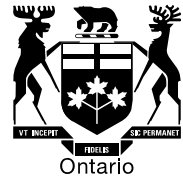


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**BY EMAIL**

December 18, 2013

Ontario Energy Board  
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[kirsten.walli@ontarioenergyboard.ca](mailto:kirsten.walli@ontarioenergyboard.ca)

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Lakefront Utilities Inc. ("LUI")  
2014 IRM Distribution Rate Application  
Board Staff Submission  
Board File No. EB-2013-0148**

In accordance with Procedural Order No.1, please find attached the Board Staff Submission in the above proceeding. This document is being forwarded to LUI and to all other registered parties to this proceeding.

LUI is reminded that its Reply Submission, if it intends to file one, is due by January 15, 2014.

Yours truly,

*Original Signed By*

Christiane Wong  
Information Administrator – Applications & Regulatory Audit



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

**2014 ELECTRICITY DISTRIBUTION RATES**

**Lakefront Utilities Inc.**

**EB-2013-0148**

**December 18, 2013**

**Board Staff Submission  
Lakefront Utilities Inc.  
2014 IRM Distribution Rate Application  
EB-2013-0148**

**Introduction**

Lakefront Utilities Inc. (“LUI”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on September 27, 2013, seeking approval for changes to the distribution rates that LUI charges for electricity distribution, to be effective May 1, 2014. The Application is based on the 2014 Incentive Regulation Mechanism (“IRM”).

The purpose of this document is to provide the Board with the submissions of Board staff based on its review of the evidence submitted by LUI.

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the models filed by LUI. In response to Board staff interrogatories, LUI confirmed there were errors and provided corrected data. Board staff will make the necessary corrections to LUI’s models at the time of the Board’s Decision on the Application.

Board staff makes detailed submissions on the following:

- Retail Transmission Service Rates (“RTSR”) Adjustment Workform;
- Review and Disposition of Group 1 Deferral and Variance Account Balances; and
- Review and Disposition of lost Revenue Adjustment Mechanism Variance Account (“LRAMVA”).

## **RTSR Adjustment Workform**

### *Background*

LUI requested an adjustment to its RTSRs, using the RTSR Workform provided by the Board to assist distributors to calculate their specific RTSR adjustments.

The data shown for Non-Loss Adjusted Metered kWh and kW in Sheet 4 “RRR data” of the RTSR Workform does not match with the LUI 2.1.5 Reporting and Record-keeping Requirements (“RRR”) filing.

In response to interrogatory #2, LUI explained that the reason for this was that it had inadvertently reported the 2.1.5 RRR filing at 2012 year end with the Loss Adjusted Billed kWh factor as per the RRR’s version dated March 7, 2012. LUI acknowledged that the reported metered kWh and kW for the 2012 year end 2.1.5 filing changed and should have been filed as per the RRR version dated October 15, 2013.

LUI stated that on December 6, 2013, it filed a RRR data revision request, for the purpose of correcting the above-described error, with the Board’s Conservation and Reporting group. However, as of the date of Board staff’s submission, this revised data had not been received by the Board.

### *Submission*

Board staff submits that LUI should immediately file the corrected data. If, in its reply submission LUI confirms that it has filed the corrected data, and received confirmation of acceptance from the Board’s Conservation and Reporting group, Board staff has no further concerns.

## **Review and Disposition of Group 1 Deferral and Variance Account Balances**

### *Background*

The Report of the Board on Electricity Distributions' Deferral and Variance Account Review Report ("The EDDVAR Report") provides that during the 4<sup>th</sup> Generation IRM plan term, the distributor's Group One audited account balances will be reviewed and disposed if the preset disposition threshold of \$0.001 per kWh (debit or credit) is exceeded.

In its Application, LUI stated that in the 2012 rate year, it moved global adjustment charges and revenues out of Account 1588 RSVA Power and into Account 1589 RSVA Global Adjustment. LUI indicated that its internal continuity schedules did not account for the journal entry movement, and the records had not removed global adjustment revenues and expenses from the balance of Account 1588. LUI determined that an adjusting entry of a debit of \$324,426 to Account 1588 Power is needed to correct the error. This adjusting entry is also noted as a variance between RRR 2.1.7 and the 2012 balance per the 2014 deferral and variance account (DVA) continuity schedule LUI submitted. LUI requested the Board approve this adjustment as a part of disposition of Account 1588.

LUI requested the Board approve its Group 1 DVA balances with interest projected to April 30, 2013 of a credit of \$1,623,380 (inclusive of the Account 1588 proposed adjustment). LUI proposed a one-year disposition period for its Group 1 account balances.

### *Submission*

In Board staff's interrogatories #8 and #9, Board staff requested that a further detailed explanation regarding the adjustment and the related journal entries be provided with respect to Account 1588 RSVA Power. Upon review of LUI's response to Board staff's interrogatories, Board Staff does not understand how LUI determined the correcting journal entry of \$324,426 to Account 1588 RSVA Power. In its review of the accounting entries proposed by LUI, Board staff is concerned that LUI may be double counting its accrual journal entry. It also appears that LUI is not reducing the higher of revenues or

expenses as seen in the calculation of the adjusted Account 1588 RSVA Power and Account 1589 RSVA Global Adjustment balances. Board staff submits that the Board may wish to consider disposing LUI's Group 1 DVA balances on an interim basis, with final disposition subject to the completion of an audit to be conducted by the Board's Regulatory Audit and Accounting group.

Board staff submits that LUI's proposed disposition period is consistent with the EDDVAR Report.

### **Review and Disposition of Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA")**

#### *Background*

The Board's *Guidelines for Electricity Distributor Conservation and Demand Management* (the "2012 CDM Guidelines") issued on April 26, 2012 outline the information that is required from a utility when filing an application for LRAMVA.

In the Application LUI requested the disposition of its LRAMVA of a total credit to customers of \$24,227.81, which included carrying charges of \$350.99. LUI's original LRAMVA amount consisted of lost revenues from 2012 Conservation and Demand Management ("CDM") savings in 2012.

In LUI's 2012 Cost of Service application (EB-2011-0250), the Board approved LUI's load forecast which included specific CDM components related to its 2011-2014 CDM targets. When calculating its LRAMVA, LUI appropriately offset its net CDM savings with the CDM components included in its load forecast.

Board staff IR#1 asked LUI whether or not it included the persisting CDM savings in 2012 from its 2011 CDM programs in its LRAMVA calculations. LUI responded that it had not included the 2011 persisting savings and subsequently updated its LRAMVA amount. LUI's updated LRAMVA amount is now a credit to customers of \$8,196, including \$199 in carrying charges.

## Submission

Board staff has reviewed LUI's LRAMVA calculations to ensure consistency with its 2012 Final Results which it received from the Ontario Power Authority ("OPA"). Board staff submits that LUI has appropriately relied on the OPA's 2012 Final CDM Results in calculating its LRAMVA amount. Further, Board staff agrees that LUI has properly calculated its lost revenues in relation to both its Residential and GS<50 kW rate classes.

However, it appears to Board staff that LUI has made a slight error when calculating the lost revenues attributable to its GS>50-2,999 kW rate class. It appears that LUI has converted the peak demand savings (kW) related to its Industrial and Pre-2011 Programs from kW values to kWh values. Board staff submits that since the GS>50-2,999 kW customers are billed on a kW basis, the net kW savings realized by LUI are the appropriate saving values to use when calculating the lost revenues associated with LUI's GS>50-2,999 kW rate class.

Board staff has re-calculated the lost revenues related to LUI's GS>50-2,999 kW rate class using the net kW CDM savings included in the OPA's 2012 Final CDM Results for LUI.

Board staff's calculations, as set out in the two tables below includes both the 2011 persisting peak demand (kW) savings in 2012 and new incremental 2012 peak demand (kW) savings in 2012. Board staff submits that the lost revenues attributable to LUI's GS>50-2,999 kW rate class should be a credit to customers of \$4,652, including \$67 in carrying charges, as opposed to LUI's updated LRAMVA amount which is a credit to customers for \$2,147, including \$31 in carrying charges.

Lakefront Utility Services Inc. - Board staff GS>50-2,999 (kW) LRAMVA Calculation

### GS>50-2,999 (kW)

<b>Industrial Program</b>	(kW)	(kW)	Months	Total kW Savings	
Retrofit (Efficiency: Equipment Replacement)	42		12	504	2011 persisting savings in 2012
DR3		98	5	490	2012 savings in 2012
<b>Pre-2011 Program</b>	(kW)	(kW)	Months	Total kW Savings	
Electricity Retrofit Incentive	19		12	228	2011 persisting savings in 2012
			<b>Totals</b>	<b>1,222</b>	

Lakefront Utility Services Inc. - Board staff LRAMVA Calculation

	CDM Approved in Rates		2011 Persisting CDM Savings in 2012		2012 CDM Savings in 2012		Total CDM Savings in 2012		CDM Savings Variance		Rates (Jan-Apr)		Rates (May-Dec)		LRAMVA Balance	Carrying Charges	TOTAL LRAMVA
	kWh	kW	kWh	kW	kWh	kW	kWh	kW	kWh	kW	kWh	kW	kWh	kW			
RESIDENTIAL (kWh)	1,049,050		255,337		155,205		410,542		-638,508		0.0134		0.0143		-\$8,939	-\$131	<b>-\$9,070</b>
GS<50 (kWh)	504,413		352,664		516,330		868,994		364,581		0.0081		0.0082		\$2,977	\$44	<b>\$3,021</b>
GS>50-2,999 (kW)		2,566		732		490		1,222		-1,344		3.4201		3.4067	-\$4,585	-\$67	<b>-\$4,652</b>
															-\$10,546	-\$154	<b>-\$10,700</b>

LUI's updated LRAMVA amount based on Board staff's calculations is a credit to customers of \$10,700, including \$154 in carrying charges. Board staff submits that the Board should approve the disposition of LUI's updated LRAMVA amount based on Board staff's calculations which appropriately reflect the lost revenues attributable to each rate class.

All of which is respectfully submitted