



Lakefront
Utilities
Inc.

Information

Lakefront Utilities Inc. (LUI) filed an IRM in August 2017 which included Deferral and Variance Account (DVA) balances at December 31, 2015.

Included in the DVA disposition was Disposition and Recover/Refund of Regulatory Balances (2012) of \$544,917. The balance is related to Lakefront's disposition from its 2012 Cost of Service filing consisting of a four year rate rider which ceased April 30, 2015.

As the balance requested for disposition is significant, Lakefront has prepared the following memo.

Beginning Balance

Lakefront's DVA disposition balance per its 2012 Cost of Service was \$1,206,169¹, consisting of DVA balances as at December 31, 2010. As indicated in LUI's 2012 Cost of Service filing, account 1562 and 1563 records the amount resulting from the OEB-approved PILs methodology for determining the 2001 deferral account allowance and the PILs proxy amount determined for 2002 and subsequent periods ending April 30, 2007. LUI requested the recovery of the December 31, 2010 audited balance credit of \$97,487 and indicated that it was currently undergoing the review of the account to present to the Board for disposition. In order to not delay any further the filing of Lakefront's 2012 Cost of Service rate application, Lakefront filed an application that fulfilled the filing requirements except for the completion of evidence to support the disposition of account 1562².

As indicated in Lakefront's Settlement Proposal, the final 1562 balance approved for disposition was a credit of \$416,304, as indicated below.

Based on the analysis, Lakefront's suggestion is to remove the disposition claim for Disposition and Recover/Refund of Regulatory Balances (2012) of \$551,374 from the 2018 IRM. Lakefront will further adjust for the entry to debit \$416,304 to account 1595 and determine the interest impact on recording the debit to 1595 in fiscal 2013 to determine the interest adjustment.

The result of the issue has not resulted in retroactive impact on rates.

¹ EB-2011-0250. Settlement Proposal filed April 26, 2016. Page 44.

² EB-2011-0250. Exhibit 9, Page 17.

Disposition Entry

Lakefront's journal entry to record the disposition of the approved DVA balances in 2012, was as follows:

DVAD Account	GL Adjustment
1550	\$101,408
1580	\$263,623
1584	(\$26,403)
1586	(\$31,723)
1588 (excluding GA)	\$411,307
1588 (GA)	\$115,424
1590	(\$292)
1595-2008	\$70
1508	(\$9,421)
1518	(\$45,145)
1548	(\$41,118)
1521	\$21,303
1582	(\$18,587)
1562	\$416,304
1592	\$49,420
1595- 2012	(\$1,206,170)
Total	\$0

Analysis

The total balance per **1562 and 1563** was (\$31,374.63) at December 31, 2010, not (\$416,304) as indicated per the 2012 Cost of Service filing. Further, the balance total net balance at December 31, 2011 of nil. The balance as at December 31 is summarized as follows:

GL Number	GL Description	12/31/10	12/31/11	12/31/12	12/31/13
02-100-1562-0000	Deferred PILs	(97,487.53)	(97,487.53)	(97,487.53)	0.00
02-100-1562-2000	Deferred PILs	0.00	(286,220.50)	130,083.50	0.00
02-100-1563-0000	Contra Deferred PILs	97,487.53	128,862.16	128,862.16	0.00
02-100-1563-2000	Contra Deferred PILs	(31,374.63)	254,845.87	254,845.87	0.00
Total		(31,374.63)	0.00	416,304.00	0.00

The net balance of \$416,304 at December 31, 2012 is the result of the adjusting journal entry to record the Cost of Service disposition. The total GL balances at December 31, 2010 and 2011, did not total a credit of \$416,304, as indicated by the final DVAD schedule filed with the OEB for Lakefront's 2012 Cost of Service filing. As a result, the entry to record the DVA disposition per the 2012 Cost of Service resulted in a debit balance at December 31, 2012.

The total GL of \$416,304 was credited in 2013 and allocated to the Disposition and Recovery of Regulatory balance (2012) associated with the 2012 Cost of Service disposition.

Lakefront has reconciled all Disposition and Recovery of Regulatory balance from 2008 to 2016, including the following:

1. Annual summary of principal and interest transactions;
2. Support for disposition of principal and interest;
3. Reconciliation of annual balance to Lakefront's RRR filing;
4. Summary of dispositions;
5. Summary of adjustments;

Conclusion

Lakefront Utilities Inc. recorded the DVA disposition in 2012, including the debit of \$416,304 to account 1562/1563. Lakefront also recorded a credit to account 1562/1563 of \$416,304.

As a result of the above transactions in 2012 and 2013, the net balance in 1562/1563 is nil. Further, the net balance recorded to 1595 was nil.

Lakefront proposes the following:

1. Remove the disposition claim for Disposition and Recover/Refund of Regulatory Balances (2012) of \$551,374 from the 2018 IRM.
2. Adjust for the entry to debit \$416,304 to account 1595. Discuss with auditors to ensure audit testing for 1595 balance and DVA accounts is increased.
3. Determine the interest impact on recording the debit to 1595 in fiscal 2013 to determine the interest adjustment.