



**Lakefront
Utilities
Inc.**

January 15, 2014

Kristen Walli, Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street 27th Floor
Toronto ON
M4P 1E4

Dear Ms. Walli:

Re: Lakefront Utilities Inc.
EB-2013-0148 – 2014 IRM Rate Application

Lakefront Utilities Inc (“LUI”) received the Boards Staff and VECC Submission for its 2014 4th Generation Incentive Regulation Mechanism Application which is requesting new rates effective May 1, 2014 and noticed there is confirmation required prior to the issuance of the 2014 Final Tariff of Rates and Charges.

Board Staff Submission

RTSR Adjustment Workform

Lakefront Utilities Inc has corrected the data in its year end ‘2.1.5 Reporting and Record-keeping Requirement’ (“RRR”) filing on the date it was opened by board staff December 17th 2013. The year-end filing presently reflects the 2.1.5 RRR filing requirement change dated October 15th 2013 from uplifted to non-uplifted “without being grossed up for loss factor” in the data. This data matches the final RTSR Adjustment Workform submitted to the board during the EB-2013-0148 2014 IRM Rate Application.

Review and Disposition of Group 1 Deferral and Variance Accounts Balances

Lakefront Utilities Inc stands by its submission balancing journal entry provided to board staff with respect to Account 1588 RSVA Power. Lakefront will dispose of LUI’s Group 1 DVA balances in this IRM EB 2013-0148 and will further investigate the concern raised by the Board Staff for preparation of the Boards Regulatory Audit and Accounting group final disposition.

Lost Revenue Adjustment Mechanism Variance Account “LRAMVA”

Lakefront Utilities Inc was required on initiative basis to annualize results from the OPA 2012 Final Verified CDM Results for the General Service > 50 rate class programs. In LUI’s attempt to be consistent annualizing the OPA 2012 Final Verified CDM Results for the GS > 50 class program ‘Demand Response 3’ it used its 2012 Cost of Service CDM Load Forecast data. Lakefront Utilities Inc used the factor of kWh to kW from the CDM component of OEB Approved 2012 COS Forecast and then applied the factor to the **annual** kWh’s awarded by OPA’s Final Verified 2012 Results. This method of calculation returned \$2,116 including \$31 carrying charges to the GS>50 class.

Following the interrogatories Lakefront Utilities Inc has accepted and adopted the Board Staff calculation of applying simple 5 months of peak demand to the DR3 program to the kW’s awarded in the OPA 2012 Final Verified CDM Results to determine the annual savings. This resulted in a non-material variance of \$2,536 including \$36 carrying charges to LUI’s GS>50 rate class between LUI’s method and the Board Staffs method. LUI’s updated LRAMVA amount for the GS>50 rate class is a credit of \$4,652 including \$67 in carrying charges.

Lakefront Utilities Inc is consistent with the Board Staff calculations by OPA Verified program initiative method and summarizes into rate classes to calculate persistence of programs and OPA 2012 Final CDM Results LRAMVA.

LRAM Rate Rider	LRAM	Interest	Total LRAM Claim
Residential	-\$8,939	-\$131	-\$9,071
General Service Less Than 50 kW	\$2,977	\$44	\$3,021
General Service 50 to 4,999 kW	-\$4,585	-\$67	-\$4,652
Total	-\$10,546	-\$155	-\$10,701

Vulnerable Energy Consumers Coalition Submission

As discussed above in Board Staff Submission for ‘LRAMVA’ Lakefront Utilities Inc has adopted the Board Staff calculation method and is consistent with the Board Staff calculations by OPA program initiative method and summarizes results into rate classes to calculate the LRAMVA.

In its submission, VECC suggested that Lakefront Utilities Inc should adjust its LRAMVA calculations to remove the results from the demand response program on the basis that;

- 2.7 There is no evidence that the program was actually activated and there is no evidence that the program had any effect on Lakefront's actual 2012 load.
- 2.8 It is not known from the evidence in this proceeding whether any Demand Response 3 activations in 2012 would have occurred at the same time as the customer's billing demand (kW) for the month was established, as the customer's monthly peak may not correspond to the system's peak.
- 2.9 Even if they were coincident, it is likely that the customer's second highest peak in the month is only slightly less than their highest peak and therefore, the impact on distribution revenues is likely to be minimal with virtually zero impact on billing demand

To iterate Lakefront's response to VECC Interrogatory #3(f), LUI used the OPA's 2012 Final Verified CDM Results Report dated September 3rd 2013 to determine its LRAMVA claim. Reviewing Page 9 of the LUI's OPA 2012 Final verified results indicates that the utility has one activated Demand Response Program 3 in its industrial class. Therefore, Lakefront appropriately included its results in its calculations. Lakefront maintains that its LRAMVA claim was calculated accordance with Section 3.2.6.1 of the Board guidelines - Disposition of the LRAMVA of the Chapter 3 - 4th Generation Incentive Rate-setting and Annual Incentive Rate-setting Index which state that "... the distributor has relied on the most recent and appropriate final CDM evaluation report from the OPA in support of its lost revenue calculation "

The OPA verified results is the direction given to utilities to determine LRAMVA claims and have been accepted by the Board in past decisions. In addition the OPA recently conducted a province wide audit to verify program conduct and procedures. Lakefront accomplished its OPA audit on October 30th 2013. On this basis, Lakefront is of the opinion that VECC's suggestion is unfounded and as such should be rejected by the Board.

Thank you for your acknowledgement of these proceedings.

If you require any additional information or clarification, please contact one of the undersigned.

Respectfully Submitted,

Original Signed

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