	\$2,274,472	\$46,454	\$67,767
gp	General Plant - Gross	\$1,078,753	\$404,964	\$119,588	\$235,910	\$157,645	\$152,907	\$3,123	\$4,614
accum dep	Accumulated Depreciation	(\$8,243,777)	(\$3,224,198)	(\$901,895)	(\$1,972,287)	(\$1,118,239)	(\$978,516)	(\$19,985)	(\$28,658)
co	Capital Contribution	(\$573,975)	\$0	(\$7,102)	(\$146,572)	(\$197,266)	(\$212,689)	(\$4,344)	(\$6,002)
	Total Net Plant	\$9,647,696	\$3,837,221	\$1,126,051	\$2,088,784	\$1,296,496	\$1,236,175	\$25,249	\$37,721
	Directly Allocated Net Fixed Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
COP	Cost of Power (COP)	\$19,080,108	\$4,772,651	\$2,349,947	\$8,007,463	\$3,784,269	\$129,437	\$2,699	\$33,642
	OM&A Expenses	\$1,759,648	\$726,483	\$227,361	\$332,427	\$218,993	\$223,861	\$4,557	\$25,965
	Directly Allocated Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subtotal	\$20,839,757	\$5,499,134	\$2,577,308	\$8,339,891	\$4,003,262	\$353,298	\$7,256	\$59,607
	Working Capital	\$3,125,964	\$824,870	\$386,596	\$1,250,984	\$600,489	\$52,995	\$1,088	\$8,941
	Total Rate Base	\$12,773,659	\$4,662,091	\$1,512,647	\$3,339,768	\$1,896,985	\$1,289,170	\$26,337	\$46,662
Rate Base Input equals Output									
	Equity Component of Rate Base	\$6,386,830	\$2,331,046	\$756,323	\$1,669,884	\$948,493	\$644,585	\$13,169	\$23,331
	Net Income on Allocated Assets	\$575,175	\$449,473	\$263,793	\$506,329	(\$292,991)	(\$347,041)	(\$5,455)	\$1,067
	Net Income on Direct Allocation Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Net Income	\$575,175	\$449,473	\$263,793	\$506,329	(\$292,991)	(\$347,041)	(\$5,455)	\$1,067
RATIOS ANALYSIS									
	REVENUE TO EXPENSES %	100.00%	113.99%	141.43%	148.27%	24.94%	12.86%	29.33%	96.53%
	EXISTING REVENUE MINUS ALLOCATED COSTS	(\$1)	\$220,258	\$196,543	\$381,843	(\$370,050)	(\$420,467)	(\$6,954)	(\$1,174)
	RETURN ON EQUITY COMPONENT OF RATE BASE	9.01%	19.28%	34.88%	30.32%	-30.89%	-53.84%	-41.42%	4.58%

LAKEFRONT UTILITIES INC.



2006 COST ALLOCATION INFORMATION FILING

LAKEFRONT UTILITIES INC.

EB-2005-0387 EB-2006-0247

January 15, 2007

Sheet 02 Monthly Fixed Charge Min. & Max. Worksheet - Second Run Lakefront Utilities In

Output sheet showing minimum and maximum level for Monthly Fixed Charge

Summary

	1	2	3	4	5	6	7
	Residential	General Service Less Than 50 kW	General Service 50 to 2,999 kW	General Service 3,000 to 4,999 kW	Street Lighting	Sentinel Lighting	Unmetered Scattered Load
Customer Unit Cost per month - Avoided Cost	\$2.16	\$6.39	\$21.43	\$86.39	\$0.01	\$0.00	\$9.66
Customer Unit Cost per month - Directly Related	\$3.20	\$9.62	\$29.31	\$134.85	\$0.02	\$0.00	\$16.77
Customer Unit Cost per month - Minimum System with PLCC Adjustment	\$8.24	\$14.39	\$33.94	\$182.24	\$14.93	\$14.90	\$25.62
Fixed Charge per approved 2006 EDR	\$9.18	\$24.60	\$198.75	\$1,746.39	\$0.15	\$1.96	\$11.09

LAKEFRONT UTILITIES INC.

Proposed Adjustment to Allocation:

In order to begin applying the result of LUI's cost allocation study to the design of future distribution rates, LUI first reviewed the breakdown of distribution revenues by rate classification assuming all rate classifications were moved to 100% revenue to cost ratio (that is, assuming no cross-subsidies). The following are the results of that review:

Lakefront Utilities Inc.

	Cost Allocation Model (O1)				Rev at Existing	Distribution Revenue				Proposed Revenue/Cost Ratio
	Rev/Cost Ratio	Revenue	Proportion of Revenue	Over /(Under) Contributing	Proportion of Revenue at Existing Rates	Proposed Proportion	Outstanding Base Revenue Requirement	Directly Allocated CDM	Base Revenue Requirement	
Residential	113.99%	\$ 1,794,600	46.50%	\$ 220,258	47.93%	44.35%	\$ 2,067,540	\$ 80,408	\$ 2,147,948	111.84%
GS <50 kW	141.43%	\$ 670,993	17.39%	\$ 196,543	18.28%	16.96%	\$ 790,653		\$ 790,653	137.56%
GS >50-2999 kW	148.27%	\$ 1,172,963	30.39%	\$ 381,843	29.64%	28.19%	\$ 1,314,181		\$ 1,314,181	134.33%
GS 3000-4999 kW	24.94%	\$ 122,958	3.19%	\$ (370,050)	3.12%	9.29%	\$ 433,088		\$ 433,088	70.47%
Street Lights	12.86%	\$ 62,075	1.61%	\$ (420,466)	0.27%	0.37%	\$ 17,249		\$ 17,249	2.86%
Sentinel Lights	29.33%	\$ 2,886	0.07%	\$ (6,954)	0.05%	0.07%	\$ 3,263		\$ 3,263	26.47%
Unmetered Scatered Load	96.53%	\$ 32,637	0.85%	\$ (1,174)	0.71%	0.77%	\$ 35,896		\$ 35,896	92.31%
		\$ 3,859,112	100.00%	\$ (0)	100.00%	100.00%	\$ 4,661,871	\$ 80,408	\$ 4,742,279	

As you can see from the above table, LUI is moving classifications closer to the 100% ratio with the exception of Street Lights, Sentinel Lights and USL due to concerns LUI has with the output of the Cost Allocation study for these classes.

LAKEFRONT UTILITIES INC.

<u>Ex.</u>	<u>Tab</u>	<u>Schedule</u>	<u>Contents of Schedule</u>
<u>9 - Rate Design</u>			
	1	1	Rate Design Overview
		2	Rate Mitigation
		3	Existing Rate Classes
		4	Existing Rate Schedule
		6	Proposed Rate Schedule
		7	Summary of Proposed Rate Schedule
		8	Reconciliation of Rate Class Revenue to total Revenue Requirement
		9	Rate Impacts
		10	Proposed Changes to Terms and Conditions of Service

LAKEFRONT UTILITIES INC.

RATE DESIGN OVERVIEW

This exhibit presents an overview of the process to allocate LUI's related revenue requirement costs for the forecasted 2008 test year to the respective rate classes. This exhibit documents, by rate class, the proposed changes in distribution for the 2008 test year.

The total base revenue requirement of \$4,742,278 for 2008 Test, excluding miscellaneous revenues, which was calculated in Exhibit 3, Tab 3, Schedule 1, and needs to be allocated to the respective customer classes for consideration in respect to rate design. The method of allocating these costs to the customer classes uses various steps to apportion the costs amongst all LDC customer classes.

The following steps are followed to derive the revenues collected from fixed and variable rates under the proposed 2008 rates.

Step 1 – Based on information in the cost allocation section, revenues are allocated to each rate class with the exception of USL, Street Lights and Sentinel Lights, to reflect the proposed movement towards revenue cost ratios.

Step 2 – Based on the proposed monthly service charge, the fixed revenues for each rate class is determined from the output of the Model.

Step 3 – The amount in step 2 is subtracted from the amount in Step 1 and divided by the 2008 forecasted energy sales by class to determine the volumetric charge by customer class.

Monthly Fixed Charge Comparison

The Cost Allocation Model produces customer unit costs per month for each rate classification. To assist with reviewing the range of current fixed monthly service charges, the Cost Allocation Model generates three scenarios of reasonable cost-based customer unit costs for each rate classification. These unit costs are determined by the Model and compared to the current approved monthly charge.

Scenario 1: Avoided Costs

With a strict "avoided cost" approach, only meter related costs, billing and collection costs are included. This approach has the advantage of focusing on the immediate costs of an additional customer. But no administration and general overhead costs are applied.

LAKEFRONT UTILITIES INC.

Scenario 2: Directly Related Customer Costs

The directly related customer costs are those costs included in the avoided cost version but an allocation of administration and general overhead costs is included.

Scenario 3: Minimum System Approach

The minimum system approach assumes that a minimum-size distribution system can be built to serve the minimum load requirements of the customer. For the purposes of this filing the minimum load requirement is assumed to be 400 watts per customer. The minimum system method involves determining the minimum size pole, conductor, cable, transformer, and service that is currently installed by the distributor. Once determined for each plant account, the minimum size distribution system is classified as customer-related costs and then used to define the monthly unit customer cost.

There are various approaches to define the minimum system. Moreover, judgment is required to address various implementation details with this methodology. The OEB cost allocation project did not seek to develop a common minimum system methodology for use by the Ontario electricity distribution sector. Instead, the results of numerous past Ontario minimum system studies were examined and approved for use in the Model.

The minimum system results are applied to the following accounts:

- Line Transformers (Account 1850)
- "Distribution" which includes poles and conductors, and is defined as Accounts 1830 -1845
- Related O&M accounts.

The density of the distributor (i.e. customers/route kilometer of line) is the major factor that determines the percentage of the above costs which are included in the customer costs. The density of LUI is 52 customers/km line. This means LUI is classified as a medium density distributor. As a result, 40% of LUI's distribution costs (i.e. lines, poles and line transformers) are defined to be customer related cost.

LAKEFRONT UTILITIES INC.**SUMMARY OF MONTHLY SERVICE CHARGE**

The following outlines the monthly fixed cost comparison. Please note these figures are from the 2006 EDR excluding the Smart Meter rate rider of 26 cents.

Rate Classification	Approved Fixed Charge	Minimum System Fixed Charge	Directly Related Fixed Charge	Avoided Cost Fixed Charge
Residential	9.18	8.24	3.20	2.16
GS <50 kW	24.60	14.39	9.62	6.39
GS >50 - 2,999 kW	198.75	33.94	29.31	21.43
Intermediate	1,746.39	182.24	134.85	86.39
Street Lights	0.15	14.93	0.02	0.01
Sentinel Lights	1.96	14.90	0.00	0.00
USL	11.09	25.62	16.77	9.66

In reviewing the results produced by the Cost Allocation Model, LUI proposes the following Monthly fixed Charges.

PROPOSED MONTHLY SERVICE CHARGE

Rate Classification	2007 Approved Fixed Charge	Proposed Fixed Charge
Residential	9.52	11.44
GS <50 kW	25.08	29.08
GS >50 – 2,999 kW	200.80	238.65
Intermediate	1,762.37	6,567.38
Street Lights	.15	.26
Sentinel Lights	1.98	3.48
USL	11.19	15.20

Revenues by rate class were determined based on the information presented in Exhibit 8, Tab 1, Schedule 2, page 5 and the fixed charges are then determined based on the existing fixed/variable split percentage ratio.

LAKEFRONT UTILITIES INC.

Transformer Ownership Allowance

Currently, LUI provides a transformer ownership allowance to those customers that own their transformation facilities. LUI's present transformer ownership allowance is \$.60 per kW and this same charge is applied consistently across the province. The amount of the allowance has not been reviewed on a generic basis in recent years. The filings will be used by the OEB to review this allowance from a cost based perspective.

The present allowance is intended to reflect the costs to a distributor of providing step down transformation facilities to the customer's utilization voltage level. Since it is assumed that the distributor provides electricity at utilization voltage, the cost of this transformation is captured in and recovered through the distribution rates. Therefore, when a customer provides the step down transformation from primary to secondary, it should receive a credit of these costs already included in the distribution rates.

In LUI's case, the Model is suggesting the transformer ownership allowance from a cost based perspective should be \$0.60 per kW. In LUI's view, this amount appears to be reasonable but suggest that the OEB review this issue on a provincial basis before the current transformer ownership allowance is adjusted.

LAKEFRONT UTILITIES INC.

RATE MITIGATION

LUI does not propose any Rate Mitigation in this application. The total bill increases and impacts to the various customer classes are within acceptable limits.

LAKEFRONT UTILITIES INC.

EXISTING RATE CLASSES

Residential

This class refers to the supply of electrical energy to detached and semi-detached residential buildings as well as individually metered condos, apartment buildings and farms as defined in the local zoning by-laws. Where the residential dwelling comprises the entire electrical load of a farm, it is defined as a residential service. Where electricity is provided to a combined residential and business (including agricultural usage) and the service does not provide for separate metering, the classification shall be at the discretion of LUI and shall be based on such considerations as the estimated predominant consumption.

General Service Less Than 50kW

This class refers to customers who do not qualify as residential customers and whose monthly average peak demand in the preceding twelve months is less than 50kW. New customers without prior billing history, the peak demand will be based on an estimated demand or 90% of the proposed capacity or installed transformation.

Note: Bulk-metered apartment buildings and multi-unit complexes are treated as General Service.

General Service 50 to 2,999kW

This class refers to customers whose monthly average peak demand in the preceding twelve months is in the range of 50 to 2,999 kW. There are two sub categories within this class, those being non-interval and interval metered accounts. New customers without a prior billing history, the peak demand will be based on an estimated demand or 90% of the proposed capacity or installed transformation. New customers with an estimated demand of 500 kW or more will be interval metered.

Intermediate 3,000 to 4,999kW

This class refers to customers whose monthly average peak demand in the preceding twelve months is in the range of 3,000 to 4,999 kW. These accounts will all be interval metered accounts. New customers without prior billing history, the peak demand will be based on an estimated demand or 90% of the proposed capacity or installed transformation.

Unmetered Scattered Load

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum 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, pedestrian X-Walk signals/beacons, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption.

LAKEFRONT UTILITIES INC.

Sentinel Lights

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

Street Lighting

All services supplied to street lighting equipment owned by or operated for the Municipality, the Region or the Province of Ontario shall be classified as Street Lighting Service. Street Lighting plant, facilities, or equipment owned by the customer are subject to the Electrical Safety Authority (ESA) requirements and LUI specifications.

LAKEFRONT UTILITIES INC.**EXISTING 2007 RATE SCHEDULE****Residential**

Residential	Distribution	Customer	\$	9.52
Residential	Distribution	kWh	\$	0.0113
Residential	Regulatory Asset Recovery	kWh	\$	0.0059
Residential	Retail Transmission - Network	kWh	\$	0.0049
Residential	Retail Transmission - Line and Transformation Connector	kWh	\$	0.0040
Residential	Wholesale Market Service	kWh	\$	0.0052
Residential	Rural Rate Protection Charge	kWh	\$	0.0010
Residential	Distribution Loss Factor	%	\$	1.0471

General Service Less Than 50 kW

General Service Less Than 50 kW	Distribution	Customer	\$	25.08
General Service Less Than 50 kW	Distribution	kWh	\$	0.0097
General Service Less Than 50 kW	Regulatory Asset Recovery	kWh	\$	0.0013
General Service Less Than 50 kW	Retail Transmission - Network	kWh	\$	0.0045
General Service Less Than 50 kW	Retail Transmission - Line and Transformation Connector	kWh	\$	0.0036
General Service Less Than 50 kW	Wholesale Market Service	kWh	\$	0.0052
General Service Less Than 50 kW	Rural Rate Protection Charge	kWh	\$	0.0010
General Service Less Than 50 kW	Distribution Loss Factor	%	\$	1.0471

General Service 50 to 2,999 Kw

General Service 50 to 2,999 Kw	Distribution	Customer	\$	200.80
General Service 50 to 2,999 Kw	Distribution	kW	\$	2.9563
General Service 50 to 2,999 Kw	Regulatory Asset Recovery	kW	\$	0.3756
General Service 50 to 2,999 Kw	Retail Transmission - Network	kW	\$	1.8183
General Service 50 to 2,999 Kw	Retail Transmission - Line and Transformation Connector	kW	\$	1.4440
General Service 50 to 2,999 Kw	Wholesale Market Service	kWh	\$	0.0052
General Service 50 to 2,999 Kw	Rural Rate Protection Charge	kWh	\$	0.0010
General Service 50 to 2,999 Kw	Distribution Loss Factor	%	\$	1.0471

General Service 3,000 to 4,999 kW

General Service 3,000 to 4,999 kW	Distribution	Customer	\$	1,762.37
General Service 3,000 to 4,999 kW	Distribution	kW	\$	0.5994
General Service 3,000 to 4,999 kW	Regulatory Asset Recovery	kW	-\$	0.4697
General Service 3,000 to 4,999 kW	Retail Transmission - Network	kW	\$	2.0336
General Service 3,000 to 4,999 kW	Retail Transmission - Line and Transformation Connector	kW	\$	1.7030
General Service 3,000 to 4,999 kW	Wholesale Market Service	kWh	\$	0.0052
General Service 3,000 to 4,999 kW	Rural Rate Protection Charge	kWh	\$	0.0010
General Service 3,000 to 4,999 kW	Distribution Loss Factor	%	\$	1.0471

Street Lighting

Street Lighting	Distribution	Connection	\$	0.15
Street Lighting	Distribution	kW	\$	0.9459
Street Lighting	Regulatory Asset Recovery	kW	-\$	0.3007
Street Lighting	Retail Transmission - Network	kW	\$	1.3713
Street Lighting	Retail Transmission - Line and Transformation Connector	kW	\$	1.1163
Street Lighting	Wholesale Market Service	kWh	\$	0.0052
Street Lighting	Rural Rate Protection Charge	kWh	\$	0.0010
Street Lighting	Distribution Loss Factor	%	\$	1.0471

LAKEFRONT UTILITIES INC.**Sentinel Lighting**

Sentinel Lighting	Distribution	Connection	\$	1.98
Sentinel Lighting	Distribution	kW	\$	4.8832
Sentinel Lighting	Regulatory Asset Recovery	kW	-\$	0.6404
Sentinel Lighting	Retail Transmission - Network	kW	\$	1.3782
Sentinel Lighting	Retail Transmission - Line and Transformation Connector	kW	\$	1.1396
Sentinel Lighting	Wholesale Market Service	kWh	\$	0.0052
Sentinel Lighting	Rural Rate Protection Charge	kWh	\$	0.0010
Sentinel Lighting	Distribution Loss Factor	%	\$	1.0471

Unmetered Scattered Load

Unmetered Scattered Load	Distribution	Customer	\$	11.19
Unmetered Scattered Load	Distribution	kWh	\$	0.0255
Unmetered Scattered Load	Regulatory Asset Recovery	kWh	\$	0.0050
Unmetered Scattered Load	Retail Transmission - Network	kWh	\$	0.0052
Unmetered Scattered Load	Retail Transmission - Line and Transformation Connector	kWh	\$	0.0045
Unmetered Scattered Load	Wholesale Market Service	kWh	\$	0.0052
Unmetered Scattered Load	Rural Rate Protection Charge	kWh	\$	0.0010
Unmetered Scattered Load	Distribution Loss Factor	%	\$	1.0471

LAKEFRONT UTILITIES INC.**PROPOSED RATE SCHEDULE****Residential**

Residential	Distribution	Customer	\$	11.44
Residential	Distribution	kWh	\$	0.0149
Residential	Regulatory Asset Recovery	kWh	\$	0.0049
Residential	Retail Transmission - Network	kWh	\$	0.0049
Residential	Retail Transmission - Line and Transformation Connector	kWh	\$	0.0040
Residential	Wholesale Market Service	kWh	\$	0.0052
Residential	Rural Rate Protection Charge	kWh	\$	0.0010
Residential	Distribution Loss Factor	%	\$	1.0541

General Service Less Than 50 kW

General Service Less Than 50 kW	Distribution	Customer	\$	29.08
General Service Less Than 50 kW	Distribution	kWh	\$	0.0124
General Service Less Than 50 kW	Regulatory Asset Recovery	kWh	\$	0.0021
General Service Less Than 50 kW	Retail Transmission - Network	kWh	\$	0.0045
General Service Less Than 50 kW	Retail Transmission - Line and Transformation Connector	kWh	\$	0.0036
General Service Less Than 50 kW	Wholesale Market Service	kWh	\$	0.0052
General Service Less Than 50 kW	Rural Rate Protection Charge	kWh	\$	0.0010
General Service Less Than 50 kW	Distribution Loss Factor	%	\$	1.0541

General Service 50 to 2,999 Kw

General Service 50 to 2,999 Kw	Distribution	Customer	\$	238.65
General Service 50 to 2,999 Kw	Distribution	kW	\$	4.3883
General Service 50 to 2,999 Kw	Regulatory Asset Recovery	kW	\$	0.7422
General Service 50 to 2,999 Kw	Retail Transmission - Network	kW	\$	1.8183
General Service 50 to 2,999 Kw	Retail Transmission - Line and Transformation Connector	kW	\$	1.4440
General Service 50 to 2,999 Kw	Wholesale Market Service	kWh	\$	0.0052
General Service 50 to 2,999 Kw	Rural Rate Protection Charge	kWh	\$	0.0010
General Service 50 to 2,999 Kw	Distribution Loss Factor	%	\$	1.0541

General Service 3,000 to 4,999 kW

General Service 3,000 to 4,999 kW	Distribution	Customer	\$	6,567.38
General Service 3,000 to 4,999 kW	Distribution	kW	\$	3.3636
General Service 3,000 to 4,999 kW	Regulatory Asset Recovery	kW	\$	0.2804
General Service 3,000 to 4,999 kW	Retail Transmission - Network	kW	\$	2.0336
General Service 3,000 to 4,999 kW	Retail Transmission - Line and Transformation Connector	kW	\$	1.7030
General Service 3,000 to 4,999 kW	Wholesale Market Service	kWh	\$	0.0052
General Service 3,000 to 4,999 kW	Rural Rate Protection Charge	kWh	\$	0.0010
General Service 3,000 to 4,999 kW	Distribution Loss Factor	%	\$	1.0541

Street Lighting

Street Lighting	Distribution	Connection	\$	0.26
Street Lighting	Distribution	kW	\$	2.0020
Street Lighting	Regulatory Asset Recovery	kW	\$	0.2962
Street Lighting	Retail Transmission - Network	kW	\$	1.3713
Street Lighting	Retail Transmission - Line and Transformation Connector	kW	\$	1.1163
Street Lighting	Wholesale Market Service	kWh	\$	0.0052
Street Lighting	Rural Rate Protection Charge	kWh	\$	0.0010
Street Lighting	Distribution Loss Factor	%	\$	1.0541

LAKEFRONT UTILITIES INC.**Sentinel Lighting**

Sentinel Lighting	Distribution	Connection	\$	3.48
Sentinel Lighting	Distribution	kW	\$	8.9428
Sentinel Lighting	Regulatory Asset Recovery	kW	\$	1.8857
Sentinel Lighting	Retail Transmission - Network	kW	\$	1.3782
Sentinel Lighting	Retail Transmission - Line and Transformation Connector	kW	\$	1.3960
Sentinel Lighting	Wholesale Market Service	kWh	\$	0.0052
Sentinel Lighting	Rural Rate Protection Charge	kWh	\$	0.0010
Sentinel Lighting	Distribution Loss Factor	%	\$	1.0541

Unmetered Scattered Load

Unmetered Scattered Load	Distribution	Customer	\$	15.20
Unmetered Scattered Load	Distribution	kWh	\$	0.0361
Unmetered Scattered Load	Regulatory Asset Recovery	kWh	\$	0.0047
Unmetered Scattered Load	Retail Transmission - Network	kWh	\$	0.0052
Unmetered Scattered Load	Retail Transmission - Line and Transformation Connector	kWh	\$	0.0045
Unmetered Scattered Load	Wholesale Market Service	kWh	\$	0.0052
Unmetered Scattered Load	Rural Rate Protection Charge	kWh	\$	0.0010
Unmetered Scattered Load	Distribution Loss Factor	%	\$	1.0541

LAKEFRONT UTILITIES INC.**SUMMARY OF PROPOSED RATE SCHEDULE**

The following is a summary of the proposed changes to LUI's rates for the 2008 test year. LUI is forecasting a distribution related delivery deficiency for the 2008 test year of \$1,011,962. The bill impacts compare the distribution rates arising from the proposed 2008 revenue requirements to the current approved distribution rates applicable May 1, 2007.

The rates are assessed on the basis of moving to the proposed distribution rates derived in Exhibit 9, Tab 1, Schedule 6, including the Rate Rider for the recovery of regulatory asset variance accounts derived in Exhibit 5, Tab 1, Schedule 3.

The impact on each rate class is described below.

Residential Class

The proposed changes to Residential Class are summarized below.

LUI is proposing to increase the monthly customer charge by \$1.92 in the 2008 test year to maintain the current fixed/variable ratio of the existing rates. In addition, the allocation of distribution revenue to this class has been decreased by 2.15% to bring the Revenue-to-Cost ratios for Residential Class customers down to 111.84%. LUI has concerns on the Revenue-to-Cost ratios for this class and plans to rerun the study before making a rate correction to 100%.

The bill impact on a typical residential customer with 750 kWh consumption is a change of approximately \$4.25 or 5.0% as shown below:

Residential**750 kWh Consumption**

	Metric	2007 BILL		2008 BILL		IMPACT		Change %	% of Total Bill
		Volume	Rate Charge	Volume	Rate Charge	Change	Change		
Monthly Service Charge			\$ 9.52			\$ 11.44	\$ 1.920	20.2%	2.2%
Distribution	kWh	750.00	0.0113 \$ 8.48	750.00	0.0149 \$ 11.18	\$ 2.700	\$ 2.700	31.9%	3.0%
Sub-Total			\$ 18.00			\$ 22.62	\$ 4.620	25.7%	5.2%
Regulatory Asset Recovery	kWh	750.00	0.0059 \$ 4.43	750.00	0.0049 \$ 3.68	-\$ 0.750	-\$ 0.750	-16.9%	-0.8%
Retail Transmission - Network	kWh	785.33	0.0049 \$ 3.85	790.58	0.0049 \$ 3.87	\$ 0.026	\$ 0.026	0.7%	0.0%
Retail Transmission - Line and Transformation Connection	kWh	785.33	0.0040 \$ 3.14	790.58	0.0040 \$ 3.16	\$ 0.021	\$ 0.021	0.7%	0.0%
Wholesale Market Service	kWh	785.33	0.0052 \$ 4.08	790.58	0.0052 \$ 4.11	\$ 0.027	\$ 0.027	0.7%	0.0%
Rural Rate Protection Charge	kWh	785.33	0.0010 \$ 0.79	790.58	0.0010 \$ 0.79	\$ 0.005	\$ 0.005	0.7%	0.0%
Debt Retirement Charge	kWh	750.00	0.0070 \$ 5.25	750.00	0.0070 \$ 5.25	-	-	0.0%	0.0%
Cost of Power Commodity	kWh	785.33	0.0570 \$ 44.79	790.58	0.0570 \$ 45.09	\$ 0.299	\$ 0.299	0.7%	0.3%
Total Bill			\$ 84.32			\$ 88.57	\$ 4.249	5.0%	4.8%

LAKEFRONT UTILITIES INC.

General Service Less Than 50kW

The proposed changes to GS<50kW are summarized below.

LUI is proposing to increase the current monthly customer charge by \$4.00 to \$29.08 per month in the 2008 test year to maintain the current fixed/variable ratio of the existing rates. In addition, the allocation of distribution revenue to this class has been decreased by 3.87% to bring the Revenue-to-Cost ratios for General Service Less Than 50 kW class of customers to 137.56%. LUI has concerns on the Revenue-to-Cost ratios for this class and plans to rerun the study before making a rate correction to 100%.

The bill impact on a typical General Service Less Than 50 kW customer with 3,000 kWh consumption is a change of approximately \$16.00 or 5.3% as shown below:

General Service Less Than 50 kW 3000 kWh Consumption										
	2007 BILL			2008 BILL			IMPACT		Change %	% of Total Bill
	Metric	Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$		
Monthly Service Charge				\$ 25.08			\$ 29.08	\$ 4.00	15.9%	1.3%
Distribution	kWh	3000.00	0.0097	\$ 29.10	3000.00	0.0124	\$ 37.20	\$ 8.10	27.8%	2.5%
Sub-Total				\$ 54.18			\$ 66.28	\$ 12.10	22.3%	3.8%
Regulatory Asset Recovery	kWh	3000.00	0.0013	\$ 3.90	3000.00	0.0021	\$ 6.30	\$ 2.40	61.5%	0.8%
Retail Transmission - Network	kWh	3141.30	0.0045	\$ 14.14	3162.30	0.0045	\$ 14.23	\$ 0.09	0.7%	0.0%
Retail Transmission - Line and Transformation Connection	kWh	3141.30	0.0036	\$ 11.31	3162.30	0.0036	\$ 11.38	\$ 0.08	0.7%	0.0%
Wholesale Market Service	kWh	3141.30	0.0052	\$ 16.33	3162.30	0.0052	\$ 16.44	\$ 0.11	0.7%	0.0%
Rural Rate Protection Charge	kWh	3141.30	0.0010	\$ 3.14	3162.30	0.0010	\$ 3.16	\$ 0.02	0.7%	0.0%
Debt Retirement Charge	kWh	3000.00	0.0070	\$ 21.00	3000.00	0.0070	\$ 21.00	\$ -	0.0%	0.0%
Cost of Power Commodity	kWh	3141.30	0.0570	\$ 179.18	3162.30	0.0570	\$ 180.38	\$ 1.20	0.7%	0.4%
Total Bill				\$ 303.18			\$ 319.18	\$ 16.00	5.3%	5.0%

General Service Greater Than 50 to 2,999kW

The proposed changes to GS>50-2,999kW are summarized below.

LUI is proposing to increase the current monthly customer charge by \$37.85 to \$238.65 per month in the 2008 test year to maintain the current fixed/variable ratio of the existing rates. In addition, the allocation of distribution revenue to this class has been decreased by 13.94% to bring the Revenue-to-Cost ratios for General Greater Than 50 to 2,999 kW class of customers to 134.33%. LUI has concerns on the Revenue-to-Cost ratios for this class and plans to rerun the study before making a rate correction to 100%.

The bill impact on a typical General Service Less Than 50 kW customer with 60kW Load and 15,000 kWh consumption is a change of approximately \$153.78 or 9.0% as shown below:

LAKEFRONT UTILITIES INC.

General Service 50 to 2,999 Kw

60 kW Consumption
 15000 kWh Consumption

	2007 BILL			2008 BILL			IMPACT			% of Total Bill
	Metric	Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	
Monthly Service Charge				\$ 200.80			\$ 238.65	\$ 37.85	18.8%	2.0%
Distribution	kW	60.00	2.9563	\$ 177.38	60.00	4.3883	\$ 263.30	\$ 85.92	48.4%	4.6%
Sub-Total				\$ 378.18			\$ 501.95	\$ 123.77	32.7%	6.7%
Regulatory Asset Recovery	kW	60.00	0.3756	\$ 22.54	60.00	0.7422	\$ 44.53	\$ 22.00	97.6%	1.2%
Retail Transmission - Network	kW	62.83	1.8183	\$ 114.24	63.25	1.8183	\$ 115.00	\$ 0.76	0.7%	0.0%
Retail Transmission - Line and Transformation Connection	kW	62.83	1.4440	\$ 90.72	63.25	1.444	\$ 91.33	\$ 0.61	0.7%	0.0%
Wholesale Market Service	kWh	15706.50	0.0052	\$ 81.67	15,811.50	0.0052	\$ 82.22	\$ 0.55	0.7%	0.0%
Rural Rate Protection Charge	kWh	15706.50	0.0010	\$ 15.71	15,811.50	0.001	\$ 15.81	\$ 0.11	0.7%	0.0%
Debt Retirement Charge	kWh	15000.00	0.0070	\$ 105.00	15,000.00	0.007	\$ 105.00	\$ -	0.0%	0.0%
Cost of Power Commodity	kWh	15706.50	0.0570	\$ 895.90	15,811.50	0.05704	\$ 901.89	\$ 5.99	0.7%	0.3%
Total Bill				\$ 1,703.95			\$ 1,857.73	\$ 153.78	9.0%	8.3%

Intermediate Class

The proposed changes to Intermediate Class (GS>3,000 to 4,999 kW) are summarized below.

LUI is proposing to increase the current monthly customer charge by \$4,805.01 to \$6,567.38 per month in the 2008 test year to maintain the current fixed/variable ratio of the existing rates. In addition, the allocation of distribution revenue to this class has been increased by 45.53% to bring the Revenue-to-Cost ratios for Intermediate (General Greater Than 3,000 to 4,999 kW) class of customers to 70.47%. The fixed cost for this customer class has significantly decreased over the last few years due to rate methodologies applied and the current adjustment reflects a correction to those decreases.

The bill impact on a typical Intermediate class customer with 3,000 kW Load and 2,100,000 kWh consumption is a change of approximately \$16,277.54 and 9.7% as shown below:

General Service 3,000 to 4,999 kW

3000 kW Consumption
 2100000 kWh Consumption

	2007 BILL			2008 BILL			IMPACT			% of Total Bill
	Metric	Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	
Monthly Service Charge				\$ 1,762.37			\$ 6,567.38	\$ 4,805.01	272.6%	2.6%
Distribution	kW	3000.00	0.5994	\$ 1,798.20	3,000.00	3.3636	\$ 10,090.80	\$ 8,292.60	461.2%	4.5%
Sub-Total				\$ 3,560.57			\$ 16,658.18	\$ 13,097.61	367.9%	7.1%
Regulatory Asset Recovery	kW	3000.00 -	0.4697	\$ 1,409.10	3,000.00	0.2804	\$ 841.20	\$ 2,250.30	-159.7%	1.2%
Retail Transmission - Network	kW	3000.00	2.0336	\$ 6,100.80	3,000.00	2.0336	\$ 6,100.80	\$ -	0.0%	0.0%
Retail Transmission - Line and Transformation Connection	kW	3000.00	1.7030	\$ 5,109.00	3,000.00	1.703	\$ 5,109.00	\$ -	0.0%	0.0%
Wholesale Market Service	kWh	2198910.00	0.0052	\$ 11,434.33	2,213,610.00	0.0052	\$ 11,510.77	\$ 76.44	0.7%	0.0%
Rural Rate Protection Charge	kWh	2198910.00	0.0010	\$ 2,198.91	2,213,610.00	0.001	\$ 2,213.61	\$ 14.70	0.7%	0.0%
Debt Retirement Charge	kWh	2100000.00	0.0070	\$ 14,700.00	2,100,000.00	0.007	\$ 14,700.00	\$ -	0.0%	0.0%
Cost of Power Commodity	kWh	2198910.00	0.0570	\$ 125,425.83	2,213,610.00	0.05704	\$ 126,264.31	\$ 838.49	0.7%	0.5%
Total Bill				\$ 167,120.34			\$ 183,397.88	\$ 16,277.54	9.7%	8.9%

LAKEFRONT UTILITIES INC.

Sentinel Lights

The proposed changes to Sentinel Lights Class are summarized below.

LUI is proposing to increase the current monthly customer charge by \$1.50 to \$3.48 per month in the 2008 test year to maintain the current fixed/variable ratio of the existing rates. In addition, the allocation of distribution revenue to this class has been decreased by 2.86% to bring the Revenue-to-Cost ratios for Sentinel Lights class of customers to 26.47%. LUI has concerns on the Revenue-to-Cost ratios for this class and plans to rerun the study before making a rate correction to 100%.

The bill impact on a typical Sentinel Lights customer with 0.75 kW Load and 50 kWh consumption is an increase of approximately \$6.68 or 61.8% as shown below:

Sentinel Lighting

**0.75 kW Consumption
 50 kWh Consumption**

	2007 BILL				2008 BILL				IMPACT	
	Metric	Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				\$ 1.98			\$ 3.48	\$ 1.50	75.8%	8.6%
Distribution	kW	0.75	4.8832	\$ 3.66	0.75	8.9428	\$ 6.71	\$ 3.04	83.1%	17.4%
Sub-Total				\$ 5.64			\$ 10.19	\$ 4.54	80.5%	26.0%
Regulatory Asset Recovery	kW	0.75	-0.6404	-\$ 0.48	0.75	1.8857	\$ 1.41	\$ 1.89	-394.5%	10.8%
Retail Transmission - Network	kW	0.79	1.3782	\$ 1.08	0.79	1.3782	\$ 1.09	\$ 0.01	0.7%	0.0%
Retail Transmission - Line and Transformation Connection	kW	0.79	1.1396	\$ 0.89	0.79	1.396	\$ 1.10	\$ 0.21	23.3%	1.2%
Wholesale Market Service	kWh	52.36	0.0052	\$ 0.27	52.71	0.0052	\$ 0.27	\$ 0.00	0.7%	0.0%
Rural Rate Protection Charge	kWh	52.36	0.0010	\$ 0.05	52.71	0.001	\$ 0.05	\$ 0.00	0.7%	0.0%
Debt Retirement Charge	kWh	50.00	0.0070	\$ 0.35	50.00	0.007	\$ 0.35	\$ -	0.0%	0.0%
Cost of Power Commodity	kWh	52.36	0.0570	\$ 2.99	52.71	0.05704	\$ 3.01	\$ 0.02	0.7%	0.1%
Total Bill				\$ 10.80			\$ 17.48	\$ 6.68	61.8%	38.2%

Street Lights

The proposed changes to Street Lights Class are summarized below.

LUI is proposing to increase the current monthly customer charge by \$245.85 to \$581.10 per month in the 2008 test year to maintain the current fixed/variable ratio of the existing rates. In addition, the allocation of distribution revenue to this class has been decreased by 10% to bring the Revenue-to-Cost ratios for Street Lights class of customers to 2.86%.

The bill impact on a Street Lights customer with 346kW Load and 118,000 kWh consumption is an increase of approximately \$870.02 or 8.6% as shown below:

LAKEFRONT UTILITIES INC.

Street Lighting

346 kW Consumption
118000 kWh Consumption
2235 Connections

	2007 BILL				2008 BILL			IMPACT		
	Metric	Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge		2235	0.1500	\$ 335.25	2,235.00	0.26	\$ 581.10	\$ 245.85	73.3%	2.2%
Distribution	kW	346.00	0.9459	\$ 327.28	346.00	2.002	\$ 692.69	\$ 365.41	111.7%	3.3%
Sub-Total				\$ 662.53			\$ 1,273.79	\$ 611.26	92.3%	5.6%
Regulatory Asset Recovery	kW	346.00	-0.3007	-\$ 104.04	346.00	0.2962	\$ 102.49	\$ 206.53	-198.5%	1.9%
Retail Transmission - Network	kW	346.00	1.3713	\$ 474.47	346.00	1.3713	\$ 474.47	\$ -	0.0%	0.0%
Retail Transmission - Line and Transformation Connection	kW	346.00	1.1163	\$ 386.24	346.00	1.1163	\$ 386.24	\$ -	0.0%	0.0%
Wholesale Market Service	kWh	123557.80	0.0052	\$ 642.50	124,383.80	0.0052	\$ 646.80	\$ 4.30	0.7%	0.0%
Rural Rate Protection Charge	kWh	123557.80	0.0010	\$ 123.56	124,383.80	0.001	\$ 124.38	\$ 0.83	0.7%	0.0%
Debt Retirement Charge	kWh	118000.00	0.0070	\$ 826.00	118,000.00	0.007	\$ 826.00	\$ -	0.0%	0.0%
Cost of Power Commodity	kWh	123557.80	0.0570	\$ 7,047.74	124,383.80	0.05704	\$ 7,094.85	\$ 47.12	0.7%	0.4%
Total Bill				\$ 10,058.99			\$ 10,929.02	\$ 870.02	8.6%	8.0%

Unmetered Scattered Load (USL)

The proposed changes to Unmetered Scattered Load Class are summarized below.

LUI is proposing to increase the current monthly customer charge by \$4.01 to \$15.20 per month in the 2008 test year to maintain the current fixed/variable ratio of the existing rates. In addition, the allocation of distribution revenue to this class has been decreased by 4.22% to bring the Revenue-to-Cost ratios for USL class of customers to 92.31%. LUI has concerns on the Revenue-to-Cost ratios for this class and plans to rerun the study before making a rate correction to 100%.

The bill impact on a USL customer with 800 kWh consumption is an increase of approximately \$9.94 or 9.7% as shown below:

LAKEFRONT UTILITIES INC.

Unmetered Scattered Load

800 kWh Consumption

	2007 BILL			2008 BILL			IMPACT			
	Metric	Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				\$ 11.19			\$ 15.20	\$ 4.01	35.8%	3.6%
Distribution	kWh	800	0.0255	\$ 20.40	800.00	0.0361	\$ 28.88	\$ 8.48	41.6%	7.6%
Sub-Total				\$ 31.59			\$ 44.08	\$ 12.49	39.5%	11.1%
Regulatory Asset Recovery	kWh	800.00	0.0050	\$ 4.00	800.00	0.0013	\$ 1.04	-\$ 2.96	-74.0%	-2.6%
Retail Transmission - Network	kWh	837.68	0.0052	\$ 4.36	843.28	0.0052	\$ 4.39	\$ 0.03	0.7%	0.0%
Retail Transmission - Line and Trans	kWh	837.68	0.0045	\$ 3.77	843.28	0.0045	\$ 3.79	\$ 0.03	0.7%	0.0%
Wholesale Market Service	kWh	837.68	0.0052	\$ 4.36	843.28	0.0052	\$ 4.39	\$ 0.03	0.7%	0.0%
Rural Rate Protection Charge	kWh	837.68	0.0010	\$ 0.84	843.28	0.001	\$ 0.84	\$ 0.01	0.7%	0.0%
Debt Retirement Charge	kWh	800.00	0.0070	\$ 5.60	800.00	0.007	\$ 5.60	\$ -	0.0%	0.0%
Cost of Power Commodity	kWh	837.68	0.0570	\$ 47.78	843.28	0.05704	\$ 48.10	\$ 0.32	0.7%	0.3%
Total Bill				\$ 102.29			\$ 112.23	\$ 9.94	9.7%	8.9%

LAKEFRONT UTILITIES INC.**RECONCILIATION OF RATE CLASS REVENUE TO TOTAL REVENUE**
REQUIREMENT

Rate Class	Number of Customers or Connections	Volume (kWh)	Volume (KW)	Proposed Fixed Charge (\$)	Proposed Volumetric Charge	Proposed Revenue at Proposed Rates \$/kWh
Residential	8,012	77,241,202	-	11.44	0.0149	\$ 2,331,189
General Service Less Than 50 kW	1,075	36,960,206	-	29.08	0.0124	\$ 833,439
General Service 50 to 2,999 kW	127	117,291,948	270,520	238.65	4.3883	\$ 1,550,826
General Service 3,000 to 4,999 kW	2	55,719,421	123,329	6,567.38	3.3636	\$ 572,447
Unmetered Scattered Load	79	620,588	-	15.20	0.0361	\$ 36,813
Sentinel Lighting	58	49,428	98	3.48	8.9428	\$ 3,298
Street Lighting (<i>Connections</i>)	2,739	2,065,217	5,335	0.26	2.0020	\$ 19,226
TOTAL	12,092	289,948,010	399,282			\$ 5,347,238

LAKEFRONT UTILITIES INC.**RATE IMPACTS**

The total bill impacts are premised on the distribution rates arising from the new revenue requirements. All other non-distribution charges are kept unchanged.

The total bill impacts are calculated for the average customer per Residential rate class and for General Service Classes at a typical level of consumption. The rates are assessed on the basis of moving to the proposed distribution rates derived in Exhibit 9, Tab 1, Schedule 6, including the Rate Rider for the recovery of regulatory asset variance accounts derived in Exhibit 5, Tab 1, Schedule 3.

Residential**750 kWh Consumption**

	2007 BILL				2008 BILL				IMPACT		% of Total Bill
	Metric	Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %		
Monthly Service Charge				\$ 9.52			\$ 11.44	\$ 1.920	20.2%	2.2%	
Distribution	kWh	750.00	0.0113	\$ 8.48	750.00	0.0149	\$ 11.18	\$ 2.700	31.9%	3.0%	
Sub-Total				\$ 18.00			\$ 22.62	\$ 4.620	25.7%	5.2%	
Regulatory Asset Recovery	kWh	750.00	0.0059	\$ 4.43	750.00	0.0049	\$ 3.68	\$ 0.750	-16.9%	-0.8%	
Retail Transmission - Network	kWh	785.33	0.0049	\$ 3.85	790.58	0.0049	\$ 3.87	\$ 0.026	0.7%	0.0%	
Retail Transmission - Line and Transformation Connection	kWh	785.33	0.0040	\$ 3.14	790.58	0.0040	\$ 3.16	\$ 0.021	0.7%	0.0%	
Wholesale Market Service	kWh	785.33	0.0052	\$ 4.08	790.58	0.0052	\$ 4.11	\$ 0.027	0.7%	0.0%	
Rural Rate Protection Charge	kWh	785.33	0.0010	\$ 0.79	790.58	0.0010	\$ 0.79	\$ 0.005	0.7%	0.0%	
Debt Retirement Charge	kWh	750.00	0.0070	\$ 5.25	750.00	0.0070	\$ 5.25	\$ -	0.0%	0.0%	
Cost of Power Commodity	kWh	785.33	0.0570	\$ 44.79	790.58	0.0570	\$ 45.09	\$ 0.299	0.7%	0.3%	
Total Bill				\$ 84.32			\$ 88.57	\$ 4.249	5.0%	4.8%	

General Service Less Than 50 kW**3000 kWh Consumption**

	2007 BILL				2008 BILL				IMPACT		% of Total Bill
	Metric	Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %		
Monthly Service Charge				\$ 25.08			\$ 29.08	\$ 4.00	15.9%	1.3%	
Distribution	kWh	3000.00	0.0097	\$ 29.10	3000.00	0.0124	\$ 37.20	\$ 8.10	27.8%	2.5%	
Sub-Total				\$ 54.18			\$ 66.28	\$ 12.10	22.3%	3.8%	
Regulatory Asset Recovery	kWh	3000.00	0.0013	\$ 3.90	3000.00	0.0021	\$ 6.30	\$ 2.40	61.5%	0.8%	
Retail Transmission - Network	kWh	3141.30	0.0045	\$ 14.14	3162.30	0.0045	\$ 14.23	\$ 0.09	0.7%	0.0%	
Retail Transmission - Line and Transformation Connection	kWh	3141.30	0.0036	\$ 11.31	3162.30	0.0036	\$ 11.38	\$ 0.08	0.7%	0.0%	
Wholesale Market Service	kWh	3141.30	0.0052	\$ 16.33	3162.30	0.0052	\$ 16.44	\$ 0.11	0.7%	0.0%	
Rural Rate Protection Charge	kWh	3141.30	0.0010	\$ 3.14	3162.30	0.0010	\$ 3.16	\$ 0.02	0.7%	0.0%	
Debt Retirement Charge	kWh	3000.00	0.0070	\$ 21.00	3000.00	0.0070	\$ 21.00	\$ -	0.0%	0.0%	
Cost of Power Commodity	kWh	3141.30	0.0570	\$ 179.18	3162.30	0.0570	\$ 180.38	\$ 1.20	0.7%	0.4%	
Total Bill				\$ 303.18			\$ 319.18	\$ 16.00	5.3%	5.0%	

LAKEFRONT UTILITIES INC.**General Service 50 to 2,999 Kw**

60 kW Consumption
15000 kWh Consumption

	2007 BILL			2008 BILL			IMPACT			% of Total Bill
	Metric	Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	
Monthly Service Charge				\$ 200.80			\$ 238.65	\$ 37.85	18.8%	2.0%
Distribution	kW	60.00	2.9563	\$ 177.38	60.00	4.3883	\$ 263.30	\$ 85.92	48.4%	4.6%
Sub-Total				\$ 378.18			\$ 501.95	\$ 123.77	32.7%	6.7%
Regulatory Asset Recovery	kW	60.00	0.3756	\$ 22.54	60.00	0.7422	\$ 44.53	\$ 22.00	97.6%	1.2%
Retail Transmission - Network	kW	62.83	1.8183	\$ 114.24	63.25	1.8183	\$ 115.00	\$ 0.76	0.7%	0.0%
Retail Transmission - Line and Transformation Connection	kW	62.83	1.4440	\$ 90.72	63.25	1.444	\$ 91.33	\$ 0.61	0.7%	0.0%
Wholesale Market Service	kWh	15706.50	0.0052	\$ 81.67	15,811.50	0.0052	\$ 82.22	\$ 0.55	0.7%	0.0%
Rural Rate Protection Charge	kWh	15706.50	0.0010	\$ 15.71	15,811.50	0.001	\$ 15.81	\$ 0.11	0.7%	0.0%
Debt Retirement Charge	kWh	15000.00	0.0070	\$ 105.00	15,000.00	0.007	\$ 105.00	\$ -	0.0%	0.0%
Cost of Power Commodity	kWh	15706.50	0.0570	\$ 895.90	15,811.50	0.05704	\$ 901.89	\$ 5.99	0.7%	0.3%
Total Bill				\$ 1,703.95			\$ 1,857.73	\$ 153.78	9.0%	8.3%

General Service 3,000 to 4,999 kW

3000 kW Consumption
2100000 kWh Consumption

	2007 BILL			2008 BILL			IMPACT			% of Total Bill
	Metric	Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	
Monthly Service Charge				\$ 1,762.37			\$ 6,567.38	\$ 4,805.01	272.6%	2.6%
Distribution	kW	3000.00	0.5994	\$ 1,798.20	3,000.00	3.3636	\$ 10,090.80	\$ 8,292.60	461.2%	4.5%
Sub-Total				\$ 3,560.57			\$ 16,658.18	\$ 13,097.61	367.9%	7.1%
Regulatory Asset Recovery	kW	3000.00	-0.4697	\$ 1,409.10	3,000.00	0.2804	\$ 841.20	\$ 2,250.30	-159.7%	1.2%
Retail Transmission - Network	kW	3000.00	2.0336	\$ 6,100.80	3,000.00	2.0336	\$ 6,100.80	\$ -	0.0%	0.0%
Retail Transmission - Line and Transformation Connection	kW	3000.00	1.7030	\$ 5,109.00	3,000.00	1.703	\$ 5,109.00	\$ -	0.0%	0.0%
Wholesale Market Service	kWh	2198910.00	0.0052	\$ 11,434.33	2,213,610.00	0.0052	\$ 11,510.77	\$ 76.44	0.7%	0.0%
Rural Rate Protection Charge	kWh	2198910.00	0.0010	\$ 2,198.91	2,213,610.00	0.001	\$ 2,213.61	\$ 14.70	0.7%	0.0%
Debt Retirement Charge	kWh	2100000.00	0.0070	\$ 14,700.00	2,100,000.00	0.007	\$ 14,700.00	\$ -	0.0%	0.0%
Cost of Power Commodity	kWh	2198910.00	0.0570	\$ 125,425.83	2,213,610.00	0.05704	\$ 126,264.31	\$ 838.49	0.7%	0.5%
Total Bill				\$ 167,120.34			\$ 183,397.88	\$ 16,277.54	9.7%	8.9%

Sentinel Lighting

0.75 kW Consumption
50 kWh Consumption

	2007 BILL			2008 BILL			IMPACT			% of Total Bill
	Metric	Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	
Monthly Service Charge				\$ 1.98			\$ 3.48	\$ 1.50	75.8%	8.6%
Distribution	kW	0.75	4.8832	\$ 3.66	0.75	8.9428	\$ 6.71	\$ 3.04	83.1%	17.4%
Sub-Total				\$ 5.64			\$ 10.19	\$ 4.54	80.5%	26.0%
Regulatory Asset Recovery	kW	0.75	-0.6404	\$ 0.48	0.75	1.8857	\$ 1.41	\$ 1.89	-394.5%	10.8%
Retail Transmission - Network	kW	0.79	1.3782	\$ 1.08	0.79	1.3782	\$ 1.09	\$ 0.01	0.7%	0.0%
Retail Transmission - Line and Transformation Connection	kW	0.79	1.1396	\$ 0.89	0.79	1.396	\$ 1.10	\$ 0.21	23.3%	1.2%
Wholesale Market Service	kWh	52.36	0.0052	\$ 0.27	52.71	0.0052	\$ 0.27	\$ 0.00	0.7%	0.0%
Rural Rate Protection Charge	kWh	52.36	0.0010	\$ 0.05	52.71	0.001	\$ 0.05	\$ 0.00	0.7%	0.0%
Debt Retirement Charge	kWh	50.00	0.0070	\$ 0.35	50.00	0.007	\$ 0.35	\$ -	0.0%	0.0%
Cost of Power Commodity	kWh	52.36	0.0570	\$ 2.99	52.71	0.05704	\$ 3.01	\$ 0.02	0.7%	0.1%
Total Bill				\$ 10.80			\$ 17.48	\$ 6.68	61.8%	38.2%

LAKEFRONT UTILITIES INC.

Street Lighting

346 kW Consumption
118000 kWh Consumption
2235 Connections

	2007 BILL				2008 BILL				IMPACT		
	Metric	Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill	
Monthly Service Charge		2235	0.1500	\$ 335.25	2,235.00	0.26	\$ 581.10	\$ 245.85	73.3%	2.2%	
Distribution	kW	346.00	0.9459	\$ 327.28	346.00	2.002	\$ 692.69	\$ 365.41	111.7%	3.3%	
Sub-Total				\$ 662.53			\$ 1,273.79	\$ 611.26	92.3%	5.6%	
Regulatory Asset Recovery	kW	346.00	-0.3007	-\$ 104.04	346.00	0.2962	\$ 102.49	\$ 206.53	-198.5%	1.9%	
Retail Transmission - Network	kW	346.00	1.3713	\$ 474.47	346.00	1.3713	\$ 474.47	\$ -	0.0%	0.0%	
Retail Transmission - Line and Transformation Connection	kW	346.00	1.1163	\$ 386.24	346.00	1.1163	\$ 386.24	\$ -	0.0%	0.0%	
Wholesale Market Service	kWh	123557.80	0.0052	\$ 642.50	124,383.80	0.0052	\$ 646.80	\$ 4.30	0.7%	0.0%	
Rural Rate Protection Charge	kWh	123557.80	0.0010	\$ 123.56	124,383.80	0.001	\$ 124.38	\$ 0.83	0.7%	0.0%	
Debt Retirement Charge	kWh	118000.00	0.0070	\$ 826.00	118,000.00	0.007	\$ 826.00	\$ -	0.0%	0.0%	
Cost of Power Commodity	kWh	123557.80	0.0570	\$ 7,047.74	124,383.80	0.05704	\$ 7,094.85	\$ 47.12	0.7%	0.4%	
Total Bill				\$ 10,058.99			\$ 10,929.02	\$ 870.02	8.6%	8.0%	

Unmetered Scattered Load

800 kWh Consumption

	2007 BILL				2008 BILL				IMPACT		
	Metric	Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill	
Monthly Service Charge				\$ 11.19			\$ 15.20	\$ 4.01	35.8%	3.6%	
Distribution	kWh	800	0.0255	\$ 20.40	800.00	0.0361	\$ 28.88	\$ 8.48	41.6%	7.6%	
Sub-Total				\$ 31.59			\$ 44.08	\$ 12.49	39.5%	11.1%	
Regulatory Asset Recovery	kWh	800.00	0.0050	\$ 4.00	800.00	0.0013	\$ 1.04	-\$ 2.96	-74.0%	-2.6%	
Retail Transmission - Network	kWh	837.68	0.0052	\$ 4.36	843.28	0.0052	\$ 4.39	\$ 0.03	0.7%	0.0%	
Retail Transmission - Line and Trans	kWh	837.68	0.0045	\$ 3.77	843.28	0.0045	\$ 3.79	\$ 0.03	0.7%	0.0%	
Wholesale Market Service	kWh	837.68	0.0052	\$ 4.36	843.28	0.0052	\$ 4.39	\$ 0.03	0.7%	0.0%	
Rural Rate Protection Charge	kWh	837.68	0.0010	\$ 0.84	843.28	0.001	\$ 0.84	\$ 0.01	0.7%	0.0%	
Debt Retirement Charge	kWh	800.00	0.0070	\$ 5.60	800.00	0.007	\$ 5.60	\$ -	0.0%	0.0%	
Cost of Power Commodity	kWh	837.68	0.0570	\$ 47.78	843.28	0.05704	\$ 48.10	\$ 0.32	0.7%	0.3%	
Total Bill				\$ 102.29			\$ 112.23	\$ 9.94	9.7%	8.9%	

LAKEFRONT UTILITIES INC.

PROPOSED CHANGES TO TERMS AND CONDITIONS OF SERVICES

Please refer back to Exhibit 1, Tab 1, Schedule 18 for proposed changes to terms and conditions of service.



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[Disconnection Policy](#)

[Collections Policy](#)



SECTION 1 INTRODUCTION

1.1 Identification of Distributor and Territory

The Distributor is a corporation, incorporated under the laws of the Province of Ontario to distribute electricity.

The Distributor is licensed by the Ontario Energy Board “OEB” to supply electricity to Customers as described in the Transitional Distribution License and thereafter by the Distribution License issued to the Distributor by the OEB. Additionally there are requirements imposed on the Distributor by the various codes referred to in the License and by the [Electricity Act](#) and the [Ontario Energy Board Act](#).

The Distributor is limited to operate distribution facilities within their Licensed Territory as defined in the Distribution License.

1.1.1 General

Nothing contained in this document or in any contract for the supply of electricity by the Distributor shall prejudice or affect any rights, privileges, or powers vested in the Distributor by law under any Act of the Legislature of Ontario or the Parliament of Canada, or any regulations thereunder.

The Distributor will normally provide one electrical service to each customer location at a nominal service voltage.

Modifications to an existing service must comply with the requirements of the standards in effect at the time of the modifications.

The customer or their authorized representative must make application for new or upgraded electric services and temporary power services.

The customer or their representative shall consult with the Distributor concerning the availability of supply, the voltage of supply, service location, metering and any other details. These requirements are separate from and in addition to those of the Electrical Inspection Authority. The Distributor will confirm, in writing, the Characteristics of Electric Supply available at a specific site.

The customer is required to provide the Distributor sufficient lead-time in order to ensure:

- (a) *the timely provision of supply to new and upgraded premises or*
- (b) *the availability of adequate capacity for additional loads to be connected in existing premises.*

If special equipment is required or equipment delivery problems occur then longer lead times may be necessary. The customer will be notified of any extended lead times.

Customers will be required to pay the cost of repair or replacement of the Distributors’ equipment that has



been damaged through the customers' action or neglect.

The supply of electricity is conditional upon the Distributor being permitted and able to provide such a supply, obtaining the necessary apparatus and material, and constructing works to provide the service. Should the Distributor not be permitted to supply or not be able to do so, it is under no responsibility to the customer whatsoever.

The Customer shall not build, plant or maintain or cause to be built, planted or maintained any structure, tree, shrub or landscaping that would or could obstruct the running of distribution lines, endanger the equipment of the Distributor, interfere with the proper and safe operation of the Distributor's facilities or adversely affect compliance with any applicable legislation in the sole opinion of the Distributor.

Prior to commencing any service work, the customer must consult with the Distributor to ensure compliance with current requirements.

The Distributor, at the expense of the Owner, reserves the right to provide an Inspector who will be on duty for the duration of the work, and the Contractor shall supply him such accommodations as he may require. The Inspector shall have the authority to stop work at any time he feels the Contractor is not proceeding in accordance with these "conditions of service". Work shall not recommence until the Distributor has been notified and the Inspector is present at the site.

Customers may be required to pay Capital Contributions for the addition of new electrical services in accordance to calculations on overall system cost impact.

1.2 Related Codes and Governing Laws

The Distributor is limited in its scope of operation by the:

1. *Electricity Act, 1998*
http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_98e15_e.htm
2. *Ontario Energy Board Act, 1998*
http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_98o15_e.htm
3. *Distribution Licence*
[Licence Numbers](#)
4. *Affiliate Relationships Code*
http://www.oeb.gov.on.ca/documents/affiliatecode_amendedcode.112403.pdf
5. *Distribution System Code*
http://www.oeb.gov.on.ca/documents/cases/EB-2005-0488/dsccode_20070627.pdf
6. *Retail Settlements Code*
http://www.oeb.gov.on.ca/documents/cases/RP-1999-0032/code_231104.pdf
7. *Standard Service Supply Code*
http://www.oeb.gov.on.ca/documents/cases/EB-2004-0205/sssc/rpp_sssc_revised_20070627.pdf
8. *Transmission System Code*
http://www.oeb.gov.on.ca/documents/cases/RP-2004-0220/tsc_finalclean.pdf



In the event of a conflict between this document and the Distribution Licence or regulatory Codes issued by the OEB, or the [Electricity Act](#), the provisions of the Act, the Distribution License and associated regulatory Codes shall prevail.

When planning and designing for electricity service, Customers and their agents must refer to all applicable provincial and Canadian electrical codes, and all other applicable federal, provincial, and municipal laws, regulations, codes and by-laws to also ensure compliance with their requirements. The work shall be conducted in accordance with the Ontario Occupational Health and Safety Act, the Regulations for Construction Projects and the E&USA (or the OHSC Safety) rulebook.

1.3 Interpretations

In these Conditions, unless the context otherwise requires:

- *Headings and underlining are for convenience only and do not affect the interpretation of these Rules.*
- *Words referring to the singular include the plural and vice versa.*
- *Words referring to a gender include any gender.*

1.4 Amendments and Changes

The provisions of these Conditions of Service and any amendments made from time to time form part of any Contract made between the Distributor and any connected Customer, Generator or their agents.

In the event of changes to this Conditions of Service, a Public notice shall be made in the form of either a notice in the local newspaper, or a notice on the Distributors' Website.

The Customer is responsible for contacting the Distributor to ensure that the Customer has, or to obtain the current version of the Conditions of Service. The Distributor may charge a reasonable fee for providing the Customer with more than one copy of this document.

1.5 Contact Information

The Distributor and its agents can be contacted during normal working hours (Monday to Friday between 8:30 and 4:30). Please refer to the Contact Listing in the Appendices for the phone number of the Local Distribution Company servicing your area.

1.6 Customer Rights

In those instances where the Customer will own their secondary or primary service, the Customer has the right to hire a Contractor to supply and install the service.



The customer has the right to demand identification from any person purporting to be an authorized agent or employee of the distributor.

A customer, who believes that he has suffered damages to his property or equipment as a result of negligence on the part of the Distributor, may submit a written claim for damages to the Distributor. The Distributor will investigate the claim and respond in writing within 10 business days of the receipt of the claim.

1.7 Distributor Rights

In those instances where the Customer has the authority to hire a Contractor to construct plant which will become part of the Distributors' system, the Distributor shall have the right to require the Contractor to submit proof of previous experience and satisfactory performance, and, the Distributor shall have the right to investigate such proof and approve the Contractor prior to the Owner awarding a contract for the work to the Contractor.

The Distributor shall have access to Customer property in accordance with section 40 of the [Electricity Act, 1998](#).

1.8 Disputes

If, following good faith negotiations between a customer or other market participant and the Distributor, a resolution cannot be reached, the dispute may be submitted to a dispute resolution process.

Any dispute which shall arise between the Distributor and a customer(s) and other market participants subject to the terms of these Conditions of Service concerning the rights, duties or obligations of the Distributor or others subject to these Conditions of Service, shall be subject to the following dispute resolution procedure:

Mediation

- Either party (the "Initiating Party") may invoke the dispute resolution procedure by sending a written notice to the other party (the "Respondent Party") describing the nature of the dispute and designating a representative of the Initiating Party with appropriate authority to be its representative in negotiations relating to the dispute. The responding Party shall, within five business days of the receipt of such notice, send a written notice to the Initiating Party, designating a representative of the Responding party with the appropriate authority to be its representative in negotiations relating to the dispute.
- Within ten business days of the receipt by the Initiating Party of the written notice of the Responding Party the designated representatives shall enter into good faith negotiations with a view to resolving the dispute. If the dispute is not resolved in thirty days of the commencement of such negotiations, or such longer period as may be agreed upon, either party may, by written notice to the other party, require that the parties be assisted in their negotiations by a mediator. The mediator shall be acceptable to both parties and have knowledge and experience in the matter under dispute, or professional qualifications, or experience in alternative dispute resolution, or both. The parties shall thereafter participate in mediation with the mediator through such process as the mediator, in consultation with the parties, may determine.



Lakefront Utilities Inc. a member of

Cornerstone Hydro Electric Concepts Association Inc.



- None of the parties shall be deemed to be in default of any matter being mediated, until effective or after the date mediation fails.

Referral to Dispute Resolution

Any dispute that is not resolved through mediation as described above shall be referred to the Ontario Energy Board for dispute resolution according to the following procedure:

- Upon the written demand of either of the parties, the dispute shall be referred to the Ontario Energy Board for resolution of the dispute.
- The Ontario Energy Board disputes resolution process shall immediately proceed to hear the matter or matters in dispute. The decision of the Ontario Energy Board disputes resolution process shall be made within 45 days of the selection, subject to any reasonable delay due to unforeseen circumstances.
- The decision of the Ontario Energy Board disputes resolution process shall be in writing and signed by the Ontario Energy Board staff. It shall be final and binding upon all the parties hereto as to any matter or matters so submitted to the Ontario Energy Board disputes resolution panel and shall observe and implement the terms and conditions thereof.
- The compensation and expenses of the Ontario Energy Board disputes resolution panel, (unless otherwise determined by the Board) shall be paid equally by the parties.



SECTION 2 DISTRIBUTION ACTIVITIES (GENERAL)

2.1 Connections and Expansions

This section includes information that is applicable to all customer classes of the distributor. Items that are applicable to only a specific customer class are covered in [Section 3](#).

2.1.1 Building that Lies Along

As provided in **Section 28** of the [Electricity Act 1998](#) the Distributor has the Obligation to Connect any Building that ‘lies along’ its distribution system. A building ‘lies along’ a distribution line if it can be connected to the distributor distribution system without an expansion or enhancement, and meets the conditions listed in the [Distribution System Code](#).

A Building that ‘lies along’ a distribution line may be refused connection to that line should the distribution line not have sufficient capacity for the requested connection.

A Building that ‘lies along’ a distribution line may be refused connection to that line should the connection be bad or unsafe for the system.

2.1.2 Expansions / Offer to Connect

Under the terms of the [Distribution System Code](#) Section 3.1, a Distributor has the Obligation to make an Offer to Connect any Building that ‘lies along’ its distribution system yet may be excluded due to being outside of the Service Territory. The Offer to connect must be Fair and Reasonable and be based on the distributors’ design standard. The Offer to Connect must also be made within a reasonable time from the request for connection.

The Distributor may require a customer to pay all or a part of the costs of electrical plant installed to supply only that customer. Such capital contributions will be calculated using the guidelines set out by the OEB in the [Distribution System Code](#).

2.1.3 Connection Denial

The [Distribution System Code](#) in section 3.1 sets out the conditions for a Distributor to deny connections. A Distributor is not obligated to connect a building within its service territory if the connection would result in any of the following:

- Contravention of existing Canadian Laws, and those of the Province of Ontario.
- Violations of conditions in a Distributors’ Licence.
- Use of a distribution system line for a purpose that it does not serve and that the Distributor does not



intend to serve.

- Adverse effect on the reliability and safety of the distribution system.
- Imposition of an unsafe work situation beyond normal risks inherent in the operation of the distribution system.
- A material decrease in the efficiency of the distributors' distribution system.
- A material adverse effect on the quality of distribution services received by an existing connection.
- Discriminatory access to distribution services.
- Potential increases in monetary amounts that already are in arrears with the distributor
- Any other conditions documented in the distributors Conditions of Service document that are consistent with the conditions identified above and with the goals delineated in the Energy Competition Act, 1998.

2.1.4 Inspections Before Connections

The Distributor has the right to request an inspection prior to any connection.

All customer electrical installations shall be inspected and approved by the Electrical Safety Authority, referred to herein as the ESA.

The Distributor requires notification from the ESA of this approval prior to the connection of a customer's service.

Services that have been disconnected for a period of six months or longer shall also be re-inspected and approved by the ESA prior to reconnection.

Temporary services, for construction purposes, are approved by the ESA for a period of twelve months and must be re-inspected should the period of use exceed twelve months.

The Distributor reserves the right to inspect and approve Transformer rooms, Vaults and Pads prior to during and following the installation of equipment.

Provision for metering shall be inspected and approved by the Distributor prior to connection.

Customer owned substations must be inspected by both the Electrical Safety Authority and the Distributor, prior to connection to the Distribution system.

Duct banks and road crossings shall be inspected and approved by the Distributor prior to the pouring of concrete and again before backfilling.

The Distributor reserves the right to inspect any underground trenches prior to backfilling.

The Distributor reserves the right to approve the installation and location of all submarine cable. All documentation and permits required for laying of submarine cable must be provided to the Distributor. The installation of submarine cable must meet the requirements of all governing legislation.

All work done on existing Distributor plant must be authorized by the Distributor and carried out in



accordance with all applicable safety acts and regulations.

In accordance with the [Distribution System Code](#), if the Distributor refuses to connect a building in its service territory that lies along one of its distribution lines, the distributor shall inform the person requesting the connection of the reasons for not connecting, and where the distributor is able to provide a remedy, make an offer to connect. If the Distributor is unable to provide a remedy to resolve the issue, it is the responsibility of the customer to do so before a connection can be made.

2.1.5 Relocation of Plant

The Distributor will, where feasible, accommodate requests to relocate electrical plant such as poles and metal enclosed equipment.

The customer will be required to pay all of the costs incurred by the relocation.

Requests by civic authorities to relocate distribution facilities will be done so in accordance with the appropriate regulations.

2.1.6 Easements

To maintain the reliability, integrity and efficiency of the distribution system, the Distributor has the right to have supply facilities on private property registered against title to the property. Easements are required whenever the Distributors' underground or overhead plant is to be located on private property or crosses over an adjacent private property to service a Customer.

The Customer shall acquire and grant in the distributors name, at no cost to the Distributor, where required, an easement to permit installation and maintenance of service. The width and extent of this easement shall be determined by the Distributor. The easement shall be granted prior to connection of the service.

The Owner shall furnish to the Distributor, free and clear of all encumbrances, sufficient easements to enable the servicing of all existing or proposed developments or subdivisions from plants located on the Owners' property.

Sufficient property at suitable locations shall be made available for the purpose of the installation of distributors' assets.

The Customer will prepare at its own costs a reference plan and associated easement documents to the satisfaction of the Distributors' solicitor prior to its registration and register the easement plan. Details will be provided upon application for service.

Where surface restoration by the Distributor is required following any repairs or maintenance to a service, the Distributor will in so far as is practicable, restore the property to its original condition; and provide compensation for any damages caused by the entry that cannot be repaired.



2.1.7 Contracts

Standard Form of Contract - Connection to the electrical distribution system will be provided upon completion of a signed contract between the customer and the distributor, and receipt of approval by the Electrical Safety Authority.

All customers will be required to complete and sign the standard form of contract to apply for the supply of an electrical energy connection. A Standard Contract for service shall be considered as being in force from the date it is signed by the Customer and the Distributor and shall remain in force until terminated by either party.

Implied Contract - In all cases, notwithstanding the absence of a formal contract, the taking and using of electrical energy from the Distributor by any Person or Persons constitutes the acceptance of the terms and conditions of all regulations, conditions and rates as established by the Distributor. Such acceptance and use of energy shall be deemed to be the acceptance of a binding contract with the Distributor and the Person so accepting shall be liable for payment for such energy and the contract shall be binding upon the Person's heirs, administrators, executors, successors or assigns.

Special Contracts - Special contracts that are customized in accordance with the service requested by the Customer normally include, but are not necessarily limited to, the following examples:

- *construction sites*
- *mobile facilities*
- *non-permanent structures*
- *special occasions, etc.*
- *generation*

2.2 Disconnection

The Distributor has the right and/or obligation to disconnect the supply of electrical energy to a Customer for causes including but not limited to:

- *Overdue amounts payable to the Distributor, Retailer, or Wholesaler (provided the Distributor provides the Customer with reasonable notice of the proposed shut off of electricity).*
- *Hazardous conditions.*
- *Electrical disturbance propagation caused by Customer equipment that is not corrected in a timely fashion.*
- *Energy diversion, fraud or abuse on the part of the Customer.*
- *When ordered to do so by any authority having the legal right to issue such an order.*
- *Adverse effect on the reliability and safety of the distribution system.*
- *Imposition of an unsafe worker situation beyond normal risks inherent in the operation of the distribution system.*
- *A material decrease in the efficiency of the distributor's distribution system.*
- *A materially adverse effect on the quality of distribution services received by an existing connection.*



- *Inability of the distributor to perform planned inspections and maintenance.*
- *Failure of the consumer or customer to comply with a directive of a distributor that the distributor makes for purposes of meeting its licence obligations.*

2.3 Conveyance of Electricity

2.3.1 Guaranty of Supply

The Distributor agrees to use reasonable diligence in providing a regular and uninterrupted supply but does not guarantee a constant supply or the maintenance of unvaried frequency or voltage and will not be liable in damages to the Customer by reason of any failure in respect thereof.

Customers requiring a higher degree of security than that of normal supply are responsible to provide their own back-up or standby facilities.

When power is interrupted, or the Customer is experiencing power quality problems the Customer or their electrical contractor shall first ensure that interruption is not due to problems within the customer owned installation. If after verifying that the cause of the problem does not reside on the customers' installation, the customer shall contact the Distributor. The Distributor will respond to and take reasonable steps to restore power. The Distributor reserves the right to recover costs from the customer for making false claims of interruptions.

Although it is the Distributors' policy to minimize inconvenience to Customers, it is necessary to occasionally interrupt a Customers' supply to maintain or improve the Distributors' system, or to provide new or upgraded services to other Customers. Whenever practical and cost effective, as determined by the Distributor, arrangements suitable to the Customer and the Distributor may be made to minimize any inconvenience. The Distributor will endeavor to provide the Customer with reasonable advance notice, except in cases of emergency, involving danger to life and limb, or impending severe equipment damage.

The Distributor will endeavor to notify Customers prior to interrupting the supply to any individual service. However, if an unsafe or hazardous condition is found to exist, or if the use of electricity by apparatus, appliances, or other equipment is found to be unsafe or damaging to the Distributor or the public, service may be discontinued without notice.

Depending on the outage duration and the number of Customers affected, the Distributor may issue a news release to advise the general public of the outage.

2.3.2 Power Quality

The distributor will respond to and take reasonable steps to investigate consumer power quality complaints and report to the consumer on the results of the investigation. The method and level of investigation will be at the discretion of the Distributor.



If the source of a power quality problem is caused by the consumer making the complaint, the distributor may seek reimbursement for the time and cost spent to investigate the complaint.

If the source of a power quality problem is caused by a consumer, the Distributor may direct the consumer to take corrective action. If the Consumer does not take such action within a reasonable time, the Distributor may disconnect the supply of power to the Customer. (see [section 2.2](#))

2.3.3 Electrical Disturbances

There are levels of voltage fluctuation and other disturbances that can cause flickering lights and more serious difficulties for Customers connected to the Distributor distribution system.

Some types of electronic equipment, such as video display terminals, can be affected by the close proximity of high electrical currents that may be present in transformer rooms.

No electrical equipment, which may produce an undesirable system disturbance, shall be connected by a customer to a customer's service without prior approval of the Distributor.

Examples of equipment, which may cause disturbance, are large motors, welders and variable speed drives. In planning the installation of such equipment, the customer is required to consult with the Distributor.

The Distributor will endeavour to maintain voltage variation limits, under normal operating conditions, at the Customers' Delivery Points, as specified by the latest edition of the [Canadian Standards Association, C235](#). However, more sensitive electronic equipment such as computers can be seriously affected by variations in quality of supply voltage. Customers who need electrical power of high quality and with rigid voltage tolerances are responsible for providing their own power conditioning equipment.

Customers requiring a three-phase supply should install protective apparatus to avoid damage to their equipment, which may be caused by the interruption of one phase, or non-simultaneous switching of phases of the Distributors' supply.

The customer shall provide such protective devices as may be necessary to protect his property or equipment from any disturbance beyond the control of the distributor.

2.3.4 Standard Voltage Offerings

2.3.4.1 For Secondary Voltage

The Supply Voltage governs the limit of supply capacity for any Customer. General guidelines for supply from overhead street circuits are as follows:

- *at 120/240 V. single phase, or*
- *347/600 V. three phase, four wire, or*



- *120/208 V three phase, four wire,*

OR

Where street circuits are buried, the Supply Voltage and limits will be determined upon application to the Distributor.

OR

Where the Customer or Developer provides a pad on private property;

- *at 120/240 V single phase, or*
- *at 120/208 V three phase, four wire, or*
- *at 347/600 V three-phase, four-wire*

2.3.4.2 For Primary Voltage

Primary supplies to transformers or customer-owned substations will be one of the following as determined by the Distributor:

- *2,400/4,160 volts 3 phase 4 wire*
- *4,800/8,320 volts 3 phase 4 wire*
- *7,200/12,400 volts 3 phase 4 wire*
- *8,000/13,800 volts 3 phase 4 wire*
- *16,000/27,600 volts 3 phase 4 wire*
- *27,600 volts 3 phase 3 wire delta*
- *44,000 volts 3 phase 3 wire*

An electrical requirement in excess of 300 kVA may require a customer owned Substation supplied at the voltage as determined by the distributor.

2.3.5 Voltage Guidelines

The Distributor maintains service voltage at the Customers' service entrance within the guidelines of C.S.A. Standard CAN3-C235 (latest edition) which allows variations from nominal voltage of: <http://www.csa-intl.org/onlinestore/GetCatalogDrillDown.asp?Parent=542>,

6% for Normal Operating Conditions
8% for Extreme Operating Conditions

Where voltages lie outside the indicated limits for Normal Operating Conditions but within the indicated limits for Extreme Operating Conditions, improvement or corrective action will be taken on a planned and programmed basis, but not necessarily on an emergency basis.



Where voltages lie outside the indicated limits for Extreme Operating Conditions, improvement or corrective action will be taken on an emergency basis. The urgency for such action will depend on many factors such as the location and nature of load or circuit involved, the extent to which limits are exceeded with respect to voltage levels and duration, etc.

2.3.6 Back-up Generators

Customers with portable or permanently connected emergency generation capability shall comply with all applicable criteria of the Ontario Electrical Safety Code and in particular, shall ensure that customer emergency generation does not back-feed on the Distributors' system.

http://www.esainspection.net/pdf/Ontario_Amendments_Canadian_Electrical_Code.pdf

Customers with permanently connected emergency generation equipment shall notify the Distributor regarding the presence of such equipment.

The distributor reserves the right to have the connection of this equipment inspected.

Generation systems found to be feeding into the Distribution system without proper approval of the Distributor shall be subject to immediate disconnection.

2.3.7 Metering

2.3.7.1 General

2.3.7.1.1 Access

The Distributor or its agents shall have the right to access and read any of the Distributors' electricity meters on the Customer's premises.

All metering installations shall be accessible from a public area.

2.3.7.1.2 Costs

All the Distributor metering equipment located on the Customer's premises are in the care and at the risk of the Customer and if destroyed or damaged, other than by normal usage, the Customer will pay for the cost of repair or replacement.

Regardless of any charges for metering installations, all meters and meter instrumentation equipment shall remain the property of the Distributor and maintenance of this equipment shall be the Distributors' responsibility.



2.3.7.1.3 Voltage

Generally, metering will be at utilization voltage. Where the Distributor provides primary transformation, primary voltage metering will be allowed only in special circumstances following full discussion with the Distributor.

Customer-owned substations may require primary metering. The provisions required for these installations shall be specified and approved by the Distributor for each application.

2.3.7.1.4 Primary / Bulk Metering

Primary metering units may be installed outdoors or within an electrical vault as outlined in the current Electrical Safety Code. Where the Owner prefers not to provide an approved electrical vault, the Distributor at additional cost can provide a metering unit with non-flammable coolant.

Non-residential or mixed-use buildings will normally be bulk metered by a single meter. However, where specific areas are clearly and permanently defined and in other respects as a separate entity, individual metering of the loads will be considered.

In all installations where the Customer requests revenue metering remote from the secondary entrance equipment or downstream from a Customer-owned dry-core transformer, provisions are required for a bulk meter directly after the main switch. This bulk metering is required in addition to any public metering provisions. The Customer will be required to contribute to the cost of the metering installation.

Where more than one meter exists, the meters shall be grouped where practicable.

The customer/contractor shall permanently and legibly identify all metered services with respect to correct municipal 911 address and unit #. The identification shall be applied to all service switches and breakers and to all meter cabinets and meter mounting devices that are not immediately adjacent to the service switch. The customer/contractor shall insure that all service identifications are accurate and by not doing so will be held totally responsible. The Distributor shall issue a Meter Verification Sheet for this purpose to the owner or contractor.

In any case, a copy of the metering layout plan shall be forwarded to the Distributor for review and approval.

If the distribution of the metered load circuit is in dispute, (ie: circuits from one premise is found to supply a second premise) the Distributor reserves the right to transfer all accounts into the Property Owners' name until such time as the problem has been resolved, and the individual metering can be clearly identified with the individual units.

2.3.7.1.5 Locks

All devices on the line side of the Distributor metering shall have provisions for padlocking.

For commercial and industrial services the Customer's main switch shall have provisions for padlocking the switch handle in the open position and the switch cover or door in the closed position.



When a disconnect device has been locked in the “OFF” position by the Distributor, under no circumstances shall anyone remove the lock and energize it without first receiving approval from the Distributor.

At the discretion of the Distributor, a dual locking arrangement, a Distributor master key arrangement, a key box arrangement, or a copy of the access key will be required for access.

2.3.7.2 Current Transformer Boxes

Where a current transformer box is required, it shall be CSA approved, of a size and type as stipulated by the Distributor, and include a provision for padlocks. A removable plate shall be provided in the box for mounting the equipment.

As an alternative to a separate CT box and meter, a single enclosure combining both functions may be feasible. Contact the Distributor for details.

In cases where the CTs only meter a portion of the metal clad switchgear (such as house loads), a separate disconnect switch must be installed ahead of the metering compartment so that the service can be de-energized without any interruption to the main service supply.

Generally, one house load meter only will be allowed. Additional house load meters will require authorization from the Distributor.

Conductors should enter the current transformer box at the top and leave at the bottom, or vice versa. If this cannot be arranged, the next largest CT box must be used to enable conductors to be trained in place. Where parallel conductors are used, the sum of the conductors will determine the size of the CT box to use. In all cases the Customer shall supply suitable cable termination lugs.

On all electrical services that require current transformers and the neutral for metering, an isolated neutral block shall be provided in the current transformer box.

2.3.7.3 Interval Metering

[The Distribution System Code](#), as amended from time to time, requires the Distributor to meter Customers of specific load levels with pulse-recording meters, or interval meters, which are interrogated remotely. The Distributor, at its’ sole discretion, may also require such metering on any customer whose load characteristics may have a significant impact on the Net System Load Shape, or where reasonable access to the meter for the purpose of acquiring metering data may be limited due to location.

A customer that requests interval metering shall compensate a distributor for all incremental costs associated with that meter, including the capital cost of the interval meter, installation costs associated with the interval meter, ongoing maintenance (including allowance for meter failure), verification and re-verification of the meter, installation and ongoing provision of communication line or communication link with the customer’ s



meter, and cost of metering made redundant by the customer requesting interval metering. The communication system utilized for interval meters shall be in accordance with the distributors' requirements.

Where such metering exists the Distributor will consider customer requests to provide a secondary pulse for load control or customer-owned metering at the customers' expense.

In keeping with the intent of the Legislation and accompanying amendments, once an interval meter installation is processed as part of the distributors' settlement process, and has affected the relevant changes to the distributors net system load, the installation must not be changed back to a non-interval meter installation.

Where a customer submits a request to read their own interval meter, the Distributor shall make this access available given the following conditions are met:

- The meter has the capability of read-only password protection
- The customer provides a signed copy of the "Interval Metering Access Agreement" to the Distributor.

2.3.7.3.1 Interval Metering Communications

- Solid-state recorders and/or Electronic Interval Meters installed by the Distributor have provision for remote interrogation over a telephone line. To accommodate this feature the Owner will provide shared access to a telephone line for the Distributors' metering purposes.
- At its' sole discretion, for metering installations where loss of metering data would cause a substantial impact on the Distributors Settlement System, the Distributor may require the phone line to be dedicated for metering purposes only.
- A voice quality telephone line, which is active 24 hours a day to the metering location extension jack, which is mounted on the metering board.
- Phone lines must be installed and functioning prior to the new service being energized.

2.3.7.4 Meter Reading

The Distributor will read all meters on a regularly scheduled basis whenever possible. If an actual meter reading is not obtained, the Customer shall pay a sum based on an estimated demand and/or energy for electricity used since the last meter reading.

2.3.7.5 Final Meter Reading

When a service is no longer required, or the Customer is switching Energy Providers, the Customer shall provide the Distributor sufficient notice of the date so that a final meter reading can be obtained. The Customer shall provide access to the Distributor or its agents for this purpose.

If a final meter reading is not obtained, the Customer shall pay a sum based on an estimated demand and/or energy for electricity used since the last meter reading.



2.3.7.6 Faulty Registration of Meters

Metering electricity usage for the purpose of billing is governed by the Federal Electricity and Gas Inspection Act and associated regulations, under the jurisdiction of Measurement Canada, Industry Canada. The Distributors' revenue meters are required to comply with the accuracy specifications established by the regulations under the above Act.

In the event of incorrect electricity usage registration, the Distributor will determine the correction factors based on the specific cause of the metering error and the Customer's electricity usage history. The Customer shall pay for all the energy supplied, a reasonable sum based on the reading of any meter formerly or subsequently installed on the premises by the Distributor, due regard being given to any change in the character of the installation and/or the demand.

If the incorrect measurement is due to reasons other than the accuracy of the meter, such as incorrect meter connection, incorrect connection of auxiliary metering equipment, or incorrect meter multiplier used in the bill calculation, the billing correction will apply for the duration of the error. The Distributor will correct the bills for that period in accordance with the regulations under the Act. <http://lois.justice.gc.ca/en/ShowFullDoc/cr/SOR-86-131///en?noCookie>.

2.3.7.7 Meter Dispute Testing

The Distributor will attempt to resolve billing enquiries. However, to give Customers confidence in the accuracy of electricity meters, the Distributor will conduct an internal investigation to verify the accuracy of any meter the Customer believes to be recording incorrectly. If the internal investigation does not resolve the matter, the Customer or the Distributor may request Measurement Canada to test the meter.

http://strategis.ic.gc.ca/epic/site/mc-mc.nsf/en/h_lm02112e.html.

If the test indicates that the meter is not accurate, the Customer's historic billing will be adjusted, and the Distributor shall pay the full costs of the meter dispute testing.

2.3.7.8 Location

The location of the indoor or outdoor meter shall be readily accessible at all times and acceptable to the Distributor. If a meter is recessed or enclosed after installation, without the prior approval of the Distributor, the service may be subject to disconnection.

The location of the service entrance, routing of duct banks, metering, and all other works will be established through consultation with the Distributor. Failure to comply may result in relocation of the service plant at the Owner's expense.



In all locations where Commercial/Industrial revenue metering is accessible to the general public, a lockable enclosure or a room for service equipment and meters, shall be provided by the Owner at the discretion of the Distributor, as follows:

- *An electrical room reserved solely for metering equipment or*
- *Metal enclosed switchgear approved by the Distributor or*
- *A suitable metal metering cabinet or*
- *A vandal proof cage.*

2.3.7.9 Meter Mounting Heights

Provision for metering shall facilitate a practical mounting height for revenue meters in compliance with all applicable codes and regulations.

2.3.7.10 Environment

The following requirements apply to the areas allocated for revenue metering.

The customer to the satisfaction of the Distributor shall provide where there is the possibility of danger to workmen, or damage to equipment from moving machinery, dust, fumes, or moisture, protective arrangements.

A clear safe working space of not less than 1.2 m (48") in front of the installation from the floor to ceiling with a minimum ceiling height of 2.1 m (84") provided to insure the safety of the Distributor or other authorized employee(s) who may be required to work on the installation.

Where excessive vibration may affect or damage metering equipment, adequate shock-absorbing mounting shall be provided and installed by the customer.

2.3.7.11 Meter Sockets

The owner will supply and install a meter socket as specified by the Distributor. Meter sockets will be directly accessible to the Distributors' staff.

A listing of approved revenue metering sockets is available from the Distributor.

2.3.7.12 Cabinets

Where required by these Conditions of Service the Owner shall supply and install a meter cabinet to The Distributors' requirements.



Meter cabinets shall be installed indoors, except where special permission is granted by the Distributor to install the meter cabinet outside. In such cases, an approved weather proof, lockable, C.S.A. approved meter cabinet shall be provided by the Customer.

2.3.7.13 Metering Loops

Three-phase, four-wire services will require a loop for metering, within the meter cabinet, for all three phases.

Mineral insulated, solid, or hard drawn wire conductors are not acceptable as metering loops.

2.3.7.14 Metal Enclosed Switchgear

The following regulations apply to the installation of instrument transformers and metering equipment within metal enclosed switchgear.

The Distributor will provide the following revenue metering equipment as required:

- Colour coded secondary wiring
- Revenue meters

The Owner shall:

- Consult with The Distributor regarding the metering equipment to be provided which may include,
 - Potential transformers
 - Potential transformer fuse holders and fuses
 - Current transformers
 - Phone line for remote interrogation of meters
 - Duplicate Pulse Initiators
 - Provide complete shipping instructions for instrument transformers for those projects where these are to be provided by the Distributor for installation by the switchboard manufacturer.
 - Install instrument transformers, metering cabinet and conduit.
 - Each main bus bar to be drilled and tapped (10-32) or (10-24) on the line side of the removable current transformer link.
- Submit two copies of the manufacturer's switchboard drawings, for approval, dimensioned to show provision for and arrangement of The Distributors' metering equipment.

Meters shall be installed by the Distributor in a customer-owned metal cabinet of a size and type pre-approved by the Distributor, mounted at an approved location separate from the switchgear.



Tamper proof or sealable rigid conduit or any equally approved conduit of a size and type specified by the Distributor shall be installed between the CT compartment of the switchgear and the meter cabinet.

For conduit installations greater than 30 m (100'), in length or where several bends are necessary, larger conduits or other special provision may be required, at the discretion of the Distributor.

2.3.7.15 Switchgear Connected to Wye Source

Where a Wye source neutral connection is to be used or grounded, the Owner shall provide a conductor sized to the requirements of the [Ontario Electrical Safety Code](#) from the instrument transformer compartment to the neutral connection.

2.3.7.16 Four Quadrant Metering (Generation)

All Ontario Energy Board-licensed generators connected to the distribution system that sell energy and settle through the distributor's retail settlement process shall be required to install metering that meets the requirements of the [Distribution System Code](#) as approved by the Ontario Energy Board, and/or the Market Rules as approved by the Independent Electricity Market Operator. <http://www.ieso.ca/>

2.4 Tariffs and Charges

2.4.1 Service Connection

Charges for Service Connections are set out in the Distributors approved rates, (Miscellaneous Rates and Charges) and may be obtained by request from the Distributor. Notice of Rate revisions may be published in the local newspapers and or mailed out to all customers with the first billing issued at revised rates.

2.4.2 Energy Supply

The Distributor shall provide Customers connected to the Distribution System with access to electricity through Standard Supply Service as defined in the [Retail Settlement Code](#) published by the OEB or as mandated through Legislation or Regulations issued by the Ministry of Energy.

Disputes arising from charges relating to Standard Supply Service shall be directed to the Distributor.

Customers will be switched to their Retailer of choice only if the retailer has a Service Agreement with the Distributor. The Customer's authorized Retailer through the Electronic Business Transaction system (EBT) must make the Service Transfer Request (STR) in accordance with the rules established and amended from time to time by the Ontario Energy Board.

Disputes arising from charges relating to Retailer Service shall be directed to the Retailer.



The Distributor may, at its discretion, refuse to process a Service Transfer Request for a Customer to switch to a Retailer if that Customer owes money to the Distributor for Distribution Services and or Standard Supply Service.

2.4.2.1 Wheeling of Power

Customers considering delivery of electricity through the Distributors' Distribution System shall contact the Distributor for technical requirements and current applicable Rates.

2.4.3 Supply Deposits & Agreements

Whenever required by the Distributor, the Customer shall provide and maintain security in an amount that the Distributor has been mandated to collect, or deems necessary and reasonable. The Distributor shall require security amounts based on the existing security and deposit policies. The current deposit policy shall be provided to the Customer upon request.

Where a customer proposes the development of premises that requires the Distributor to place equipment orders for special projects, the customer is required to sign the necessary Supply Agreements and furnish a suitable deposit before such equipment is ordered by the Distributor.

2.4.4 Billing

The Distributor may, at its option, render bills to its Customers on either a monthly, bi-monthly, quarterly or annual basis. The option applicable to the customer shall be identified to the customer at the time of application for service.

Prorating of Service and Demand charges will be performed at the discretion of the Distributor.

2.4.4.1 Competitive Charges:

Are based on rates as determined by:

- i. the Hourly Ontario Spot Market Price (HOEP); or
- ii. the utilities Weighted Average Price (WAP) as determined by net system load; or
- iii. the customers retailer contract rate; or
- iv. the rates published by the OEB; or
- v. Legislation or Regulations issued by the Ministry of Energy.



2.4.4.2 Non-competitive Charges:

Are based on rates approved by the Ontario Energy Board, and fall outside the scope of this document. Approved rates as they relate to the transmission, distribution and other non-competitive elements may be attained through the utilities rate documents. These documents will be provided by the utility at the customer's request.

2.4.4.3 Billable Engineering Units:

Customers will be billed on:

- i. actual or estimated meter reading data; or
- ii. derived consumption data (Streetlights, sentinel lights and other scattered loads); or
- iii. a flat rate, depending on the type of load being billed.

2.4.4.4 Use of Estimates:

In months where a bill is issued, but no reading is obtained, the Distributor estimates usage in order to determine billing quantities. The estimate is based on historical usage for the premise, or a pre-determined quantity if there is no historical usage information available.

2.4.5 Payments and Late Payment Charges

Bills are rendered for distribution services and electrical energy used by the Customer. Bills are payable in full by the due date.

Bills are due when rendered by the utility. A customer may pay the bill without the application of a late payment charge up to a due date, which shall be a minimum of sixteen calendar days from the date of mailing or hand delivery of the bill. This due date shall be identified clearly on the customer's bill.

Where payment is made by mail, payment will be deemed to be made on the date post-marked. Where payment is made at a financial institution acceptable to the utility, payment will be deemed to be made when stamped/acknowledged by the financial institution or an equivalent transaction record is made.

A partial payment will be applied to any outstanding arrears before being applied to the current billing, unless special considerations have been made by the utility.

Outstanding bills are subject to the collection process and may ultimately lead to the service being discontinued or limited. Service will be restored once satisfactory payment has been made. Discontinuance of service does not relieve the Customer of the liability for arrears.

The Distributor shall not be liable for any damage on the Customer's premises resulting from such discontinuance of service. A reconnection charge may apply where the service has been disconnected due to non-payment.



The Customer will be required to pay additional charges for the processing of non-sufficient fund (N.S.F.) cheques.

2.4.6 Unauthorized Energy Use

The Distributor shall use its discretion in taking action to mitigate unauthorized energy use. Upon identification of possible unauthorized energy use, the Distributor shall notify, if appropriate, Measurement Canada, The Electrical Safety Authority, Police Officials, Retailers that service customers affected by an authorized energy use, or other entities.

The Distributor may recover from the parties responsible for the unauthorized energy use all costs incurred by the Distributor arising from unauthorized energy use, including an estimate of the energy used, inspection and repair costs.

A service disconnected due to unauthorized use of energy shall not be reconnected until such time as all arrears resulting from the unauthorized use has been resolved to the satisfaction of the Distributor.

Prior to reconnection, the Distributor shall require proper authorization from applicable authorities.

2.5 Customer Information

The Distributor reserves the right to request specific information from the customer in order to facilitate the normal operation of its business. Failure of a customer to supply such information may prevent the normal continuation of service.

The [Retail Settlement Code](#) as amended from time to time specifies the rights of customers and their retailers to access current and historical usage information and related data and the obligations of distributors in providing access to such information.

Under these requirements, the Distributor shall upon authorization by a customer make the following information available to the Customer or the Retailer that provides electricity to a customer connected to the Distributors' distribution system:

- The Distributors' account number for the customer,
- The Distributors' meter number for the meter or meters located at the customer's service address
- The customer's service address,
- The date of the most recent meter reading,
- The date of the previous meter reading,
- Multiplied kilowatt-hours recorded at the time of the most recent meter reading,
- Multiplied kilowatt-hours recorded at the time of the previous meter reading,
- Multiplied kW for the billing period (if demand metered),
- Multiplied kVA for the billing period (if available),
- Usage (kWh's) for each hour during the billing period for interval-metered customers

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- An indicator of the read type (e.g., distributor read, consumer read, distributor estimate, etc.)
- Average distribution loss factor for the billing period

This information will be provided to the Customer / Retailer upon request twice per year at no charge. The Distributor may request a fee to recover costs for additional requests. A request is considered to be data delivered to a single address. Thus, a single request to send information to three locations is considered three requests.

The Distributor acknowledges that no confidential information regarding its' customers shall be released to a third party without the expressed prior written consent of the customer unless the request is rightfully received from the third party requesting the information, or the Distributor is legally required to disclose such information under the terms and in accordance with the Freedom of Information and Protection of Privacy Act, R.S.O. 1990, c. F.31.

HOTLINK http://www.privcom.gc.ca/legislation/02_07_01_e.asp



SECTION 3 CUSTOMER SPECIFIC

3.1 Residential

This section refers to the supply of electrical energy to Customers residing in residential dwelling units.

3.1.1 General

Energy is generally supplied as single phase, 3-wire, 60-Hertz, having a nominal voltage of 120/240 Volts.

There shall be only one [Delivery Point](#) to a dwelling.

In circumstances where two existing services are installed to a dwelling, and one service is to be upgraded, the upgraded service will replace both of the existing services.

All new single-family homes will be required to install their primary and secondary service wires to the specifications contained within the Distributors' technical specification document.

Whether the method of supply will be overhead or underground will be at the discretion of the distributor. The Distributor will adhere to any existing regulations subject to requirements of authorities.

Unless specifically documented otherwise to the Customer, where the distributor has taken ownership of such plant all services installed by the Distributor or by an approved contractor using approved materials, will be maintained by the Distributor.

3.1.2 Early Consultation

The Customer shall supply a completed [Site Planning document](#) and related information to the Distributor well in advance of installation commencement. (see appendix) The information shall be supplied in a manner requested by the Distributor at the time of the application.

3.1.3 Standard Connection Allowance

For the purposes of calculating customer connection fees, the Basic Connection for Residential consumers is defined as 100 amp 120/240 volt overhead service.

The basic connection for each customer shall include;

- i. supply and installation of overhead distribution transformation capacity or an equivalent credit for transformation equipment; and
- ii. up to 30 meters of overhead conductor or an equivalent credit for underground services.



In the case of an upgrade to an existing service, where the existing service is below the basic connection, the credit up to the basic connection will apply.

Secondary services exceeding the basic 30 meter length may require specific design approved by the Distributor to ensure power quality.

3.1.4 Variable Connection Fees

Any requirements above the defined basic connection shall be subject to a variable connection charge to be calculated as the costs associated with the installation of connection assets above and beyond the basic connection. The distributor may recover this amount from a customer through a connection charge or equivalent payment.

3.1.5 Point of Demarcation

In all cases the final [Demarcation Point](#) will be the decision of the Distributor.

The Customer must obtain a Demarcation Point Location from the Distributor before proceeding with the installation of any service. Failure to do so may result in the Demarcation Point having to be relocated at the Customer's expense.

Maintenance of the portion of the Secondary Service owned by the Distributor includes repair and like-for-like replacement of a wire or cable that has failed irreparably. The Customer is responsible for all civil work, supports, vegetation and landscaping associated with any such repair or replacement of the portion of Secondary Service owned by the Distributor.

3.1.5.1 Secondary Service Connections

The Point of Demarcation for residential services up to 400 amps is at the line side of the Meter Base for Underground services, and at the top of the stack for Overhead services, beyond which the customer bears full responsibility for installation and maintenance.

The Point of Demarcation for residential services over 400 amps is at the secondary side of the transformer.

For Secondary Services wholly owned and maintained by the Customer, the [Demarcation Point](#) is the secondary connection at the transformer or the service bus.



The Customer shall install, own, and maintain the secondary conductor under any of the following conditions:

- (a) conductor terminations are inside the Customer's building;
- (b) conductor is installed beyond the service entrance;
- (c) conductor is connected to a Primary Service; or
- (d) conductor is a non-standard installation.

3.1.5.2 Primary Service Connections

For Primary Service, the [Demarcation Point](#) is the primary connection at the Distributor's Distribution system.

3.1.6 Supply Voltage

- (a) A Residential building is supplied at one service voltage per land parcel.
- (b) Depending upon the location of the building the supply voltage will be one of the following:
 - o *120/240 Volts 1 Phase 3 Wire*
 - o *120/208 Volts 1 Phase 3 Wire*
 - o *120/208 Volts 3 Phase 4 Wire*
 - o *347/600 Volts 3 Phase 4 Wire*
- (c) The Owner shall make provision to take delivery at one of the nominal utilization voltages as specified by the Distributor. The Owner shall obtain prior approval from the Distributor for the use of any specific voltage at any specific location.

3.1.7 Access:

At the Distributors discretion, service locations requiring access to adjacent properties (mutual drives, narrow side setbacks, etc.) will require the completion of an easement in the Distributors' name, or a "Letter of Permission" from the property owner(s) involved.

The Customer will provide unimpeded and safe access to the Distributor at all times for the purpose of installing, removing, maintaining, operating or changing metering and distribution equipment.

3.1.8 Metering:

The owner will supply and install a meter socket complete with collar acceptable to the Distributor. Meter sockets will be directly accessible to the Local Distribution Company and:



- Mounted 1.7 meters from the finished grade to the center of the meter and, either on the exterior of the front of the building or, within 3 meters of the front of the building on the driveway side.
- Installed ahead of (on the line side of) the main disconnect switch.
- Installed in a location, which is and will remain unobstructed by fences, hedges, expansions, sunrooms, porch enclosures, and any other impediments.
- If the meter is not to be installed on the actual building, it is important to contact the Distributor for specific location instructions prior to installation.

For more details refer to section [2.3.7](#) in these Conditions of Service.

3.1.9 Overhead Service

The Owner will provide service equipment to both the Distributors' and ESA requirements, and be of sufficient height to maintain proper minimum clearances. The Owner's main switch and the overhead service conductors will be of compatible capacity.

3.1.10 Underground Service

Underground secondary services will be installed at the Owners' expense, to the Distributor's specifications. The Owner's main switch and the underground service conductors will be of compatible capacity.

3.1.11 Street Townhouses and Condominiums:

NOTE: Street Townhouses and Condominiums requiring centralized bulk metering will be covered under section [3.2](#) of these Conditions of Service. Also [3.1.11.2](#)

3.1.11.1 Service Information:

The Owner will enter into a Servicing Agreement with the Distributor, governing the terms and conditions under which the electrical distribution system and services will be designed and installed.

The Owner will provide all of the civil works to accommodate the Distributor and will pay the complete cost of the electrical distribution system, design and services.

- The distribution system and services shall be underground unless otherwise approved.
- One service will be provided for each unit.
- The nominal service voltage will be 120/240 volts, 1 phase, 3 wire.
- The Distributor will approve the location of duct banks, service routings and meter bases.
- Distribution plant shall not be installed until grade is at +/- 150 mm of final grade unless otherwise approved by the Distributor.
- Street lighting will be to Municipal standards and installed at the Owner's expense.



3.1.11.2 Metering:

The Owner will supply and install meter sockets specified by the Distributor.

Multiple or grouped meter bases will be accepted only when prior approval has been given by the Distributor both as to type and proposed location. A completed meter verification form shall be provided to the distributor prior to energization.

Meter sockets will be located on the exterior front wall of the units and will be directly accessible to the Distributor.

- Mounted on the front wall 1.7 metres above finished grade to the centre of the meter
- Installed ahead of (on the line side of) the main disconnect switch
- Installed in a location, which is and will remain unobstructed by fences, hedges, expansions, sunrooms, porch enclosures, and any other impediments.
- If the meter is not to be installed on the actual building, it is important to contact the Distributor for specific location instructions prior to installation.

Normally the service will not be energized until the outside finish in the area of the revenue meter has been completed. If exceptions are made to this, then the general contractor will be responsible for ensuring that the meter is suitably protected while work is being done on the exterior wall adjacent to the meter. The general contractor will be entirely responsible for all costs for materials and labour for repairing or replacing a damaged meter.

3.1.12 Seasonal and Remote Dwellings:

Due to the varied nature of Seasonal and Remote Dwellings some special arrangements may be required to service these locations. Arrangements will be made in such a manner to provide services such as restoring power, maintenance of equipment or new construction requests to water access or remote customers, without endangering personnel or the public.

3.1.12.1 Service Information:

The Owner will enter into a Servicing Agreement with the Distributor, governing the terms and conditions under which the electrical distribution system services will be provided.

In the event of a power interruption, the Distributor will respond to and take reasonable steps to restore power. The Distributor reserves the right to recover costs from the customer for making false claims of interruptions.



3.1.12.2 Access:

- **Night crossings**

The Distributors' transportation equipment will not be used to cross any water ½ hour before sunset and ½ hour after sunrise due to safety concerns. It will be at the discretion of the Distributor whether they will board customer owned transportation equipment in these circumstances.

- **Ice conditions**

Recognizing seasonal ice hazards, the Distributor reserves the right to suspend water passage during freeze up and spring thaw, as well as any such time deemed unsafe by the Distributor.

- **Severe weather conditions**

Recognizing that severe weather conditions may pose undue safety hazards, the Distributor reserves the right to postpone attempts to restore power until restoration can be performed in a safe manner.

3.1.13 Inspection:

Prior to connection of the service the Local Distribution Company requires notification from the Electrical Safety Authority that the electrical installation has been inspected and approved for connection.

Provision for metering shall be inspected and approved by the Distributor prior to connection.

The Distributor or Distributor-approved Contractor generally installs all services. All work done shall be as per the specifications of the Distributor and subject to inspection by the Distributor.

(Refer to section [2.1.4](#) for further inspection details)



3.2 General Service (Below 50 kW)

3.2.1 General

This section refers to the supply of electrical energy to General Service Buildings requiring a connection with a connected load less than 50 kW, and, Town Houses and Condominiums described in section [3.1.8](#) that require centralized bulk metering.

General Service buildings are defined as buildings that are used for purposes other than single-family dwellings.

3.2.2 Early Consultation

Detailed regulations cannot be stated which would be applicable to all cases, therefore the Owner will consult with the Distributor in the early planning stages to ascertain the Distributors' requirements.

The Owner shall supply a completed [Electrical Planning Requirements Form](#) to the Distributor well in advance of installation commencement to allow the Distributor time for proper planning, ordering of equipment etc.

3.2.3 Standard Connection Allowance

All costs attributed to the connection of a new General Service customer (Below 50 kW) shall be recovered through a variable connection Fee.

3.2.4 Variable Connection Fees

All costs associated with the installation of connection assets shall be subject to a variable connection charge. The distributor may recover this amount from a customer through a connection charge or equivalent payment.

3.2.5 Point of Demarcation

In all cases the final [Demarcation Point](#) will be the decision of the Distributor.

The Customer must obtain a Demarcation Point Location from the Distributor before proceeding with the installation of any service. Failure to do so may result in the Demarcation Point having to be relocated at the Customer's expense.

Maintenance of the portion of the Secondary Service owned by the Distributor includes repair and like for-like replacement of a wire or cable that has failed irreparably. The Customer is responsible for all civil work,



supports, vegetation and landscaping associated with any such repair or replacement of the portion of Secondary Service owned by the Distributor.

The Distributor shall perform the maintenance or replacement of all underground looped cables that form part of the Distribution plant circuits. Following maintenance, surface restoration by the Distributor will include only soil, sod, gravel or asphalt.

Where damage can be shown to be the Owner's liability, maintenance and repair are at the Owners' expense

3.2.5.1 Secondary Service Demarcations

A General Service Customer [Demarcation Point](#) is at the secondary side of the transformer, or as otherwise set by the distributor, beyond which the customer bears full responsibility for installation and maintenance.

In some instances, where it is in the best interest of the operation of the distribution system, the Distributor may establish the Demarcation Point at the top of stack for overhead services or at the meter base for underground services.

The Demarcation Point might be located on an adjacent property. In such cases, a registered easement must exist.

3.2.5.2 Primary Service Demarcations

For Primary Service, the Demarcation Point is the primary connection at the Distributor's Distribution system.

3.2.6 Supply Voltage

- (a) A General Service building is supplied at one service voltage per land parcel.
- (b) Depending upon the location of the building the supply voltage will be one of the following:
 - o *120/240 Volts 1 Phase 3 Wire*
 - o *120/208 Volts 1 Phase 3 Wire*
 - o *120/208 Volts 3 Phase 4 Wire*
 - o *347/600 Volts 3 Phase 4 Wire*
- (c) The Owner shall make provision to take delivery at one of the nominal utilization voltages as specified by the Distributor. The Owner shall obtain prior approval from the Distributor for the use of any specific voltage at any specific location.



3.2.7 Access:

At the Distributors discretion, service locations requiring access to adjacent properties (mutual drives, narrow side setbacks, etc.) will require the completion of an easement in the Distributors' name, or a "Letter of Permission" "from the property owner(s) involved.

The Customer will provide unimpeded and safe access to the Distributor at all times for the purpose of installing, removing, maintaining, operating or changing metering and distribution equipment.

3.2.8 Metering:

The owner will supply and install a meter socket complete with collar acceptable to the Distributor. Meter sockets will be directly accessible to the Distributor and unless otherwise specified during the early consultation process:

- Mounted 1.7 meters from the finished grade to the center of the meter and, either on the exterior of the front of the building or, within 3 meters of the front of the building on the driveway side.
- Installed ahead of (on the line side of) the main disconnect switch.
- Installed in a location, which is and will remain unobstructed by fences, hedges, expansions, sunrooms, porch enclosures, and any other impediments.
- If the meter is not to be installed on the actual building, it is important to contact the Distributor for specific location instructions prior to installation.

For more details refer to section [2.3.7](#) in these Conditions of Service.

3.2.9 Overhead Service:

In circumstances where Commercial buildings cannot reasonably be supplied electrical energy by an underground service, the Distributor shall use its' sole discretion based on acceptable industry practices in establishing the specific requirements for the service installation.

3.2.10 Underground Service:

Under normal circumstances, Commercial buildings are supplied electrical energy by an underground service through a single point of entry for each land parcel, at a location specified by the Distributor.

3.2.11 Supply of Equipment:

The Distributor supplies, installs and maintains subject to the variable connection fee:

- Primary switchgear.



- Primary transformation equipment.
- Meter and secondary metering transformers.

The Owner shall supply, install and maintain any additional equipment required for the connection beyond the point of Demarcation.

3.2.12 Inspection:

Prior to connection of the service the Local Distribution Company requires notification from the Electrical Safety Authority that the electrical installation has been inspected and approved for connection.

Provision for metering shall be inspected and approved by the Distributor prior to connection.

The Distributor or Distributor-approved Contractor generally installs all services. All work done shall be as per the specifications of the Distributor and subject to inspection by the Distributor.

(Refer to section [2.1.4](#) for further inspection details)



3.3 General Service (Above 50 kW)

3.3.1 General

This section refers to the supply of electrical energy to General Service Customers requiring a connection with a connected load greater than 50 kW.

3.3.2 Early Consultation

Detailed regulations cannot be stated which would be applicable to all cases, therefore the Owner will consult with the Distributor in the early planning stages to ascertain the Distributors' requirements.

The Owner shall supply a completed [Electrical Planning Requirements Form](#) to the Distributor well in advance of installation commencement to allow the Distributor time for proper planning, ordering of equipment etc.

3.3.3 Standard Connection Allowance

All costs attributed to the connection of a new General Service customer (Above 50 kW) shall be recovered through a variable connection fee.

3.3.4 Variable Connection Fees

All costs associated with the installation of connection assets shall be subject to a variable connection charge. The distributor may recover this amount from a customer through a connection charge or equivalent payment.

3.3.5 Point of Demarcation

In all cases the final [Demarcation Point](#) will be the decision of the Distributor.

The Customer must obtain a Demarcation Point Location from the Distributor before proceeding with the installation of any service. Failure to do so may result in the Demarcation Point having to be relocated at the Customer's expense.

Maintenance of the portion of the Secondary Service owned by the Distributor includes repair and like for-like replacement of a wire or cable that has failed irreparably. The Customer is responsible for all civil work, supports, vegetation and landscaping associated with any such repair or replacement of the portion of Secondary Service owned by the Distributor.

The Distributor shall perform the maintenance or replacement of all underground looped cables that form



part of the Distribution plant circuits. Following maintenance, surface restoration by the Distributor will include only soil, sod, gravel or asphalt.

Where damage can be shown to be the Owner's liability, maintenance and repair are at the Owners' expense

3.3.5.1 Secondary Service Connections

A General Service Customer Demarcation Point for customers above 50 kW is at the secondary side of the transformer, or as otherwise set by the distributor, beyond which the customer bears full responsibility for installation and maintenance.

In some instances, where it is in the best interest of the operation of the distribution system, the Distributor may establish the Delivery point at the top of stack for overhead services or at the meter base for underground services.

The location of the service entrance, routing of duct banks and all other works will be established through consultation with the Distributor. Failure to comply may result in relocation of the service plant at the Owner's expense.

The Demarcation Point might be located on an adjacent property. In such cases, a registered easement must exist.

3.3.5.2 Primary Service Connections

For Primary Service, the [Demarcation Point](#) is the primary connection at the Distributor's Distribution system.

In some circumstances the owner may be required to construct a private pole line. Primary conductors will be terminated complete with cut-out(s) at the Demarcation Point by the Distributor at the owners' expense.

Where a private pole line is to be constructed by the Owner with an approved contractor, this shall be constructed to the ESA and the Distributors' requirements.

An electrical requirement in excess of 300 kVA may require a customer owned substation.

In some instances primary metering may be required.

3.3.6 Supply Voltage

A General Service building is supplied at one service voltage per land parcel. Depending upon the location of the building the supply voltage will be one of the following:

- *120/240 Volts 1 Phase 3 Wire*



- 120/208 Volts 3 Phase 4 Wire
- 347/600 Volts 3 Phase 4 Wire

Depending upon the location of the building Primary supplies to transformers and Customer owned Sub-Stations will be one of the following as determined by the Distributor:

- 2,400/4,160 volts 3 phase 4 wire
- 4,800/8,320 volts 3 phase 4 wire
- 7,200/12,400 volts 3 phase 4 wire
- 8,000/13,800 volts 3 phase 4 wire
- 16,000/27,600 volts 3 phase 4 wire
- 44,000 Volts - 3 Phase 3 Wire

The Owner shall make provision to take delivery at one of the nominal utilization voltages as specified by the Distributor. The Owner shall obtain prior approval from the Distributor for the use of any specific voltage at any specific location.

3.3.7 Access:

At the Distributors discretion, service locations requiring access to adjacent properties (mutual drives, narrow side setbacks, etc.) will require the completion of an easement in the Distributors' name, or a "Letter of Permission" from the property owner(s) involved.

The Customer will provide unimpeded and safe access to the Distributor at all times for the purpose of installing, removing, maintaining, operating or changing metering and distribution equipment.

3.3.8 Metering:

Meter installations will be directly accessible to the Distributor. The owner will consult with the Distributor well in advance of installation commencement to allow the Distributor time for proper planning and ordering of equipment.

For more details refer to section [2.3.7](#) in these Conditions of Service.

3.3.9 Overhead Service:

In circumstances where Commercial buildings cannot reasonably be supplied electrical energy by an underground service, the Distributor shall use its' sole discretion based on acceptable industry practices in establishing the specific requirements for the service installation.



3.3.10 Underground Service:

Under normal circumstances, Commercial buildings are supplied electrical energy by an underground service through a single point of entry for each land parcel, at a location specified by the Distributor.

3.3.11 Sub-transmission Service:

The Owner will pay for the full cost of sub-transmission services and may in some circumstances be required to construct a private pole line. The Distributor will terminate sub-transmission conductors complete with live line loops and hardware at the Demarcation Point.

3.3.12 Supply of Equipment:

The Distributor supplies, installs and maintains subject to the variable connection fee:

- Primary switchgear.
- Primary transformation equipment.
- Meter and secondary metering transformers.

The Owner shall supply, install and maintain any additional equipment required for the connection beyond the point of Demarcation.

3.3.13 Short Circuit Capacity:

The Owner shall ensure that the service entrance equipment has an adequate short-circuit interrupting capability.

3.3.14 Inspection:

Prior to connection of the service the Local Distribution Company requires notification from the Electrical Safety Authority that the electrical installation has been inspected and approved for connection.

Provision for metering shall be inspected and approved by the Distributor prior to connection.

The Distributor or Distributor-approved Contractor generally installs all services. All work done shall be as per the specifications of the Distributor and subject to inspection by the Distributor.

(Refer to section [2.1.4](#) for further inspection details)



3.4 General Service (Above 500 kW)

3.4.1 General

This section refers to the supply of electrical energy to General Service Services requiring a connection at a connected load greater than 500 kW.

3.4.2 Early Consultation

Detailed regulations cannot be stated which would be applicable to all cases, therefore the Owner will consult with the Distributor in the early planning stages to ascertain the Distributors' requirements.

The Customer shall supply a completed [Electrical Planning Requirements Form](#) to the Distributor well in advance of installation commencement to allow the Distributor time for proper planning, ordering of equipment etc.

The Distributor will:

- *Advise the customer of the suitability of the in-service date*
- *Arrange with the customer for a Service Contract*
- *Review the submitted drawings; return one set to the customer with comments and/or approval. If requested by the Distributor, the customer shall resubmit the drawings where the comments are extensive and require major changes*
- *Specify the required main fuse link or relay setting for co-ordination with the system. In case of multiple transformer stations, a complete co-ordination study shall be submitted by the customer for approval.*
- *Make the final connection to the source of supply*
- *Determine metering requirements*
- *Advise the Transmitter of the particulars of the customer owned substation*

3.4.3 Standard Connection Allowance

All costs attributed to the connection of a new General Service customer (Above 500 kW) shall be recovered through a variable connection fee.

3.4.4 Variable Connection Fees

All costs associated with the installation of connection assets shall be subject to a variable connection charge. The distributor may recover this amount from a customer through a connection charge or equivalent payment.



3.4.5 Point of Demarcation

In all cases the final [Demarcation Point](#) will be the decision of the Distributor.

The Customer must obtain a Demarcation Point Location from the Distributor before proceeding with the installation of any service. Failure to do so may result in the Demarcation Point having to be relocated at the Customer's expense.

Maintenance of the portion of the Primary Service owned by the Distributor includes repair and like for-like replacement of a wire or cable that has failed irreparably. The Customer is responsible for all civil work, supports, vegetation and landscaping associated with any such repair or replacement of the portion of Secondary Service owned by the Distributor.

The Distributor shall perform the maintenance or replacement of all underground looped cables that form part of the Distribution plant circuits. Following maintenance, surface restoration by the Distributor will include only soil, sod, gravel or asphalt.

Where damage can be shown to be the Owner's liability, maintenance and repair are at the Owners' expense

The Distributor reserves the right to direct the operations of any customer owned switchgear connected to the distribution system including those located beyond the point of demarcation.

3.4.5.1 Service Installation

In General, the [Demarcation Point](#) for a General Service Customer with a demand of over 500 kW is on the primary side of the transformer at the first available distributor owned point of isolation, or as otherwise set by the distributor. This delivery point might be located on an adjacent property from which the Distributor has an authorized easement. In all cases the final Demarcation Point will be the decision of the Distributor.

The location of the service entrance, routing of duct banks, metering facilities, and all other works will be established through consultation with the Distributor. Failure to comply may result in relocation of the service plant at the Owner's expense.

The Distributor will install overhead supply lines and required cut-outs to the first point of support on private property. The location of this support must be approved by the Distributor and shall be within 30 metres of the Distributors' existing overhead plant. All costs for materials and labour shall be at the customers' expense.

The service pole or first point of support on private property shall be considered self-supported and shall be complete with suitable hardware for attaching the suspension insulators. The Customer shall be responsible for all costs associated with equipment, installation, and inspection.

Where the customer wishes an underground supply, the customer shall supply and install the underground cables and termination pole complete with primary switch, fuses and lightning arresters. The installation shall be



subject to ESA inspection and specific approval of the Distributor. The customer owned termination pole must comply with items as prescribed by the Distributor.

At the Distributors' discretion, the customers' underground service may be connected to a termination pole owned by the distributor. In such cases, the Distributor shall supply and install at the customers expense, any required primary switch, fuses, and lightning arrestors.

When requested, the customer shall make provision in the substation switchgear or transformer, for loop feeding the Distributors' supply cables via load interrupter switches.

In some instances, primary metering may be required.

3.4.6 Supply Voltage

A General Service building is supplied at one service voltage per land parcel.

General Service connections above 500 kW may require a customer owned substation.

Depending upon the location of the building, Primary supplies to transformers and Customer owned Sub-Stations will be one of the following as determined by the Distributor:

- *2,400/4,160 volts 3 phase 4 wire*
- *4,800/8,320 volts 3 phase 4 wire*
- *7,200/12,400 volts 3 phase 4 wire*
- *8,000/13,800 volts 3 phase 4 wire*
- *16,000/27,600 volts 3 phase 4 wire*
- *44,000 Volts - 3 Phase 3 Wire*

The Owner shall make provision to take delivery at one of the nominal utilization voltages as specified by the Distributor. The Owner shall obtain prior approval from the Distributor for the use of any specific voltage at any specific location.

3.4.7 Access:

At the Distributors discretion, service locations requiring access to adjacent properties (mutual drives, narrow side setbacks, etc.) will require the completion of an easement in the Distributors' name, or a "Letter of Permission" from the property owner(s) involved.

The Customer will provide unimpeded and safe access to the Distributor at all times for the purpose of installing, removing, maintaining, operating or changing metering and distribution equipment.

Where the high voltage interrupting switches are located inside a building, a direct outside entrance to the switchgear room must be provided.



The outside door providing direct access to the transformer or switchgear room must be compliant with all applicable codes and requirements, and of a quality to be approved by the Distributor.

3.4.8 Metering:

The owner will supply and install provisions for metering following the details outlined both in these Conditions of Service, and technical documents provided to the customer during the consultation process.

For more details refer to section [2.3.7](#) in these Conditions of Service.

3.4.9 Sub-transmission Service:

The Owner will pay for the full cost of sub-transmission services and may in some circumstances be required to construct a private pole line.

The Distributor will terminate sub-transmission conductors complete with live line loops and hardware at the [Demarcation Point](#).

3.4.10 Short Circuit Capacity:

The Owner shall ensure that the service entrance equipment has an adequate short-circuit interrupting capability.

3.4.11 Drawings

Apart from the regular drawings submission to the ESA, the customer shall provide two sets of the following drawings and details to the Distributor.

Survey Plan: prepared by an Ontario Land Surveyor, showing the property limits, registered plan and existing buildings or easements if any.

Site Plan: showing the location of the station relative to buildings, structures and set backs from adjacent property lines. The site plan shall also include the exact location of existing Distributor owned plant and the proposed route of the incoming supply.

Schematic or Single-Line Diagram: indicating the major components of the station and their electrical ratings. Where additions or alterations are being made, these shall be clearly distinguished from unchanged portions of the installation.

Electrical Details: sufficient details shall be provided in order to enable fast processing and approval of the station drawings. The following represents the minimum data required.



- Plan, elevation and profile views of the station structure, switchgear, transformer(s), termination poles, duct banks, etc.
- Dimensions to clearly indicate the electrical, physical and working clearances as well as relative location of all equipment.
- Pole or structure for dead-ending the Distributor lines shall be complete with suitable hardware for attaching the suspension insulators that will be supplied and installed by the Distributor.
- Fencing arrangement.
- Grounding details. (In the case of indoor metal enclosed switchgear, when the Distributor has operating control of any interrupter switches, the assembly shall further incorporate ground rod parking stands and stirrups per the Distributors Specifications.)
- Details of vault construction (if indoor substation).
- Manufacturer's drawings of metal-enclosed switchgear showing internal arrangement of equipment, clearances, means of access, interlocking and provision for personal safety. Where the Distributors' cables terminate in the switchgear, the customer shall provide suitable terminators for the size and type of cable as specified by the Distributor.
- When the customer's switchgear is used for loop feeding the Distributors' supply cables, provision for padlocking the in and out load interrupter switches and the associated bay doors shall be required.
- Indoor and outdoor switchgear assemblies shall contain a space heater and protective guard in each bay, along with thermostat(s), sized to promote air circulation and to prevent condensation from forming.
- At the discretion of the distributor, the customer shall make provisions for a future system neutral connection to the customer's dead-ending pole or structures installed by the Distributor. Where the Distributors' neutral terminates in the customer's switchgear, the customer shall provide a suitable connector on the ground bus for the size and type of cable specified by the Distributor.

3.4.12 Pre-Service Inspection

The customer shall present to the Distributor a final "Pre-service Inspection Report" a minimum of 3 working days before connection can be affected.

The "Pre-Service Inspection Report" shall outline and document the results of all tests and inspection carried out on the substation components. The information contained in the report must be to the satisfaction of the Distributor before connection can be authorized.



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The "Pre-Service Inspection Report" shall be required in case of:

- **New Substation**: *in which case all components of the substation shall be reported upon.*
- **Modified substation**: *in which case all components of the substation shall be reported upon.*

Prior to connection of the service the Local Distribution Company requires notification from the Electrical Safety Authority that the electrical installation has been inspected and approved for connection.

Provision for metering shall be inspected and approved by the Distributor prior to connection.

The Distributor or Distributor-approved Contractor generally installs all services. All work done shall be as per the specifications of the Distributor and subject to inspection by the Distributor.

(Refer to section [2.1.4](#) for further inspection details)



3.5 Embedded Generation

3.5.1 General

An Embedded Generator shall provide the Distributor with proof of compliance of [IESO](#) or [OEB](#) registration Requirements, appropriate Licences and completion of an application form provided by the distributor.

The Distributor shall collect costs reasonably incurred with making an offer to connect a generator from the entity requesting the connection. Costs reasonably incurred include costs associated with:

- Preliminary review for connection requirements.
- Detailed study to determine connection requirements.
- Final proposal to the generator.

A Generator that is or wishes to become connected to the distributors' distribution system shall enter into a Connection Agreement with the Distributor.

If damage or increased operating costs result from a connection with a Generator, the Generator shall reimburse the Distributor for these costs.

The Embedded Generator is responsible for providing suitable embedded generator equipment to protect his plant and equipment for any conditions on the distributor and interconnected transmission systems such as reclosing, faults and voltage unbalance.

To incorporate the connection of embedded generator to the distribution system, the line/feeder protection including settings and breaker reclosing circuits must be reviewed and modified if necessary by the distributor or transmission authority. This process may be complex and may require significant time.

The embedded generator must submit a proposed single line diagram and protection scheme for review to the distributor contact as identified by the distributor.

Based on the transformer connection proposed by the embedded generator additional significant protection cost may be incurred (e.g. delta HV transformer winding may require 3 phase HV breaker / reclosure device). The embedded generator shall not order the protection equipment and transformer until the station line diagram is reviewed and accepted by the distributor.

The purpose of the distributor review is to establish that the embedded generator electrical interface design meets the distributor requirements.

The protection schemes shall incorporate adequate facilities for testing/maintenance.

Negative phase sequence protection shall be installed where required, to detect abnormal system condition as well as to protect the generator.



The embedded generator may be required to install utility grade relays for those protections that could affect the distributor or transmission authority system.

The embedded generator may be required to submit a Ground Potential Rise study for review by the distributor, if telecommunications circuits are specified for remote transfer trip protection.

3.5.2 Protection

The embedded generator should provide protection systems to cover the following conditions:

3.5.2.1 Internal Faults:

The Generator should provide adequate protections to detect and isolate generator and station faults.

3.5.2.2 External Faults:

The protection system should be designed to provide full feeder coverage complete with a reliable DC supply. In some cases redundancy in protection schemes may be required.

Normally the following fault detection devices are required for synchronous generator(s) installation(s).

3.5.2.3 Ground Faults:

When the HV winding of the Generator station transformer is wye connected with the neutral solidly grounded, then ground over-current protection in the neutral is required to detect ground faults.

If the Embedded generator station transformer HV winding connected to the Distributor system is ungrounded wye or delta, then ground under-voltage and ground over-voltage protections shall be required to detect ground faults.

Depending on the size, type of generator and point of connection, a distributor may require the relaying system to be duplicated, complete with separate auxiliary trip relays and separately fused DC supplies to ensure reliable protection operation and successful isolation of the embedded generator.

3.5.2.4 Phase Faults:

To detect phase faults, at least one of the following protections should be installed with acceptable redundancy where required depending on fault values:

- Distance
- Phase directional over-current



- Voltage-restrained over-current
- Over-current
- Under-voltage

3.5.2.5 Islanding/Abnormal Conditions:

Voltage and frequency protections are required to separate the embedded generator from the distribution system for an islanded condition and thus maintain the quality of supply to distribution system customers. This also will enable speedy restoration of the distribution system.

Typically, the protections required to detect islanding/abnormal conditions are:

- Over-voltage
- Under-voltage
- Over-frequency
- Under-frequency
- Voltage-balance

The above protections should be timed to allow them to ride through minor disturbances.

3.5.3 Induction Generator

Due to the operating characteristics of the induction generator the protection package required is normally less complex than the synchronous generator. An embedded generator should design the protection scheme to trip for the same conditions as stated for synchronous generators. An induction generator is an asynchronous machine that requires an external source such as a healthy distribution system to produce normal 60 Hz power. Alternatively, if there is an outage in the distribution system then there is unlikely to be 60 Hz output from the induction generator. In certain instances, an induction generator may continue to generate electric power after the source is removed. This phenomenon, known as self-excitation, can occur whenever there is sufficient capacitance in parallel with the induction generator to provide the necessary excitation and when the connected load has certain resistive characteristics.

3.5.4 DC Remote Tripping / Transfer Tripping

Remote or transfer tripping may be required between the Generator and the feeder circuit breaker if the Generator is connected at a critical location in the distribution system. This feature will provide for isolation of the embedded generator when certain faults or system disturbances are detected at the feeder circuit breaker location.

Additional Protection Features, such as Remote Trip and Generator end open signal, may be required in some applications.



3.5.5 Maintenance

An Embedded Generator shall have a regular scheduled maintenance plan to assure the Distributor that all connection devices and protection & control systems are maintained in good working order. These provisions shall be included in the Connection Agreement. A complete copy of the inspection report shall be delivered to the Distributor within 30 days.

In developing a maintenance plan, the Generator should consider the following requirements:

- Qualified personnel should carry out all inspections and repairs.
- Periodic tests should be performed on protection systems to verify that the system operates as designed. Testing intervals for protection systems should not exceed four (4) years for microprocessor-based systems and two (2) years for electro-mechanical based systems.
- Isolating devices at the point of connection should be operated at least once per year.
- The Generator facility should be inspected visually at least once per year to note obvious maintenance problems such as broken insulators or other damaged equipment.
- Any deficiencies identified during inspections shall be noted and repairs scheduled as soon as possible, with timing dependent on the severity of the problem, due diligence concerns (of both the Distributor and the Generator) and financial and material requirements. The Distributor shall be notified of any deficiencies involving critical protective equipment.
- The Distributor shall be provided with copies of all relevant inspection and repair reports that may affect the protection and performance of the Distributors' systems. The Distributor has the right to witness any relevant test being performed by the generator.



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3.6 Embedded Market Participant

An Embedded Market Participant shall provide the Distributor with proof of compliance of [IESO](#) registration Requirements, and appropriate Licences.

Where the Conditions of Service of this Distributor exceed the technical requirements of any other licence or participant obligations, these Conditions of Service shall take precedence.

The Embedded Market Participant must meet at a minimum, the standards as set out in these Conditions of Service in order to connect to the Distributors' distribution facilities.



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3.7 Embedded Distributor

An Embedded Distributor shall provide the Distributor with proof of compliance of [IESO](#) and [OEB](#) registration Requirements, and appropriate Licences.

Where the Conditions of Service of this Distributor exceed the technical requirements of any other licence or participant obligations, these Conditions of Service shall take precedence.

The Embedded Distributor must meet at a minimum, the standards as set out in these Conditions of Service in order to connect to the Distributors' distribution facilities.



3.8 Miscellaneous Small Services

This section pertains to the supply of electrical energy for Street Lighting, Traffic Signals, Bus Shelters, Telephone Booths, Cable T.V. Amplifiers, Decorative Street Lighting, Bill Boards, and other similar small loads.

3.8.1 General

At the discretion of the Distributor, the service voltage will be:

120/240 volts, single phase three wire or
120 volts, single phase two wire or
347/600V three phase, four wire

The method and location of the supply will vary based on the conditions present on the Distributors' plant, and will be established for each application through consultation with the Distributor.

Where specified by the Distributor during the Early Consultation process, the Customer will provide underground ducts to the Distributor's specifications.

The Owner shall be responsible for all costs associated with the supply and installation of service conductors

The Distributor at the Owners' expense will install required transformation.

Where at the discretion of the Distributor, a meter is not installed, energy consumption will be based on the connected wattage and the calculated hours of use.

Prior to energization of a service the Distributor will require notification from the [ESA](#) that the installation has been inspected and approved for connection.

3.8.2 Early Consultation

The Owner shall supply a completed [Electrical Planning Requirements Form](#) to the Distributor well in advance of installation commencement to allow the Distributor time for proper planning, ordering of equipment etc. Information required includes:

- Required in-service date
- Requested Service Entrance Capacity and voltage rating of the service entrance equipment
- Locations of other services, gas, telephone, water and cable TV
- Survey plan and site plan indicating the proposed location of the service equipment with respect to public rights-of way and lot lines.



3.8.3 Street Lighting

Town street-lighting that is designed, installed, and maintained by the Distributor shall be fully funded by the Municipality to ensure adherence to the [Affiliate Relationship Code](#) and the Distributors' Licence.

3.8.4 Traffic Signals

Traffic Signals and Crosswalk Lights are owned and maintained by the applicable road authority.

3.8.5 Bus Shelters

Bus Shelter Lighting is owned and maintained by the Customer.

3.8.6 Decorative Street Lighting

Such installations could be lighting for festive occasions or "neighbourhood character" street-scaping and will be maintained by the Customer.



SECTION 4 GLOSSARY OF TERMS

“Conditions of Service” means the document developed by the distributor in accordance with subsection 2.3 of the [Distribution System Code](#), that describes the operating practices and connection rules for the distributor;

“Condominiums” are located on common land, which is the property of a condominium corporation or is owned by the Owner of all of the units (rental property). These units usually front onto internal roads that are also privately owned;

“Condominium Development” is a structure or complex of structures each containing more than two residential units. A single residential customer would occupy each unit and have direct outside access at ground level;

“Connection” means the process of installing and activating connection assets in order to distribute electricity;

“Connection Agreement” means an agreement entered into between a distributor and a person connected to its distribution system that delineates the conditions of the connection and delivery of electricity to or from that connection;

“Connection assets” means that portion of the distribution system used to connect a customer to the existing main distribution system, and consists of the assets between the point of connection on a distributors’ main distribution system and the ownership Demarcation Point with that customer;

“Consumer” means a person who uses, for the person’s own consumption, electricity that the person did not generate;

“Customer” means a person that has contracted for or intends to contract for connection of a building or an embedded generation facility. This includes developers of residential or commercial sub-divisions;

“Demand meter” means a meter that measures a consumers’ peak usage during a specified period of time;

“Demarcation Point” means the point at which the obligation of the Distributor ends and those of the Customer begin for the purposes of maintenance and repair of the distribution service;

“Disconnection” means a deactivation of connection assets, which results in cessation of distribution services to a consumer;

“Distribute”, with respect to electricity, means to convey electricity at voltages of 50 kilovolts or less;

“Distribution losses” means energy losses that result from the interaction of intrinsic characteristics of the distribution network such as electrical resistance with network voltages and current flows;



“Distribution loss factor” means a factor(s) by which metered loads must be multiplied such that when summed equal the total measured load at the supply point(s) to the distribution system.;

“Distribution services” means services related to the distribution of electricity and the services the Board has required distributors to carry out.

“Distribution system / plant” means a system for distributing electricity, and includes any structures, equipment or other things used for that purpose. A distribution system is comprised of the main system capable of distributing electricity to many customers and the connection assets used to connect a customer to the main distribution system;

“Distribution System Code,” means the code, approved by the Board, and in effect at the relevant time, which, among other things, establishes the obligations of a distributor with respect to the services and terms of service to be offered to customers and retailers and provides minimum technical operating standards of distribution systems;

“Distributor” means a person who owns or operates a distribution system;

“Electricity Act” means the *Electricity Act, 1998*, S.O. 1998, c.15, Schedule A;

“Energy Competition Act” means the *Energy Competition Act, 1998*, S.O. 1998, c. 15;

“Electrical Safety Authority” or **“ESA”** means the person or body designated under the *Electricity Act* regulations as the Electrical Safety Authority;

“Embedded Distributor” means a distributor who is not a wholesale market participant and that is provided electricity by a host distributor;

“Embedded Generation Facility” means a generator whose generation facility is not directly connected to the IESO-controlled grid but instead is connected to a distribution system;

“Embedded Load Displacement Generation Facility” means an embedded generation facility connected to the customer side of the revenue meter where the generation facility does not inject electricity into the distribution system for the purpose of sale;

“Embedded Market Participant” means a consumer who is a wholesale market participant whose facility is not directly connected to the IESO-controlled grid but is connected to a distribution system;

“Emergency” means any abnormal system condition that requires remedial action to prevent or limit loss of a distribution system or supply of electricity, or that could adversely affect the reliability of the electricity system;

“Emergency backup generation facility” means a generation facility that has a transfer switch that isolates it from a distribution system;



“Enhancement” means a modification to an existing distribution system that is made for purposes of improving system operating characteristics such as reliability or power quality or for relieving system capacity constraints resulting, for example, from general load growth;

“Expansion” means an addition to a distribution system in response to a request for additional customer connections that otherwise could not be made; for example, by increasing the length of the distribution system;

“Four-quadrant Interval Meter” means an interval meter that records power injected into a distribution system and the amount of electricity consumed by the customer;

“Generate”, with respect to electricity, means to produce electricity or provide ancillary services, other than ancillary services provided by a transmitter or distributor through the operation of a transmission or distribution system;

“Generation Facility” means a facility for generating electricity or providing ancillary services, other than ancillary services provided by a transmitter or distributor through the operation of a transmission or distribution system, and includes any structures, equipment or other things used for that purpose;

“Generator” means a person who owns or operates a generation facility;

“Geographic Distributor” with respect to a load transfer, means the distributor that is licensed to service a load transfer customer and is responsible for connecting and billing the load transfer customer;

“Good Utility Practice” means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in North America during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good practices, reliability, safety and expedition. Good utility practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in North America;

“Holiday” means a Saturday, Sunday, statutory holiday, or any day as defined in the Province of Ontario as a legal holiday;

“IESO” means the Independent Electricity System Operator established under the Electricity Act;

“IESO-Controlled Grid” means the transmission systems with respect to which, pursuant to agreements, the IESO has authority to direct operation;

“Interval meter” means a meter that measures and records electricity use on an hourly or sub-hourly basis;

“Large Embedded Generation Facility” means an embedded generation facility with a name-plate rated capacity of 10MW or more;



“Lies Along” means a property can be connected to the distributor distribution system without an expansion or enhancement, and meets the conditions listed in the Conditions of Service of the distributor who owns or operates the distribution line.

“Load Transfer” means a network supply point of one distributor that is supplied through the distribution network of another distributor and where this supply point is not considered a wholesale supply or bulk sale point;

“Load Transfer Customer” means a customer that is provided distribution services through a load transfer;

“Market Rules” means the rules made under section 32 of the *Electricity Act*;

“Measurement Canada” means the Special Operating Agency established in August 1996 by the *Electricity and Gas Inspection Act*, 1980-81-82-83, c. 87., and *Electricity and Gas Inspection Regulations (SOR/86-131)*;

“Medium Sized Embedded Generation Facility” means an embedded generation facility with a name-plate rated capacity of less than 10 MW and:

- a) more than 500 kW in the case of a facility connected to a less than 15kV line;
- b) more than 1 MW in the case of a facility connected to a 15 kV or greater line;

“Meter Service Provider” means any entity that performs metering services on behalf of a distributor, generator, or registered market participant;

“Meter Installation” means the meter and, if so equipped, the instrument transformers, wiring, test links, fuses, lamps, loss of potential alarms, meters, data recorders, telecommunication equipment and spin-off data facilities installed to measure power past a meter point, provide remote access to the metered data and monitor the condition of the installed equipment;

“Metering Services” means installation, testing, reading and maintenance of meters;

“Micro Embedded Load Displacement Generation Facility” means an embedded load displacement generation facility with a name-plate rated capacity of 10 kW or less;

“Ontario Electrical Safety Code” means the code adopted by O. Reg. 164/99 as the Electrical Safety Code;

“Ontario Energy Board Act” means the *Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B*;

“Operational Demarcation Point” means the physical location at which a distributors’ responsibility for operational control of distribution equipment including connection assets ends at the customer;

“Ownership Demarcation Point” means the physical location at which a distributors’ ownership of distribution equipment including connection assets ends at the customer;



“Physical Distributor” with respect to a load transfer, means the distributor that provides physical delivery of electricity to a load transfer customer, but is not responsible for connecting and billing the load transfer customer directly;

“Point of Supply” with respect to an embedded generation facility, means the connection point where electricity produced by the generation facility is injected into a distribution system;

“Rate” means any rate, charge or other consideration, and includes a penalty for late payment;

“Rate Handbook” means the document approved by the Board that outlines the regulatory mechanisms that will be applied in the setting of distributor rates;

“Regulations” means the regulations made under the *Act or the Electricity Act*;

“Retail”, with respect to electricity means,

- a) To sell or offer to sell electricity to a consumer
- b) To act as agent or broker for a retailer with respect to the sale or offering for sale of electricity, or
- c) To act or offer to act as an agent or broker for a consumer with respect to the sale or offering for sale of electricity.

“Retail Settlement Code” means the code approved by the Board and in effect at the relevant time, which, among other things, establishes a distributors’ obligations and responsibilities associated with financial settlement among retailers and customers and provides for tracking and facilitating customer transfers among competitive retailers;

“Retailer” means a person who retails electricity;

“Service Area” with respect to a distributor, means the area in which the distributor is authorized by its license to distribute electricity;

“Small Embedded Generation Facility” means an embedded generation facility which is not a micro-embedded generation facility with a name-plate rated capacity of 500 kW or less in the case of a facility connected to a less than 15 kV line and 1MW or less in the case of a facility connected to a 15 kV or greater line;

“Total losses” means the sum of distribution losses and unaccounted for energy;

“Townhouses” are usually a free hold property, the land is owned by the individual Owners of each unit, fronting onto a municipal street;

“Townhouse Development” is a structure or complex of structures each containing more than two residential units. A single residential customer would occupy each unit, and have direct outside access at ground level;

“Transmission System” means a system for transmitting electricity, and includes any structures, equipment or other things used for that purpose;



“Transmission System Code” means the Board approved code that is in force at the relevant time, which regulates the financial and information obligations of the Transmitter with respect to its relationship with customers, as well as establishing the standards for connection of customers to, and expansion of a transmission system;

“Transmit” with respect to electricity, means to convey electricity at voltages of more than 50 kilovolts;

“Transmitter” means a person who owns or operates a transmission system;

“Unaccounted-for Energy” means all energy losses that cannot be attributed to distribution losses. These include measurement error, errors in estimates of distribution losses and un-metered loads, energy theft and non-attributable billing errors;

“Un-metered loads” means electricity consumption that is not metered and is billed based on estimated usage;

“Validating, Estimating and Editing (VEE)” means the process used to validate, estimate and edit raw metering data to produce final metering data or to replicate missing metering data for settlement purposes;

“Wholesale Market Participant” means a person that sells or purchases electricity or ancillary services through the IESO-administered markets;



SECTION 5 APPENDICIES

Electrical Planning Requirements Document

Electric Service Meter Base/ Service Verification Form

Contact Information

Deposit Policy

Disconnection Policy

Collection Policy



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Electrical Planning Requirements

It is essential that the following information be provided to:

- a) enable an assessment to be made on the impact of the proposed project on the Electrical Distribution System.
- b) enable the Distributor to prepare pertinent information for the developer.

Please supply answers to the following questions as soon as possible as electrical planning cannot proceed until the Distributor has reviewed this information.

Preliminary electrical site plan drawings are to be submitted together with this form. Electrical drawings are to be submitted to the Distributor for approval prior to any related job tenders or the commencement of any electrical construction. The drawings shall be drawn to a scale usable by the Distributor, shall show local pole locations, proposed transformer location, proposed electrical room/metering location and show how access to the metering would be gained (i.e.: the path to the metering).

Electrical site plan drawings are to be submitted to the Distributor on one (1) Paper copy and in an electronic format as approved by the Distributor.

Project Location: (Municipal Address) _____

Name of Project: _____

Name of Applicant: _____

Address: _____

Contact Name: _____

Address: _____

E-Mail: _____

Telephone: () _____ **Fax:** () _____

Service Classification (☑ as many as apply):

Residential

General Service < 50kW

General Service > 50kW

General Service >500kW

Unmetered os Miscellaneous Load

Temporary Service

Service Entrance Switchboard with Utility CT and PT Compartment Yes No

Capacity of Main Service (in Amperes):
Maximum rated capacity: _____

Estimated Connected Load - Demand in kW:
Maximum initial Demand: _____ kW
Maximum Future Demand: _____ kW

What service voltage is required (☑ one only):

120/240 Volt Single Phase

120/208 Volt Three Phase

347/600 Volt Three Phase

Primary

Metering Type (☑ one only):

Single Meter

Multiple Meters

Quantity of Meter installations

100A or less: _____

101A to 200A: _____

more than 200A: _____

Required In-Service Date:
Month / Day / Year _____/_____/_____

Comments: Please use the back of this form for comments _____

Signed: _____
(Representative of Applicant)

Date: _____

Name: _____

Title: _____



Electric Service Meter Base/ Billing Address Verification Form

This form **must** be completed by the Owner and/or their Electrical Contractor if applicable prior to service connection.

Electric Service Municipal Address: _____

Name of Owner: _____

Telephone: () _____ **Fax:** () _____

Name of Contractor: _____

Telephone: () _____ **Fax:** () _____

In area (A) provided below, carefully sketch the Front View layout of the Electric Meter Base(s). Match the corresponding (B) **BILLING ADDRESS** for each meter base(s) shown in (A).

(A) FRONT VIEW OF ELECTRIC METER BASE(S)	(B) BILLING ADDRESS
	1)
	2)
	3)
	4)
	5)
	6)
	5)
	7)
	8)
	9)
	10)
11)	

I/We the undersigned, acknowledge the information provided above has been verified and is accurate.

Signature of Owner: _____ **Date:** _____

Signature of Contractor: _____ **Date:** _____

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Contact Information

Local Distribution Company	Contact Phone Number
Centre Wellington Hydro Ltd.	Phone: (519) 843-2900
Licence # ED-2002-0498	
COLLUS Power Corp.	Phone: (705) 445-1800
Licence # ED-2002-0518	
Grand Valley Energy Inc.	Phone: (519) 928-3112
Licence # ED-2002-0512	
Hydro 2000	Phone: (613) 679-4093
Licence # ED-2002-0542	
Innisfil Hydro Distribution Systems Ltd.	Phone: (705) 431-6870
Licence # ED-2002-0520	
Lakefront Utilities Inc.	Phone: (905) 372-2193
Licence # ED-2002-0545	
Lakeland Power Distribution Ltd.	Phone: (705) 789-5442
Licence # ED-2002-0540	
Midland Power Utility Corporation	Phone: (705) 526-9361
Licence # ED-2002-0541	
Orangeville Hydro Ltd.	Phone: (519) 942-8000
Licence # ED-2002-0500	
Orillia Power	Phone: (705) 326-2495
Licence # ED-2002-0530	
Parry Sound Power Corporation	Phone: (705) 746-5866
Licence # ED-2003-0006	
Rideau St. Lawrence Distribution Inc.	Phone: (613) 925-3851
Licence # ED-2003-0003	
Wasaga Distribution Inc.	Phone: (705) 429-2517
Licence # ED-2002-0544	
Wellington North Power Inc.	Phone: (519) 323-1710
Licence # ED-2002-0511	
Westario Power Inc.	Phone: (519) 396-3471 Toll Free: 1-866-978-2746
Licence # ED-2002-0515	
West Coast Huron Energy Inc.	Phone: (519) 524-7371
Licence # ED-2002-0510	
Woodstock Hydro Services Inc.	Phone: (519) 537-3488
Licence # ED-2003-0011	

Note: Licence Numbers published by OEB as of May 1, 2003



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Policy 6.0 Security Deposits	Version 3.0
	<i>Created: June, 2002</i> <i>Latest Revision: June 21, 2004</i>

6.0.1 PURPOSE:

This policy describes the terms and conditions distributors will use for collection, maintaining and returning customer security deposits while complying with the applicable legislation and codes.

In accordance with the Distribution System Code and Retail Settlement Code it must include:

- a list of all potential types/forms of security accepted;
 - a detailed description of how the security is calculated;
 - limits on the amount of security required;
 - the planned frequency, process and timing of updating security;
 - a description of how interest payable to customers is determined;
 - criteria customer must meet to have security deposit waived and/or returned;
- and
- methods of enforcements where a security deposit is not paid.

6.0.2 POLICY STATEMENT:

A distributor may use any risk mitigation options available to manage customer non-payment risk. A distributor shall not discriminate among customers with similar risk profiles or risk related factors except where expressly permitted under the Distribution System Code.

A distributor will comply with the deposit requirements as defined in the Distribution System and Retail Settlement Codes but may waive these requirements in favour of a customer or potential customer.

6.0.3 FORM OF SECURITY DEPOSIT:

Residential

The form of payment of a security deposit for a residential customer shall be cash or cheque at the discretion of the customer or such other form as is acceptable to the distributor.



General Service

The security deposit will be in the form of cash, cheque or an automatically renewing, irrevocable letter of credit from a bank for non residential customers.

The distributor may also accept other forms of security.

The distributor shall permit customer to pay security deposit in 4 equal monthly instalments, the first instalment being due on the implementation of an implied contract or the signing of service agreement. The customer may pay the security deposit over a shorter period of time.

The reasons for requiring the security deposit must be disclosed to the customer.

6.0.4 METHOD OF CALCULATION AND LIMIT OF SECURITY DEPOSIT:

The maximum amount of the security deposit that a customer is required to pay is calculated using:

- the billing cycle factor times the estimated bill based on the customer's average monthly load with the distributor in the most recent 12 consecutive months within the last two years.
- Where relevant usage information is not available for the customer for 12 consecutive months within the past two years or the billing system is not capable of making the calculation, the customer's average monthly load shall be based on a reasonable estimate made by the distributor.

Where a customer has a payment history which discloses more than one disconnection notice in a relevant 12 month period, the distributor may use the customer's highest actual or estimated monthly load for the most recent 12 consecutive months within the past 2 years for the purposes of calculating the maximum amount of the security deposit.

For a low-volume consumer or designated consumer the price estimate used in calculating competitive electricity costs shall be the same as the price used by the IMO for the purpose of determining maximum net exposures and prudential support obligations for distributors.

If a non-residential customer with a >50kW demand rate can provide a credit rating from a recognized credit rating agency, the maximum amount of the security deposit required by the distributor shall be reduced in accordance with the following table:



Credit Rating

(Using Standard and Poor's Rating Terminology)

Allowable Reduction in Security Deposit

AAA- and above or equivalent 100%

AA-, AA, AA+ or equivalent 95%

A-, From A, A+ to below AA or equivalent 85%

BBB-, From BBB, BBB+ to below A or equivalent 75%

Below BBB- or equivalent 0%

6.0.5 PLANNED FREQUENCY, PROCESS AND TIMING OF UPDATING SECURITY DEPOSITS:

The distributor shall review every customer's security deposit at least once every calendar year to determine whether the entire amount of the security deposit is to be returned to the customer or adjusted based on a re-calculation of the maximum amount of the security deposit.

When the distributor determines in conducting a review that the maximum amount of the security deposit is to be adjusted upward, the distributor may require the customer to pay this additional amount at the same time the customer's next regular bill comes due.

A customer may demand in writing, no earlier than 12 months after payment of a security deposit or the making of a prior demand for a review, that the distributor undertake a review to determine whether the amount of the security deposit is to be returned to the customer or adjusted based on a re-calculation of the maximum amount of the security deposit. If some or all of the security deposit is to be returned to the customer, the distributor shall promptly return this amount.

Any security deposit received from the customer upon closure of the customer account, shall be applied to the final bill prior to change in service and can be used to off-set other amounts owing by the customer to the distributor. The balance shall be returned within six weeks of closure of the account.

6.0.6 INTEREST PAYABLE:

The interest shall accrue monthly on security deposits made by cash or cheque commencing on receipt of the total deposit. The interest shall be at the Prime Business Rate as published on the Bank of Canada website less 2 percent, updated quarterly. The interest accrued shall be paid at least once every 12 months or on return or application of the security deposit or closure of the account, whichever comes first, and may be credited to the account.



6.0.7 CRITERIA REQUIRED FOR WAIVERED AND/OR RETURN OF SECURITY DEPOSIT:

The distributor reserves the right to collect a security deposit from a customer that is not billed by a competitive retailer under retailer-consolidated billing unless the customer has a good payment history of:

- 1 year in the case of a residential customer,
- 5 years in the case of a non-residential customer in < 50 kW demand rate class, or
- 7 years in the case of a non-residential customer in any other rate class.

The time period that makes up the good payment history must be the most recent period of time and some of the time period must occur in the previous 24 months.

A customer is deemed to have a good payment history, unless, during the relevant time period the customer has received:

- more than one disconnection notice from the distributor, or
- more than one cheque given to the distributor by the customer has been returned for insufficient funds, or
- more than one pre-authorized payment to the distributor has been returned for insufficient funds, or
- a disconnection/collection trip has occurred.

The distributor shall not require a security deposit if the customer provides the following prior to the implementation of service:

- the customer provides a letter from another distributor or gas distributor in Canada confirming a good payment history for the most recent relevant time period, some of this time period must have incurred within the last 24 months,
- a customer, other than a customer in a >5,000 kW demand rate class, that provides a satisfactory credit check made at the customer's expense,
- If a non-residential customer with a >50kW demand rate can provide a credit rating from a recognized credit rating agency, the maximum amount of the security deposit required by the distributor shall be reduced in accordance with the following table:

Credit Rating

(Using Standard and Poor's Rating Terminology)

Allowable Reduction in Security Deposit



AAA- and above or equivalent 100%
AA-, AA, AA+ or equivalent 95%
A-, From A, A+ to below AA or equivalent 85%
BBB-, From BBB, BBB+ to below A or
equivalent 75%
Below BBB- or equivalent 0%

However, when the distributor determines in conducting a review that the maximum amount of the security deposit is to be adjusted upward, the distributor may require the customer to pay this additional amount at the same time the customer's next regular bill comes due.

In the case of a customer in a >5,000kW demand rate class, where the customer is now in a position that it would be exempt from paying a security deposit, however, had previously paid a security deposit to the distributor, the distributor is only required to return 50% of the security deposit.

6.0.8 METHOD OF ENFORCEMENT WHERE SECURITY DEPOSIT IS NOT PAID:

Failure to pay the security deposit as required will result in the immediate implementation of the distributor's collection policy process which may lead to the discontinuation of electrical service.

6.0.9 DEFINITIONS:

"The Billing Cycle Factor" is 2.5 if the customer is billed monthly, 1.75 if the customer is billed bi-monthly and 1.5 if the customer is billed quarterly.

"Disconnection/Collection Trip" is a visit to a customer's premises by an employee or agent of the distributor to demand payment of an outstanding amount or to shut off or limit distribution of electricity of the customer failing payment.

6.0.10 RESPONSIBILITIES:

The management of the company is responsible for ensuring that the corporation is protected from undue risk of bad debt.

6.0.11 REFERENCES:

The Electricity Act, 1998 – Province of Ontario, Ministry of Energy, Science and Technology

Market Rules – The Independent Electricity Market Operator

Distribution System Code – The Ontario Energy Board

Retail Settlement Code – The Ontario Energy Board

Electricity Distribution Rates Handbook – The Ontario Energy Board



Policy 8.0 DISCONNECTION/RECONNECTION OVERVIEW	Version 3.0
	<i>Created: September, 2002</i> <i>Latest Revision: June 21, 2004</i>

8.0.1 PURPOSE:

The detailed policies in this set are intended to establish and document a process that will provide guidance to the LDC's management and staff to help them make operational decisions when disconnecting and/or reconnecting the electrical service of a consumer.

8.0.2 POLICY STATEMENT:

The LDC will ensure that it has developed a physical and business process for disconnection ensuring safety and reliability as a primary requirement. The LDC will not be held liable for any damages or loss as the result of disconnection or limiting of service.

The LDC shall follow the regulation and direction set out in the Distribution Rate Handbook Chapter 9 when implementing the disconnection and/or reconnection process.

- A disconnection notice will be issued in writing not less than seven days after the date specified on the bill as the due date. Notice must be given by hand delivery or by registered mail. Both the customer and tenants of the customer will receive seven days' notice before cut-off.
- Prior to the disconnection of the electricity service, a representative of the utility will make reasonable efforts to establish direct contact with the customer. The utility should also where possible, notify the occupants of each separately occupied unit in the premises. The electricity service will not be disconnected by reason of the non-payment of bills until seven days after a disconnection notice has been given to the customer and as set out in Chapter 9 of the Distribution Rate Handbook.
- Where the electricity service has been disconnected on order to collect the account and then reconnected, a reconnection of service charge may be applied to the customers account.

The LDC reserves the right to physically disconnect or limit the amount of electricity that a customer can consume.

- 8.1.1 Disconnection/Reconnection
- 8.1.2 Seasonal Connections
- 8.1.3 Disconnection/Reconnection by Request
- 8.1.4 Safety and Reliability
- 8.5 Unauthorized use of Electricity

8.0.3 DEFINITIONS:

Current Limiting Device is a device that will limit the electrical current available to the customer.



Customer and Consumer will be understood herein as one and the same.

Disconnection is when the LDC discontinues the delivery of electricity to a property and/or premise.

Reconnection is when a property or premise has electrical service energized or re-established by the LDC.

Security Deposit is an amount collected by the LDC and is held by the distributor to ensure that all monies owed to the Corporation are collected at the time of the final billing. Interest payments will be applied at least annually on all cash deposits.

8.0.4 RESPONSIBILITIES:

The management of the company is responsible for ensuring that the corporation is protected from undue risk of bad debt.

8.0.5 REFERENCES:

The Electricity Act, 1998 – Province of Ontario, Ministry of Energy, Science and Technology

Electricity Distribution Rate Handbook – The Ontario Energy Board

Retail Settlement Code – The Ontario Energy Board

Distribution System Code – The Ontario Energy Board

Electricity Gas and Inspection Act – Government of Canada

Condition of Service – The Distributor



Policy 8.1 DISCONNECTION/RECONNECTION	Version 3.0
	<i>Created: September, 2002</i> <i>Latest Revision: June 21, 2004</i>

8.1.1 PURPOSE:

This policy confirms that the LDC has established a process for the disconnection and/or reconnection of a property and/or premise, and the specific timing and means of notification consistent with the Electricity Act, 1998.

The detailed policies in this set are intended to establish and document a process that will provide guidance to the LDC's management and staff, that will help them make operational decisions to disconnect and/or reconnect the electrical service of a consumer.

8.1.2. POLICY STATEMENT:

The LDC shall follow the regulation and direction set out in the Distribution Rate Handbook Chapter 9 when implementing disconnect or reconnection process.

- A disconnection notice will be issued in writing not less than seven days after the date specified on the bill as the due date. Notice must be given by hand delivery or by registered mail. Both the customer and tenants of the customer will receive seven days' notice before disconnection.
- Prior to the disconnection of the electricity service, a representative of the utility will make reasonable efforts to establish direct contact with the customer. The utility should also where possible, notify the occupants of each separately occupied unit in the premises. The electricity service will not be disconnected by reason of the non-payment of bills until seven days after a disconnection notice has been given to the customer and as set out in Chapter 9 of the Distribution Rate Handbook.
- Where the electricity service has been disconnected on order to collect the account and then reconnected, a reconnection of service charge may be applied to the customers account.

The LDC will ensure that it has developed a physical and business process for disconnection and/or reconnection ensuring safety and reliability as a primary requirement.

The LDC shall treat all customers in a non-discriminatory fashion when disconnecting and/or reconnecting an electrical service.

The LDC shall have the right to limit or discontinue service without further notification to the customer for payment default, including default of payment arrangements, bankruptcy, receivership, or property foreclosure.

The LDC shall have the right to limit or discontinue service for non-payment of a security deposit from customers that have defaulted on payment arrangements.

The LDC shall have the right to refuse the reconnection if there are any outstanding amounts owed by the consumer or if the service is found to have an adverse effect on the safety and/or reliability of the system.

The LDC shall have the right to discontinue electrical service of a consumer if the service causes safety or reliability risk to the distributor's system.



The LDC shall insist that electrical services that have been disconnected for six (6) or more months have an inspection certificate from the Electrical Safety Authority prior to reconnection. Notwithstanding the LDC reserves the right to require, an Electrical Safety Authority inspection certificate at any time prior to reconnection at the expense of the customer.

The LDC shall insist that a responsible representative of the property be present in order for reconnection of service to be established.

8.1.3 RESPONSIBILITIES:

The management of the company is responsible for ensuring that the corporation is protected from undue risk of bad debt.

8.1.4 REFERENCES:

The Electricity Act, 1998 – Province of Ontario, Ministry of Energy, Science and Technology

Retail Settlement Code – The Ontario Energy Board

Electricity Distribution Rates Handbook – The Ontario Energy Board

Distribution System Code – The Ontario Energy Board

Electricity Gas and Inspection Act – Government of Canada

Condition of Service – The Distributor



Policy 8.3 DISCONNECTION/RECONNECTION BY REQUEST	Version 3.0
	<i>Created: September, 2002</i> <i>Latest Revision: June 21, 2004</i>

8.3.1 PURPOSE:

This policy confirms that the LDC has established a process for the disconnection and/or reconnection of an electrical service and may require a written request from the consumer.

8.3.2 POLICY STATEMENT:

The LDC shall respond to a customer's request for a disconnection and reconnection of an electrical service in a prompt and efficient manner.

The LDC shall have the right to refuse the reconnection of and electrical service if there is an outstanding amount of money owed by the consumer or if the connection is found to have an adverse effect on the safety and/or reliability of the distribution system.

The LDC shall insist that electrical services that have been disconnected for six (6) or more months have an inspection certificate from the Electrical Safety Authority prior to reconnection. Notwithstanding the LDC reserves the right to require an Electrical Safety Authority certificate at any time prior to reconnection at the customer expense.

The LDC shall insist that a responsible representative of the property be present when electrical service is energized or reconnected.

8.3.3 RESPONSIBILITIES:

The management of the company is responsible for ensuring that the corporation is protected from undue risk of bad debt.

8.3.4 REFERENCES:

The Electricity Act, 1998 – Province of Ontario, Ministry of Energy, Science and Technology

Retail Settlement Code – The Ontario Energy Board

Electricity Distribution Rates Handbook – The Ontario Energy Board

Distribution System Code – The Ontario Energy Board

Electricity Gas and Inspection Act – Government of Canada

Condition of Service – The Distributor



Policy 8.4.0 SAFETY AND RELIABILITY	Version 3.0
	<i>Created: September, 2002</i> <i>Latest Revision: June 21, 2004</i>

8.4.1 PURPOSE:

This policy confirms that the LDC has established a process for ensuring the safety and reliability of the distribution system.

8.4.2 POLICY STATEMENT:

The LDC shall respond to and take reasonable steps to investigate all consumer power quality complaints and report to the consumer on the results of the investigation.

The LDC may direct a consumer connected to its distribution system to take corrective or preventive action on the consumer's electric system when there is a direct hazard to the public or the consumer is causing or could cause adverse effects on the reliability of the LDC's distribution system.

The LDC may require that any consumer conditions that adversely affect the distribution system be corrected immediately by the consumer and at the consumer's expense.

The LDC shall insist that electrical services that have been disconnected for six (6) or more months have an inspection certificate from the Electrical Safety Authority prior to reconnection. Notwithstanding the LDC reserves the right to require an Electrical Safety Authority certificate at any time prior to reconnection at the customer expense.

The LDC shall have the right to refuse the reconnection of an electrical service to their distribution system if the connection is found to have an adverse effect on the safety and/or reliability of the system.

The LDC shall have the right to disconnect the electrical service of a consumer if the service causes safety or reliability risk to the distributor's system.

The LDC shall insist that a responsible representative of the property be present when electrical service is energized or reconnected.

8.4.3 RESPONSIBILITIES:

The management of the company is responsible for ensuring that the service quality of the distribution system is safe and reliable.

8.4.4 REFERENCES:

The Electricity Act, 1998 – Province of Ontario, Ministry of Energy, Science and Technology
Retail Settlement Code – The Ontario Energy Board

Electricity Distribution Rates Handbook – The Ontario Energy Board

Distribution System Code – The Ontario Energy Board

Electricity Gas and Inspection Act – Government of Canada

Condition of Service – The Distributor



Policy 8.5.0	Version 3.0
UNAUTHORIZED USE OF ELECTRICITY	<i>Created: September, 2002</i> <i>Latest Revision: June 21, 2004</i>

8.5.1 PURPOSE:

This policy confirms that the LDC has established a process that management and staff can follow if it is discovered that there is unauthorized use of electricity.

8.5.2 POLICY STATEMENT:

The LDC shall use its discretion in taking action to mitigate unauthorized energy use. Upon identification of possible unauthorized energy use, the LDC shall notify, if appropriate, Measurement Canada, the Electrical Safety Authority, police officials, retailers that service the customers affected by the unauthorized energy use, or other entities.

The LDC shall monitor losses and unaccounted for energy use on an annual basis to detect any upward trends.

The LDC may recover from the parties responsible for the unauthorized energy use all energy and other applicable charges incurred by the distributor arising from the unauthorized energy use, including inspection, administration fees and repair costs.

8.5.3 RESPONSIBILITIES:

The management of the company is responsible for monitoring losses and unaccounted for energy.

8.5.4 REFERENCES:

- The Electricity Act, 1998 – Province of Ontario, Ministry of Energy, Science and Technology*
- Retail Settlement Code – The Ontario Energy Board*
- Electricity Distribution Rates Handbook – The Ontario Energy Board*
- Distribution System Code – The Ontario Energy Board*
- Electricity Gas and Inspection Act – Government of Canada*
- Conditions of Service – The Distributor*



Policy 7.0 COLLECTION OVERVIEW	Version 3.0
	<i>Created: September, 2002</i> <i>Latest Revision: June 21, 2004</i>

7.0.1 PURPOSE:

The purpose of this policy is to establish a process to ensure money owed to the LDC by consumers is collected.

7.0.2 POLICY STATEMENT:

The LDC shall follow the regulation and direction set out in the Distribution Rate Handbook Chapter 9 when implementing the collection process.

The LDC will collect all outstanding money owed from Customers and Retailers served by the LDC's distribution system in accordance with the principles defined in the *Electricity Act (1998)*, the *Electricity Distribution Rate Handbook* and the *Retail Settlement Code*. The policies in this set are intended to provide guidance to the LDC's managers and staff, and to help them make operational decisions that are consistent with applicable codes and regulations.

7.1 Customer Collections

7.2 Retailer Collections

The LDC will collect all outstanding money owed from Customers and Retailers served by the LDC's distribution system in accordance with the principles defined in the *Electricity Act*

7.0.3 DEFINITIONS:

Licensed Competitive Retailer is a company that has a valid electricity retailer's license from the Ontario Energy Board.

Standard Service Supply Customer is a company or person who purchases electricity at spot market price or statutory pricing from a LDC's distribution system as a direct pass through from the IMO.

Customer and Consumer will be understood herein as one and the same.

Non-Competitive Charges is made up of the Wholesale Market Service charge, the Debt Retirement charge, Transmission Connection charge, Transmission Network charge and Distribution charges.

Distributor-Consolidated Billing is when a retailer marketer who has signed contracts in the LDC service area and has opted for the distributor to do the billing and collection of the electricity commodity and all related non-competitive charges.

Retailer-Consolidated Billing is when the retail marketer opts to do the billing and collection of the electricity commodity and all related non-competitive charges.

Split Billing is when the retail marketer bills the customer for the electricity charges and the LDC bills for the customer for non-competitive, debt retirement and distribution charges. The retailer and the distributor shall each be responsible for the collection of their own accounts.



Late Payment Charge is an OEB approved interest charge that is applied after a specified date or a due date on a customer's bill.

Errors and Omissions Excepted the LDC shall reserve the right to make adjustments to any bill issued in error either in whole or in part.

Non-Payment Risk Mitigation the LDC may use any risk mitigation options available to manage consumer non-payment risk.

7.0.4 COLLECTION PAYMENT METHODS:

The LDC may accept one or more of the following methods of payment but are not obligated to offer all methods:

Cash

Payment made through most Financial Institutions including telephone & computer banking

Certified Cheque

Money Order or Bank Draft

Credit Card

Interac

Preauthorized Chequing

7.0.5 RESPONSIBILITIES:

The Board of Directors are responsible for the approval of the policies contained in this manual.

7.0.6 REFERENCES:

The Electricity Act, 1998 – Province of Ontario, Ministry of Energy, Science and Technology

Electricity Distribution Rate Handbook – The Ontario Energy Board

Retail Settlement – The Ontario Energy Board

Distribution System Code – The Ontario Energy Board

Electricity Gas and Inspection Act – Government of Canada



Policy 7.1 CUSTOMER COLLECTIONS	Version 3.0
	<i>Created: September, 2002</i> <i>Latest Revision: June 21, 2004</i>

7.1.1 PURPOSE:

This policy confirms that the LDC must be prudent in their collection process to protect the corporation from unpaid invoices. The detailed policies in this set are intended to establish and document a process that will provide guidance to the LDC's management and staff, to help them make operational decisions to ensure that monies owed to the LDC by the consumer or retailer are collected in a timely manner.

7.1.2 POLICY STATEMENT:

The LDC will take steps to collect the total amount for the customer's bill, if not paid within the time specified, which shall be a minimum of sixteen calendar days from the date of mailing or hand delivery of the bill. A collection of account charge may be made if a representative of the utility is dispatched to collect the account.

The customer shall be subject either to a collection of account charge or a reconnection charge in the event service has been interrupted in order to collect outstanding amounts owed in any billing period, unless partial payment of the account has been accepted by the LDC.

The LDC may apply more than one collection of account charge or reconnection charge in one billing period if a partial payment has been accepted through a collection trip.

The LDC shall begin the collection process immediately following the application of late payment charge.

The LDC shall treat all customers in the same rate class in a non-discriminatory fashion when collecting unpaid accounts.

The LDC shall have the right to limit or disconnect service for non-payment, theft of power and/or failing to keep payment arrangements.

The LDC shall reserve the right to make adjustments to any bill issued in error either in whole or in part.

7.1.3 RESPONSIBILITIES:

The management of the company is responsible for ensuring that the corporation is protected from undue risk of bad debt.

7.1.4 REFERENCES:

- The Electricity Act, 1998 – Province of Ontario, Ministry of Energy, Science and Technology*
- Retail Settlement Code – The Ontario Energy Board*
- Electricity Distribution Rates Handbook – The Ontario Energy Board*
- Distribution System Code – The Ontario Energy Board*
- Electricity Gas and Inspection Act – Government of Canada*



Policy 7.2 RETAILER COLLECTIONS	Version 3.0
	<p><i>Created: September, 2002</i> <i>Latest Revision: June 21, 2004</i></p>

7.2.0 PURPOSE:

This policy describes the processes to collect outstanding balances from retailers who have signed sales agreements with consumers served by the LDC's distribution system and to ensure that the Retailer meets the prudential requirements based on the billing option selected and the Retailer's magnitude of financial exposure. This process also applies to collection of past due Retail settlement and market participant invoices.

7.2.1 POLICY STATEMENT:

The LDC requires Retailers to pay invoices on the due date as specified in the code.

The LDC reserves the right to refuse service transaction requests, requests for information, invoices or other transactions from retailers with whom the LDC does not have an up-to-date service agreement and/or financial security arrangements.

The LDC shall review the required level of deposit from a Retailer for customers served through Distributor Consolidated Billing on a quarterly basis as a minimum.

The LDC shall immediately notify the retailer the day after a settlement payment was due if funds were not received and work with the retailer to remedy the situation.

The LDC shall not access the funds available through the relevant security arrangement until five business days have elapsed.

The LDC shall issue to the Retailer a Notice of Payment Default prior to returning the consumer that is signed with said Retailer back to Standard Service Supply (SSS).

7.2.2 RESPONSIBILITIES:

The management of the company is responsible for ensuring that prudential monitoring and payments from a Retailer are collected within the guidelines specified in the service agreement.

7.2.3 REFERENCES:

The Electricity Act, 1998 – Province of Ontario, Ministry of Energy, Science and Technology

Market Rules – The Independent Electricity Market Operator

Retail Settlement Code – The Ontario Energy Board

Electricity Distribution Rates Handbook – The Ontario Energy Board

Electricity Gas and Inspection Act – Government of Canada

APPENDIX B

LAKEFRONT UTILITIES INC.

2007 Financial Statement

Balance Sheet

Sum of Amount

Group Description	Account Description	Total
1050-Current Assets	1005-Cash	\$ 1,454,512.40
	1100-Customer Accounts Receivable	\$ 1,830,703.90
	1102-Accounts Receivable - Services	\$ 66,668.56
	1104-Accounts Receivable - Recoverable Work	\$ 2,250.92
	1105-Accounts Receivable - Merchandise, Jobbing, etc.	\$ 31,673.67
	1110-Other Accounts Receivable	\$ 6,925.31
	1120-Accrued Utility Revenues	\$ 2,828,971.47
	1130-Accumulated Provision for Uncollectible Accounts--Credit	-\$ 25,000.00
	1180-Prepayments	\$ 55,119.13
	1190-Miscellaneous Current and Accrued Assets	\$ 571.71
1050-Current Assets Total		\$ 6,252,397.07
1100-Inventory	1330-Plant Materials and Operating Supplies	\$ 220,023.92
1100-Inventory Total		\$ 220,023.92
1200-Other Assets and Deferred Charges	1508-Other Regulatory Assets	\$ 127,538.00
	1518-RCVARetail	\$ 20,444.00
	1520-Power Purchase Variance Account	\$ -
	1548-RCVASTR	\$ 24,215.00
	1550-LV Variance Account	\$ 90,399.00
	1555-Smart Meters Capital Variance Account	-\$ 16,230.19
	1556-Smart Meters OM&A Variance Account	\$ -
	1562-Deferred Payments in Lieu of Taxes	-\$ 113,669.00
	1563-Account 1563 - Deferred PILs Contra Account	\$ 113,669.19
	1565-Conservation and Demand Management Expenditures and Recoveries	-\$ 22,337.03
	1566-CDM Contra Account	\$ 22,337.03
	1570-Qualifying Transition Costs	\$ -
	1571-Pre-market Opening Energy Variance	\$ -
	1580-RSVAWMS	-\$ 354,292.00
	1582-RSVAONE-TIME	\$ 17,069.00
	1584-RSVANW	-\$ 135,090.00
	1586-RSVACN	-\$ 162,696.00
	1588-RSVAPOWER	\$ 1,152,079.00
	1590-Recovery of Regulatory Asset Balances	\$ 626,527.64
1200-Other Assets and Deferred Charges Total		\$ 1,389,963.00
1300-Intangible Plant	1610-Miscellaneous Intangible Plant	\$ 482,400.00
1300-Intangible Plant Total		\$ 482,400.00
1450-Distribution Plant	1805-Land	\$ 219,283.87
	1806-Land Rights	\$ 11,363.00
	1808-Buildings and Fixtures	\$ 815,068.96
	1810-Leasehold Improvements	\$ -
	1815-Transformer Station Equipment - Normally Primary above 50 kV	\$ -
	1820-Distribution Station Equipment - Normally Primary below 50 kV	\$ 2,730,090.14
	1830-Poles, Towers and Fixtures	\$ 4,142,537.11
	1835-Overhead Conductors and Devices	\$ 3,062,671.35
	1840-Underground Conduit	\$ 446,062.93
	1845-Underground Conductors and Devices	\$ 2,807,067.94
	1850-Line Transformers	\$ 4,015,084.36
	1855-Services	\$ 377,581.07
	1860-Meters	\$ 905,640.22
1450-Distribution Plant Total		\$ 19,532,450.95

APPENDIX B

LAKEFRONT UTILITIES INC.

2007 Financial Statement

Balance Sheet

Sum of Amount

Group Description	Account Description	Total
1500-General Plant	1905-Land	\$ -
	1906-Land Rights	\$ -
	1908-Buildings and Fixtures	-\$ 0.00
	1910-Leasehold Improvements	\$ -
	1915-Office Furniture and Equipment	\$ 83,190.77
	1920-Computer Equipment - Hardware	\$ 101,518.86
	1925-Computer Software	\$ 45,925.82
	1930-Transportation Equipment	\$ 350,539.54
	1935-Stores Equipment	\$ -
	1940-Tools, Shop and Garage Equipment	\$ 70,364.90
	1945-Measurement and Testing Equipment	-\$ 2,785.44
	1950-Power Operated Equipment	\$ -
	1955-Communication Equipment	\$ -
	1960-Miscellaneous Equipment	\$ -
	1965-Water Heater Rental Units	\$ -
	1970-Load Management Controls - Customer Premises	\$ -
	1975-Load Management Controls - Utility Premises	\$ -
	1980-System Supervisory Equipment	\$ -
	1985-Sentinel Lighting Rental Units	\$ -
	1995-Contributions and Grants - Credit	-\$ 968,096.04
1500-General Plant Total		-\$ 319,341.59
1550-Other Capital Assets	2005-Property Under Capital Leases	\$ -
	2040-Electric Plant Held for Future Use	\$ -
	2055-Construction Work in Progress--Electric	\$ 191,092.39
1550-Other Capital Assets Total		\$ 191,092.39
1600-Accumulated Amortization	2105-Accum. Amortization of Electric Utility Plant - Property, Plant, & Equipment	-\$ 8,750,680.59
	2120-Accumulated Amortization of Electric Utility Plant - Intangibles	\$ -
1600-Accumulated Amortization Total		-\$ 8,750,680.59
1650-Current Liabilities	2205-Accounts Payable	-\$ 4,945,106.00
	2208-Customer Credit Balances	-\$ 93,135.64
	2210-Current Portion of Customer Deposits	-\$ 130,000.00
	2220-Miscellaneous Current and Accrued Liabilities	-\$ 565,080.34
	2250-Debt Retirement Charges(DRC) Payable	-\$ 144,886.61
	2290-Commodity Taxes	-\$ 14,810.28
	2294-Accrual for Taxes, Payments in Lieu of Taxes, Etc.	\$ 365,972.47
1650-Current Liabilities Total		-\$ 5,527,047.00
1700-Non-Current Liabilities	2306-Employee Future Benefits	\$ 256,917.00
	2335-Long Term Customer Deposits	-\$ 159,547.53
	2405-Other Regulatory Liabilities	-\$ 198,173.41
1700-Non-Current Liabilities Total		-\$ 100,803.94
1800-Long-Term Debt	2520-Other Long Term Debt	-\$ 7,000,000.00
1800-Long-Term Debt Total		-\$ 7,000,000.00
1850-Shareholders' Equity	3005-Common Shares Issued	-\$ 4,684,455.74
	3040-Appropriated Retained Earnings	-\$ 1,916,289.59
	3045-Unappropriated Retained Earnings	-\$ 216,968.65
	3046-Balance Transferred From Income	-\$ 152,741.00
	3049-Dividends Payable-Common Shares	\$ 600,000.00
1850-Shareholders' Equity Total		-\$ 6,370,455.00
Grand Total		-\$ 0.00

APPENDIX B

LAKEFRONT UTILITIES INC.

2007 Financial Statement

Profit & Loss

Sum of Amount

Group Description	Account Description	Total
3000-Sales of Electricity	4006-Residential Energy Sales	-\$ 3,898,334.43
	4010-Commercial Energy Sales	-\$ 1,926,986.00
	4015-Industrial Energy Sales	-\$ 2,605,193.93
	4020-Energy Sales to Large Users	-\$ 56,814.34
	4025-Street Lighting Energy Sales	-\$ 88,550.51
	4030-Sentinel Lighting Energy Sales	\$ 2,767.82
	4035-General Energy Sales	-\$ 6,275,715.27
	4055-Energy Sales for Resale	-\$ 1,764,720.12
	4062-Billed WMS	-\$ 1,825,750.61
	4066-Billed NW	-\$ 1,367,836.67
	4068-Billed CN	-\$ 1,133,827.60
3000-Sales of Electricity Total		-\$ 20,940,961.66
3050-Revenues From Services - Distribution	4080-Distribution Services Revenue	-\$ 3,778,908.06
	4082-Retail Services Revenues	-\$ 12,022.40
	4084-Service Transaction Requests (STR) Revenues	-\$ 346.50
	4090-Electric Services Incidental to Energy Sales	\$ -
3050-Revenues From Services - Distribution Total		-\$ 3,791,276.96
3100-Other Operating Revenues	4205-Interdepartmental Rents	-\$ 45,600.00
	4210-Rent from Electric Property	-\$ 56,300.25
	4215-Other Utility Operating Income	\$ -
	4225-Late Payment Charges	-\$ 27,565.13
	4235-Miscellaneous Service Revenues	-\$ 103,266.71
3100-Other Operating Revenues Total		-\$ 232,732.09
3150-Other Income & Deductions	4325-Revenues from Merchandise, Jobbing, Etc.	\$ -
	4355-Gain on Disposition of Utility and Other Property	\$ -
	4375-Revenues from Non-Utility Operations	\$ -
3150-Other Income & Deductions Total		\$ -
3200-Investment Income	4405-Interest and Dividend Income	-\$ 131,777.00
3200-Investment Income Total		-\$ 131,777.00
3350-Power Supply Expenses	4705-Power Purchased	\$ 16,747,221.78
	4708-Charges-WMS	\$ 1,423,198.11
	4710-Cost of Power Adjustments	\$ -
	4712-Charges-One-Time	\$ -
	4714-Charges-NW	\$ 1,322,705.08
	4716-Charges-CN	\$ 1,104,388.63
	4730-Rural Rate Assistance Expense	\$ -
	4750-Charges-LV	\$ 343,448.66
3350-Power Supply Expenses Total		\$ 20,940,962.26
3500-Distribution Expenses - Operation	5005-Operation Supervision and Engineering	\$ 136,368.00
	5014-Transformer Station Equipment - Operation Labour	\$ 7,462.00
	5015-Transformer Station Equipment - Operation Supplies and Expenses	\$ 43,672.00
	5016-Distribution Station Equipment - Operation Labour	\$ -
	5017-Distribution Station Equipment - Operation Supplies and Expenses	\$ -
	5020-Overhead Distribution Lines and Feeders - Operation Labour	\$ 215,752.47
	5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	\$ 133,140.00
	5035-Overhead Distribution Transformers- Operation	\$ 1,514.00
	5040-Underground Distribution Lines and Feeders - Operation Labour	\$ 24,725.00
	5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	\$ 3,850.00
	5055-Underground Distribution Transformers - Operation	\$ -
	5085-Miscellaneous Distribution Expense	\$ 2,152.00
3500-Distribution Expenses - Operation Total		\$ 568,635.47

APPENDIX B

LAKEFRONT UTILITIES INC.

2007 Financial Statement

Profit & Loss

Sum of Amount

Group Description	Account Description	Total
3550-Distribution Expenses - Maintenance	5114-Maintenance of Distribution Station Equipment	\$ -
	5120-Maintenance of Poles, Towers and Fixtures	\$ 3,033.00
	5135-Overhead Distribution Lines and Feeders - Right of Way	\$ 17,491.77
	5155-Maintenance of Underground Services	\$ 214.35
	5160-Maintenance of Line Transformers	\$ 63,613.46
	5175-Maintenance of Meters	\$ 41,659.00
3550-Distribution Expenses - Maintenance Total		\$ 126,011.00
3650-Billing and Collecting	5310-Meter Reading Expense	\$ 63,624.20
	5315-Customer Billing	\$ 119,269.10
	5320-Collecting	\$ 94,469.00
	5325-Collecting- Cash Over and Short	-\$ 17.40
	5330-Collection Charges	\$ 501.00
	5335-Bad Debt Expense	\$ 46,343.74
	5340-Miscellaneous Customer Accounts Expenses	\$ 117,796.07
3650-Billing and Collecting Total		\$ 441,985.71
3700-Community Relations	5405-Supervision	\$ -
	5410-Community Relations - Sundry	\$ 19,767.00
	5415-Energy Conservation	\$ 119,169.00
	5515-Advertising Expense	\$ -
3700-Community Relations Total		\$ 138,936.00
3800-Administrative and General Expenses	5605-Executive Salaries and Expenses	\$ 17,143.00
	5610-Management Salaries and Expenses	\$ 303,221.40
	5615-General Administrative Salaries and Expenses	\$ 79,406.25
	5620-Office Supplies and Expenses	\$ 91,195.00
	5630-Outside Services Employed	\$ 121,974.45
	5635-Property Insurance	\$ 36,335.00
	5640-Injuries and Damages	\$ 38,404.00
	5645-Employee Pensions and Benefits	-\$ 0.00
	5655-Regulatory Expenses	\$ 49,198.00
	5660-General Advertising Expenses	\$ 4,879.00
	5665-Miscellaneous General Expenses	\$ 3,422.00
	5675-Maintenance of General Plant	\$ 31,519.00
	5680-Electrical Safety Authority Fees	\$ 26,784.00
3800-Administrative and General Expenses Total		\$ 803,481.00
3850-Amortization Expense	5705-Amortization Expense - Property, Plant, and Equipment	\$ 780,980.53
	5710-Amortization of Limited Term Electric Plant	\$ -
	5715-Amortization of Intangibles and Other Electric Plant	\$ -
3850-Amortization Expense Total		\$ 780,980.53
3900-Interest Expense	6005-Interest on Long Term Debt	\$ 507,500.00
	6035-Other Interest Expense	\$ 17,700.00
	6042-Allowance For Other Funds Used During Construction	-\$ 4,451.39
3900-Interest Expense Total		\$ 520,748.61
3950-Taxes Other Than Income Taxes	6105-Taxes Other Than Income Taxes	\$ 53,601.00
3950-Taxes Other Than Income Taxes Total		\$ 53,601.00
4000-Income Taxes	6110-Income Taxes	\$ 563,648.00
4000-Income Taxes Total		\$ 563,648.00
4100-Extraordinary & Other Items	6205-Donations	\$ -
4100-Extraordinary & Other Items Total		\$ -
Grand Total		-\$ 152,741.00

APPENDIX C

LAKEFRONT UTILITIES INC.

2008 Financial Statement

Balance Sheet

Sum of Amount

Group Description	Account Description	Total
1050-Current Assets	1005-Cash	\$ 1,454,512.40
	1100-Customer Accounts Receivable	\$ 1,830,703.90
	1102-Accounts Receivable - Services	\$ 66,668.56
	1104-Accounts Receivable - Recoverable Work	\$ 2,250.92
	1105-Accounts Receivable - Merchandise, Jobbing, etc.	\$ 31,673.67
	1110-Other Accounts Receivable	\$ 6,925.31
	1120-Accrued Utility Revenues	\$ 2,828,971.47
	1130-Accumulated Provision for Uncollectible Accounts--Credit	-\$ 25,000.00
	1180-Prepayments	\$ 55,119.13
	1190-Miscellaneous Current and Accrued Assets	\$ 571.71
1050-Current Assets Total		\$ 6,252,397.07
1100-Inventory	1330-Plant Materials and Operating Supplies	\$ 220,023.92
1100-Inventory Total		\$ 220,023.92
1200-Other Assets and Deferred Charges	1508-Other Regulatory Assets	\$ 129,296.00
	1518-RCVARetail	\$ 20,731.00
	1520-Power Purchase Variance Account	\$ -
	1548-RCVASTR	\$ 24,557.00
	1550-LV Variance Account	\$ 91,718.00
	1555-Smart Meters Capital Variance Account	-\$ 16,230.19
	1556-Smart Meters OM&A Variance Account	\$ -
	1562-Deferred Payments in Lieu of Taxes	-\$ 113,669.00
	1563-Account 1563 - Deferred PILs Contra Account	\$ 113,669.19
	1565-Conservation and Demand Management Expenditures and Recoveries	-\$ 22,337.03
	1566-CDM Contra Account	\$ 22,337.03
	1570-Qualifying Transition Costs	\$ -
	1571-Pre-market Opening Energy Variance	\$ -
	1580-RSVAWMS	-\$ 359,475.00
	1582-RSVAONE-TIME	\$ 17,302.00
	1584-RSVANW	-\$ 136,899.00
	1586-RSVACN	-\$ 164,589.00
	1588-RSVAPOWER	\$ 1,168,228.00
	1590-Recovery of Regulatory Asset Balances	\$ 542,287.76
1200-Other Assets and Deferred Charges Total		\$ 1,316,927.00
1300-Intangible Plant	1610-Miscellaneous Intangible Plant	\$ 482,400.00
1300-Intangible Plant Total		\$ 482,400.00
1450-Distribution Plant	1805-Land	\$ 219,283.87
	1806-Land Rights	\$ 11,363.00
	1808-Buildings and Fixtures	\$ 825,068.96
	1810-Leasehold Improvements	\$ -
	1815-Transformer Station Equipment - Normally Primary above 50 kV	\$ -
	1820-Distribution Station Equipment - Normally Primary below 50 kV	\$ 2,730,090.14
	1830-Poles, Towers and Fixtures	\$ 4,257,766.44
	1835-Overhead Conductors and Devices	\$ 3,131,109.45
	1840-Underground Conduit	\$ 446,062.93
	1845-Underground Conductors and Devices	\$ 2,807,067.94
	1850-Line Transformers	\$ 4,195,996.17
	1855-Services	\$ 377,581.07
	1860-Meters	\$ 2,947,459.26
1450-Distribution Plant Total		\$ 21,948,849.23

APPENDIX C

LAKEFRONT UTILITIES INC.

2008 Financial Statement

Balance Sheet

Sum of Amount

Group Description	Account Description	Total
1500-General Plant	1905-Land	\$ -
	1906-Land Rights	\$ -
	1908-Buildings and Fixtures	-\$ 0.00
	1910-Leasehold Improvements	\$ -
	1915-Office Furniture and Equipment	\$ 108,190.77
	1920-Computer Equipment - Hardware	\$ 60,594.93
	1925-Computer Software	\$ 160,925.82
	1930-Transportation Equipment	\$ 510,134.00
	1935-Stores Equipment	\$ -
	1940-Tools, Shop and Garage Equipment	\$ 93,082.91
	1945-Measurement and Testing Equipment	-\$ 2,785.44
	1950-Power Operated Equipment	\$ -
	1955-Communication Equipment	\$ -
	1960-Miscellaneous Equipment	\$ -
	1965-Water Heater Rental Units	\$ -
	1970-Load Management Controls - Customer Premises	\$ -
	1975-Load Management Controls - Utility Premises	\$ -
	1980-System Supervisory Equipment	\$ -
	1985-Sentinel Lighting Rental Units	\$ -
	1995-Contributions and Grants - Credit	-\$ 968,096.04
1500-General Plant Total		-\$ 37,953.05
1550-Other Capital Assets	2005-Property Under Capital Leases	\$ -
	2040-Electric Plant Held for Future Use	\$ -
	2055-Construction Work in Progress--Electric	-\$ 2,225.69
1550-Other Capital Assets Total		-\$ 2,225.69
1600-Accumulated Amortization	2105-Accum. Amortization of Electric Utility Plant - Property, Plant, & Equipment	-\$ 9,386,236.36
	2120-Accumulated Amortization of Electric Utility Plant - Intangibles	\$ -
1600-Accumulated Amortization Total		-\$ 9,386,236.36
1650-Current Liabilities	2205-Accounts Payable	-\$ 6,112,514.00
	2208-Customer Credit Balances	-\$ 93,135.64
	2210-Current Portion of Customer Deposits	-\$ 130,000.00
	2220-Miscellaneous Current and Accrued Liabilities	-\$ 565,080.34
	2250-Debt Retirement Charges(DRC) Payable	-\$ 144,886.61
	2290-Commodity Taxes	-\$ 14,810.28
	2294-Accrual for Taxes, Payments in Lieu of Taxes, Etc.	\$ 365,972.47
1650-Current Liabilities Total		-\$ 6,694,454.40
1700-Non-Current Liabilities	2306-Employee Future Benefits	\$ 264,625.00
	2335-Long Term Customer Deposits	-\$ 159,547.53
	2405-Other Regulatory Liabilities	-\$ 198,173.41
1700-Non-Current Liabilities Total		-\$ 93,095.94
1800-Long-Term Debt	2520-Other Long Term Debt	-\$ 7,000,000.00
1800-Long-Term Debt Total		-\$ 7,000,000.00
1850-Shareholders' Equity	3005-Common Shares Issued	-\$ 4,684,455.74
	3040-Appropriated Retained Earnings	-\$ 1,916,289.59
	3045-Unappropriated Retained Earnings	-\$ 295,667.00
	3046-Balance Transferred From Income	-\$ 710,218.00
	3049-Dividends Payable-Common Shares	\$ 600,000.00
1850-Shareholders' Equity Total		-\$ 7,006,630.90
Grand Total		\$ -

APPENDIX C

LAKEFRONT UTILITIES INC.

2008 Financial Statement

Profit & Loss

Sum of Amount		
Group Description	Account Description	Total
3000-Sales of Electricity	4006-Residential Energy Sales	-\$ 4,015,284.46
	4010-Commercial Energy Sales	-\$ 1,984,795.58
	4015-Industrial Energy Sales	-\$ 2,683,349.75
	4020-Energy Sales to Large Users	-\$ 58,518.77
	4025-Street Lighting Energy Sales	-\$ 91,207.03
	4030-Sentinel Lighting Energy Sales	\$ 2,850.85
	4035-General Energy Sales	-\$ 6,470,745.98
	4055-Energy Sales for Resale	-\$ 1,817,661.72
	4062-Billed WMS	-\$ 1,825,750.61
	4066-Billed NW	-\$ 1,367,836.67
	4068-Billed CN	-\$ 1,133,827.60
3000-Sales of Electricity Total		-\$ 21,446,127.31
3050-Revenues From Services - Distirbution	4080-Distribution Services Revenue	-\$ 4,726,890.06
	4082-Retail Services Revenues	-\$ 12,022.40
	4084-Service Transaction Requests (STR) Revenues	-\$ 346.50
	4090-Electric Services Incidental to Energy Sales	\$ -
3050-Revenues From Services - Distirbution Total		-\$ 4,739,258.96
3100-Other Operating Revenues	4205-Interdepartmental Rents	-\$ 45,600.00
	4210-Rent from Electric Property	-\$ 56,300.25
	4215-Other Utility Operating Income	\$ -
	4225-Late Payment Charges	-\$ 27,565.13
	4235-Miscellaneous Service Revenues	-\$ 103,266.71
3100-Other Operating Revenues Total		-\$ 232,732.09
3150-Other Income & Deductions	4325-Revenues from Merchandise, Jobbing, Etc.	\$ -
	4355-Gain on Disposition of Utility and Other Property	\$ -
	4375-Revenues from Non-Utility Operations	\$ -
3150-Other Income & Deductions Total		\$ -
3200-Investment Income	4405-Interest and Dividend Income	-\$ 119,353.00
3200-Investment Income Total		-\$ 119,353.00
3350-Power Supply Expenses	4705-Power Purchased	\$ 17,249,638.43
	4708-Charges-WMS	\$ 1,423,198.11
	4710-Cost of Power Adjustments	\$ -
	4712-Charges-One-Time	\$ -
	4714-Charges-NW	\$ 1,322,705.08
	4716-Charges-CN	\$ 1,104,388.63
	4730-Rural Rate Assistance Expense	\$ -
	4750-Charges-LV	\$ 346,196.25
3350-Power Supply Expenses Total		\$ 21,446,126.50
3500-Distribution Expenses - Operation	5005-Operation Supervision and Engineering	\$ 140,459.00
	5014-Transformer Station Equipment - Operation Labour	\$ 7,686.00
	5015-Transformer Station Equipment - Operation Supplies and Expenses	\$ 41,527.00
	5016-Distribution Station Equipment - Operation Labour	\$ -
	5017-Distribution Station Equipment - Operation Supplies and Expenses	\$ -
	5020-Overhead Distribution Lines and Feeders - Operation Labour	\$ 222,167.00
	5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	\$ 158,134.00
	5035-Overhead Distribution Transformers- Operation	\$ 1,558.00
	5040-Underground Distribution Lines and Feeders - Operation Labour	\$ 25,467.00
	5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	\$ 3,966.00
	5055-Underground Distribution Transformers - Operation	\$ -
	5085-Miscellaneous Distribution Expense	\$ 2,216.00
3500-Distribution Expenses - Operation Total		\$ 603,180.00

APPENDIX C

LAKEFRONT UTILITIES INC.

2008 Financial Statement

Profit & Loss

Sum of Amount

Group Description	Account Description	Total
3550-Distribution Expenses - Maintenance	5114-Maintenance of Distribution Station Equipment	\$ -
	5120-Maintenance of Poles, Towers and Fixtures	\$ 3,124.00
	5135-Overhead Distribution Lines and Feeders - Right of Way	\$ 18,016.00
	5155-Maintenance of Underground Services	\$ 214.35
	5160-Maintenance of Line Transformers	\$ 65,522.00
	5175-Maintenance of Meters	\$ 249,509.00
3550-Distribution Expenses - Maintenance Total		\$ 336,385.00
3650-Billing and Collecting	5310-Meter Reading Expense	\$ 65,533.00
	5315-Customer Billing	\$ 122,846.10
	5320-Collecting	\$ 97,303.00
	5325-Collecting- Cash Over and Short	-\$ 17.40
	5330-Collection Charges	\$ 516.00
	5335-Bad Debt Expense	\$ 46,344.00
	5340-Miscellaneous Customer Accounts Expenses	\$ 121,319.25
3650-Billing and Collecting Total		\$ 453,843.95
3700-Community Relations	5405-Supervision	\$ -
	5410-Community Relations - Sundry	\$ 19,767.00
	5415-Energy Conservation	\$ 80,408.00
	5515-Advertising Expense	\$ -
3700-Community Relations Total		\$ 100,175.00
3800-Administrative and General Expenses	5605-Executive Salaries and Expenses	\$ 17,657.00
	5610-Management Salaries and Expenses	\$ 312,318.19
	5615-General Administrative Salaries and Expenses	\$ 148,698.44
	5620-Office Supplies and Expenses	\$ 93,931.00
	5630-Outside Services Employed	\$ 148,624.00
	5635-Property Insurance	\$ 36,915.00
	5640-Injuries and Damages	\$ 39,556.00
	5645-Employee Pensions and Benefits	-\$ 0.00
	5655-Regulatory Expenses	\$ 149,198.00
	5660-General Advertising Expenses	\$ 5,025.00
	5665-Miscellaneous General Expenses	\$ 3,524.00
	5675-Maintenance of General Plant	\$ 32,464.00
	5680-Electrical Safety Authority Fees	\$ 27,588.00
3800-Administrative and General Expenses Total		\$ 1,015,499.00
3850-Amortization Expense	5705-Amortization Expense - Property, Plant, and Equipment	\$ 888,340.73
	5710-Amortization of Limited Term Electric Plant	\$ -
	5715-Amortization of Intangibles and Other Electric Plant	\$ -
3850-Amortization Expense Total		\$ 888,340.73
3900-Interest Expense	6005-Interest on Long Term Debt	\$ 507,500.00
	6035-Other Interest Expense	\$ 17,700.00
	6042-Allowance For Other Funds Used During Construction	-\$ 2,225.69
3900-Interest Expense Total		\$ 522,974.31
3950-Taxes Other Than Income Taxes	6105-Taxes Other Than Income Taxes	\$ 55,209.00
3950-Taxes Other Than Income Taxes Total		\$ 55,209.00
4000-Income Taxes	6110-Income Taxes	\$ 405,519.00
4000-Income Taxes Total		\$ 405,519.00
4100-Extraordinary & Other Items	6205-Donations	\$ -
4100-Extraordinary & Other Items Total		\$ -
Grand Total		-\$ 710,218.23

Appendix E - Cost Allocation



**LAKEFRONT
UTILITIES
INC.**

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

207 Division St., P.O. Box 577, Cobourg, ON. K9A 4L3 • Tel: (905) 372-2193 • Fax: (905) 372-2581

January 15, 2007

Ontario Energy Board
26th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4

ATT: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli,

**OEB Licence: ED – 2002 - 0545
2006 EDR: EB - 2005 – 0387
OEB Cost Allocation: EB-2006-0247**

**2006 Cost Allocation Information Filing
Lakefront Utilities Inc.**

In accordance with the Board Directions (RP-2005-0317) and Guidelines released November 15, 2006, Lakefront Utilities Inc. respectfully submits this 2006 Cost Allocation Information Filing.

This application contains the following parts:

- Manager's Summary,
- Appendix 1.1, Filing Summary including Filing Questions
- Schematic of Lakefront Utilities Inc. distribution system, and
- Completed Run 1 and Run 2 Models – Sheet I2, I4 and O1

Three (3) hard copies of this filing are enclosed, together with electronic copies on CD.

Thank you.

Yours respectfully,


Dereck C. Paul
Manager; Compliance and Finance

LUI Manager's Summary

DOCSTOR: 1034841\1

Lakefront Utilities Inc.

MANAGER'S SUMMARY

(Licence # ED-2002-0545)

(Cost Allocation EB No. EB-2006-0247)

January 15, 2007

Overview:

On March 9, 2005 electricity distributors were advised by the Ontario Energy Board ("OEB") of a cost allocation review based "primarily on the existing rate classifications and a limited number of rate design issues".

In September, 2005, the OEB issued a staff discussion paper that require electricity distributors to complete new cost allocation studies to confirm that distribution rates for each customer class remain just and reasonable. The updated filings will be used to consider the need for adjustments to the current share of distribution costs paid by various classes of ratepayers.

Description of Distributor

Name of the distributor:	Lakefront Utilities Inc.
Current licence number:	ED-2002-0545
Communities served:	Cobourg and Colborne
Adjacent distributors:	Hydro One
Characteristics:	Urban
Embedded/Host:	Embedded – Market Participant
Mailing Address:	207 Division Street, PO Box 577, Cobourg ON K9A 4L3
Key Contact:	Dereck Paul; Manager-Compliance and Finance Tel.: (905) 372-2193 Fax: (905) 372-2581 e-mail: dpaul@lusi.on.ca

Lakefront Utilities Inc. ("LUI") is a licensed electricity distributor and holds OEB licence number ED-2002-0545 (Old OEB licence number ED-1999-0180). LUI owns and operates electricity distribution facilities within the boundaries of the Town of Cobourg and the Village of Colborne. LUI's service area is contiguous with the boundaries of the Town of Cobourg and the Village of Colborne.

The distributor serving the areas adjacent to LUI's service area is Hydro One Networks Inc.

LUI's service area is urban and suburban in nature with a population of approximately 20,000 residents. As of December 31, 2006, LUI serves approximately 9,050 customers, of which more than 1075 are commercial.

There are no individuals located within LUI's service area who rely on a distributor other than LUI for electricity distribution service. LUI is an embedded distributor to Hydro One Networks Inc. except for load transfers.

Chapter 1.2 Filing Completeness

This filing by Lakefront Utilities Inc. (LUI) is made in accordance with the Board Directions on Cost Allocation Methodology for Electricity Distributors. LUI has followed the OEB's common cost allocation methodology and used the default values and settings in both Run 1 and Run 2.

Chapter 2.0 LUI Customer Rate Classification for the Filings

Run 1 incorporates Lakefront Utilities Inc. Board approved 2006 EDR customer rate classifications. Costs and revenue components from the approved 2006 EDR were used. Customer groupings, including their load profiles reflect those in the 2006 EDR.

Customer class consists of the following:

- Residential
- GS < 50
- GS > 50 Regular
- GS > 50 TOU
- GS > 50 Intermediate
- Street Light
- Sentinel

Chapter 2.2.2 Unmetered Scattered Load (USL)

In Run 1, LUI used approach one (i) and USL was treated as part of the GS<50 kW rate classification for allocating costs for USL customers.

Chapter 2.3.2 Elimination of Legacy Time of Use ("TOU") Rates

LUI has one legacy TOU rate for one GS>50kW customer which was placed into the Intermediate class as a result of their load increase in 2004.

The TOU customer appears in Run 1 but as per the Guidelines, is removed in Run 2.

Chapter 2.4 Optional Run 3

LUI is not filing an optional Run 3.

Chapter 3 Load Data

LUI arranged to get an analysis of its load profiles from Hydro One. The following data were provided to Hydro One and analyzed:

- Four years of hourly wholesale purchases (May 01, 2002 to April 30, 2006), were obtained from the IESO and provided to Hydro One.
- Four years of hourly kWh for customers with interval meters at the wholesale level, by rate class and industry classification.
- One year (2004) of hourly kWh at the wholesale level of street lighting, sentinel lighting customers, using the OEB approved profile.
- One year (2004) of monthly kWh at the wholesale level of USL customers by photo sensitive and non-photo sensitive.
- One year (2004) of monthly kWh at the wholesale level of total residential class.
- Two years (2004 and 2005) of monthly kWh for each residential customer.
- Total number of residential customers for 2004 and the number of residential customers by six pre-defined annual kWh groups.
- Residential appliance survey.
- For GS>50kW customers without interval meters, monthly total class kWh for 2004 at the wholesale level by industry classification.
- For GS>50kW customers without interval meters, two years (2004 and 2005) monthly kWh for each of the GS>50kW customer by industry classification.
- For GS<50kW customers without interval meters, monthly total class kWh for 2004 at the wholesale level by industry classification.

Appropriate adjustments, including accruals to calendar monthly totals, unbilled accounts and theft of power were made to ensure data met the requirements for utility-specific load profile analysis.

LUI also undertook an updated residential appliance saturation survey jointly with its alliance partners of Cornerstone Hydro Electric Company ("The CHEC Group"). The summarized results were provided to Hydro One as part of the "Grouping" to develop LUI-specific load profiles. LUI also used the Hydro One weather normalizing methodology to normalize its load profile.

Chapter 4.1 Test Year and Revenue

LUI inputs into the model came from our approved 2006 EDR, billing systems and operational reports. LUI used a historical test year (2004) in its 2006 EDR application. The 2004 trial balance incorporating all approved tier 1 and tier 2 adjustments in the final

2006 EDR Board Decision, was used as the basis of the cost data for the cost allocation review filing.

There are no meter reading costs included in Account 5630– Outside Services Employed. All meter reading costs are included in Account 5310.

Chapter 4.1.7 Filing Questions

1. Capital Assets are amortized following generally accepted accounting principles. LUI, at management's discretion, capitalizes items over \$500 in aggregate costs on a per project/item basis, so long as the item in question has a useful life of more than one year.
2. Outside Services Employed (Account 5630) costs comprise of legal, audit, accounting and consulting services.
3. Customer Information System Expenses are currently recorded in:
Account# 5610 – Administration and Management salaries and
Account# 5340 – Billing and Collection miscellaneous

Chapter 5 Direct Allocation

LUI did not identify any distribution facilities of which 100% of its use can be tracked directly to a single rate classification. Therefore no direct allocation was applied.

Chapter 6.2.2.2 Definition and Application Guidance for Bulk

In discussions with Board staff, it was determined that LUI does not have any Bulk assets.

Chapter 6.3.1 Identifying Associated Costs by Function

LUI do not own any assets with > 50 kV. Overhead and underground assets are recorded separately in the GL. In order to assign costs (by poles, overhead conductors and devices), we established a percentage costs based on construction values. Using this per unit cost, we applied it to our asset values to determine the costs to be allocated to each category of Overhead Primary, Overhead Secondary, Underground Primary and Underground Secondary costs by asset types. Depreciation by asset method complies with the recommended approach in the directions.

Chapter 7.7.2 Multiple-unit Dwellings' Filing Questions

1. There are 501 individually metered Residential customers who reside in multi-unit dwellings and there are 64 distributor connection points which supply the multi-unit complexes.
2. There are approximately 49 individually metered General Service customers that are located in multi-unit complexes and 37 distributor connection points which supply the multi-unit complexes.
However, the 37 connection points for General Service customers are part of the 64 connection points for the Residential customers. Therefore, total connection points for ALL 550 individually metered customers (both Residential and General Service) in multi-unit dwellings, is 64.
3. There are no individually metered mixed use customers (i.e. Residential and General Service)
4. Two multi-unit connection points are served at primary voltage for General Service. All other multi-units are served at secondary voltages.

Chapter 8.1 Allocation of Demand Related Costs

- i. In LUI's estimation of 0.099% of "non-technical" energy losses include metering errors, but we did not identify any grow houses in 2004.
- ii. Our distribution loss in 2004 was 5.09%. Therefore $5.09\% - 0.099\% = 4.99\%$ is the estimation of LUI "technical" distribution system energy losses as a percentage of energy purchased.
- iii. We do not have the information to estimate technical line losses broken out by primary and secondary assets.

Chapter 9.3.2 Meter Capital

In compiling meter counts, it must be recognize that three phase installations historically have required two meters to record both KVA and KW. Currently, in new meter installations, these functions are performed by using only one meter and the information contained in the meter count section I7.1 (Meter Capital) reflects only meter counts and does not differentiate whether one or two meters are currently being used to measure the electrical data.

General Comments on Filing Results

The expense allocation output for Street Light in particular seems erroneous in the model. This may be a result of a heavy weighting to the number of Street Light connections and demand usage for this particular customer class and no weighting within the current model of how all the customer classes benefit from Street Lights. This should be reviewed as a provincial issue where all LDCs will be impacted.

In LUI 2006 EDR, Low Voltage Wheeling adjustment shows \$230,620.50 as part of our revenue requirements; however an erroneous proportion was allocated incorrectly to the USL class, causing an abnormal increase for that rate class in 2005/2006 rate year. In subsequent discussions with Board staff, it was agreed that the \$53,607 in Low Voltage Wheeling incorrectly allocated to USL as part of their rates was removed from our Billed rates, and will be recovered in future rate adjustments through a variance account. \$230,620.50 in total Low Voltage Wheeling Adjustment is reflected in the Cost Allocation Model. This issue would also have some impact to the output results for LUI in the models.

Another factor for consideration is at market opening, energy was separated from non-energy charges at the time of unbundling, and fixed and variable rates were set. To reduce the impact of unbundling on customer classes, the fixed and variable rates were adjusted. At LUI, the fixed/variable ratio was initially set to allow the fixed portion to carry most of the distribution revenue since the volume of usage by a customer is immaterial to the majority of the LDC's expenses.

Also, another change that occurred at the time of unbundling was, General Service > 50 kW customers started paying demand charges from the 1st kW rather than the 51st kW, which had an impact on rate designs. The OEB had a requirement that rate impacts should not be more than 10% on more than any customer as a result of the unbundling exercise. In some cases, this was not achievable, and best efforts were made to minimize the impact.

The Line Transformer unit cost for the GS>50kW is abnormally higher than the current \$0.60/kW and we believe requires further review.

At this time, LUI do not recommend any changes based on the Model outputs until further consideration to the impacts within Street Light customer class.



**2006 COST ALLOCATION INFORMATION FILING
LAKEFRONT UTILITIES INC.**

EB-2005-0387 EB-2006-0247

January 15, 2007

Sheet I2 Class Selection - Second Run Lakefront Utilities I

Instructions:

- Step 1: Please input your existing classes
- Step 2: If this is your first run, select "First Run" in the drop-down menu below
- Step 3: After all classes have been entered, Click the "Update" button in row E41

Click for Drop-Down
Menu →

If desired, provide a summary of this run
(40 characters max.)

Second Run Lakefront Utilities Inc.

		Utility's Class Definition	Current
1	Residential		YES
2	GS <50		YES
3	GS>50-Regular		YES
4	GS> 50-TOU		NO
5	GS >50-Intermediate		YES
6	Large Use >5MW		NO
7	Street Light		YES
8	Sentinel		YES
9	Unmetered Scattered Load		YES
10	Embedded Distributor		NO
11	Back-up/Standby Power		NO
12	Rate Class 1		NO
13	Rate class 2		NO
14	Rate class 3		NO
15	Rate class 4		NO
16	Rate class 5		NO
17	Rate class 6		NO
18	Rate class 7		NO
19	Rate class 8		NO
20	Rate class 9		NO

Update

**** Space available for additional information about this run**

In this Cost Allocation second run, Lakefront Utilities Inc. ("LUI") is providing all details available at the time of this filing, and in compliance with this initiative, to the Ontario Energy Board.



2006 COST ALLOCATION INFORMATION FILING

LAKEFRONT UTILITIES INC.

EB-2005-0387 EB-2006-0247

January 15, 2007

Sheet I4 Break Out Worksheet - Second Run Lakefront Utilities Inc.

Instructions:

This is an input sheet for the Break Out of Distribution Assets, Contributed Capital, Amortization, and Amortization Expenses.

Please see Handbook for detailed instructions

Enter Net Fixed Assets from approved EDR, Sheet 3-1, cell F12	\$9,647,696
---------------------------------------------------------------	-------------

RATE BASE AND DISTRIBUTION ASSETS		BALANCE SHEET ITEMS									EXPENSE ITEMS			
		Break out Functions	BREAK OUT (%)	BREAK OUT (\$)	After BO	Contributed Capital - 1995	Accumulated Depreciation - 2105 Capital Contribution	Accumulated Depreciation - 2105 Fixed Assets Only	Accumulated Depreciation - 2120	Asset net of Accumulated Depreciation and Contributed Capital	5705	5710	5715	5720
											Amortization Expense - Property, Plant, and Equipment	Amortization of Limited Term Electric Plant	Amortization of Intangibles and Other Electric Plant	Amortization of Electric Plant Acquisition Adjustments
1565	Conservation and Demand Management	\$53,327	-	-	53,327	\$0	\$0	\$-	\$-	53,327	\$0	\$0	\$0	\$0
1805	Land	\$54,465	-	(\$54,465)	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1805-1	Land Station >50 kV		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1805-2	Land Station <50 kV		100.00%	\$54,465	54,465	\$0	\$0	\$-	\$-	54,465	\$0	\$0	\$0	\$0
1806	Land Rights	\$11,363	-	(\$11,363)	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1806-1	Land Rights Station >50 kV		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1806-2	Land Rights Station <50 kV		100.00%	\$11,363	11,363	\$0	\$0	\$-	\$-	11,363	\$0	\$0	\$0	\$0
1808	Buildings and Fixtures	\$35,981	-	(\$35,981)	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1808-1	Buildings and Fixtures > 50 kV		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1808-2	Buildings and Fixtures < 50 kV		100.00%	\$35,981	35,981	\$0	\$0	(\$4,564)	\$-	31,417	\$3,350	\$0	\$0	\$0
1810	Leasehold Improvements	\$0	-	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1810-1	Leasehold Improvements >50 kV		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1810-2	Leasehold Improvements <50 kV		100.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1815	Transformer Station Equipment - Normally Primary above 50 kV	\$21,401	-	\$0	21,401	\$0	\$0	(\$2,568)	\$-	18,833	\$656	\$0	\$0	\$0
1820	Distribution Station Equipment - Normally Primary below 50 kV	\$2,517,601	-	(\$2,517,601)	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1820-1	Distribution Station Equipment - Normally Primary below 50 kV (Bulk)		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1820-2	Distribution Station Equipment - Normally Primary below 50 kV Primary		100.00%	\$2,517,601	2,517,601	\$0	\$0	(\$1,079,547)	\$-	1,438,054	\$81,954	\$0	\$0	\$0
1820-3	Distribution Station Equipment - Normally Primary below 50 kV (Wholesale Meters)		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1825	Storage Battery Equipment	\$0	-	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1825-1	Storage Battery Equipment > 50 kV		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1825-2	Storage Battery Equipment <50 kV		100.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1830	Poles, Towers and Fixtures	\$3,578,285	-	(\$3,578,285)	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1830-3	Poles, Towers and Fixtures - Subtransmission Bulk Delivery		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1830-4	Poles, Towers and Fixtures - Primary		82.61%	\$2,956,021	2,956,021	\$0	\$0	(\$2,760,338)	\$-	195,683	\$12,689	\$0	\$0	\$0
1830-5	Poles, Towers and Fixtures - Secondary		17.39%	\$622,264	622,264	\$0	\$0	(\$81,071)	\$-	41,193	\$2,671	\$0	\$0	\$0
1835	Overhead Conductors and Devices	\$3,328,093	-	(\$3,328,093)	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1835-3	Overhead Conductors and Devices Subtransmission Bulk Delivery		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1835-4	Overhead Conductors and Devices Primary		82.61%	\$2,749,338	2,749,338	\$0	\$0	(\$1,163,564)	\$-	1,585,774	\$224,945	\$0	\$0	\$0
1835-5	Overhead Conductors and Devices Secondary		17.39%	\$578,755	578,755	\$0	\$0	(\$244,939)	\$-	333,816	\$47,353	\$0	\$0	\$0
1840	Underground Conduit	\$433,243	-	(\$433,243)	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1840-3	Underground Conduit - Bulk Delivery		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1840-4	Underground Conduit - Primary		90.00%	\$389,919	389,919	\$0	\$0	(\$45,923)	\$-	343,995	\$16,290	\$0	\$0	\$0



Instructions:

This is an input sheet for the Break Out of Distribution Assets, Contributed Capital, Amortization, and Amortization Expenses.

Please see Handbook for detailed instructions

Enter Net Fixed Assets from approved EDR, Sheet 3-1, cell F12	\$9,647,696
------------------------------------------------------------------	-------------

RATE BASE AND DISTRIBUTION ASSETS		BALANCE SHEET ITEMS									EXPENSE ITEMS			
		Break out Functions	BREAK OUT (%)	BREAK OUT (\$)	After BO	Contributed Capital - 1995	Accumulated Depreciation - 2105 Capital Contribution	Accumulated Depreciation - 2105 Fixed Assets Only	Accumulated Depreciation - 2120	Asset net of Accumulated Depreciation and Contributed Capital	5705 Amortization Expense - Property, Plant, and Equipment	5710 Amortization of Limited Term Electric Plant	5715 Amortization of Intangibles and Other Electric Plant	5720 Amortization of Electric Plant Acquisition Adjustments
1840-5	Underground Conduit - Secondary		10.00%	\$43,324	43,324	\$0	\$0	\$ (5,103)	\$ -	38,221	\$1,810	\$0	\$0	\$0
1845	Underground Conductors and Devices	\$2,767,847		(\$2,767,847)	-									
1845-3	Underground Conductors and Devices - Bulk Delivery		0.00%	\$0	-	\$0	\$0	\$ -	\$ -	-	\$0	\$0	\$0	\$0
1845-4	Underground Conductors and Devices - Primary		40.00%	\$1,107,139	1,107,139	\$0	\$0	\$ (11,886)	\$ -	1,095,453	\$43,818	\$0	\$0	\$0
1845-5	Underground Conductors and Devices - Secondary		60.00%	\$1,660,708	1,660,708		\$0	\$ (17,528)	\$ -	1,643,180	\$65,727	\$0	\$0	\$0
1850	Line Transformers	\$3,271,547		\$0	3,271,547	(\$573,975)	\$66,497	\$ (1,077,461)	\$ -	1,686,608	\$80,393	\$0	\$0	\$0
1855	Services	\$451,151		\$0	451,151			\$ (185,730)	\$ -	265,421	\$12,016	\$0	\$0	\$0
1860	Meters	\$862,391		\$0	862,391	\$0	\$0	\$ (376,300)	\$ -	486,091	\$51,241	\$0	\$0	\$0
	Total	\$17,386,695		\$0	\$17,386,695	(\$573,975)	\$66,497	(\$7,556,322)	\$0	9,322,895	\$645,113	\$0	\$0	\$0
	SUB TOTAL from I3	\$17,386,695												

General Plant		Break out Functions			Contributed Capital - 1995	Accumulated Depreciation - 2105 Capital Contribution	Accumulated Depreciation - 2105 Fixed Assets Only	Accumulated Depreciation - 2120	Net Asset	5705 Amortization Expense - Property, Plant, and Equipment	5710 Amortization of Limited Term Electric Plant	5715 Amortization of Intangibles and Other Electric Plant	5720 Amortization of Electric Plant Acquisition Adjustments	
1905	Land	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$0	\$0	\$0	\$0	
1906	Land Rights	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$0	\$0	\$0	\$0	
1908	Buildings and Fixtures	\$507,818		507,818	\$0	\$0	\$ (421,373)	\$ -	86,445	\$28,815	\$0	\$0	\$0	
1910	Leasehold Improvements	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$0	\$0	\$0	\$0	
1915	Office Furniture and Equipment	\$18,443		18,443	\$0	\$0	\$ (4,099)	\$ -	14,344	3,869	\$0	\$0	\$0	
1920	Computer Equipment - Hardware	\$214,007		214,007	\$0	\$0	\$ (151,066)	\$ -	62,951	21,161	\$0	\$0	\$0	
1925	Computer Software	\$103,371		103,371	\$0	\$0	\$ (80,220)	\$ -	23,151	5,788	\$0	\$0	\$0	
1930	Transportation Equipment	\$100,406		100,406	\$0	\$0	\$ (20,081)	\$ -	80,325	20,081	\$0	\$0	\$0	
1935	Stores Equipment	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$0	\$0	\$0	\$0	
1940	Tools, Shop and Garage Equipment	\$99,647		99,647	\$0	\$0	\$ (53,888)	\$ -	45,759	9,944	\$0	\$0	\$0	
1945	Measurement and Testing Equipment	\$2,151		2,151	\$0	\$0	\$ (2,151)	\$ -	\$ 0	\$0	\$0	\$0	\$0	
1950	Power Operated Equipment	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$0	\$0	\$0	\$0	
1955	Communication Equipment	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$0	\$0	\$0	\$0	
1960	Miscellaneous Equipment	\$4,290		4,290	\$0	\$0	\$ (1,420)	\$ -	2,870	\$0	\$0	\$0	\$0	
1970	Load Management Controls - Customer Premises	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$0	\$0	\$0	\$0	
1975	Load Management Controls - Utility Premises	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$0	\$0	\$0	\$0	
1980	System Supervisory Equipment	\$28,619		28,619	\$0	\$0	\$ (19,664)	\$ -	8,955	2,865	\$0	\$0	\$0	
1990	Other Tangible Property	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$0	\$0	\$0	\$0	
2005	Property Under Capital Leases	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$0	\$0	\$0	\$0	
2010	Electric Plant Purchased or Sold	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$0	\$0	\$0	\$0	
	Total	\$1,078,753		\$0	\$1,078,753	\$0	\$0	(\$753,952)	\$0	\$324,801	\$92,463	\$0	\$0	\$0
	SUB TOTAL from I3	\$1,078,753												
	I3 Directly Allocated	\$0												
	Grand Total	\$18,465,448		\$0	\$18,465,448	(\$573,975)	\$66,497	(\$8,310,274)	\$0	\$9,647,696	\$737,576	\$0	\$0	\$0



2006 COST ALLOCATION INFORMATION FILING
LAKEFRONT UTILITIES INC.

EB-2005-0387 EB-2006-0247

January 15, 2007

Sheet 01 Revenue to Cost Summary Worksheet - Second Run Lakefront Utilities Inc.

Class Revenue, Cost Analysis, and Return on Rate Base

		Total	1 Residential	2 GS <50	3 GS>50-Regular	5 GS >50- Intermediate	7 Street Light	8 Sentinel	9 Unmetered Scattered Load
Rate Base Assets									
crev	Distribution Revenue (sale)	\$3,280,628	\$1,530,605	\$583,891	\$1,066,782	\$66,702	\$8,737	\$1,798	\$22,113
mi	Miscellaneous Revenue (mi)	\$578,484	\$263,995	\$87,102	\$106,181	\$56,256	\$53,338	\$1,088	\$10,524
Total Revenue		\$3,859,112	\$1,794,600	\$670,993	\$1,172,963	\$122,958	\$62,075	\$2,886	\$32,637
Expenses									
di	Distribution Costs (di)	\$790,986	\$278,082	\$73,738	\$176,206	\$126,116	\$130,362	\$2,663	\$3,819
cu	Customer Related Costs (cu)	\$238,411	\$147,462	\$59,607	\$17,616	\$1,660	\$451	\$0	\$11,614
ad	General and Administration (ad)	\$730,251	\$300,939	\$94,016	\$138,605	\$91,216	\$93,048	\$1,894	\$10,532
dep	Depreciation and Amortization (dep)	\$737,576	\$305,129	\$87,855	\$163,939	\$91,557	\$84,825	\$1,733	\$2,539
INPUT	PIs (INPUT)	\$323,376	\$128,869	\$37,809	\$69,988	\$43,324	\$41,281	\$843	\$1,260
INT	Interest	\$463,337	\$184,645	\$54,174	\$100,280	\$62,075	\$59,148	\$1,208	\$1,806
Total Expenses		\$3,283,937	\$1,345,127	\$407,200	\$666,634	\$415,949	\$409,116	\$8,341	\$31,570
Direct Allocation									
NI Allocated Net Income (NI)		\$575,176	\$229,215	\$67,250	\$124,485	\$77,059	\$73,426	\$1,500	\$2,241
Revenue Requirement (includes NI)		\$3,859,113	\$1,574,342	\$474,450	\$791,120	\$493,008	\$482,541	\$9,841	\$33,811
Revenue Requirement Input equals Output									
Rate Base Calculation									
Net Assets									
dp	Distribution Plant - Gross	\$17,386,695	\$6,656,454	\$1,915,460	\$3,971,733	\$2,454,355	\$2,274,472	\$46,454	\$67,767
gp	General Plant - Gross	\$1,078,753	\$404,964	\$119,588	\$235,910	\$157,645	\$152,907	\$3,123	\$4,614
accum dep	Accumulated Depreciation	(\$8,243,777)	(\$3,224,198)	(\$901,895)	(\$1,972,287)	(\$1,118,239)	(\$978,516)	(\$19,985)	(\$28,658)
co	Capital Contribution	(\$573,975)	\$0	(\$7,102)	(\$146,572)	(\$197,266)	(\$212,689)	(\$4,344)	(\$6,002)
Total Net Plant		\$9,647,896	\$3,837,221	\$1,126,051	\$2,088,784	\$1,296,496	\$1,236,175	\$25,249	\$37,721
Directly Allocated Net Fixed Assets									
COP Cost of Power (COP)		\$19,080,108	\$4,772,651	\$2,349,947	\$8,007,463	\$3,784,269	\$129,437	\$2,699	\$33,642
OM&A Expenses		\$1,759,648	\$726,483	\$227,361	\$332,427	\$218,993	\$223,861	\$4,557	\$25,965
Directly Allocated Expenses		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal		\$20,839,757	\$5,499,134	\$2,577,308	\$8,339,891	\$4,003,262	\$353,298	\$7,256	\$59,607
Working Capital		\$3,125,964	\$824,870	\$386,596	\$1,250,984	\$600,489	\$52,995	\$1,088	\$8,941
Total Rate Base		\$12,772,659	\$4,662,091	\$1,512,647	\$3,339,768	\$1,896,985	\$1,289,170	\$26,337	\$46,662
Rate Base Input equals Output									
Equity Component of Rate Base		\$6,386,830	\$2,331,046	\$756,323	\$1,669,884	\$948,493	\$644,585	\$13,169	\$23,331
Net Income on Allocated Assets		\$575,175	\$449,473	\$263,793	\$506,329	(\$292,991)	(\$347,041)	(\$5,455)	\$1,067
Net Income on Direct Allocation Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income		\$575,175	\$449,473	\$263,793	\$506,329	(\$292,991)	(\$347,041)	(\$5,455)	\$1,067
RATIOS ANALYSIS									
REVENUE TO EXPENSES %		100.00%	113.99%	141.43%	148.27%	24.94%	12.86%	29.33%	96.53%
EXISTING REVENUE MINUS ALLOCATED COSTS		(\$1)	\$220,258	\$196,543	\$381,843	(\$370,050)	(\$420,467)	(\$6,954)	(\$1,174)
RETURN ON EQUITY COMPONENT OF RATE BASE		9.01%	19.28%	34.88%	30.32%	-30.89%	-53.84%	-41.42%	4.58%



**2006 COST ALLOCATION INFORMATION FILING
LAKEFRONT UTILITIES INC.**

EB-2005-0387 EB-2006-0247

January 15, 2007

Sheet I2 Class Selection - First Run Lakefront Utilities Inc

Instructions:

Step 1: Please input your existing classes

Step 2: If this is your first run, select "First Run" in the drop-down menu below

Step 3: After all classes have been entered, Click the "Update" button in row E41

Click for Drop-Down
Menu →

If desired, provide a summary of this run
(40 characters max.)

First Run	Lakefront Utilities Inc.
-----------	--------------------------

	Utility's Class Definition	Current
1	Residential	YES
2	GS <50	YES
3	GS>50-Regular	YES
4	GS> 50-TOU	YES
5	GS >50-Intermediate	YES
6	Large Use >5MW	NO
7	Street Light	YES
8	Sentinel	YES
9	Unmetered Scattered Load	NO
10	Embedded Distributor	NO
11	Back-up/Standby Power	NO
12	Rate Class 1	NO
13	Rate class 2	NO
14	Rate class 3	NO
15	Rate class 4	NO
16	Rate class 5	NO
17	Rate class 6	NO
18	Rate class 7	NO
19	Rate class 8	NO
20	Rate class 9	NO

Update

**** Space available for additional information about this run**

In this Cost Allocation first run, Lakefront Utilities Inc. ("LUI") is providing all details available at the time of this filing, and in compliance with this initiative, to the Ontario Energy Board. We will also submit a second run of the model.



Instructions:

This is an input sheet for the Break Out of Distribution Assets, Contributed Capital, Amortization, and Amortization Expenses.

Please see Handbook for detailed instructions

Enter Net Fixed Assets from approved EDR, Sheet 3-1, cell F12	\$9,647,696
---------------------------------------------------------------	-------------

RATE BASE AND DISTRIBUTION ASSETS		BALANCE SHEET ITEMS									EXPENSE ITEMS			
Account	Description	Break out Functions	BREAK OUT (%)	BREAK OUT (\$)	After BO	Contributed Capital - 1995	Accumulated Depreciation - 2105 Capital Contribution	Accumulated Depreciation - 2105 Fixed Assets Only	Accumulated Depreciation - 2120	Asset net of Accumulated Depreciation and Contributed Capital	5705	5710	5715	5720
											Amortization Expense - Property, Plant, and Equipment	Amortization of Limited Term Electric Plant	Amortization of Intangibles and Other Electric Plant	Amortization of Electric Plant Acquisition Adjustments
1565	Conservation and Demand Management	\$53,327	-	-	53,327	\$0	\$0	\$-	\$-	53,327	\$0	\$0	\$0	\$0
1805	Land	\$54,465		(\$54,465)	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1805-1	Land Station >50 kV		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1805-2	Land Station <50 kV		100.00%	\$54,465	54,465	\$0	\$0	\$-	\$-	54,465	\$0	\$0	\$0	\$0
1806	Land Rights	\$11,363		(\$11,363)	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1806-1	Land Rights Station >50 kV		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1806-2	Land Rights Station <50 kV		100.00%	\$11,363	11,363	\$0	\$0	\$-	\$-	11,363	\$0	\$0	\$0	\$0
1808	Buildings and Fixtures	\$35,981		(\$35,981)	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1808-1	Buildings and Fixtures > 50 kV		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1808-2	Buildings and Fixtures < 50 kV		100.00%	\$35,981	35,981	\$0	\$0	(\$4,564)	\$-	31,417	\$3,350	\$0	\$0	\$0
1810	Leasehold Improvements	\$0		\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1810-1	Leasehold Improvements >50 kV		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1810-2	Leasehold Improvements <50 kV		100.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1815	Transformer Station Equipment - Normally Primary above 50 kV	\$21,401		\$0	21,401	\$0	\$0	(\$2,568)	\$-	18,833	\$856	\$0	\$0	\$0
1820	Distribution Station Equipment - Normally Primary below 50 kV	\$2,517,601		(\$2,517,601)	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1820-1	Distribution Station Equipment - Normally Primary below 50 kV (Bulk)		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1820-2	Distribution Station Equipment - Normally Primary below 50 kV (Primary)		100.00%	\$2,517,601	2,517,601	\$0	\$0	(\$1,079,547)	\$-	1,438,054	\$81,954	\$0	\$0	\$0
1820-3	Distribution Station Equipment - Normally Primary below 50 kV (Wholesale Meters)		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1825	Storage Battery Equipment	\$0		\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1825-1	Storage Battery Equipment > 50 kV		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1825-2	Storage Battery Equipment <50 kV		100.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1830	Poles, Towers and Fixtures	\$3,578,285		(\$3,578,285)	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1830-3	Poles, Towers and Fixtures - Subtransmission Bulk Delivery		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1830-4	Poles, Towers and Fixtures - Primary		82.61%	\$2,956,021	2,956,021	\$0	\$0	(\$2,760,338)	\$-	195,683	\$12,689	\$0	\$0	\$0
1830-5	Poles, Towers and Fixtures - Secondary		17.39%	\$622,264	622,264	\$0	\$0	(\$581,071)	\$-	41,193	\$2,671	\$0	\$0	\$0
1835	Overhead Conductors and Devices	\$3,328,093		(\$3,328,093)	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1835-3	Overhead Conductors and Devices Subtransmission Bulk Delivery		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1835-4	Overhead Conductors and Devices Primary		82.61%	\$2,749,338	2,749,338	\$0	\$0	(\$1,163,564)	\$-	1,585,774	\$224,945	\$0	\$0	\$0
1835-5	Overhead Conductors and Devices Secondary		17.39%	\$578,755	578,755	\$0	\$0	(\$244,939)	\$-	333,816	\$47,353	\$0	\$0	\$0
1840	Underground Conduit	\$433,243		(\$433,243)	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1840-3	Underground Conduit - Bulk Delivery		0.00%	\$0	-	\$0	\$0	\$-	\$-	-	\$0	\$0	\$0	\$0
1840-4	Underground Conduit - Primary		90.00%	\$389,919	389,919	\$0	\$0	(\$45,923)	\$-	343,995	\$16,290	\$0	\$0	\$0



2006 COST ALLOCATION INFORMATION FILING

LAKEFRONT UTILITIES INC.

EB-2005-0387 EB-2006-0247

January 15, 2007

Sheet I4 Break Out Worksheet - First Run Lakefront Utilities Inc.

Instructions:

This is an input sheet for the Break Out of Distribution Assets, Contributed Capital, Amortization, and Amortization Expenses.

Please see Handbook for detailed instructions

Enter Net Fixed Assets from approved EDR, Sheet 3-1, cell F12	\$9,647,696
---------------------------------------------------------------	-------------

RATE BASE AND DISTRIBUTION ASSETS		BALANCE SHEET ITEMS								EXPENSE ITEMS				
Account	Description	Break out Functions	BREAK OUT (%)	BREAK OUT (\$)	After BO	Contributed Capital - 1995	Accumulated Depreciation - 2105 Capital Contribution	Accumulated Depreciation - 2105 Fixed Assets Only	Accumulated Depreciation - 2120	Asset net of Accumulated Depreciation and Contributed Capital	5705 Amortization Expense - Property, Plant, and Equipment	5710 Amortization of Limited Term Electric Plant	5715 Amortization of Intangibles and Other Electric Plant	5720 Amortization of Electric Plant Acquisition Adjustments
1840-5	Underground Conduit - Secondary		10.00%	\$43,324	43,324	\$0	\$0	\$ (5,103)	\$ -	\$ 38,221	\$1,810	\$0	\$0	\$0
1845	Underground Conductors and Devices	\$2,767,847		(\$2,767,847)	-									
1845-3	Underground Conductors and Devices - Bulk Delivery		0.00%	\$0	-	\$0	\$0	\$ -	\$ -	\$ -	\$0	\$0	\$0	\$0
1845-4	Underground Conductors and Devices - Primary		40.00%	\$1,107,139	1,107,139	\$0	\$0	\$ (11,686)	\$ -	\$ 1,095,453	\$43,818	\$0	\$0	\$0
1845-5	Underground Conductors and Devices - Secondary		60.00%	\$1,660,708	1,660,708					\$ 1,643,180	\$65,727	\$0	\$0	\$0
1850	Line Transformers	\$3,271,547		\$0	3,271,547	(\$573,975)	\$66,497	\$ (1,077,481)	\$ -	\$ 1,686,608	\$80,393	\$0	\$0	\$0
1855	Services	\$451,151		\$0	451,151			\$ (185,730)	\$ -	\$ 265,421	\$12,016	\$0	\$0	\$0
1860	Meters	\$862,391		\$0	862,391	\$0	\$0	\$ (376,300)	\$ -	\$ 486,091	\$51,241	\$0	\$0	\$0
	Total	\$17,386,695		\$0	\$17,386,695	(\$573,975)	\$66,497	(\$7,556,322)	\$0	\$ 9,322,895	\$645,113	\$0	\$0	\$0
	SUB TOTAL from I3	\$17,386,695												

General Plant		Break out Functions			Contributed Capital - 1995	Accumulated Depreciation - 2105 Capital Contribution	Accumulated Depreciation - 2105 Fixed Assets Only	Accumulated Depreciation - 2120	Net Asset	5705 Amortization Expense - Property, Plant, and Equipment	5710 Amortization of Limited Term Electric Plant	5715 Amortization of Intangibles and Other Electric Plant	5720 Amortization of Electric Plant Acquisition Adjustments
1905	Land	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$0	\$0	\$0	\$0
1906	Land Rights	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$0	\$0	\$0	\$0
1908	Buildings and Fixtures	\$507,818		507,818	\$0	\$0	\$ (421,373)	\$ -	\$ 86,445	\$28,815	\$0	\$0	\$0
1910	Leasehold Improvements	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$0	\$0	\$0	\$0
1915	Office Furniture and Equipment	\$18,443		18,443	\$0	\$0	\$ (4,098)	\$ -	\$ 14,344	\$,689	\$0	\$0	\$0
1920	Computer Equipment - Hardware	\$214,007		214,007	\$0	\$0	\$ (151,056)	\$ -	\$ 62,951	\$21,181	\$0	\$0	\$0
1925	Computer Software	\$103,371		103,371	\$0	\$0	\$ (80,220)	\$ -	\$ 23,151	\$,788	\$0	\$0	\$0
1930	Transportation Equipment	\$100,406		100,406	\$0	\$0	\$ (20,081)	\$ -	\$ 80,325	\$20,081	\$0	\$0	\$0
1935	Stores Equipment	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$0	\$0	\$0	\$0
1940	Tools, Shop and Garage Equipment	\$99,647		99,647	\$0	\$0	\$ (53,886)	\$ -	\$ 45,769	\$,944	\$0	\$0	\$0
1945	Measurement and Testing Equipment	\$2,151		2,151	\$0	\$0	\$ (2,151)	\$ -	\$ 0	\$ -	\$0	\$0	\$0
1950	Power Operated Equipment	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$ -	\$0	\$0	\$0
1955	Communication Equipment	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$ -	\$0	\$0	\$0
1960	Miscellaneous Equipment	\$4,290		4,290	\$0	\$0	\$ (1,420)	\$ -	\$ 2,870	\$ -	\$0	\$0	\$0
1970	Load Management Controls - Customer Premises	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$ -	\$0	\$0	\$0
1975	Load Management Controls - Utility Premises	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$ -	\$0	\$0	\$0
1980	System Supervisory Equipment	\$28,619		28,619	\$0	\$0	\$ (19,664)	\$ -	\$ 8,955	\$,985	\$0	\$0	\$0
1990	Other Tangible Property	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$ -	\$0	\$0	\$0
2005	Property Under Capital Leases	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$ -	\$0	\$0	\$0
2010	Electric Plant Purchased or Sold	\$0		-	\$0	\$0	\$ -	\$ -	\$ -	\$ -	\$0	\$0	\$0
	Total	\$1,078,753		\$0	\$1,078,753	\$0	(\$753,952)	\$0	\$324,801	\$92,463	\$0	\$0	\$0
	SUB TOTAL from I3	\$1,078,753											
	I3 Directly Allocated	\$0											
	Grand Total	\$18,465,448		\$0	\$18,465,448	(\$573,975)	\$66,497	(\$8,310,274)	\$0	\$9,647,696	\$737,576	\$0	\$0



2006 COST ALLOCATION INFORMATION FILING
LAKEFRONT UTILITIES INC.

EB-2005-0387 EB-2006-0247

January 15, 2007

Sheet 01 Revenue to Cost Summary Worksheet - First Run Lakefront Utilities Inc.

Class Revenue, Cost Analysis, and Return on Rate Base

Rate Base		Total	1	2	3	4	5	7	8
Assets		Residential	GS <50	GS>50-Regular	GS> 50-TOU	GS >50-Intermediate	Street Light	Sentinel	
crev	Distribution Revenue (sale)	\$3,280,628	\$1,530,605	\$606,004	\$1,066,782	\$27,472	\$39,230	\$8,737	\$1,798
mi	Miscellaneous Revenue (mi)	\$578,484	\$267,278	\$99,196	\$105,906	\$28,717	\$29,981	\$46,458	\$948
Total Revenue		\$3,859,112	\$1,797,883	\$705,200	\$1,172,688	\$56,189	\$69,211	\$55,195	\$2,746
Expenses									
di	Distribution Costs (di)	\$790,986	\$277,903	\$93,606	\$174,658	\$64,151	\$67,153	\$111,242	\$2,272
cu	Customer Related Costs (cu)	\$238,411	\$151,908	\$66,311	\$18,061	\$1,044	\$634	\$454	\$0
ad	General and Administration (ad)	\$730,251	\$303,798	\$112,593	\$137,803	\$46,541	\$48,403	\$79,496	\$1,618
dep	Depreciation and Amortization (dep)	\$737,576	\$304,901	\$96,776	\$163,028	\$46,843	\$48,857	\$75,627	\$1,545
INPUT	PILs (INPUT)	\$323,376	\$128,774	\$43,200	\$69,511	\$22,113	\$23,093	\$35,950	\$734
INT	Interest	\$463,337	\$184,509	\$61,897	\$99,596	\$31,684	\$33,087	\$51,510	\$1,052
Total Expenses		\$3,283,937	\$1,351,794	\$474,383	\$662,657	\$212,376	\$221,226	\$354,279	\$7,221
Direct Allocation		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NI	Allocated Net Income (NI)	\$575,176	\$229,046	\$76,838	\$123,637	\$39,332	\$41,074	\$63,943	\$1,306
Revenue Requirement (includes NI)		\$3,859,113	\$1,580,840	\$551,221	\$786,294	\$251,708	\$262,300	\$418,223	\$8,527
Revenue Requirement Input equals Output									
Rate Base Calculation									
Net Assets									
dp	Distribution Plant - Gross	\$17,386,895	\$6,650,844	\$2,210,941	\$3,944,814	\$1,253,813	\$1,308,527	\$1,977,370	\$40,386
gp	General Plant - Gross	\$1,078,753	\$404,666	\$142,582	\$234,023	\$80,379	\$83,933	\$130,504	\$2,666
accum dep	Accumulated Depreciation	(\$8,243,777)	(\$3,221,117)	(\$1,002,491)	(\$1,961,365)	(\$572,565)	(\$597,154)	(\$871,291)	(\$17,795)
co	Capital Contribution	(\$573,975)	\$0	(\$62,653)	(\$143,012)	(\$99,902)	(\$104,278)	(\$160,844)	(\$3,285)
Total Net Plant		\$9,647,896	\$3,834,393	\$1,288,379	\$2,074,460	\$661,725	\$681,029	\$1,075,737	\$21,972
Directly Allocated Net Fixed Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
COP	Cost of Power (COP)	\$19,080,108	\$4,772,651	\$2,383,589	\$8,007,463	\$1,634,472	\$2,149,797	\$129,437	\$2,699
	OM&A Expenses	\$1,759,648	\$733,609	\$272,510	\$330,522	\$111,736	\$116,189	\$191,192	\$3,890
	Directly Allocated Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal		\$20,839,757	\$5,506,260	\$2,656,099	\$8,337,985	\$1,746,208	\$2,265,987	\$320,629	\$6,589
Working Capital		\$3,125,964	\$825,939	\$398,415	\$1,250,698	\$261,931	\$339,898	\$48,094	\$988
Total Rate Base		\$12,773,659	\$4,660,332	\$1,686,794	\$3,325,158	\$923,656	\$1,030,927	\$1,123,832	\$22,960
Rate Base Input equals Output									
Equity Component of Rate Base		\$6,386,830	\$2,330,166	\$843,397	\$1,662,579	\$461,828	\$515,463	\$581,916	\$11,480
Net Income on Allocated Assets		\$575,175	\$446,089	\$230,817	\$510,031	(\$156,187)	(\$152,015)	(\$299,085)	(\$4,475)
Net Income on Direct Allocation Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income		\$575,175	\$446,089	\$230,817	\$510,031	(\$156,187)	(\$152,015)	(\$299,085)	(\$4,475)
RATIOS ANALYSIS									
REVENUE TO EXPENSES %		100.00%	113.73%	127.93%	149.14%	22.32%	26.39%	13.20%	32.20%
EXISTING REVENUE MINUS ALLOCATED COSTS		(\$1)	\$217,043	\$153,979	\$386,394	(\$195,519)	(\$193,089)	(\$363,028)	(\$5,781)
RETURN ON EQUITY COMPONENT OF RATE BASE		9.01%	19.14%	27.37%	30.68%	-33.82%	-29.49%	-53.23%	-38.98%

Appendix 1.1
Filing Summary

Name of Utility:	LAKEFRONT UTILITIES INC.	
2006 EDR EB-2005-	0387	
Contact:	Dereck C. Paul	
Phone number:	905-372-2193 Ext. 5226	
e-mail:	dpaul@lusi.on.ca	

<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>
1 2.2.2 Unmetered Scattered Load and Metering Credit	Include an explanation supporting a separate rate classification if approach ii) for Run 1 is used for USL.	USL was not used in Run 1 but treated as part of the GS<50 kW rate classification.
2 2.2.3 Load Displacement Generation	Include an explanation supporting a separate rate classification if the distributor wishes to use approach ii) for LDG.	N/A
3 2.3.1 Test Year and Rate Classifications for Run 2	Identify for future reference any significant changes to operations, following the 2006 EDR test year, that would materially impact rate classification statistics.	Some significant changes subsequent to 2004 that would impact rate classification statistics are the following: 1. Addition of a new Garage facility 2. The hiring of a Compliance Officer 3. The addition of one Lineman and 4. Depreciation
4 2.3.2 Elimination of Legacy Time of Use Rates Alternative 1	Explain placing legacy TOU customers in a GS>50 range classification in Run 2.	One TOU customer reflected in Run 1 was moved into Intermediate class in 2004 as a result of their load increase.
5 ibid	Explain the modelling of any new TOU rate class.	N/A
6 ibid	Explain how the legacy TOU has been modelled.	Premarket this one customer profile was a TOU, with TOU rates established with Ontario Hydro assistance and approval. When the market opened, the customer was moved to interval metering but remained in the TOU rate classification.

<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>	
7	2.3.4 Common Separate Classification of Embedded Distributors	If a host distributor believes that the resulting unit costs are not sufficiently distinctive, then the merit of creating a new rate classification or including embedded distributors in another suitable classification should be discussed.	N/A
8	2.3.6 LDG Load Data reliability	Identify and explain any concerns about the reliability of LDG load data.	N/A
9	2.3.6 LDG with no Load Data	If no reasonable LDG load data is available, the applicant must explain why.	N/A
10	2.4 Run 3 Class Deletions	Explain any class deletions.	N/A
11	2.4 Run 3 Addition New Class	Explain any new classes.	N/A
12	2.4 Run 3 Any Significant losses	Provide supporting rationale and cost and load data for any significant customer losses.	N/A
13	2.4 Run 3 Use of 12 NCP	Provide supporting justification for using the 12 NCP in Run 3 based on the cost characteristics of the distributor's system	N/A
14	2.4 Run 3 using different density stratum	Provide strong reasons to justify a minimum system classification using another density stratum.	N/A
15	2.4 Run 3 Use of distributor specific minimum system study	Provide supporting explanation of details for using a distributor specific system study and PLCC calculation.	N/A

<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>	
16	2.4 Run 3 Alternative LDG Load Data	Provide an explanation for the alternative load data for an LDG.	N/A
17	2.4 Run 3 Additional costs and benefits for LDG.	Explain the details of the additional costs and benefits for LDG and associated rationale.	N/A
18	3.1 Load Data General	Specifically identify and discuss customers, aside from Run 1 USL and LDG Customers, for whom separate load data will not be provided.	N/A
19	3.1 Load Data Merchant Generation	Explain the suitability of the load data used to model merchant generation as a separate class.	N/A
20	3.1 ibid	Explain if the load data development methodology is different from that that used for the separate load displacement generation rate classification in Run 2 or Run 3.	N/A
21	3.1 Load Data Profile Changes	Identify any significant change in the relative load profiles for a historic test year filer.	N/A
22	3.3 Load Shapes - Residential	Was an update of the appliance saturation survey done on the applicants customers?	YES
23	ibid	Did the applicant update its residential appliance saturation survey jointly or singularly?	Jointly
24	ibid	If the applicant updated its appliance survey jointly, state with whom.	Cornerstone Hydro Electric Concepts Inc - Collus, Goderich Power, Lakefront Utilities, Midland PUC, Rideau St. Lawrence, Wasaga and Westario.

<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>
25 ibid	Did the applicant borrow the appliance survey?	NO
26 ibid	If the survey was borrowed, from whom was it borrowed?	N/A
27 ibid	If the survey was borrowed, Confirm that a test was taken to prove that the markets were good matches.	N/A
28 ibid	Was the appliance survey estimated?	NO
29 ibid	If the appliance saturation was estimated explain the basis for the estimate.	N/A
30 3.3 Load Profiles - Non-Hydro One Profiles	Provide the name of the service provider and its qualifications.	N/A
31 ibid	Provide the source of the data provided.	N/A
32 ibid	If the generic Residential and GS>50 kW load data information was used, then provide the methodology used to reliably create the utility-specific load profile.	N/A
33 3.4 Normalization	Any distributor who is not using the Hydro One Load Data Team is to confirm that the Hydro One methodology was used to weather normalize its load profile.	N/A
34 3.5 Additional Information	Provide the 2006 EDR revenue	\$3,280,628 (Base Revenue - does not include rate riders)
35 ibid	Provide the normalized revenues	\$3,249,331

<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>
36 ibid	Calculate the difference between the 2006 EDR and the normalized revenues	\$31,297
37 ibid	A future test year applicant in the 2006 EDR is to explain how the methodology used to create the revenue requirement compares to the methodology used to weather normalize their respective load data for use in the cost allocation studies.	N/A
38 3.6 Load Displacement General	Identify any concerns or qualifications about the reliability of the load data collected.	N/A
39 ibid	If the distributor believes it has not gathered minimally-acceptable load data, it must explain what efforts were made to collect the data.	N/A
40 ibid	If the distributor believes it has not gathered minimally-acceptable load data, then it must propose another treatment for its load displacement customers in Run 2 of its filing	N/A
41 ibid	Provide the basis and the calculations for the load estimates used in Run 3.	N/A
42 ibid	Indicate the number of customers in the service territory that have load displacement generation equipment above 500 kW.	N/A
43 ibid	To the extent that the information is available, categorize these load displacement facilities by size and type of generation (wind, gas-fired, cogeneration etc.) and the associated LDG requirement.	N/A

<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>
44 ibid	Indicate whether the load data developed for the load displacement generator customers is considered to be representative of the ongoing performance of the associated generation facilities.	N/A
45 ibid	Explain what steps were taken to gather relevant data to assess the existence of diversity if a separate load displacement generation rate classification has been modeled in Run 3.	N/A
46 ibid	Explain what steps were taken to reflect any diversity of generation in its filing if a separate load displacement generation rate classification has been modeled in Run 3.	N/A
47 ibid	Provide an explanation if the distributor believes diversity does not exist or if suitable data cannot reasonably be obtained to assess the question.	N/A
48 3.7 ii) USL Battery Mats	Explain any concern about the available information on the number and installed capacity of battery mats.	N/A
49 ibid	If CATV power supply battery mats were not taken into account in a future test year filer's 2006 EDR application, discuss whether the approved revenue requirement needs to be corrected or not for present filing purposes and explain why or why not an adjustment is reasonable in its specific circumstances.	N/A

<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>
50 4 Test Year Revenue	Identify any major changes to its distribution system that may have occurred since its 2006 EDR test year and which could materially impact its cost allocation results .	Nothing that would affect this list of costs would materially impact the Cost Allocation results
51 4.1.3 Future Test Year Applicants trial balance.	Future test year filers for 2006 rates are to indicate whether the trial balance being used for its cost allocation filing was submitted previously as part of its EDR 2006 filings or was developed afterwards.	N/A
52 4.1.6 Adjustment to the Trial Balances	If a distributor feels there has been a change in the operation of its utility that would significantly impact the approved revenue requirement and rates, then the distributor should disclose and discuss this information.	Some significant changes subsequent to 2004 that would impact rate classification statistis are the following: 1. Addition of a new Garage facility 2. The hiring of a Compliance Officer 3. The addition of one Lineman and 4. Depreciation
53 4.7 Specific Questions	As a distributor, summarize your capitalization policies.	Capital Assets are amortized following generally accepted accounting principles. LUI, at management's discretion, capitalizes items over \$500 in aggregate costs on a per project/item basis, so long as the item in question has a useful life of more than one year.
54 ibid	Disclose the functions that are charged to Account 5630 Outside Services Employed .	Legal, Audit, Accounting, Consulting
55 ibid	Disclose in which account(s) Customer Information System Expenses are currently recorded and the activities it includes.	5610 - Administration and management salaries 5340 - Billing and Collections Miscellaneous
56 5.2 Direct Allocation Methodology	Address whether or not an adjustment to the class allocation factors was considered appropriate to eliminate double charging and confirm it was undertaken where warranted.	LUI did not identify any distribution facilities of which 100% of its use can be tracked directly to a single rate classification. Therefore no direct allocation was applied.
57 5.2 Specific Questions	Support any direct allocation with a summary of supporting accounting records for the specific facility in question.	N/A

<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>
58 ibid	Provide single line diagram/schematic indicating the facility concerned, the customers served, and any other facilities serving the same customers.	N/A
59 ibid	If a direct assignment is applied to a customer that also receives back-up service, the filing must include an explanation and supporting documentation on how an appropriate share of back-up serve was determined and allocated.	N/A
60 ibid	If a direct assignment is applied to a customer that also receives back-up service, the filing must include an explanation and supporting documentation if an allocator other than the customer's NCP is used.	N/A
61 6.2.2.6 Filing Requirements	Explain how the distributor applied the Board's bulk asset test to its system, and why it concluded it did or did not have bulk assets.	Bulk assets are designed to carry the full system load of the Utility and in consultation with Board staff, under this definition, LUI does not have bulk assets.
62 ibid	All distributors will be required to include in their filings a single line diagram or schematic of their distribution system.	(Included with hard copies sent to Board)
63 ibid	Where a distributor believes it has assets that serve a bulk function under the Board's test, an explanation must also be added to the diagram or schematic filed indicating which specific assets have been identified as bulk and the customers by rate classification that are served from such bulk assets.	N/A

<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>
64 6.2.2.7 Hydro One	Hydro One is to provide an explanation (including supporting schematic diagram or equivalent) and justification of its LV cost pool, if this sub-Functionalization is employed.	N/A
65 ibid	Hydro one must discuss the impact(s) on its filing from using a "subtransmission" cost pool compared to the standard "bulk" asset cost pool, if employed.	N/A
66 ibid	If Hydro One wishes to use CP to allocate the subtransmission cost pool it must provide justification.	N/A
67 6.3.1 Bulk, Primary, and Secondary	Explain how the distributor broke out its costs between bulk, primary and secondary assets.	LUI do not have bulk assets. Overhead and Underground assets are recorded separately in the GL. In order to assign costs (by poles, OH conductors and devices), we established a percentage costs based on construction values. Using this per unit cost, we applied it to our asset values to determine the costs to be allocated to each category. A similar exercise was done to determine Overhead Secondary, Underground Primary and Underground Secondary costs by asset types.
68 6.6 Capital Contributions - recommended approach	A distributor is to provide its methodology and supporting information to the detailed analysis of capital contributions by either rate class or asset type..	All contributed capital shown on our financial statements relate to transformer capital costs only and is attributed to that asset category.
69 ibid	When the capital contribution is assigned to asset type, explicitly identify capital contributions associated with bulk (if any), primary and secondary assets.	N/A - See #68 above
70 6.6 Capital Contributions - alternative approach	A distributor using the alternative approach must indicate the proportion of its total assets that contributed capital represents.	N/A

Cost Allocation Informational Filing.

<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>	
71	6.7 Depreciation and Accumulated Depreciation	Explain and justify any alternate approach in regard to the break out of accumulated depreciation and depreciation expenses employed.	N/A
72	7.1.2 Density Thresholds	Urban distributors with a large downtown secondary network system are to provide a brief description.	N/A
73	ibid	Distributor having a significant underground distribution system are to provide a brief description.	N/A
74	ibid	If the distributor is a low density distributor for filing purposes, consider and advise if there is any factor(s) which may lead to the low density generic minimum system result not being reasonably reflective of the specific system's characteristics.	N/A
75	7.5.3 Filing Question	Provide and explanation if any distributor suspects its generic minimum system result and/or the generic Peak Load Carrying Capacity (PLCC) adjustment has contributed to an anomalous filing result for a rate classification.	N/A
76	7.6 Distributor Specific Minimum System	Provide the date of the minimum system study.	N/A
77	ibid	Provide a general description of the methodology used in the minimum system study.	N/A
78	ibid	Provide the definition and size of the "minimum" system assumed in the study.	N/A

<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>
79 ibid	Provide the treatment of overhead and underground assets in the study.	N/A
80 ibid	Provide the treatment of any large urban network systems in the study.	N/A
81 ibid	Where the distributor amalgamated with another distribution company since the original minimum system study was completed, has the study been updated to reflect the amalgamation?	N/A
82 ibid	Provide the PLCC methodology followed and size of adjustment proposed in the study.	N/A
83 ibid	Provide a discussion of the materiality of the difference in filing results from use of the generic minimum system figures versus the distributor specific study.	N/A
84 7.7.2 Filing Questions	Estimate the number of individually metered Residential customers who reside in multi-unit dwellings and the number of distributor connection points which supply the multi-unit complexes.	501 individually metered Residential customers and 64 connection points
85 ibid	Estimate the number of individually metered General Service customers that are located in multi-unit complexes and the number of distributor connection points which supply the multi-unit complexes.	49 individually metered General Service customers and 37 connection points. However, the 37 connection points are part of the 64 connection points so in fact, there are only 64 connection points for 550 individually metered Residential AND General Service customers.
86 ibid	Estimate the number of individually metered mixed use customers (i.e. Residential and General Service).	Zero

<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>
87 ibid	Estimate how many of the multi-unit connection points are at primary voltages and how many at secondary voltages for both residential and general service complexes.	There are two (2) connection points at primary voltage for General Service complexes and all other connection points (62) at Secondary voltages.
88 8.1 Allocation of Demand Related Factors	Provide an estimation of "non-technical" energy losses (e.g. theft of power, billing accruals, metering problems) as a percentage of energy purchased	Approximate 0.099%
89 ibid	Provide an estimation of technical distribution system energy losses as a percentage of energy purchased. The sum of technical and non-technical losses is the total measure of distribution losses.	5.09% = 4.99% + 0.099%
90 ibid	Provide an estimation of the technical line losses broken out according to the > 50 kV assets	4.99%
91 ibid	Provide an estimation of the technical line losses broken out according to the bulk assets	N/A
92 ibid	Provide an estimation of the technical line losses broken out according to the primary assets	Information not available
93 ibid	Provide an estimation of the technical line losses broken out according to the secondary assets	Information not available
94 ibid	If the 12 NCP is used in RUN 3, provide supporting justification based on the cost characteristics of the distribution system.	N/A

<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>
95 ibid	If the 12 NCP is used in RUN 3, highlight the impacts of the different NCP allocator used in Runs 1 and 2, versus Run 3.	N/A
96 9.3.1 Billing Activities	If better information to allocate costs associated with billing activities was used, provide an explanation and support of the alternative allocation methodology.	N/A
97 ibid	Identify what accounts include the expenses associated with the Call Centre and indicate the percentage in each account	LUI do not have a Call Centre. An after hour hours answering service expense is booked to 5620 - Office Supplies and Expense
98 ibid	Identify what accounts include the expenses associated with the Customer Information System and indicate the percentage in each account.	5610 - Administration and management salaries - 20% 5340 - Billing and Collections Miscellaneous - 100%
99 ibid	Identify what accounts include the expenses associated with the Key Accounts and indicate the percentage in each account.	N/A
100 ibid	Identify what accounts include the expenses associated with the Payment Processing and indicate the percentage in each account.	5320 - Collecting - 100%
101 2.3.2 Meter Capital	Provide an explanation and supporting detail when distributor-specific information is used in the model in lieu of the default weighting provided.	N/A
102 9.3.3 Meter Reading	Provide documentation where materially better information exists for meter reading costs.	N/A
103 9.3.4 Services	Provide supporting information where actual cost factors are materially better than the defaults.	N/A

Cost Allocation Informational Filing.

<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>
104 ibid	If there are no costs in Account 1855, explain why.	N/A
105 ibid	Services (Account 1855): What facilities are included in this account?	This include both overhead and underground lines from the street to the point of customer connection.
106	Services (Account 1855): Do these facilities match the definition in the USoA?	Yes
107 ibid	Services (Account 1855): If the accounting treatment is different than described in the USoA, explain the accounting treatment of this account and estimate the impact on the account.	N/A
108 ibid	Services (Account 1855): Does this account capture the service drops for all customers or only the costs of service drops operated at secondary voltage (<750 volts)?	Only costs for service < 750 volts
109 ibid	Services (Account 1855): Are there any distributor-owned service drops to customers served from primary or bulk facilities and, if so, where are the costs of these facilities reported?	1850 - Line Transformers
110 ibid	Services (Account 1855): If there are distributor owned primary or bulk drops, but not recorded in this account, where are the costs of these facilities reported?	N/A
111 10.2 General Plant	Provide supporting explanation and documentation of the detailed analysis used for the allocation of General Plant, if the default is not used.	N/A
112 10.6 Bad Debt Expenses	Highlight and discuss any excluded extraordinary bad debt.	N/A

Cost Allocation Informational Filing.

<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>	
113	10.7.3 Late Payment Charges and Collection Expenses	Indicate whether the records are available to break out collection costs (Accounts #5320, #5325 and #5330) by rate classification.	No
114	11.1 Embedded Distributor	Address any special situation that arises for a host distributor serving several embedded distributors.	N/A
115	ibid	If a host distributor models an alternative in Run3, justify the need.	N/A
116	11.1.2 Methodology for Embedded Distributors	Discuss reasons if a host distributor believes the results of the cost allocation study do not warrant creating (or maintaining) a separate rate classification for embedded distributor(s).	N/A
117	11.2 Density-Based Classifications	Include more detailed analysis with rationale to support the different allocation of costs to the various density classifications if a distributor plans to maintain density rates in the future.	N/A
118	ibid	Provide a rationale for the density threshold used for the rate classification, if a distributor intends to maintain its density-based rates.	N/A
119	11.3.2 Seasonal Rate Classification	Provide a supporting justification for applying 12 NCP in Run 3 based on the cost characteristics of the system.	N/A
120	11.4.1 USL	As a distributor, is there summary billing for USL customers?	NO

<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>
121 ibid	If the distributor provides summary billing for customer classifications other than USL provide number of customers by classification and number of customer "sub-accounts" that the summary bills include.	Classification - Streetlighting Number of customers - 2 Number of "sub-accounts" (connections) - 2,235 and 458
122 ibid	Provide the estimated cost of making summary bills available and the overall savings (i.e. savings on extra costs) realized by the distributor.	Approximately \$1,400.
123 11.5.3 LDG Run 1	Any concerns as to the stability of customer usage is to be noted.	N/A
124 11.5.4 LDG Run 2	Explain why there is no detailed information on the LDG's rated capacity.	N/A
125 11.5.5 LDG Run 2 & Run 3	Discuss the reliability of load data for LDG's modelled separately.	N/A
126 ibid	Provide the number of customers in LDG rate classification by the rate classifications to which the customers were previously assigned before they were placed in a separate classification.	N/A
127 ibid	Identify and explain any additional significant benefits or costs used in Run 3.	N/A
128 11.5.5 Filing Questions	If a distributor has an approved administrative charge in respect of standby rates, then it is to explain the basis and components of this charge.	N/A
129 ibid	If the distributor incurs other extraordinary costs to provide service to a load displacement generator, how will these extraordinary costs be recovered?	N/A

<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>
130 ibid	Where a distributor with a currently approved standby rate (including interim standby rate) cannot presently quantify any additional benefits and/or costs after reviewing Appendix 11.1, then the distributor is to outline the elements that could be included in any future study designed to document the distribution benefits and costs from load displacement facilities, or indicate any other means by which it could estimate such distribution benefits and costs.	N/A
131 11.5.8 Merchant Generation	Discuss the need to support the load requirement of the merchant generation station and to provide whatever power is required to start the merchant generator.	N/A
132 11.5.8 Merchant Generation - Specific Distributor	Discuss the general approach used (e.g. whether a fully separate rate classification was established), which differs from what is approved in the present Report.	N/A
133 ibid	Document supporting accounting which differs from what is approved in the present Report.	N/A
134 ibid	Document supporting load data which differs from what is approved in the present Report.	N/A

<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>
135 ibid	Explicitly identify and justify if any cost allocation method was utilized which differs from what is approved in the present Report.	N/A
136 11.5.8 Other Specialized Rate Classes	Discuss the general approach used (e.g. whether a fully separate rate classification was established), which differs from what is approved in the present Report.	N/A
137 ibid	Document supporting accounting which differs from what is approved in the present Report.	N/A
138 ibid	Document supporting load data which differs from what is approved in the present Report.	N/A
139 ibid	Explicitly identify and justify if any cost allocation method was utilized which differs from what is approved in the present Report.	N/A
140 11.5.8 Other Specialized Rate Classes	If any changes or additions are made to the cost allocation methodology applied to specialized rates by the distributor, the alternative method followed is to be explained and justified (and supporting information provided in the filing).	N/A
141 ibid	Provide an explanation on considering eliminating a distributor specific rate classification in the future.	Premarket this one customer profile was a TOU, with TOU rates established with Ontario Hydro assistance and approval. When the market opened, the customer was moved to interval metering but remained in the TOU rate classification.

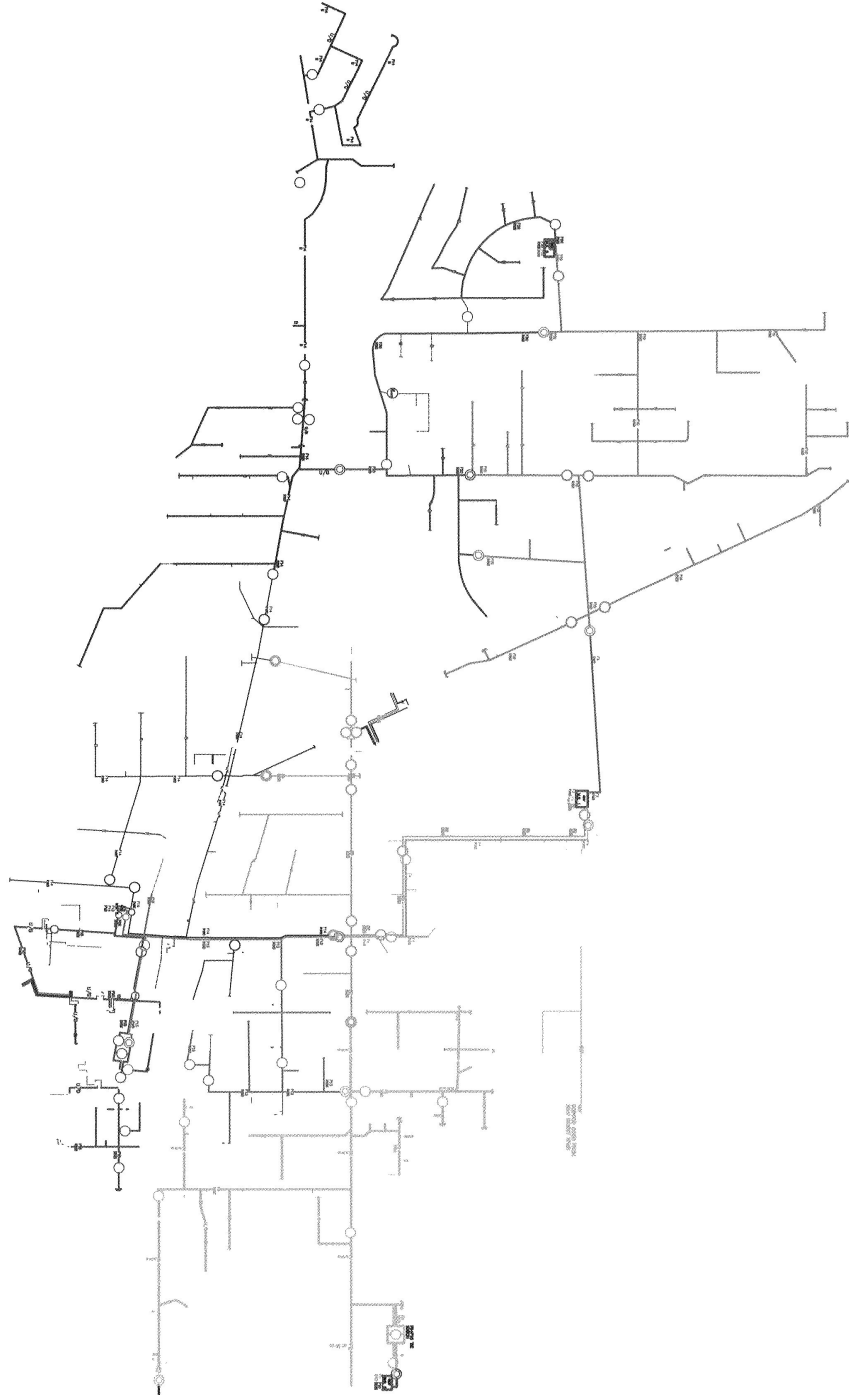
<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>
142 12.3 Wholesale Market Participants	Provide the number of customers and delivery points, annual kWhs, and kW (if applicable) by rate classification for those customers that are wholesale market participants.	N/A
143 ibid	Identify the additional cost items and estimate the incremental cost amounts if there are any other additional costs of providing service to customers who are wholesale market participants, over and above the costs associated with a comparable customer who is not a wholesale market participant?	N/A
144 ibid	Identify the avoided cost items and estimate the value of any costs that are avoided in providing service to customers who are wholesale market participants?	N/A
145 10.6.1 Bad Debt	Express any concerns that might exist from the normalization of bad debt.	LUI has no concerns with the normalization of bad debt base on direct allocation to specific customer rate classification per historical three years write-off.
146 11.2.2 Density Based Rates	The distributor must identify and explain those costs that are influenced by density such as lines, poles and possibly line transformers.	N/A
147 11.2.2 Density Based Rates	For the costs that have been identified in 146, the distributor should weight the allocation factors used to allocate the cost to the various rate classifications by a density factor and explain.	N/A

<u>Item Ref.</u>	<u>Request</u>	<u>Response</u>
148 11.5.3 LDG	Provide details on how to co-ordinate the collection of the revenue requirement with the provision of an appropriate level of a new LDG credit or charge if implementation of a credit or charge proceeds.	N/A
149 ibid	If in Run 3, multiple LDG rates are modelled, then discuss the reliability of the load data for each LDG class	N/A
150 12.2.1 Substation and secondary transformer Ownership.	Concern was expressed about the potential for anomalous appearing results. Highlight any specific concerns that do materialize.	Currently, LUI provide transformer ownership allowance of \$0.60 per kW to GS > 50kW and Intermediate class per Board approval. We are concern about the anomalous result of \$1.287 per kW in sheet O3-1 and believe there is mis-calculation in the formula for this calculation.
151 1.7 Model Runs	Explain any changes to the standard model during Run 1 or Run 2 (for example, where the methodology adopted in this Report does not cover some unique circumstance).	N/A
152 1.6 Filing Model	If a distributor finds it necessary to supplement or adjust the Board-approved methodology, a full explanation must be provided.	N/A

Appendix F - Distribution System Map

Page 1

TOWN OF COBOURG 4KV SYSTEM



<p>DESIGNER K. JACKSON</p> <p>APPROVED D.J.</p>	<p>DATE 14, 2005</p>
<p>PROJECT COBOURG HYDRO SYSTEM EXISTING</p>	
<p>DISCIPLINE</p>	
<p>NOT TO SCALE</p>	
<p>DATE 14, 2005</p>	

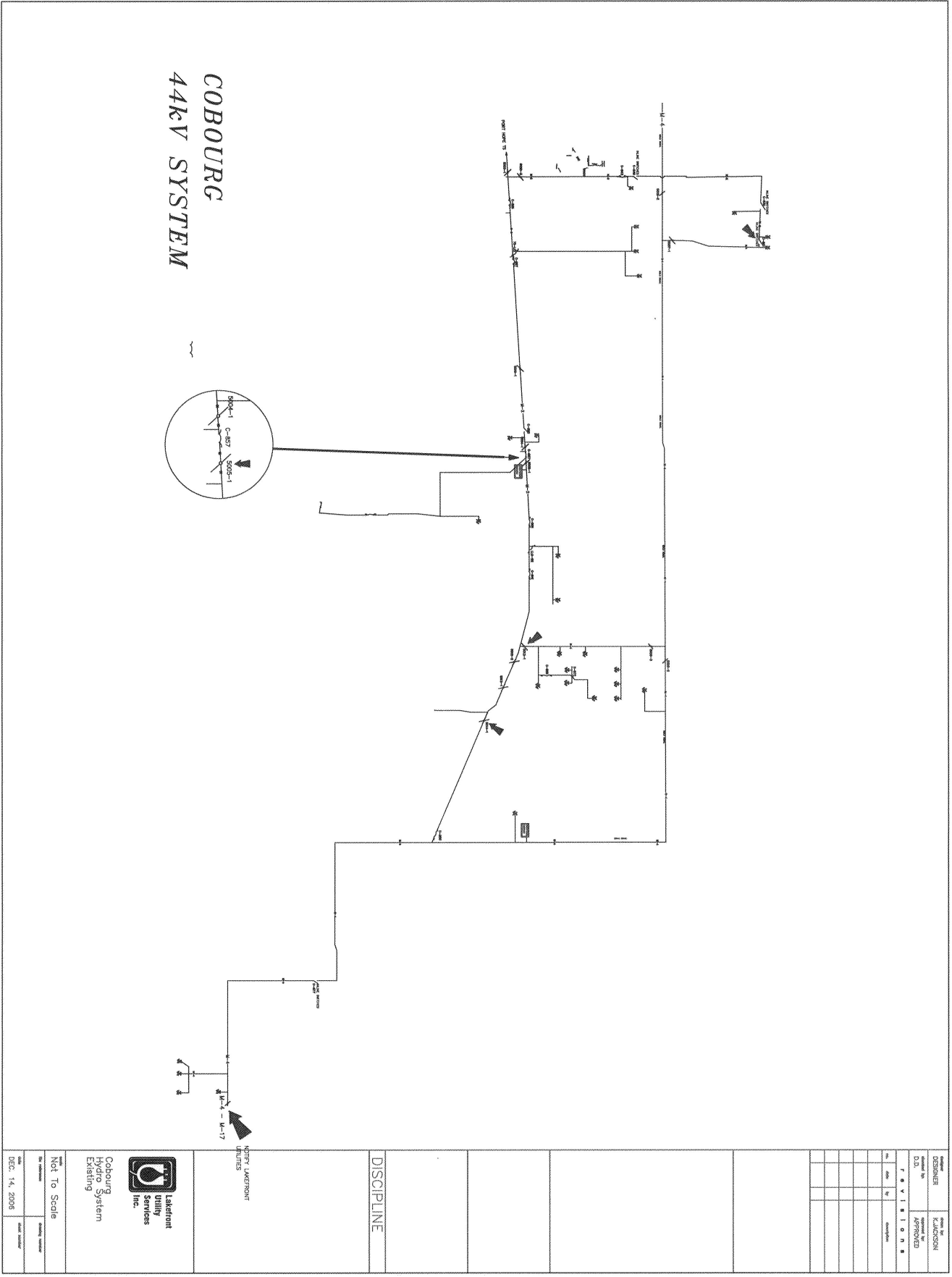


Laurent
Utility
Services
Inc.

Cobourg
Hydro System
Existing


Appendix F - Distribution System Map

Page 3



DESIGNER	K. JACKSON
DATE	2006
APPROVED	
F E A S I B I L I T Y	
NO.	DATE

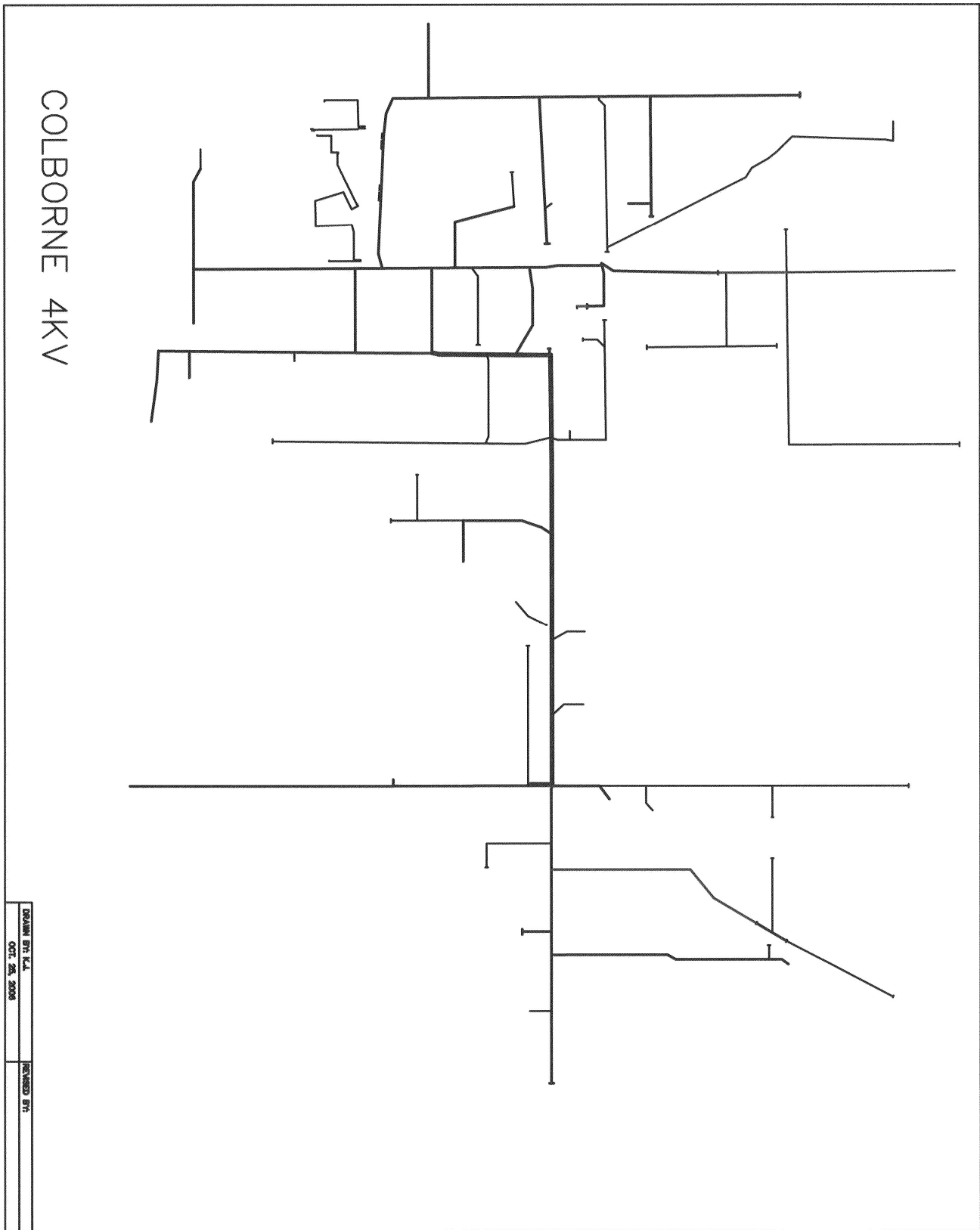
DISCIPLINE	


Lakefront Utility Services Inc.
 Cobourg Hydro System Existing

Not To Scale
 No Protection
 DEC. 14, 2006

Appendix F - Distribution System Map

Page 4



Appendix G

Lakefront Utilities Inc.
Financial Statements
For the year ended December 31, 2006

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BDO Dunwoody LLP
Chartered Accountants
and Advisors

60 Columbia Way Suite 400
Markham Ontario Canada L3R 0C9
Telephone: (905) 946-1066
Fax: (905) 946-9524

Driving growth

www.bdo.ca

Auditors' Report

To the Shareholder of Lakefront Utilities Inc.

We have audited the balance sheet of Lakefront Utilities Inc. as at December 31, 2006 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Markham, Ontario
April 13, 2007

Lakefront Utilities Inc.
Balance Sheet

December 31	2006	2005
Assets		
Current		
Cash	\$ 162,340	\$ 173,137
Cash held with related party (Note 3)	1,292,172	2,461,986
Accounts receivable	1,922,631	1,236,268
Unbilled revenue	2,828,971	3,085,212
Consumable inventory	220,024	198,275
Payment-in-lieu of income taxes recoverable (Note 7)	365,972	-
Prepaid expenses	55,119	60,656
	6,847,229	7,215,534
Capital assets (Note 4)	10,181,877	9,920,441
Regulatory assets (Note 5)	-	779,921
	\$ 17,029,106	\$ 17,915,896

Liabilities and Shareholder's Equity

Current		
Accounts payable and accrued liabilities (Note 6)	\$ 3,107,891	\$ 3,780,033
Payment-in-lieu of income taxes payable (Note 7)	-	4,450
Current portion of customer deposits	130,000	130,000
	3,237,891	3,914,483
Customer deposits	159,548	156,171
Regulatory liabilities (Note 5)	56,505	-
Employee future benefits (Note 8)	249,434	244,494
Note payable (Note 9)	7,000,000	7,000,000
	10,703,378	11,315,148
Shareholder's equity		
Share capital (Note 10)	4,684,456	4,684,456
Retained earnings	1,641,272	1,916,292
	6,325,728	6,600,748
	\$ 17,029,106	\$ 17,915,896

On behalf of the Board:

_____ Director
 _____ Director

Lakefront Utilities Inc.
Statement of Operations and Retained Earnings

For the year ended December 31	2006	2005
Service revenue	\$ 3,327,364	\$ 3,590,145
Service revenue adjustments (Note 5)	238,124	781,570
	3,565,488	4,371,715
Cost of power revenue	20,430,362	22,623,872
	23,995,850	26,995,587
Cost of power purchased	20,430,362	22,623,872
Gross margin on service revenue	3,565,488	4,371,715
Other operating revenue	298,003	207,582
	3,863,491	4,579,297
Operating and maintenance expenses		
Distribution	569,767	587,817
Billing and collection	420,420	336,819
General and administration	870,920	729,097
	1,861,107	1,653,733
Income before amortization, interest and income taxes	2,002,384	2,925,564
Amortization	824,816	749,415
Interest on note payable	507,500	507,500
Other interest expense	38,610	50,237
	1,370,926	1,307,152
Income before income taxes	631,458	1,618,412
Income taxes		
Payment-in-lieu of income taxes (Note 7)	306,478	667,000
Net income	324,980	951,412
Retained earnings, beginning of the year, as previously stated	1,916,292	1,657,792
Prior period adjustment (Note 8)	-	(92,912)
Retained earnings, beginning of the year, as restated	1,916,292	1,564,880
Dividends paid	(600,000)	(600,000)
Retained earnings, end of the year	\$ 1,641,272	\$ 1,916,292

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Lakefront Utilities Inc.
Statement of Cash Flows

For the year ended December 31 **2006** **2005**

Cash provided by (used in)

Operating activities

Net income	\$ 324,980	\$ 951,412
Amortization	824,816	749,415
Loss (gain) on disposal of capital assets	(10,000)	-
Provision - regulatory assets (Note 5)	(238,124)	(884,032)
Changes in non-cash working capital balances		
Accounts receivable	(686,363)	464,869
Unbilled revenue	256,241	(481,849)
Consumable inventory	(21,749)	28,241
Prepaid expenses	5,537	(21,049)
Accounts payable and accrued liabilities	(672,142)	1,140,669
Payment-in-lieu of income taxes	(370,422)	(380,664)
Customer deposits	3,377	(241,189)
Employee future benefits	4,940	6,582
	(578,909)	1,332,405

Investing activities

Decrease (increase) in cash held with related party	1,169,814	(51,832)
Proceed on disposal of capital asset	10,000	-
Purchase of capital assets	(1,086,252)	(838,986)
Decrease (increase) in regulatory assets	1,074,550	154,040
	1,168,112	(736,778)

Financing activities

Repayments to related party	-	(8,353)
Dividends	(600,000)	(600,000)
	(600,000)	(608,353)

Net change in cash	(10,797)	(12,726)
Cash, beginning of year	173,137	185,863
Cash, end of year	\$ 162,340	\$ 173,137

Supplemental Cash Flow Information

Cash paid for interest	\$ 546,110	\$ 557,737
Cash paid for payments-in-lieu of income taxes	\$ 689,158	\$ 1,075,000

Lakefront Utilities Inc.
Summary of Significant Accounting Policies

December 31, 2006

Nature of Business	The Company was incorporated under the Business Corporations Act (Ontario) on April 12, 2000 and is engaged in the distribution of electricity and associated business activities.
Basis of Preparation	The financial statements have been prepared in accordance with accounting principles for electrical utilities in Ontario as required by the Ontario Energy Board ("OEB") under the authority of Sections 52, 70(2) and (78) of the Ontario Energy Board Act, 1998, and reflect the policies as set forth in the "Accounting Procedures Handbook for Utilities in Ontario". All principles employed are in accordance with Canadian generally accepted accounting principles.
Rate Setting	<p>The Company is regulated by the OEB under authority of the Ontario Energy Board Act, 1988. The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and for ensuring that distribution companies fulfil obligations to connect and service customers.</p> <p>In order to achieve a proper matching of revenue and expenses, the timing of recognition of certain revenues and expenses for the distribution of electricity may differ from that otherwise expected under Canadian generally accepted accounting principles (GAAP) for non-rate regulated enterprises, specifically:</p> <p>(a) Lakefront Utilities Inc. has deferred as regulatory assets, certain retail settlement variance amounts under the provisions of Article 490 in the OEB's Accounting Procedures Handbook (Note 5).</p> <p>(b) The Company provides for payments in lieu of corporate income taxes relating to its regulated business using the taxes payable method as directed by the OEB.</p>
Revenue	Revenue is recognized in the financial statements on the accrual basis when the energy is supplied to the users, whether billed or unbilled.
Consumable Inventory	Consumable inventory is stated at the lower of cost and net realizable value, where cost is generally determined on the average cost basis.

Lakefront Utilities Inc. Summary of Significant Accounting Policies

December 31, 2006

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful life of the assets at rates established by the Ontario Energy Board. Capital assets are amortized on a straight line basis using the following rates:

Buildings	4 - 5%
Distribution stations	3.3%
Distribution lines - overhead	4%
Distribution lines - underground	4%
Distribution transformers	4%
Distribution meters	4%
Other capital assets	10 - 20%

Assets Impairment

The Company monitors events and changes in circumstances which may require an assessment of the recoverability of its long lived assets. If required, the Company would assess recoverability using estimated undiscounted future operating cash flows. If the carrying amount of an asset is not recoverable, an impairment loss is recognized in operations, measured by comparing the carrying amount of the asset to its fair value.

Capital Contributions

Capital contributions in aid of construction consist of third party contributions toward the cost of constructing distribution assets and are recorded with capital assets as a contra account. Contributions are amortized at rates corresponding with the useful life of the related capital assets.

Regulatory Assets

The Ontario Government, through the establishment of rules affecting the electricity industry, allows for the establishment or contribution of deferral accounts for certain items until disposition can be addressed by the Ontario Energy Board ("OEB") during its rate setting process. In November 2003, the Province announced its intention to permit electricity distributors to make applications to the OEB for recovery of the regulatory assets (based on year-end balances as at December 31, 2002) to be phased in over a four-year period effective March 1, 2004 (Note 5).

The Company records regulatory assets for amounts that it believes are likely to be collected in the future as a result of the OEB's rate setting process. Regulatory assets that have been accrued for include qualifying transition costs, retail settlement variance accounts, and pre-market opening energy variance account. The Company is recovering the regulatory assets, plus accrued interest.

Lakefront Utilities Inc.
Summary of Significant Accounting Policies

December 31, 2006

Regulatory Assets (continued) If as a result of future changes to the regulatory environment, it is unlikely that the Company will recover the regulatory assets, the accounts would be charged to operations in the period in which that determination is made.

Qualifying Transition Costs

These costs reflect amounts incurred to prepare for the opening of the electricity market to competition and the incremental costs to support the market opening.

Pre-Market Opening Energy Variance Accounts

These accounts reflect the difference between the cost of electricity purchased from Ontario Power Generation and the amount the utility was permitted to bill to customers for electricity usage for the period January 1, 2001 to April 30, 2002.

Retail Settlement Variance Accounts

These accounts reflect the difference between the cost of electricity purchased and the amounts the utility billed to consumers (based on regulated rates) beginning May 1, 2002, the date the market became open to competition.

Specifically, these amounts include:

(a) variances between the amount charged by the Independent Electricity System Operator ("IESO") and Hydro One for the operation of the markets and grid, the purchase of imported power by the IESO to augment Ontario's power supply and charged by the IESO as an uplift charge that is part of the wholesale market service charges, as well as various other wholesale market service charges, transmission charges as compared to the amount billed to customers based on the OEB approved rates and;

(b) the differences between the amount charged by the IESO and the amount billed to customers for energy costs due to losses.

Lakefront Utilities Inc.

Summary of Significant Accounting Policies

December 31, 2006

Payment-in-lieu of Income Taxes

Under the Electricity Act, 1998, the Company is required to make payments-in-lieu of corporate taxes to the Ontario Electricity Financial Corporation (OEFC). These payments are recorded in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) and modified by the Electricity Act, 1998 and related regulations.

The Company provides for payments-in-lieu of corporate income taxes using the taxes payable method. Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Future income taxes are expected to be reflected in future rates and accordingly, are not recognized in the financial statements.

Customer Deposits

Customer deposits are cash collections from customers to guarantee the payment of energy bills. Customer deposits includes interest credited to customers' deposit accounts, with interest expense recorded to offset this amount. Deposits expected to be refunded to customers within the next fiscal year are classified as a current liability.

Pension Plan

The Corporation accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined benefit plan. Both participating employers and employees are required to make plan contributions based on participating employees' contributory earnings. The corporation recognizes the expense related to this plan as contributions are made.

Lakefront Utilities Inc. Summary of Significant Accounting Policies

December 31, 2006

Post-employment Benefits

Employee future benefits other than pension provided by the Company include medical and insurance benefits. These benefit plans provide benefits to certain employees when they are no longer providing active service.

Standards issued by The Canadian Institute of Chartered Accountants with respect to accounting for employee future benefits require the corporation to accrue for its obligations under other employee benefit plans and related costs, net of plan assets.

The cost of post-employment benefits offered to employees are actuarially determined using the projected benefit method, prorated on service and based on assumptions that reflect management's best estimate. Under this method, the projected post-retirement benefit is deemed to be earned on a pro-rata basis over the years of service in the attribution period commencing at date of hire, and ending at the earliest age the employee could retire and qualify for benefits.

The excess of the net actuarial gains (losses) over 10% of the accrued benefit obligation are amortized into expense on a straight-line basis over the average remaining service period of active employees to full eligibility.

Financial Instruments

Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from its financial instruments, and the fair values of the financial instruments approximate their carrying values.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Lakefront Utilities Inc. Notes to Financial Statements

December 31, 2006

1. Electricity Industry Restructuring and Regulation

On October 30, 1998, the provincial government passed the Electricity Act and the Ontario Energy Board ("OEB") Act, collectively known as Bill 35, the Energy Competition Act, 1998. The Electricity Act established the framework for a competitive market for the sale of electricity in the Province of Ontario. The Ontario Energy Board Act gave the OEB the power to licence and regulate all market participants, and set transmission and distribution rates.

The electricity marketplace was deregulated on May 1, 2002 and electricity generators, electricity wholesalers and retailers began competing for customers. As mandated by the Energy Competition Act (Bill 35), a three-year phase-in (2001 to 2003) of the electricity distributors' commercial rate of return and provincial tax increases was implemented to smooth the impact on consumers of the transition of distributors from municipal electric utilities. However, in response to volatile and rising electricity prices in 2002, the Province of Ontario enacted The Electricity Pricing, Conservation and Supply Act, 2002 (Bill 210). This new legislation was given Royal Assent on December 9, 2002, effectively froze distribution rates until 2006, and fixed the commodity price paid by low volume and designated customers at 4.3 cents per kilowatt-hour (kWh) retroactive to May 1, 2002.

On December 18, 2003, Bill 210 was superseded and modified by Bill 4 when a newly elected provincial government passed the Ontario Energy Board Amendment Act (Electricity Pricing), 2003 which enabled further changes to the pricing of electricity in Ontario. In June 2004, the provincial government introduced legislation to further restructure the electricity industry. On December 9, 2004, this new legislation, the Electricity Restructuring Act, 2004 (Bill 100) received Royal Assent. Bill 100 makes amendments to the Electricity Act, and the OEB Act, 1998. The legislation deals primarily with supply and conservation, reassigns responsibilities to different entities, and lays out the roles and responsibilities for the new Ontario Power Authority ("OPA"). Additionally, the Independent Market Operation ("IMO") will be renamed the Independent Electricity System Operator ("IESO") to better reflect its new role.

(a) Electricity commodity pricing:

On April 1, 2004, Bill 4 removed the 4.3 cents commodity price freeze, and a two-tiered pricing regime was implemented for all customers who were eligible for the 4.3 cents commodity rate. The commodity price was fixed at 4.7 cents per kWh for the first 750 kWh of consumption per month and 5.5 cents per kWh for any incremental monthly consumption thereafter. This current two-tiered pricing regime remained in place until April 1, 2005 when the OEB instituted a regulated price plan ("RPP").

The RPP retains the two-tiered pricing regime. The new prices which took effect on April 1, 2005 are based on an OEB forecast of the cost of electricity over the next 12 months. These prices are adjusted every six months at a price determined by the OEB.

For residential customers only, the threshold has changed from 750 kwh to 1000 kwh per month, for the winter season (November 1 – April 30). The threshold will then drop to 600 kwh per month, for the summer season (May 1 – October 31). For non-residential consumers, the 750 kWh threshold will remain the same throughout the year. The RPP also proposes time-of-use pricing for consumers installed with smart meters.

Lakefront Utilities Inc.
Notes to Financial Statements

December 31, 2006

1. Electricity Industry Restructuring and Regulation (continued)

(b) Recovery of regulatory assets and measurement uncertainty:

Bill 210 eliminated the ability of electricity distributors to recover a variety of costs incurred since their preparations for market opening. These costs were deemed to be "regulatory assets", and are reflected in the balance sheet.

On June 30, 2004 the OEB, at the request of the Corporation, adjourned the Corporation's application in respect of its Phase 2 Regulatory Asset proceeding. This proceeding dealt with, amongst other matters, the recovery of transition costs incurred by the Corporation in preparing for market opening in May 2002. The Corporation proceeded with its application in August 2005.

On December 9, 2004, the OEB released its process for OEB review of the prudence of the total regulatory asset amounts claimed by electricity distributors. This process, which commenced in 2005 ended in late April 2006, when the OEB determined the final recovery amount of their regulatory assets to be included in future distribution rates.

With the introduction of Bill 4, the Company was allowed to recover some of its regulatory assets under the supervision of the OEB, on an interim basis, over a four-year period starting April 1, 2004 (Note 5).

2. Credit Facilities

The Company has a line of credit with TD Bank with a maximum credit limit of \$500,000, which bears interest at prime plus 0.5% per annum; and a standby letter of credit with a maximum limit of \$1,960,000, which bears interest at 0.75% per annum. The balance for the two facilities at December 31, 2006 was \$nil.

3. Cash Held with Related Party and Related Parties Transactions

The balance is due from Lakefront Utilities Services Inc. (LUSI), a company under common control, and represents cash held by LUSI that will be transferred to the Company to meet future financial obligations. The amount is due on demand, unsecured and bears interest at a floating rate based on the current bank rate. The company received \$62,066 (2005 - \$53,444) in interest during the year. The Company also collected rent recoveries of \$45,600 (2005 - \$9,926) from companies under common control.

The Company had accounts receivable of \$34,281(2005 - \$nil), due from the Corporation of the Town of Cobourg, the ultimate parent entity. The Company also received a billing service recovery of \$30,000 from the Corporation of The Town of Cobourg. The amount is in the normal course of business and is measured at exchange value.

Lakefront Utilities Inc.
Notes to Financial Statements

December 31, 2006

4. Capital Assets

	2006		2005	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 219,284	\$ -	\$ 219,284	\$ -
Buildings	1,272,887	524,561	851,759	463,816
Distribution stations	2,730,090	1,250,517	2,539,002	1,162,356
Distribution lines - overhead	7,792,098	4,300,512	7,631,947	4,014,081
Distribution lines - underground	3,963,547	1,706,323	3,758,008	1,568,265
Distribution transformers	3,547,905	1,519,762	3,471,471	1,385,654
Distribution meters	825,640	424,620	829,473	390,979
Other capital assets	978,558	601,411	726,405	479,014
	21,330,009	10,327,706	20,027,349	9,464,165
Less: Contributions in aid of construction	(968,096)	(147,670)	(751,689)	(108,946)
	\$ 20,361,913	\$ 10,180,036	\$ 19,275,660	\$ 9,355,219
Net book value		\$ 10,181,877		\$ 9,920,441

5. Regulatory Assets (Liabilities)

	2006	2005
Qualifying transition costs and Pre-market opening energy variance accounts	\$ 385,462	\$ 623,586
Retail settlement variance accounts	(56,505)	779,921
	328,957	1,403,507
Provision	(385,462)	(623,586)
	\$ (56,505)	\$ 779,921

The variances arise as a result of the differing rates on amounts paid to the IESO (Independent Electricity System Operator) and Hydro One Networks as compared to the average rates charged to the customers.

In a letter dated December 19, 2003, the Ministry of Energy granted approval for distributors to make application to the OEB with regard to rate recovery of certain distribution regulatory assets whose inclusion in rates was delayed by the *Electricity Pricing, Conservation and Supply Act, 2002 (Electric Pricing, Conservation and Supply Act)*. As a result of the Company's distribution rate application dated January 22, 2004, these distribution regulatory assets are expected to be recovered over a four-year period, effective March 1, 2004 with an implementation date for consumption of April 1, 2004.

Lakefront Utilities Inc.
Notes to Financial Statements

December 31, 2006

5. Regulatory Assets (Liabilities) (continued)

During the year, the Company recovered \$238,124 (2005 - \$781,570) related to recovery of these regulatory assets.

6. Accounts Payable and Accrued Liabilities

	2006	2005
Accounts payable - energy purchased	\$ 1,956,212	\$ 2,285,618
Other accounts payable and accrued liabilities	1,151,679	1,494,415
	\$ 3,107,891	\$ 3,780,033

7. Payment-in-lieu of Income Taxes

The provision for income taxes under the taxes payable method for the year is \$306,478 (2005 - \$667,000) which represents payments-in-lieu of corporate taxes.

Future income tax benefits of \$485,000 (2005 - \$491,000) have not been recorded in the accounts. Significant components of the Company's future taxes as at December 31 are as follows:

	2006	2005
Capital assets	\$ 485,000	\$ 491,000

8. Employee Future Benefits

The Company pays certain health, dental and life insurance benefits on behalf of its retired employees.

The Company measures its accrued benefit obligation for accounting purposes as at December 31 each year. The date of the actuarial valuation was as at December 31, 2005.

Information about the Corporation's defined benefit plan is as follows:

	2006	2005
Accrued benefit obligation liability, beginning of year	\$ 244,494	\$ 237,912
Adjustment to opening balance	-	-
Current service cost	5,936	5,653
Interests on accrued benefit obligation	12,208	11,904
Benefits paid	(13,204)	(10,975)
Accrued benefit obligation liability, end of year	\$ 249,434	\$ 244,494

Lakefront Utilities Inc.
Notes to Financial Statements

December 31, 2006

8. Employee Future Benefits (continued)

The main actuarial assumptions employed for the valuation are as follows:

- (a) General inflation:
Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), were assumed at 2.0% in 2006 and thereafter.
- (b) Interest (discount) rate:
The obligation as at December 31, 2006, representing the present value of future liabilities was determined using a discount rate of 5.0%. This corresponds to the assumed CPI rate plus an assumed real rate of 3.0%.
- (c) Salary levels:
Future general salary and wage levels were assumed to increase at 3.1% per annum.
- (d) Medical costs:
Medical costs were assumed to be at 10% for 2007, with a reduction of 1% per annum thereafter. Actual 2006 premiums were used for the 2005 valuations.
- (e) Dental costs:
Dental costs were assumed to be fixed at 5% in 2007 and thereafter. Actual 2006 premiums were used for the 2005 valuations.

9. Note Payable

	2006	2005
Promissory note payable, Town of Cobourg interest at 7.25% per annum, interest payable monthly, principal due on demand	\$ 7,000,000	\$ 7,000,000

During the year, the Company was charged \$507,500 (2005 - \$507,500) in interest. The Town of Cobourg does not intend to demand repayment prior to January 1, 2008.

10. Share Capital

		2006	2005
Authorized Unlimited	Common shares		
Issued			
10,000,000	Common shares	\$ 4,684,456	\$ 4,684,456

Lakefront Utilities Inc. Notes to Financial Statements

December 31, 2006

11. Public Liability Insurance

The Company is a member of the Municipal Electrical Association Reciprocal Insurance Exchange.

The Municipal Electrical Association Reciprocal Insurance Exchange is a pooling of the public liability insurance risks of the municipal utilities in Ontario. All members of the pool are subject to assessment for losses experienced by the pool for the years in which they were members on a pro-rata basis, based on the total of their respective service revenues. It is anticipated that should such an assessment occur, it would be funded over a period of up to five years. No assessments have been made with respect to 2006.

12. Contingency

A class action lawsuit claiming \$500 million in restitution payments plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against the Toronto Hydro Electric Commission as the representative of the Defendant Class consisting of all municipal electrical utilities in Ontario which have charged late payment charges on overdue bills at any time after April 1, 1981.

The claim is that late payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under section 347(1)(b) of the Criminal Code.

The Electricity Distributors Association is undertaking the defence of this action. The Company assumed all of the liabilities of the former utilities on the transfer of electrical distribution assets on May 1, 2000. At this time it is not possible to quantify the effect, if any, on the financial statements. As such, no accrual of any potential liability has been recognized.

13. Pension Agreements

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

For the year ended December 31, 2006, the current pension costs charged to recoverable assets were \$61,370 (2005 - \$50,222).