



Lakefront  
Utilities  
Inc.

September 1, 2017

Ontario Energy Board  
P.O. Box 2319 27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, Ontario M4P 1E4

**Attention: Ms. Katherine Wang**  
**Regarding: GA Analysis Workform Questions**

Dear Ms. Wang,

Please find attached accompanying responses to the questions regarding the primary review of Lakefront's GA analysis work form.

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

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Adam Giddings".

Adam Giddings, CPA CA  
Manager of Regulatory Compliance and Finance  
Lakefront Utilities Inc.

Cc: Dereck C. Paul

## Questions in relation to GA Analysis Work Form

- The total metered kWh, RPP and Non-RPP data entered in Note 2 Consumption table does not match the Lakefront's 2016 RRR data – RRR 2.1.5.4. Please provide explanation for the discrepancies.

Note 2	Consumption Data Excluding for Loss Factor (Data to agree with RRR as applicable)		
Year			2016
Total Metered excluding WMP	C = A+B		187,590,005 kWh
RPP	A		103,486,539 kWh
Non RPP	B = D+E		84,103,466 kWh
Non-RPP Class A	D		- kWh
Non-RPP Class B*	E		84,103,466 kWh

Rate Class	Unit	Total Metered kWh	Total Metered kW	Metered kWh for Non-RPP Customers (excluding WMP)	Metered kW for Non-RPP Customers (excluding WMP)	Met Whc P
RESIDENTIAL SERVICE CLASSIFICATION	kWh	72,513,063	0	3,670,368	0	
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION	kWh	31,677,494	0	4,984,150	0	
GENERAL SERVICE 50 TO 2,999 KW SERVICE CLASSIFICATION	kW	115,497,447	322,074	108,146,304	283,594	
GENERAL SERVICE 3,000 TO 4,999 KW SERVICE CLASSIFICATION	kW	16,025,324	37,793	16,025,324	37,793	
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	611,896	0	53,380	0	
SENTINEL LIGHTING SERVICE CLASSIFICATION	kWh	45,673	127	4,831	13	
STREET LIGHTING SERVICE CLASSIFICATION	kWh	1,080,613	2,923	1,080,613	2,922	
<b>Total</b>		<b>237,451,511</b>	<b>362,917</b>	<b>133,964,971</b>	<b>324,322</b>	

## Lakefront Utilities Response

Lakefront has updated the data in Note 2 so that it agrees to RRR 2.1.5.4.

Note 2	Consumption Data Excluding for Loss Factor (Data to agree with RRR as applicable)		
Year			2016
Total Metered excluding WMP	C = A+B		237,451,511
RPP	A		103,486,540
Non RPP	B = D+E		133,964,971
Non-RPP Class A	D		-
Non-RPP Class B*	E		133,964,971

2. As indicated in Note 3 of the work form, Lakefront’s billing cycle is on a calendar month basis, and consumption for each billing cycle is billed in the subsequent month (ie. The amount that is billed in February is the unbilled for January.)
  - i. Please confirm that the Non-RPP Class B kWh amounts entered in column F below represent the kWh that was billed in each Month.
  - ii. Please enter the unbilled kWh for previous month and current month in column G and H.
  - iii. After the table is updated, please calculate the value of “F59/D26” in the work form and compare this value to the total loss factor of Lakefront, 1.0441. If there is a significant difference, please provide explanation.

Note 4 Analysis of Expected GA Amount		2016	
Year			
Calendar Month	Non-RPP Class B Including Loss Factor Billed Consumption (kWh)	Deduct Previous Month Unbilled Loss Adjusted Consumption (kWh)	Add Current Month Unbilled Loss Adjusted Consumption (kWh)
	F	G	H
January	10,050,369		
February	10,167,006		
March	10,352,938		
April	10,602,533		
May	11,245,025		
June	9,807,863		
July	8,938,620		
August	9,936,377		
September	10,221,121		
October	10,066,169		
November	9,673,275		
December	9,212,380		
<b>Net Change in Expected GA Balance in the Year (i.e. Transactions in the Year)</b>	<b>120,273,675</b>	-	-

**Lakefront Utilities Response**

- i. The Non-RPP Class B kWh amount entered in column F was not the billed amount each month. Lakefront has updated Note 4, column F to include the billed amount.

Lakefront has updated the GA Workform.

- ii. The unbilled kWh for previous month and current month have been entered in column G and H.

- iii. After the table was updated the value of "F59/D26" is 1.0455 which is reasonable compared to Lakefront's total loss factor of 1.0441. The difference equates to a kWh variance of approximately 0.14%.

3. Table in Note 5

Note 5		<u>Reconciling Items</u>	
	Item	Applicability of Reconciling Item (Y/N)	Amount (Quantify if it is a significant reconciling item)
<b>Net Change in Principal Balance in the GL (i.e. Transactions in the Year)</b>			<b>-\$ 1,576,125</b>
1a	Remove impacts to GA from prior year RPP Settlement true up process that are booked in current year	Y	-\$ 114,615
1b	Add impacts to GA from current year RPP Settlement true up process that are booked in subsequent year	Y	\$ 12,816
2a	Remove prior year end unbilled to actual revenue differences	Y	-\$ 1,018,782
2b	Add current year end unbilled to actual revenue differences	Y	\$ 1,168,622

i. 1a and 1b:

1) In booking expense journal entries for Charge Type 1142 (formerly 142), and Charge Type 148 from the IESO invoice, please confirm which of the following approach is used:

- a) Charge Type 1142 is booked into Account 1588. Charge Type 148 is pro-rated based on RPP/non-RPP consumption and then booked into Account 1588 and 1589, respectively
- b) Charge Type 148 is booked into Account 1589. The portion of Charge Type 1142 equalling RPP-HOEP for RPP consumption is booked into Account 1588. The portion of Charge Type 1142 equalling GA RPP is credited into Account 1589.
- c) Another approach. Please explain this approach in detail.

2) With regards to the Dec. 31 balance in Account 1589, please indicate whether the following items that flow into the account is based on estimates/accruals or actuals at year end:

- a) Revenues (i.e. is unbilled revenues trued up)
- bi) Expenses - GA non-RPP (Charge Type 148) with respect to the quantum dollar amount
- bii) Expenses - GA non-RPP (Charge type 148) with respect to RPP/non-RPP pro-ration percentages
- c) Credit of GA RPP (Charge Type 142) if the approach under IR 1b is used

3) For each adjustment please indicate whether the proposed adjustment trues up the following items to actual and provide the

amount of the true-up adjustment pertaining to each of the following items:

- a) Revenues (i.e. unbilled revenues)
  - bi) Expenses - GA non-RPP (Charge Type 148) with respect to the quantum dollar amount
  - bii) Expenses - GA non-RPP (Charge type 148) with respect to RPP/non-RPP pro-ration percentages
  - c) Credit of GA RPP (Charge Type 142) if the approach under IR 1b is used
- ii. 2a and 2b: Please confirm the big differences between unbilled and actual revenue. Please provide the total unbilled amounts at the end of 2015 and 2016, and the actual billed amounts for 2015 and 2016.
- iii. Item 7: Please explain why the “IESO compared to Billed” is one of the reconciling items?

IESO Invoice	Y	\$	1,534,005	Breakdown of Global Adjustment amount per the monthly IESO invoice is determined based on the data downloaded from Utilismart. The Global Adjustment billed to customers is based on the monthly consumption data per Northstar.
7 Consumption - IESO compared to Billed	Y	\$	1,534,005	

## Lakefront Utilities Response

- i.
1. In booking expense journal entries for Charge Type 1142 and Charge Type 148 from the IESO invoice, Lakefront confirms that approach a) is used. That is, Charge Type 1142 is booked into Account 1588 and Charge Type 148 is pro-rated based on RPP/non-RPP consumption and then booked into Account 1588 and 1589, respectively.
  2. With regards to the December 31<sup>st</sup> balance in Account 1589, Lakefront accounts for following:
    - a) Unbilled revenue is recorded at year end based on actuals and estimates. Some billing cycles have not been completed at the time of closing of year end, and therefore has to be estimated. Lakefront has provided a summary of the estimated unbilled revenue compared to actual.
    - b) Expenses for GA non-RPP (Charge Type 148) with respect to the quantum dollar amount is accrued at year end, based on the actual December invoice.

That is, the December invoice is received in mid-January and is accrued at December 31.

Similarly, the expenses – GA non-RPP (Charge Type 148) with respect to RPP/non-RPP pro-ration percentages is based on the actual invoice as indicated above.

c) The credit of GA RPP (Charge Type 142) the approach under IR 1b is not used.

3. The amount of the true-up adjustment pertaining to each of the following items, is as follows:

a) Lakefront estimates a portion of its unbilled revenue at year end. Below is a summary of the total unbilled revenue compared to actual for 2015 and 2016.

<b>Particulars</b>	<b>2015</b>	<b>2016</b>
Estimated Unbilled Revenue	2,932,088	3,830,569
Actual Unbilled Revenue	2,962,134	4,016,537
<b>Over (Under) Estimated</b>	<b>(30,046)</b>	<b>(185,968)</b>

The estimated unbilled revenue agrees to Lakefront’s audited financial statements and RRR 2.1.7. The significant difference in 2016 is primarily the result of one billing cycle which contains commercial customers that pay global adjustment. The billing cycle is estimated and any fluctuations in global adjustment could create significant differences between the estimate and actual.

b) Expenses associated with Charge Type 148 with respect to both the quantum dollar amount and the RPP/non-RPP pro-ration percentages, is based on the actual December invoice and therefore no true-up is necessary.

c) The credit of GA RPP (Charge Type 142) the approach under IR 1b is not used.

ii. See 3 (a) for a summary of the estimated unbilled revenue compared to actual. Unbilled revenue at year end typically fluctuates depending on the last billing date in the fiscal year, and the read date.

The estimated amount specifically associated with account 1589 is as follows:

Particulars	2015	2016
Estimated Unbilled Revenue	\$1,018,782	\$1,168,622
Actual Unbilled Revenue	\$1,020,011	\$1,221,898
<b>Over (Under) Estimated</b>	<b>(\$1,228)</b>	<b>(\$53,277)</b>

- iii. The reconciling item IESO compared to billed is due to the GA charge on the IESO invoice that is calculated based on IESO purchased consumption multiplied by the GA rate, less RPP consumption at the GA rate.

For example, the total billed per Lakefront's General Ledger for January 2016 was \$1,111,195 or 13,192,387 kWh which is taken from Lakefront's CIS system (Northstar). To determine the breakdown between RPP and non-RPP, Lakefront uses the total volume per Utilismart by taking the actual kWh volume purchased from the IESO to determine the total actual volume to be split between RPP and non-RPP. An IT system query is run, which identifies monthly consumption for non-RPP customers, with the difference being RPP volume.

The above method is consistent with process communicated by the Ontario Energy Board during Lakefront's audit of Group 1 Deferral and Variance Accounts performed by the Ontario Energy Board in 2014<sup>1</sup>.

Below is a summary of the reconciling item:

Month	Billed	GA Rate	kWh Billed (Non-RPP)	kWh Per Utilismart	Amount
January	\$1,111,195	\$0.08423	13,192,387	10,050,369	\$264,652
February	\$923,827	\$0.10384	8,896,641	10,167,006	(\$131,915)
March	\$1,231,022	\$0.09022	13,644,671	10,352,938	\$296,980
April	\$1,114,864	\$0.12115	9,202,348	10,602,533	(\$169,632)
May	\$1,271,363	\$0.10405	12,218,768	11,245,025	\$101,318
June	\$1,180,064	\$0.11650	10,129,302	9,807,863	\$37,448
July	\$1,453,202	\$0.07667	18,953,984	8,938,620	\$767,878
August	\$719,977	\$0.08569	8,402,113	9,936,377	(\$131,471)
September	\$1,046,770	\$0.07060	14,826,766	10,221,121	\$325,159
October	\$895,178	\$0.09720	9,209,653	10,066,169	(\$83,253)
November	\$1,062,915	\$0.12271	8,662,010	9,673,275	(\$124,092)
December	\$1,356,894	\$0.10594	12,808,134	9,212,380	\$380,934
<b>Total</b>	<b>\$13,367,271</b>				<b>\$1,534,005</b>

<sup>1</sup> Ontario Energy Board final audit report – November 12, 2014.