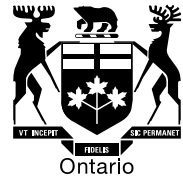


**Ontario Energy  
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**BY EMAIL**

January 30, 2015

Ontario Energy Board  
P.O. Box 2319  
27th Floor  
2300 Yonge Street  
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Lakefront Utilities Inc. ("Lakefront")  
2015 IRM Distribution Rate Application  
Board Staff Submission  
Board File No. EB-2015-0090**

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

Lakefront's Reply Submission, if it intends to file one, is due by February 13, 2015.

Yours truly,

*Original Signed By*

Kelli Benincasa  
Analyst, Electricity Rates and Accounting

Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

**2015 ELECTRICITY DISTRIBUTION RATES**

**Lakefront Utilities Inc.**

**EB-2014-0090**

**January 30, 2015**

## **Introduction**

Lakefront Utilities Inc. (“Lakefront”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on November 4, 2014 seeking approval for changes to the rates that Lakefront charges for electricity distribution, to be effective May 1, 2015. This Application is based on the 2015 Price Cap IR option.

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 Lakefront.

## **Retail Transmission Service Rates**

In the interrogatory phase, Board staff identified that Lakefront incorrectly entered Hydro One Sub-Transmission Rates which were effective January 1, 2013. Board staff noted the January 1, 2014 rates should have been entered. In its response to interrogatory #3, Lakefront incorrectly provided the rates from the Board’s decision on 2015 Uniform Electricity Transmission Rates<sup>1</sup>, which are not the applicable rates utilized by Hydro One. These rates reflect the amounts charged by the IESO. Notwithstanding this error, pursuant to Guideline G-2008-0001, updated on June 28, 2012, Board staff notes that the Board will update the applicable data at the time of this Decision based on the then-current Sub-Transmission Rates.

## **Shared-Tax-Savings**

In response to interrogatory #2, Lakefront confirmed it had entered the incorrect Taxable Capital, Regulatory Taxable Income, Tax Impact and Grossed up Tax Amount in the Rate Generator Model. Board staff has updated the Rate Generator Model to reflect the Revenue Requirement Work Form from the Board’s decision on Lakefront’s most recent cost of service application (EB-2011-0250). Board staff notes that with the changes agreed to by Lakefront during the interrogatory phase of this proceeding, the updated tax savings amount is a debit of \$8,068 with \$4,034 (50%) being charged to ratepayers.

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<sup>1</sup> Rate Order EB-2014-0357 2015 Uniform Electricity Transmission Rates

Board staff notes that the updated rate riders for the Residential, and General Service Less Than 50 kW rate classes, when rounded to 4 decimal places, are zero. In its reply submission, Lakefront may wish to indicate if it agrees to put the tax-sharing amount into Account 1595 for future disposition as per the Board's guidance in *Chapter 3 of the Filing Requirements for Electricity Distribution Rate Applications*<sup>2</sup>.

### Deferral and Variance Account Disposition

Lakefront completed the Deferral and Variance Account continuity schedule included in the 2015 IRM Rate Generator Model at Tab 5 for its Group 1 Deferral and Variance Accounts. The total Group 1 Deferral and Variance Account balances amount to a debit of \$1,342,322, as of December 31, 2012. The balance of the 1589 – Global Adjustment Account is a debit of \$261,028, as of December 31, 2012 and is applicable to only Non-RPP customers. This amount includes interest calculated to April 30, 2015. Based on the threshold test calculation, the Group 1 Deferral and Variance Account balances equate to \$0.0052 per kWh which exceeds the threshold and, as such, Lakefront is requesting disposition over a three-year period. Lakefront has requested a three-year rate rider due to the total bill impacts that the disposition of the Group 1 accounts has on the General Service 50 to 2999 kW customer class.

Table 1

Customer Class	One Year Disposition		Two Year Disposition		Three Year Disposition	
	\$ amount	Percentage	\$ amount	Percentage	\$ amount	Percentage
Residential	\$6.33	5.52%	\$3.89	3.39%	\$2.99	2.61%
GS Less than 50 kW	\$15.17	5.65%	\$9.07	3.37%	\$6.83	2.54%
GS 50 to 2999 kW	\$13,182.77	11.82%	\$10,710.23	9.60%	\$9,886.06	8.86%

In the Board's decision on Lakefront's 2014 IRM application (EB-2013-0148) the Board disposed of Lakefront's Group 1 balances on an interim basis pending the audit by the Audit and Performance Assessment group. Following the audit, Lakefront made all necessary adjustments to the accumulated Group 1 accounts as at December 31, 2012. In the Managers Summary section of the Application, Lakefront noted that it is not seeking disposition of the 2013 balances of Group 1 accounts. Lakefront is requesting final disposition of the adjustments in order to correct the already disposed of balances on an interim basis as at December 31, 2012. The letter dated October 30, 2014 from

<sup>2</sup> Chapter 3 - Filing Requirements For Electricity Distribution Rate Applications - 2014 Edition for 2015 Rate Applications – Page 21

the Audit and Performance Assessment Group lists all the adjustments and matches to the 2015 IRM Rate Generator Model at Tab 5 for its Group 1 Deferral and Variance Accounts claimed amount. Lakefront submitted that it required time to analyze and adjust the balances as per the new continuity schedules following the completion of the audit in October 2014. Because the Group 1 account balances as at December 31, 2013 have not been reported, Board staff is not able to conduct the threshold test calculation for December 31, 2013. Lakefront stated they will seek disposition of the December 31, 2013 balances in its 2016 rate application.

Given the timing of the audit, Board staff acknowledges that Lakefront may need time to complete their analysis of 2013 accounts. Board staff has no issue with Lakefront's request to dispose only of its 2012 Deferral and Variance Account balances at this time over the requested three-year period.

### **Revenue-to-Cost Ratio**

Board staff notes that the Revenue-to-Cost Ratio adjustments as contained in Lakefront's model are consistent with the changes approved in Lakefront's 2012 cost of service application (EB-2011-0250). Board staff has no concerns with the Revenue-to-Cost Ratio Adjustment as filed.

All of which is respectfully submitted