

**Lakeland Power Distribution Ltd.  
EB-2016-0090  
OEB Staff Questions relating to Parry Sound**

**Question 1**

**Ref: Parry Sound Tab #3 Continuity Schedule and Tab #20 Bill  
Impacts**

OEB staff notes the large transactions of \$3,144,883 in the 1589 account for 2015. Parry Sound Service Area has a total claim of \$337,489 resulting in a rate of .0104. This results in charge of \$7.80 for a typical Non-RPP customer at 750 kWh. OEB staff also notes the transactions amounts for 2014 were a credit balance of \$646,050.

Please explain the reasoning the for the large transaction amounts of \$3,144,883 in 2015.

**Response:**

In the past two IRM application decisions, it was determined that the balances in both 1588 and 1589 accounts for the Parry Sound service area needed to be reviewed. Lakeland agreed with this and undertook an in depth analysis of these accounts from 2010 onwards. Ultimately, the reconciliations and correction of prior year errors resulted in a large transaction amount in 2015. The two accounts needed to be looked at in conjunction with each other as they are closely related. The resulting adjustments are listed in the chart below.

Account	Description	Net for Year	Reconciliation	Embedded Generation	2015 Variance	Balance
<b>1588</b>	<b>RSVA - Power</b>	<b>-\$1,835,678.77</b>				<b>-\$1,835,678.77</b>
<b>Breakdown</b>						
Note 1	2010-2012 Rec		-\$124,173.09			\$124,173.09
Note 2	Q4 2011 Error		-\$245,675.69			\$245,675.69
Note 3	2014 13 mth GA error		-\$217,227.00			\$217,227.00
Note 4	2012-2015 True up		-\$1,196,282.79			\$1,196,282.79
	2015 annual variance				-\$52,320.20	\$52,320.20
<b>1588</b>		<b>-\$1,835,678.77</b>	<b>-\$1,783,358.57</b>	<b>\$0.00</b>	<b>-\$52,320.20</b>	<b>\$0.00</b>
<b>1589</b>	<b>RSVA - GA</b>	<b>\$3,144,882.99</b>				<b>\$3,144,882.99</b>
<b>Breakdown</b>						
Note 1	2010-2012 Rec		\$124,173.09			-\$124,173.09
Note 2	Q4 2011 Error		\$245,675.69			-\$245,675.69
Note 3	2014 13 mth GA error		\$217,227.00			-\$217,227.00
Note 4	2012-2015 True up		\$1,196,282.79			-\$1,196,282.79
Note 5	Jan 10-Jun 14 GA			\$1,076,205.03		-\$1,076,205.03
	2015 annual variance				\$285,319.39	-\$285,319.39
<b>1589</b>		<b>\$3,144,882.99</b>	<b>\$1,783,358.57</b>	<b>\$1,076,205.03</b>	<b>\$285,319.39</b>	<b>\$0.00</b>
<b>Net of 1588/1589</b>		<b>\$1,309,204.22</b>	<b>\$0.00</b>	<b>\$1,076,205.03</b>	<b>\$232,999.19</b>	<b>\$0.00</b>

Note 1 – the 2010-2012 annual true up reconciliation amount was booked to account 1588 and should have been 1589

Note 2 – 2011 overstatement of Q4 1588 due to error in the calculation of GA revenue versus GA cost – the variance was overstated to 1588 thus creating an overstatement of the liability in 1588

Note 3 – 2014 GA variance calculation used 13 months of revenue versus 12 months of cost resulting in an incorrect allocation between 1588 and 1589

Note 4 – 2012-2015 annual true up reconciliation between 1588 and 1589

Note 5 – Embedded generation for a hydro-electric plant within the Parry Sound territory was not included in the GA calculation for payment to IESO – cost of power was understated in the period of 2010-2014

## Question 2

**Ref: Parry Sound Tab #20 Bill Impacts and Chapter 3 page 10**

Chapter 3 states “Beyond the issue of residential rate design specifically addressed in this section, distributors are reminded that they must file a mitigation plan if total bill

increases for any customer class exceed 10%.” Bill impacts for Res Non-Rpp and General Service RPP and Non-RPP exceed 10%.

- a) Please provide reasons for not providing a mitigation plan.
- b) Please state any reasons that Lakeland Power would be against disposing of Parry Sound’s GA and DVA’s over 2 years.

**Response:**

Lakeland did not provide a rate mitigation plan for the non-RPP customers as the variances that created the largest increase were surrounding the accounts discussed in the question above. As much of the balance in these accounts are more than 4 years old, it was felt that the non-RPP customers had benefited over the past 4 years of no increases due to the GA variance and that Lakeland was bearing the cost of financing the variance. Lakeland will be applying in early 2017 in a full Cost of Service and was hoping to have all the legacy errors and corrections finalized and cleared prior to this, in order for the harmonization of rates between the two service areas to be more reflective of the current state.