



Ontario  
Energy  
Board | Commission  
de l'énergie  
de l'Ontario

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# DECISION AND ORDER

## EB-2024-0038

### LAKEFRONT UTILITIES INC.

Application for rates and other charges to be effective  
January 1, 2025

**BEFORE:**        **Pankaj Sardana**  
                         Presiding Commissioner

**Patrick Moran**  
Commissioner

**Vinay Sharma**  
Commissioner

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March 27, 2025

## 1. OVERVIEW

Lakefront Utilities Inc. (Lakefront Utilities) filed an application with the Ontario Energy Board (OEB) for an adjustment to its electricity distribution rates, effective January 1, 2025. The application was based on the OEB's Price Cap Incentive Rate-setting (Price Cap IR) option, with a five-year term. Lakefront Utilities included in its application a request for incremental capital funding for its already constructed 27.6 kV distribution substation (MS28-3) project and disposition of its 2016 to 2023 Group 1 variance account balances.

In this Decision and Order, the OEB addresses Lakefront Utilities' request for incremental capital funding for the MS28-3 project. The determination of matters related to the rate change and disposition of the 2016 to 2023 Group 1 variance account balances will be addressed in a subsequent phase of this proceeding. Further procedural steps will be issued, in this regard, in due course.

The OEB accepts that Lakefront Utilities' proposed MS28-3 project satisfies the materiality test, the needs test, and passes the means test. However, the application does not address whether the decision to proceed was a prudent choice compared to the alternatives.

The OEB finds it appropriate to approve only 50% of the incremental capital funding requested at this time. The remaining portion of the funding request will be tracked in a deferral account, with recovery contingent upon Lakefront Utilities' satisfactory completion of specific undertakings identified in this Decision and Order.

## 2. CONTEXT AND PROCESS

Lakefront Utilities filed its application on September 9, 2024, under section 78 of the *Ontario Energy Board Act, 1998* and in accordance with [Chapter 3 \(Incentive Rate-Setting Applications\)](#) of the OEB's *Filing Requirements for Electricity Distribution Rate Applications* (Filing Requirements). The application was based on the Price Cap IR option, with a five-year term. The application also includes a request for incremental funding for the construction of a new 27.6 kV substation, MS28-3, and disposition of 2016 to 2023 Group 1 variance account balances.

Lakefront Utilities serves approximately 10,100 mostly residential and commercial electricity customers in the Town of Cobourg and the Village of Colborne.

Notice of the application was issued on October 3, 2024. The Vulnerable Energy Consumers Coalition (VECC) and the Coalition of Concerned Manufacturers and Businesses of Canada (CCMBC) applied for intervenor status and cost eligibility. The OEB granted intervenor status and cost eligibility to both VECC and CCMBC.

In Procedural Order No. 1, the OEB determined that it will address matters related to the request for incremental capital funding. Matters related to the Price Cap IR adjustment and disposition of Lakefront Utilities' 2016 to 2023 Group 1 variance account balances would be addressed at a later date.

The application was supported by pre-filed written evidence and a completed Incremental Capital Module (ICM) and, as required during the proceeding, Lakefront Utilities updated and clarified the evidence.

Lakefront Utilities responded to interrogatories from OEB staff and intervenors. OEB staff, intervenors, and Lakefront Utilities then filed written submissions.

### 3. INCREMENTAL CAPITAL MODULE

The OEB's ICM policy<sup>1</sup> was established to address the treatment of a distributor's capital investment needs that arise during a Price Cap IR rate-setting plan, and which needs are incremental to a calculated materiality threshold. To qualify for ICM funding, a distributor must satisfy the OEB's well-established eligibility criteria of materiality, need and prudence.<sup>2</sup>

There are three elements to the materiality criterion: the application must meet the materiality threshold; the distributor must demonstrate that the project is not a minor expenditure in comparison to its overall capital budget; and the incremental funding must have a significant influence on distributor's operations.

The need criterion requires a distributor to pass a "means" test. Furthermore, the requested amounts must be based on discrete projects, should be directly related to the claimed driver, and must be clearly outside of the base upon which the rates were derived.

For the prudence criterion, a distributor must establish that the incremental capital amount it proposes to incur is prudent.

#### *The Half-Year Rule*

For ICM-related capital additions, the ICM policy allows for a full-year's depreciation, capital cost allowance, and return on capital, for all years of a Price Cap IR plan, other than in the final year prior to rebasing.<sup>3</sup> In the final year prior to rebasing, the half-year rule is used for calculation of the depreciation and return on capital, and associated taxes or payments in lieu of taxes (PILs) are treated as if it was the first year that an asset enters service.<sup>4</sup>

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<sup>1</sup> The OEB's policy for the funding of incremental capital is set out in the *Report of the Board New Policy Options for the Funding of Capital Investments: The Advanced Capital Module*, September 18, 2014 (Funding of Capital Report) and the subsequent *Report of the OEB New Policy Options for the Funding of Capital Investments: Supplemental Report* (Supplemental Report) (collectively referred to as the ICM policy).

<sup>2</sup> Funding of Capital Report, p. 17.

<sup>3</sup> Supplemental Report pp. 7-11. When the half-year rule is applied, only half of the annual depreciation and CCA is allowed for depreciation and tax/PILs purposes. This ensures that the distributor recovers only a half-year of return on depreciation and capital as per the intent of the half-year rule.

<sup>4</sup> Funding of Capital Report, p. 23

## The ICM Project

Lakefront Utilities requested \$2,535,311 in ICM funding for a new 27.6 kV distribution station referred to as MS28-3. The distribution station was built over two years, 2022 and 2023, and placed in service in December 2023.

Lakefront Utilities has not requested relief related to the 2023 and 2024 revenue requirements. Instead, Lakefront Utilities has requested relief for 2025 onward, as 2025 is the Incentive Rate-setting Mechanism (IRM) application rate year for which the ICM request has been submitted.

The total incremental revenue requirement associated with the ICM request is \$158,577 for 2025. Lakefront Utilities proposed recovery of the incremental annual revenue requirement through ICM rate riders effective January 1, 2025.

## ICM Criteria

### *Materiality*

To satisfy the materiality requirement in the ICM policy, a distributor's application must meet three criteria. The application must first meet the materiality threshold formula which serves to define the level of capital expenditures that a distributor should be able to manage within current rates. This test provides that any incremental capital amounts approved for recovery must fit within the total eligible incremental capital amount. Second, the distributor needs to show that the project is not a minor expenditure when compared to its overall capital budget. Finally, the incremental funding must have a significant influence on the distributor's operations.

### Materiality Threshold

The OEB uses the materiality threshold formula which considers both the growth of the utility and the inflationary increase since the last rebasing year<sup>5</sup> to determine the maximum eligible incremental capital amount.<sup>6</sup>

Lakefront Utilities used the OEB-approved materiality threshold formula with the 2025 distribution station expenditures equal to the 2023 distribution station in-service additions. The model resulted in a materiality threshold of \$2,053,519 and maximum eligible incremental capital amount of \$2,311,309, with a resulting revenue requirement for 2025 of \$158,577.

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<sup>5</sup> Lakefront Utilities last rebased in 2022 (EB-2021-0039)

<sup>6</sup> Chapter 3 Filing Requirements, section 3.3.2.2

OEB staff proposed an ICM model that reflects the information that would have been used if the application were filed in 2022 for 2023 rates, with 2023 being the year in which the project was placed in-service.<sup>7</sup> The OEB staff version of the ICM model produces a Materiality Threshold of \$2,247,331 and a Maximum Eligible Incremental Capital of \$2,117,497, with a resulting revenue requirement for 2023 of \$142,837.

Lakefront Utilities argued that its approach should be used as it provides a more accurate representation of the reality of revenue growth.<sup>8</sup>

### Project-Specific Materiality Threshold

The project-specific materiality threshold criterion states that minor expenditures in comparison to the overall capital budget should be considered ineligible for Advanced Capital Module or ICM treatment, and a certain degree of project expenditure over and above the OEB-defined threshold calculation is expected to be absorbed within the total capital budget.<sup>9</sup>

The expenditures for the distribution substation were \$369,425 in 2022 and \$2,165,886 in 2023, resulting in total in-service additions of \$2,535,311 in 2023. Lakefront Utilities' 2022-2026 Distribution System Plan (DSP) forecast annual capital expenditures ranging from \$1,895,000 to \$2,002,000.

Lakefront Utilities submitted that the ICM project is material on a project specific basis.

OEB staff submitted that the ICM project is more than the net capital expenditures of any year from 2017 to 2022, and satisfies the project-specific materiality threshold.<sup>10</sup>

### Significant Influence on Operations

The ICM policy provides that any amount being requested for ICM funding must clearly have a significant influence on the distributor's operations.<sup>11</sup> Lakefront Utilities stated the project has a significant influence on the company's operations.<sup>12</sup>

OEB staff submitted that this project significantly influences the company's operations given the amount of the financial expenditure.<sup>13</sup>

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<sup>7</sup> OEB Staff Submission, p. 3

<sup>8</sup> Interrogatory Responses, p. 52

<sup>9</sup> Funding of Capital Report, p. 17

<sup>10</sup> OEB Staff Submission, p. 4

<sup>11</sup> Funding of Capital Report, p. 17

<sup>12</sup> Lakefront Utilities 2025 IRM Application, p. 50

<sup>13</sup> OEB Staff Submission, p. 5

## ***Need***

To satisfy the need requirement in the ICM policy, a distributor's application must pass the Means Test; amounts must be based on discrete projects and should be directly related to the claimed driver; and the amounts must be clearly outside of the base upon which the rates were derived.<sup>14</sup>

## **Means Test**

Under the Means Test, if a distributor's regulated Return on Equity (ROE) exceeds 300 basis points above the deemed ROE embedded in the distributor's rates, then funding for any incremental capital project will be disallowed. Lakefront Utilities stated that its 2023 actual ROE was 4.27%, which is 4.39% (439 basis points) lower than its deemed ROE of 8.66%.

OEB staff agreed that Lakefront Utilities had not exceeded its deemed rate of return by 300 basis points and, therefore, passed the Means Test.<sup>15</sup>

## **Discrete Project**

The ICM policy provides that incremental capital funding is for discrete projects.<sup>16</sup> Lakefront Utilities stated that the ICM project is a discrete capital project that meets or exceeds the materiality level for the distributor.<sup>17</sup>

OEB staff agreed that the proposed ICM project is a discrete project.<sup>18</sup>

## **Directly Related to the Claimed Driver**

Lakefront Utilities stated that the drivers of the ICM project are load growth due to new developments, voltage conversion and reliability.

OEB staff submitted that the incremental capital request is directly related to the claimed drivers identified by Lakefront Utilities.<sup>19</sup>

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<sup>14</sup> Funding of Capital Report, p. 17

<sup>15</sup> OEB Staff Submission, p. 6

<sup>16</sup> This criterion was expanded in 2022 beyond discrete projects to also cover ongoing capital programs in certain circumstances – see Letter of the OEB - Incremental Capital Modules During Extended Deferred Rebasing Periods, February 10, 2022, p. 1. Those extended considerations are not relevant to this ICM request.

<sup>17</sup> Lakefront Utilities 2025 IRM Application, p. 51

<sup>18</sup> OEB Staff Submission, p. 6

<sup>19</sup> *Ibid.*

### Outside of Base Upon Which Rates Were Derived

Lakefront Utilities stated that the ICM project was not included in its 2022 cost of service application and is not funded through existing rates.<sup>20</sup>

OEB staff agreed that the proposed ICM project is outside the base upon which rates were derived.<sup>21</sup>

### **Prudence**

The ICM policy states that the amounts to be incurred must be prudent. This means that the distributor's decision to incur the amounts must represent the most cost-effective option (not necessarily the least initial cost) for ratepayers.<sup>22</sup>

Lakefront Utilities submitted in its application that the project to construct a new 28 kV distribution station was prudent. The project was compared to the option of maintaining the status quo and not building the new station. Lakefront stated that not proceeding with the new station could lead to "significant capacity constraints and reduced reliability, resulting in more frequent outages and service interruptions. The existing infrastructure may become overloaded and unable to support ongoing and future developments."<sup>23</sup>

OEB staff was not convinced that the decision to proceed with the project was the most appropriate option and submitted that the funding request for the project was not prudent. In response to interrogatories, Lakefront Utilities filed the *Station Capacity Report, Town of Cobourg* conducted by Raven Engineering Inc. (the Raven Report) which recommended a project to increase the capacity of MS28-2 – an existing substation of Lakefront Utilities. OEB staff submitted that Lakefront Utilities did not include the project to increase capacity of MS28-2 in the option analysis and was, therefore, unable to determine if the new substation, MS28-3, was the most prudent option. OEB staff also submitted questions regarding the need for an additional station based on load and contingency management.

VECC submitted that the project was recognized in 2022-2026 DSP and did not accept that there was a new urgency for the project in 2023.<sup>24</sup>

In its reply submission, Lakefront Utilities reiterated that the Town of Cobourg experienced a surge in new residential developments in 2023, and construction of the

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<sup>20</sup> Lakefront Utilities 2025 IRM Application, pp. 51 and 60

<sup>21</sup> OEB Staff Submission, p. 7

<sup>22</sup> Funding of Capital Report, p. 17

<sup>23</sup> Lakefront Utilities 2025 IRM Application, p. 52

<sup>24</sup> VECC Submission, p. 3



new substation was the most cost-effective option to address new growth, continue with 4.16 kV to 27.6 kV voltage conversion, and continue to serve existing customers.<sup>25</sup>

### ICM Timing

Expenditures for the project occurred over 2022 and 2023, with the project being placed in-service in 2023. Lakefront Utilities applied for incremental funding in 2024 for the 2025 rate year.

OEB staff submitted that requests for incremental capital funding are to be included in the Price Cap IR year for the year in which the asset goes into service, and because the ICM application was submitted after the asset was placed in service, OEB staff did not support Lakefront Utilities' request for incremental funding.<sup>26</sup> OEB staff further submitted that Lakefront Utilities should have known reasonable costs and timing of the project prior to the project being placed in service in 2023, and that Lakefront Utilities had not presented extenuating circumstances to support the delay in filing a request for incremental capital funding.

VECC submitted that the OEB should deny Lakefront Utilities' request for incremental funding on the basis of timing alone. VECC submitted that Lakefront Utilities had ample opportunity to apply for an ICM at the time the project was underway, and that Lakefront Utilities did not provide sufficient evidence of unique circumstances explaining why an ICM was not sought at that time.<sup>27</sup>

CCMBC submitted that the OEB has not retroactively approved an ICM application as Lakefront Utilities is requesting, and that Lakefront Utilities had not provided sufficient evidence that it is facing financial difficulties to justify the OEB departing from its practices.<sup>28</sup> CCMBC's overall position was that the ICM application should not be approved.

In its reply submission, Lakefront Utilities explained that a former employee had concluded that the project was not eligible for ICM relief. However, subsequent evaluation of OEB policy and precedents by Lakefront Utilities led to the submission of the ICM application in 2024.<sup>29</sup> Lakefront Utilities also stated that it was not applying for the 2023 or 2024 revenue requirement retroactively; rather, it was applying for the funds prospectively.

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<sup>25</sup> Lakefront Utilities Reply Submission, p. 2

<sup>26</sup> OEB Staff Submission, p. 12

<sup>27</sup> VECC Submission, p.3

<sup>28</sup> CCMBC Submission, p. 4

<sup>29</sup> Lakefront Utilities Reply Submission, p. 4

## Revenue Offsets

The OEB's ICM policy states that:

Distributors must file, at the time of the cost of service application, a description of the actions the distributor would take in the event that the Board does not approve the ACM proposal. Similarly, distributors must file comparable information for any ICM requests at the time of the IR application.

Distributors must also include a discussion on any offsets associated with each incremental project for which ACM or ICM treatment is proposed due to revenue to be generated through other means (e.g., customer contributions in aid of construction), at the time of the cost of service application, along with an estimate of the revenue requirement impact associated with those offsets. The final offset amounts, if any, would be confirmed at the time of the IR application.<sup>30</sup>

In its application, Lakefront Utilities argued “against invoking cost sharing with residential developers for the recovery of the [MS28-3] substation project costs”<sup>31</sup> as required by Section 3.2 of the Distribution System Code (DSC). Reasons supporting this position included administrative burden; potential disputes over contribution calculations and rebates complicating project execution; the concern that imposing additional costs on developers could dampen the housing market; and the Ontario government's overturning of an OEB decision (the Enbridge Decision) requiring Enbridge Gas Inc. (Enbridge) to apply an economic evaluation for rural housing expansion projects.

OEB staff, VECC and CCMBC argued that the Enbridge Decision referenced by Lakefront Utilities was not relevant to this proceeding as the Enbridge Decision was issued in December 2023, after the distribution station was constructed. OEB staff also submitted that the Enbridge Decision pertained to Enbridge, not electricity distributors.

OEB staff submitted that Lakefront Utilities is required to follow OEB codes in place at the time they are performing work, and that Lakefront Utilities should have performed economic evaluations of all developments that could have contributed to offset the costs of the new distribution station.<sup>32</sup> OEB staff further stated that because it was not clear what portion of the new distribution station's costs could have been offset by capital contributions, none of the distribution stations costs should be collected from the general rate base.

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<sup>30</sup> *Report of the Board - New Policy Options for the Funding of Capital Investments: The Advanced Capital Module*, p. 18

<sup>31</sup> Lakefront Utilities 2025 IRM Application, p. 58

<sup>32</sup> OEB Staff Submission, p. 11

VECC submitted that "...Lakefront Utilities' decision to not seek capital contributions from developers to mitigate the financial impact on existing customers is imprudent and not in the best interests of customers..."<sup>33</sup> and referenced the OEB's adherence to a beneficiary pays principle. VECC also argued that Lakefront Utilities' argument that applying the DSC is problematic and insufficient, as the DSC applies to all electricity distributors. VECC does not support the ICM request as it requires existing ratepayers to subsidize infrastructure primarily benefiting new developments.<sup>34</sup>

In its reply submission, Lakefront Utilities asserted that existing agreements with developers may not be amended retroactively, and requested that the OEB allow any existing unrecovered portion of MS28-3 cost be added to rate base. Lakefront Utilities also proposed an approach to shield existing ratepayers from subsidizing future or unfinalized growth driven-capacity expansions by requiring "capital contributions from developers whose present-value revenues do not cover their share of substation costs."<sup>35</sup>

## Findings

The OEB accepts that Lakefront Utilities Inc.'s 27.6 kV distribution substation (MS28-3) project, constructed and placed in service in 2023, satisfies the materiality test and the need test, and passes the means test. At the same time, the OEB acknowledges the concerns that have been raised by OEB staff and VECC. They argue that the utility was imprudent in executing the project and oppose approval of the requested ICM funding because Lakefront Utilities completed the project before applying for ICM funding, and their application did not address whether their decision to proceed was a prudent choice compared to the alternatives.

The OEB finds that Lakefront Utilities' decision to proceed without prior regulatory approval, as well as its choice to not seek capital contributions from developers, represents a failure to exercise prudence. However, the OEB is of the view that the lack of prudence on the part of Lakefront Utilities was temporal in nature. That is, while the project itself may have been necessary and justified, the utility should have sought regulatory guidance before commencing construction. While alternatives were identified during the project's planning phase, their costs were not evaluated, and at least one alternative may have had the potential to delay the need for the project. In the absence of understanding the cost of that alternative, it is not possible for the OEB to determine if the project was the most cost-effective way to proceed. This is mitigated to some extent by the fact that Lakefront Utilities is only seeking ICM funding prospectively. Also

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<sup>33</sup> VECC Submission, p. 5

<sup>34</sup> VECC Submission, pp. 4-5

<sup>35</sup> Lakefront Utilities Reply Submission, pp. 8-10

concerning, though, is the lack of judgement that Lakefront Utilities exercised in determining that it was not appropriate to seek capital contributions from developers. This is not only concerning but also reinforces the notion argued by OEB staff and VECC that the utility may have been imprudent in its decision-making.

Given these circumstances, the OEB finds it appropriate to approve only 50% of the incremental capital funding requested at this time. To be clear, the OEB is basing its 50% approval on the revised maximum eligible incremental capital calculated by OEB staff as \$2,117,497, with a resulting annual revenue requirement impact of \$142,837. The remaining portion of the funding request will be tracked in a deferral account, with recovery contingent upon the utility's satisfactory completion of specific undertakings that must be included in the utility's next rebasing application. These include:

1. **A comprehensive analysis of the alternatives noted in the Raven report.**

Lakefront Utilities identified the alternatives to this project set out by its consultant but did not explore them in depth. The utility must now conduct a thorough evaluation of Options 1 and 3 (given that Option 2 was selected and completed and so analyzing this is now unnecessary) to ensure that the selected option was, and remains, the most cost-effective and prudent solution. The evaluation should identify the cost of Option 1 of upgrading the primary cables and risers to increase the capacity of distribution station MS28-2 from 23.3 MVA to 32 MVA, as well as the avoided cost (savings) of postponing the voltage conversion including adverse impact on losses and reliability, if any.

Additionally, this analysis must include a clear and concise calculation of the amount of capital contributions in aid of construction that should have been assessed and collected from developers to offset the total costs of the project. Once this amount has been determined, the OEB will determine the appropriate amount to deduct from the overall cost of the project.

2. **Demonstration of reliability improvements** – Lakefront Utilities must provide evidence that this project has resulted in measurable reliability enhancements.

The OEB considers these conditions necessary to ensure accountability while recognizing the need for infrastructure investment. Upon satisfactory completion of these requirements, the OEB will assess the overall prudence and appropriateness of recovering the remaining balance of the capital costs, net of capital contributions in aid of construction, associated with this project. The OEB's decision balances the need for timely infrastructure investment with prudent regulatory oversight. By approving partial funding and establishing a deferral account, Lakefront Utilities will receive some funding support for its capital expenditures while remaining accountable for cost management

and project execution efficiency, ensuring that ratepayers are not burdened with unnecessary costs.

## 4. IMPLEMENTATION

This Decision and Order is accompanied by a revised ICM model (Schedule A) and an Accounting Order (Schedule B).

The ICM model reflects the implementation of the approval of 50% of the maximum eligible incremental capital, as outlined in the findings, and calculates the approved rate riders for each rate class.

The Accounting Order is approved for the deferral account to track the remaining portion of the funding request, as outlined in the findings.

Before any decision can be made by the OEB regarding the rate change and disposition of the 2016 to 2023 Group 1 variance account balances, the OEB requires Lakefront Utilities to provide an updated Rate Generator Model reflecting the panel findings. Once the updated models have been received, the OEB will establish procedural steps for addressing the rate change and disposition of Group 1 variance account balances.

## 5. ORDER

### THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Rate Riders set out in Schedule A of this Decision and Order are approved effective May 1, 2025. The Rate Riders will apply to electricity consumed or estimated to have been consumed on and after May 1, 2025.
2. The Accounting Order in Schedule B of this Decision and Order is approved effective May 1, 2025
3. Lakefront Utilities shall file an updated Rate Generator Model by **April 3, 2025**.

Parties are responsible for ensuring that any documents they file with the OEB, such as applicant and intervenor evidence, interrogatories and responses to interrogatories or any other type of document, **do not include personal information** (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's [Rules of Practice and Procedure](#).

Please quote file number, **EB-2024-0038** for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the [OEB's online filing portal](#).

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address.
- Please use the document naming conventions and document submission standards outlined in the [Regulatory Electronic Submission System \(RESS\) Document Guidelines](#) found at the [File documents online page](#) on the OEB's website.
- Parties are encouraged to use RESS. Those who have not yet [set up an account](#), or require assistance using the online filing portal can contact [registrar@oeb.ca](mailto:registrar@oeb.ca) for assistance.
- Cost claims are filed through the OEB's online filing portal. Please visit the [File documents online page](#) of the OEB's website for more information. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the [Practice Direction on Cost Awards](#).

All communications should be directed to the attention of the Registrar and be received by end of business, 4:45 p.m., on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Harshleen Kaur at [Harshleen.Kaur@oeb.ca](mailto:Harshleen.Kaur@oeb.ca), and OEB Counsel, James Sidlofsky at [James.Sidlofsky@oeb.ca](mailto:James.Sidlofsky@oeb.ca).

Email: [registrar@oeb.ca](mailto:registrar@oeb.ca)

Tel: 1-877-632-2727 (Toll free)

**DATED** at Toronto, March 27, 2025

**ONTARIO ENERGY BOARD**

Nancy Marconi  
Registrar



**SCHEDULE A**  
**DECISION AND ORDER**  
**LAKEFRONT UTILITIES INC.**

**ICM Model**

**EB-2024-0038**

**MARCH 27, 2025**



Ontario Energy Board

# Capital Module Applicable to ACM and ICM

Note: Depending on the selections made below, certain worksheets in this workbook will be hidden.

Version 1.0

Utility Name Lakefront Utilities Inc.

Assigned EB Number EB-2024-0038

Name of Contact and Title Danielle Wakelin, Manager of Regulatory Compliance

Phone Number 905-372-2193 extension 5256

Email Address regulatory@lusi.on.ca

Is this Capital Module being filed in a CoS or Price-Cap IR Application? Price-Cap IR

Rate Year 2023

Indicate the Price-Cap IR Year (1, 2, 3, 4, etc) in which Lakefront Utilities Inc. is applying: 1

Next OEB Scheduled Rebasing Year 2027

Lakefront Utilities Inc. is applying for: ICM Rate Rider Approval

Last Rebasing Year: 2022

The most recent complete year for which actual billing and load data exists 2021

Current IPI 3.70%

Stretch Factor Assigned to Middle Cohort\* III

Stretch Factor Value 0.30%

Price Cap Index 3.40%

Based on the inputs above, the growth factor utilized in the Materiality Threshold Calculation will be determined by:

Revenues Based on 2022 Board-Approved Distribution Demand

Revenues Based on 2021 Actual Distribution Demand

### Notes

Pale green cells represent input cells.

Pale blue cells represent drop-down lists. The applicant should select the appropriate item from the drop-down list.

White cells contain fixed values, automatically generated values or formulae.

This Workbook Model is protected by copyright and is being made available to you solely for the purpose of filing your ICM application. You may use and copy this model for that purpose, and provide a copy of this model to any person that is advising or assisting you in that regard. Except as indicated above, any copying, reproduction, publication, sale, adaptation, translation, modification, reverse engineering or other use or dissemination of this model without the express written consent of the Ontario Energy Board is prohibited. If you provide a copy of this model to a person that is advising or assisting you in preparing the application or reviewing your draft rate order, you must ensure that the person understands and agrees to the restrictions noted above.

While this model has been provided in Excel format and is required to be filed with the applications, the onus remains on the applicant to ensure the accuracy of the data and the results.

\*As per ACM/ICM policy, the middle cohort stretch factor is applied to all ACM/ICM applications.

OEB policies regarding rate-setting and rebasing following distributor consolidations could allow a distributor to not rebase rates for up to ten years. A distributor could also apply for and receive OEB approval to defer rebasing. If a distributor is under Price Cap IR for more than four years after rebasing and applies for an ICM, this spreadsheet will need to be adapted to accommodate those circumstances. The distributor should contact OEB staff to discuss the circumstances so that a customized model can be provided.



Ontario Energy Board

# Capital Module

## Applicable to ACM and ICM

Lakefront Utilities Inc.

Select the appropriate rate classes as they appear on your most recent Board-Approved Tariff of Rates and Charges, excluding the MicroFit Class.

How many classes are on your most recent Board-Approved Tariff of Rates and Charges?

7

Select Your Rate Classes from the **Blue Cells** below. Please ensure that a rate class is assigned to each shaded cell.

	Rate Class Classification
1	RESIDENTIAL
2	GENERAL SERVICE LESS THAN 50 kW
3	GENERAL SERVICE 50 TO 2,999 KW
4	GENERAL SERVICE 3,000 TO 4,999 KW - INTERMEDIATE USE
5	STREET LIGHTING
6	SENTINEL LIGHTING
7	UNMETERED SCATTERED LOAD

# Capital Module

## Applicable to ACM and ICM

Lakefront Utilities Inc.

Input the billing determinants associated with Lakefront Utilities Inc.'s Revenues Based on 2022 Board-Approved Distribution Demand. Input the current approved distribution rates. Sheets 4 & 5 calculate the NUMERATOR portion of the growth factor calculation.

2022 Board-Approved Distribution Demand

Current Approved Distribution Rates

Rate Class	Units	Billed Customers or Connections	Billed kWh	Billed kW (if applicable)	Monthly Service Charge	Distribution Volumetric Rate kWh	Distribution Volumetric Rate kW
RESIDENTIAL	\$/kWh	9,611	75,290,019		24.24		
GENERAL SERVICE LESS THAN 50 KW	\$/kWh	1,148	34,580,902		25.50	0.0090	
GENERAL SERVICE 50 TO 2,999 KW	\$/kW	105	107,176,718	282,610	90.72		3.6300
GENERAL SERVICE 3,000 TO 4,999 KW - INTERMEDIATE USE	\$/kW	1	19,493,265	47,088	5414.01		2.0193
STREET LIGHTING	\$/kWh	3,159	1,091,871	2,919	1.85		4.8397
SENTINEL LIGHTING	\$/kWh	49	44,683	134	5.88		13.4029
UNMETERED SCATTERED LOAD	\$/kWh	80	617,799		9.73	0.0145	

# Capital Module

## Applicable to ACM and ICM

Lakefront Utilities Inc.

Calculation of pro forma 2022 Revenues. No input required.

Rate Class	2022 Board-Approved Distribution Demand			Current Approved Distribution Rates			Service Charge Revenue	Distribution Volumetric Rate Revenue kWh	Distribution Volumetric Rate Revenue kW	Revenues from Rates	Service Charge % Revenue	Distribution Volumetric Rate % Revenue kWh	Distribution Volumetric Rate % Revenue kW	Total % Revenue
	Billed Customers or Connections	Billed kWh	Billed kW (if applicable)	Monthly Service Charge	Distribution Volumetric Rate kWh	Distribution Volumetric Rate kW								
	A	B	C	D	E	F	G	H	I	J	K = G / J	L = H / J	M = I / J	N
RESIDENTIAL	9,611	75,290,019		24.24	0.0000	0.0000	2,795,648	0	0	2,795,648	100.0%	0.0%	0.0%	57.5%
GENERAL SERVICE LESS THAN 50 kW	1,148	34,580,902		25.50	0.0090	0.0000	351,288	311,228	0	662,516	53.0%	47.0%	0.0%	13.6%
GENERAL SERVICE 50 TO 2,999 KW	105	107,176,718	282,610	90.72	0.0000	3.6300	114,307	0	1,025,874	1,140,182	10.0%	0.0%	90.0%	23.4%
GENERAL SERVICE 3,000 TO 4,999 KW - INTERMEDIATE USE	1	19,493,265	47,088	5,414.01	0.0000	2.0193	64,968	0	95,085	160,053	40.6%	0.0%	59.4%	3.3%
STREET LIGHTING	3,159	1,091,871	2,919	1.85	0.0000	4.8397	70,130	0	14,127	84,257	83.2%	0.0%	16.8%	1.7%
SENTINEL LIGHTING	49	44,683	134	5.88	0.0000	13.4029	3,457	0	1,796	5,253	65.8%	0.0%	34.2%	0.1%
UNMETERED SCATTERED LOAD	80	617,799		9.73	0.0145	0.0000	9,341	8,958	0	18,299	51.0%	49.0%	0.0%	0.4%
<b>Total</b>	<b>14,153</b>	<b>238,295,257</b>	<b>332,751</b>				<b>3,409,139</b>	<b>320,186</b>	<b>1,136,882</b>	<b>4,866,207</b>				<b>100.0%</b>

# Capital Module

## Applicable to ACM and ICM

Lakefront Utilities Inc.

Last COS Rebasing: 2022

### Applicants Rate Base

#### Average Net Fixed Assets

Gross Fixed Assets - Re-based Opening	\$ 37,013,280	A			
Add: CWIP Re-based Opening		B			
Re-based Capital Additions	\$ 1,860,000	C			
Re-based Capital Disposals		D			
Re-based Capital Retirements		E			
Deduct: CWIP Re-based Closing		F			
Gross Fixed Assets - Re-based Closing	\$ 38,873,280	G			
Average Gross Fixed Assets			\$ 37,943,280		H = ( A + G ) / 2

Accumulated Depreciation - Re-based Opening	\$ 17,021,302	I			
Re-based Depreciation Expense	\$ 1,001,951	J			
Re-based Disposals		K			
Re-based Retirements		L			
Accumulated Depreciation - Re-based Closing	\$ 18,023,253	M			
Average Accumulated Depreciation			\$ 17,522,278		N = ( I + M ) / 2

#### Average Net Fixed Assets

\$ 20,421,003 O = H - N

#### Working Capital Allowance

Working Capital Allowance Base	\$ 32,741,662	P			
Working Capital Allowance Rate	7.5%	Q			
Working Capital Allowance			\$ 2,455,625		R = P * Q

#### Rate Base

\$ 22,876,627 S = O + R

#### Return on Rate Base

Deemed ShortTerm Debt %	4.00%	T	\$ 915,065		W = S * T
Deemed Long Term Debt %	56.00%	U	\$ 12,810,911		X = S * U
Deemed Equity %	40.00%	V	\$ 9,150,651		Y = S * V
Short Term Interest	1.17%	Z	\$ 10,706		AC = W * Z
Long Term Interest	3.46%	AA	\$ 443,258		AD = X * AA
Return on Equity	8.66%	AB	\$ 792,446		AE = Y * AB
Return on Rate Base			\$ 1,246,410		AF = AC + AD + AE

#### Distribution Expenses

OM&A Expenses	\$ 2,825,741	AG			
Amortization	\$ 1,001,950	AH			
Ontario Capital Tax	\$ 58,058	AI			
Grossed Up Taxes/PILs	\$ 111,760	AJ			
Low Voltage		AK			
Transformer Allowance	\$ 140,166	AL			
		AM			
		AN			
		AO			
			\$ 4,137,675		AP = SUM ( AG : AO )

#### Revenue Offsets

Specific Service Charges	-\$ 143,880	AQ			
Late Payment Charges	-\$ 45,500	AR			
Other Distribution Income	-\$ 234,892	AS			
Other Income and Deductions	-\$ 5,000	AT			
			\$ 429,272		AU = SUM ( AQ : AT )

#### Revenue Requirement from Distribution Rates

\$ 4,954,813 AV = AF + AP + AU

#### Rate Classes Revenue

Rate Classes Revenue - Total (Sheet 4) \$ 4,866,207 AW

# Capital Module

## Applicable to ACM and ICM

Lakefront Utilities Inc.

Input the billing determinants associated with Lakefront Utilities Inc.'s Revenues Based on 2021 Actual Distribution Demand. This sheet calculates the DENOMINATOR portion of the growth factor calculation. Pro forma Revenue Calculation.

Rate Class	2021 Actual Distribution Demand			Current Approved Distribution Rates			Service Charge Revenue	Distribution Volumetric Rate Revenue kWh	Distribution Volumetric Rate Revenue kW	Total Revenue By Rate Class	Service Charge % Revenue	Distribution Volumetric Rate % Revenue kWh	Distribution Volumetric Rate % Revenue kW	Total % Revenue
	Billed Customers or Connections	Billed kWh	Billed kW	Monthly Service Charge	Distribution Volumetric Rate kWh	Distribution Volumetric Rate kW								
	A	B	C	D	E	F	G	H	I	J	K = G / J <sub>total</sub>	L = H / J <sub>total</sub>	M = I / J <sub>total</sub>	N
RESIDENTIAL	9,524	78,651,597		24.24	0.0000	0.0000	2,770,341	0	0	2,770,341	57.8%	0.0%	0.0%	57.8%
GENERAL SERVICE LESS THAN 50 KW	1,128	33,171,006		25.50	0.0090	0.0000	345,168	298,539	0	643,707	7.2%	6.2%	0.0%	13.4%
GENERAL SERVICE 50 TO 2,999 KW	103	107,887,245	279,167	90.72	0.0000	3.6300	112,130	0	1,013,377	1,125,507	2.3%	0.0%	21.1%	23.5%
GENERAL SERVICE 3,000 TO 4,999 KW - INTERMEDIATE USE	1	20,432,048	40,068	5,414.01	0.0000	2.0193	64,968	0	80,909	145,877	1.4%	0.0%	1.7%	3.0%
STREET LIGHTING	3,082	1,077,952	2,924	1.85	0.0000	4.8397	68,420	0	14,149	82,569	1.4%	0.0%	0.3%	1.7%
SENTINEL LIGHTING	51	43,703	121	5.88	0.0000	13.4029	3,599	0	1,627	5,226	0.1%	0.0%	0.0%	0.1%
UNMETERED SCATTERED LOAD	82	619,570		9.73	0.0145	0.0000	9,574	8,984	0	18,558	0.2%	0.2%	0.0%	0.4%
<b>Total</b>	<b>13,971</b>	<b>241,883,122</b>	<b>322,280</b>				<b>3,374,200</b>	<b>307,523</b>	<b>1,110,062</b>	<b>4,791,786</b>				<b>100.0%</b>

# Capital Module

## Applicable to ACM and ICM

Lakefront Utilities Inc.

**Current Revenue from Rates**

This sheet is used to determine the applicant's most current allocation of revenues (after the most recent revenue to cost ratio adjustment, if applicable) to appropriately allocate the incremental revenue requirement to the classes.

Rate Class	Current OEB-Approved Base Rates			2022 Board-Approved Distribution Demand			Current Base Service Charge Revenue	Current Base Distribution Volumetric Rate kWh Revenue	Current Base Distribution Volumetric Rate kW Revenue	Total Current Base Revenue	Service Charge % Total Revenue	Distribution Volumetric Rate % Total Revenue	Distribution Volumetric Rate % Total Revenue	Total % Revenue
	Monthly Service Charge	Distribution Volumetric Rate kWh	Distribution Volumetric Rate kW	Re-based Billed Customers or Connections	Re-based Billed kWh	Re-based Billed kW								
	A	B	C	D	E	F	G	H	I	J	L = G / J <sub>total</sub>	M = H / J <sub>total</sub>	N = I / J <sub>total</sub>	O
RESIDENTIAL	24.24	0	0	9,611	75,290,019	0	2,795,648	0	0	2,795,648	57.45%	0.00%	0.00%	57.5%
GENERAL SERVICE LESS THAN 50 KW	25.50	0.009	0	1,148	34,580,902	0	351,288	311,228	0	662,516	7.22%	6.40%	0.00%	13.6%
GENERAL SERVICE 50 TO 2,999 KW	90.72	0	3.63	105	107,176,718	282,610	114,307	0	1,025,874	1,140,182	2.35%	0.00%	21.08%	23.4%
GENERAL SERVICE 3,000 TO 4,999 KW - INTERMEDIATE USE	5414.01	0	2.0193	1	19,493,265	47,088	64,968	0	95,085	160,053	1.34%	0.00%	1.95%	3.3%
STREET LIGHTING	1.85	0	4.8397	3,159	1,091,871	2,919	70,130	0	14,127	84,257	1.44%	0.00%	0.29%	1.7%
SENTINEL LIGHTING	5.88	0	13.4029	49	44,683	134	3,457	0	1,796	5,253	0.07%	0.00%	0.04%	0.1%
UNMETERED SCATTERED LOAD	9.73	0.0145	0	80	617,799	0	9,341	8,958	0	18,299	0.19%	0.18%	0.00%	0.4%
<b>Total</b>							<b>3,409,139</b>	<b>320,186</b>	<b>1,136,882</b>	<b>4,866,207</b>				<b>100.0%</b>



# Capital Module Applicable to ACM and ICM

Lakefront Utilities Inc.

No Input Required.

## Final Materiality Threshold Calculation

$$\text{Threshold Value (\%)} = 1 + \left[ \left( \frac{RB}{d} \right) \times (g + PCI \times (1 + g)) \right] \times ((1 + g) \times (1 + PCI))^{n-1} + 10\%$$

<b>Cost of Service Rebasing Year</b>	<b>2022</b>	
<b>Price Cap IR Year in which Application is made</b>	<b>1</b>	<i>n</i>
<b>Price Cap Index</b>	<b>3.40%</b>	<i>PCI</i>
<b>Growth Factor Calculation</b>		
Revenues Based on 2022 Board-Approved Distribution	\$4,866,207	
Demand	\$4,791,786	
Revenues Based on 2021 Actual Distribution Demand		<i>g (Note 1)</i>
<b>Growth Factor</b>	<b>1.55%</b>	
<b>Dead Band</b>	<b>10%</b>	
<b>Average Net Fixed Assets</b>		
Gross Fixed Assets Opening	\$ 37,013,280	
Add: CWIP Opening	\$ -	
Capital Additions	\$ 1,860,000	
Capital Disposals	\$ -	
Capital Retirements	\$ -	
Deduct: CWIP Closing	\$ -	
Gross Fixed Assets - Closing	\$ 38,873,280	
<b>Average Gross Fixed Assets</b>	<b>\$ 37,943,280</b>	
Accumulated Depreciation - Opening	\$ 17,021,302	
Depreciation Expense	\$ 1,001,951	
Disposals	\$ -	
Retirements	\$ -	
Accumulated Depreciation - Closing	\$ 18,023,253	
<b>Average Accumulated Depreciation</b>	<b>\$ 17,522,278</b>	
<b>Average Net Fixed Assets</b>	<b>\$ 20,421,003</b>	
<b>Working Capital Allowance</b>		
Working Capital Allowance Base	\$ 32,741,662	
Working Capital Allowance Rate	8%	
<b>Working Capital Allowance</b>	<b>\$ 2,455,625</b>	
<b>Rate Base</b>	<b>\$ 22,876,627</b>	<i>RB</i>
<b>Depreciation</b>	<b>\$ 1,001,951</b>	<i>d</i>
<b>Threshold Value (varies by Price Cap IR Year subsequent to CoS rebasing)</b>		
Price Cap IR Year 2023	224%	
Price Cap IR Year 2024	230%	
Price Cap IR Year 2025	236%	
Price Cap IR Year 2026	242%	
Price Cap IR Year 2027	249%	
Price Cap IR Year 2028	256%	
Price Cap IR Year 2029	263%	
Price Cap IR Year 2030	271%	
Price Cap IR Year 2031	279%	
Price Cap IR Year 2032	287%	
<b>Threshold CAPEX</b>		<i>Threshold Value × d</i>
Price Cap IR Year 2023	\$ 2,247,331	
Price Cap IR Year 2024	\$ 2,304,658	
Price Cap IR Year 2025	\$ 2,364,855	
Price Cap IR Year 2026	\$ 2,428,065	
Price Cap IR Year 2027	\$ 2,494,439	
Price Cap IR Year 2028	\$ 2,564,136	
Price Cap IR Year 2029	\$ 2,637,322	
Price Cap IR Year 2030	\$ 2,714,172	
Price Cap IR Year 2031	\$ 2,794,869	
Price Cap IR Year 2032	\$ 2,879,605	

**Note 1:** The growth factor *g* is annualized, depending on the number of years between the numerator and denominator for the calculation. Typically, for ACM review in a cost of service and in the fourth year of Price Cap IR, the ratio is divided by 2 to annualize it. No division is normally required for the first three years under Price Cap IR.



# Capital Module

## Applicable to ACM and ICM

Lakefront Utilities Inc.

Incremental Capital Adjustment

Rate Year:

2023

**Current Revenue Requirement**

Current Revenue Requirement - Total	\$	4,954,813	
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A

**Eligible Incremental Capital for ACM/ICM Recovery**

	Total Claim		Eligible for ACM/ICM (Full Year Prorated Amount) <i>(from Sheet 10b)</i>	
Amount of Capital Projects Claimed	\$ 2,535,311		\$ 1,058,748	B
Depreciation Expense	\$ 56,026		\$ 23,397	C
CCA	\$ 202,825		\$ 84,700	V

**ACM/ICM Incremental Revenue Requirement Based on Eligible Amount in Rate Year**

**Return on Rate Base**

Incremental Capital			\$ 1,058,748	
Depreciation Expense (prorated to Eligible Incremental Capital)			\$ 23,397	C
Incremental Capital to be included in Rate Base (average NBV in year)			\$ 1,047,050	D = B - C/2
	<i>% of capital structure</i>			
Deemed Short-Term Debt	4.0%	E	\$ 41,882	G = D * E
Deemed Long-Term Debt	56.0%	F	\$ 586,348	H = D * F
	<i>Rate (%)</i>			
Short-Term Interest	1.17%	I	\$ 490	K = G * I
Long-Term Interest	3.46%	J	\$ 20,288	L = H * J
Return on Rate Base - Interest			\$ 20,778	M = K + L
	<i>% of capital structure</i>			
Deemed Equity %	40.00%	N	\$ 418,820	P = D * N
	<i>Rate (%)</i>			
Return on Rate Base -Equity	8.66%	O	\$ 36,270	Q = P * O
Return on Rate Base - Total			\$ 57,047	R = M + Q

**Amortization Expense**

Amortization Expense - Incremental	C	\$ 23,397	
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S

**Grossed up Taxes/PILs**

Regulatory Taxable Income	O	\$ 36,270	
Add Back Amortization Expense (Prorated to Eligible Incremental Capital)	S	\$ 23,397	U
Deduct CCA (Prorated to Eligible Incremental Capital)		\$ 84,700	V
Incremental Taxable Income		-\$ 25,034	W = T + U - V
Current Tax Rate	26.5%	X	
Taxes/PILs Before Gross Up		-\$ 6,634	Y = W * X
Grossed-Up Taxes/PILs		-\$ 9,026	Z = Y / (1 - X)

**Incremental Revenue Requirement**

Return on Rate Base - Total	Q	\$ 57,047	
Amortization Expense - Total	S	\$ 23,397	AA
Grossed-Up Taxes/PILs	Z	-\$ 9,026	AB
Incremental Revenue Requirement		\$ 71,418	AC

AD = AA + AB + AC

# Capital Module Applicable to ACM and ICM

Lakeland Utilities Inc.

Calculation of incremental rate rider. Choose one of the 3 options:

**Fixed and Variable Rate Riders**

Rate Class	Distribution			Distribution Volumetric			Total Revenue by Rate Class	Billed Customers or Connections	Billed kWh from Demand	Billed kW from Demand	Service Charge Rate			Distribution Volumetric Rate kWh Rate Rider			Distribution Volumetric Rate kW Rate Rider		
	Service Charge % Revenue	Distribution Volumetric Rate % Revenue kWh	Distribution Volumetric Rate % Revenue kW	Service Charge Revenue	Distribution Volumetric Rate Revenue kWh	Distribution Volumetric Rate Revenue kW					Cost of Col. L <sub>1</sub>	Cost of Col. L <sub>2</sub>	Cost of Col. L <sub>3</sub>	Cost of Col. L <sub>1</sub>	Cost of Col. L <sub>2</sub>	Cost of Col. L <sub>3</sub>	Cost of Col. L <sub>1</sub>	Cost of Col. L <sub>2</sub>	Cost of Col. L <sub>3</sub>
RESIDENTIAL	37.65%	0.00%	0.00%	45,000	0	0	41,020	9,811	72,292,013	0.36	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
GENERAL SERVICE LESS THAN 50 kW	7.22%	0.00%	0.00%	0.156	4,568	0	0.226	1,168	19,489,392	0.37	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
GENERAL SERVICE 50 TO 4,999 kW	2.25%	0.00%	0.00%	0.79	0	20,054	16,294	187	101,178,718	282.00	1.81	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
GENERAL SERVICE 5,000 TO 4,999 kW - INTERMEDIATE USE	1.84%	0.00%	0.00%	0.04	0	0.206	2,349	1	19,489,392	37,089	19.46	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
STREET LIGHTING	1.44%	0.00%	0.00%	1,000	0	207	1,227	1,219	1,000,000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
INDUSTRIAL LIGHTING	0.07%	0.00%	0.00%	0.1	0	26	27	46	44,883	154	0.04	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
UNMETERED SCATTERED LOAD	0.19%	0.19%	0.00%	137	131	0	394	40	812,794	0.14	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>Total</b>	<b>70.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>66,034</b>	<b>4,600</b>	<b>16,485</b>	<b>74,419</b>	<b>14,913</b>	<b>238,295,217</b>	<b>232.251</b>	<b>0.14</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

Note: As per the OEB's letter issued July 16, 2015 (OEB-2015-0410), Residential Rates will be applied on a fixed basis only.

**SCHEDULE B**  
**DECISION AND ORDER**  
**LAKEFRONT UTILITIES INC.**

**Accounting Order**

**EB-2024-0038**

**MARCH 27, 2025**

**DRAFT ACCOUNTING ORDER**  
**ACCOUNT 1508 – OTHER REGULATORY ASSETS,**  
**SUB-ACCOUNT MS28-3 SUBSTATION DEFERRAL ACCOUNT**

The MS28-3 Substation Deferral Account is established to record 50% of the revenue requirement impact associated with the maximum eligible incremental capital of \$2,117,497 for the MS28-3 substation project, as calculated by OEB staff. Additionally, the deferral account is to record the amount of capital contributions in aid of construction that is to be assessed and collected by Lakefront Utilities to offset the total MS28-3 Substation project costs. Lakefront Utilities should follow the OEB's ICM accounting procedures<sup>36</sup> for the 50% portion that is approved in the Decision and Order.

Effective May 1, 2025, Lakefront Utilities shall establish the following six new sub-accounts under this deferral account:

1. *Account 1508 - Other Regulatory Assets, Sub-account MS28-3 Substation Deferral Account, Capital Expenditures*

This sub-account will be used to record the remaining portion of ICM funding requested capital expenditures, i.e., actual eligible MS28-3 Substation project costs up to 50% of \$2,117,497.

2. *Account 1508 - Other Regulatory Assets, Sub-account MS28-3 Substation Deferral Account, Capital Contribution*

This sub-account will be used to record the capital contributions that are assessed and collected by Lakefront Utilities for the MS28-3 Substation project.

3. *Account 1508 - Other Regulatory Assets, Sub-account MS28-3 Substation Deferral Account, Depreciation Expense*

This sub-account will be used to record the depreciation expense associated with the capital amounts recorded in the Sub-account MS28-3 Substation Deferral Accounts, Capital Expenditures.

4. *Account 1508 - Other Regulatory Assets, Sub-account MS28-3 Substation Deferral Account, Accumulated Depreciation*

This sub-account will be credited with the amounts charged to Sub-account MS28-3 Substation Deferral Accounts, Depreciation Expense.

5. *Account 1508 - Other Regulatory Assets, Sub-account MS28-3 Substation Deferral Account, Return and PILs*

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<sup>36</sup> [Ontario Energy Board Accounting Procedures Handbook Guidance](#), March 2015, Issues 13 and 14

This sub-account will be used to record return on rate base (i.e., interest and return on equity) and PILs associated with the amounts included in the Sub-account MS28-3 Substation Deferral Accounts, Capital Expenditures.

*6. Account 1508 - Other Regulatory Assets, Sub-account MS28-3 Substation Deferral Account, Carrying Charges*

This sub-account will be used to record carrying charges that apply to Sub-account MS28-3 Substation Deferral Account, Capital Expenditures.

Carrying charges will apply at the OEB's prescribed rates for deferral and variance accounts that are published on the OEB's website on a quarterly basis.<sup>37</sup>

At the time of Lakefront Utilities' next rebasing application, the OEB will assess the overall prudence and appropriateness of the MS28-3 Substation project costs, net of capital contributions in aid of construction, upon Lakefront Utilities' satisfactory completion of the requirements set out in the Decision and Order.

Additionally, the OEB will assess the amounts recorded in the deferral accounts in Lakefront Utilities' next rebasing, subject to the applicable criteria for causation, materiality, and prudence<sup>38</sup>, and will determine the disposition of the deferral accounts at that time.

Lakefront Utilities is expected to track the amounts recorded in the deferral accounts at a sufficiently detailed level to assist in a prudence review of the costs incurred. Lakefront Utilities is also expected to provide the revenue requirement impact calculation to support the amount recorded in the account.

**Sample Journal Entries:**

Dr. 1508 Other Regulatory Assets, Sub-account MS28-3 Substation Deferral Account, Capital Expenditures

Cr. 1XXX Fixed asset accounts associated with actual costs related to MS28-3 Substation

*To record the remaining portion of the capital costs for the MS28-3 Substation project*

Dr. 1609 Capital Contributions Paid

Cr. 1508 Other Regulatory Assets, Sub-account MS28-3 Substation Deferral Account, Capital Contribution

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<sup>37</sup> Per the OEB's [Prescribed Interest Rates](#) webpage

<sup>38</sup> Filing Requirements for Electricity Distribution Rate Applications - 202 Edition for 2024 Rate Applications, Chapter 2 Cost of Service, December 15, 2022, p. 66

*To record the Capital Contribution in Aid of Construction collected from developers to offset the amounts recorded in Sub-account MS28-3 Substation Deferral Account, Capital Expenditures*

Dr. 1508 Other Regulatory Assets, Sub-account MS28-3 Substation Deferral Account, Return and PILs

Cr. 3046 Balance Transferred from Income

*To record the Return on Equity component of Return on Rate Base associated with amounts recorded in sub-account MS28-3 Substation Deferral Account, Capital Expenditures*

Dr. 1508 Other Regulatory Assets, Sub-account MS28-3 Substation Deferral Account, Return and PILs

Cr. 4405 Interest and Dividend Income

*To record the Deemed Interest component of Return on Rate Base associated with amounts recorded in Sub-account MS28-3 Substation Deferral Account, Capital Expenditures*

Dr. 1508 Other Regulatory Assets, Sub-account MS28-3 Substation Deferral Account, Return and PILs

Cr. 6110 Income Taxes

*To record PILs associated with amounts recorded in Sub-account MS28-3 Substation Deferral Account, Capital Expenditures*

Dr. 1508 - Other Regulatory Assets, Sub-account MS28-3 Substation Deferral Account, Depreciation Expense

Cr. 1508 - Other Regulatory Assets, Sub-account MS28-3 Substation Deferral Account, Accumulated Depreciation

*To record depreciation expense associated with amounts recorded in Sub-account MS28-3 Substation Deferral Account, Capital Expenditures*

Dr. 1508 - Other Regulatory Assets, Sub-account MS28-3 Substation Deferral Account, Accumulated Depreciation

Cr. 1508 - Other Regulatory Assets, Sub-account MS28-3 Substation Deferral Account, Depreciation Expense

*To record depreciation expense associated with amounts recorded in Sub-account MS28-3 Substation Deferral Account, Capital Contribution*

Dr. 1508 - Other Regulatory Assets, Sub-account MS28-3 Substation Deferral Account, Carrying Charges

Cr. 6035 Other Interest Expense



*To record carrying Charges associated with amounts recorded in Sub-account MS28-3 Substation Deferral Account, Capital Expenditures and Sub-account MS28-3 Substation Deferral Account, Capital Contribution.*