



**Lakefront  
Utilities  
Inc.**

February 13, 2015

Lillian Ing  
Case Administrator  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Mrs. Ing,

**Re: Lakefront Utilities Inc.  
2015 IRM Distribution Rate Application  
Board Staff Submission  
Board File No.: EB-2014-0090**

In accordance with Procedural Order #1, please find attached Lakefront Utilities Inc.'s responses to the Board Staff Submission in the above proceeding.

Should the board have questions regarding this matter please contact Adam Giddings at [agiddings@lusi.on.ca](mailto:agiddings@lusi.on.ca) or myself at [dpaul@lusi.on.ca](mailto:dpaul@lusi.on.ca)

Respectfully Submitted,

A blue ink handwritten signature, appearing to be 'Dereck C. Paul', is written over the 'Respectfully Submitted,' text.

Dereck C. Paul  
President  
Lakefront Utilities Inc.

**Lakefront Utilities Inc.  
EB-2014-0090  
Response to Submission**

**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 utility's response submission to Board Staff's comments received on January 30<sup>th</sup>, 2015.

**Retail Transmission Service Rates**

In the interrogatory phase, Board staff identified that Lakefront had 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, 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 noted in its submission that the Board would update the applicable data based on the then-current Sub-Transmission Rates, at the time of the Decision.

**Utility Submission:**

Lakefront is in agreement that pursuant to the Board's Guideline G-2008-0001, the Board will update the applicable data at the time of the 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 noted that with the changes agreed to by Lakefront during the interrogatory phase of this proceeding, the

updated tax savings amount resulted in a debit of \$8,068 with \$4,034 (50%) being charged to ratepayers.

Board staff also noted that the updated rate riders for the Residential, and General Service Less Than 50 kW rate classes, when rounded to 4 decimal places, were zero. In its reply submission, Board sought confirmation that Lakefront 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*.

### Utility Submission:

Lakefront confirms that the tax-sharing amount should be put into Account 1595 for future disposition, as per the *Chapter 3 of the Filing Requirements for Electricity Distribution Rate*.

### 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 approved disposition of Lakefront's Group 1 balances on an interim basis pending the OEB 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 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 we will seek disposition of the December 31, 2013 balances in the 2016 rate application. Given the timing of the audit, Board staff acknowledges that Lakefront may need time to complete the 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.

**Utility Submission:**

Lakefront agrees with Board Staff 'summary and views. The utility has no further comment on this issue.

**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.

**Utility Submission:**

Lakefront agrees with Board Staff 'summary and views. The utility has no further comment on this issue.

**Respectfully Submitted**