



Lakefront  
Utilities  
Inc.

November 8, 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: OEB Staff Interrogatories – EB-2017-0057**

Dear Ms. Wang,

Please find attached accompanying responses to OEB Staff interrogatories in the above proceeding. As note in response #7 to the interrogatories, Lakefront Utilities is withdrawing its request to dispose of Group 1 DVAs.

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', written in a cursive style.

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

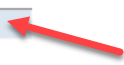
Cc: Dereck C. Paul

**Lakefront Utilities Inc.  
EB-2017-0057**

**Staff IR-1**

**Ref: IRM model – Tab 1: Rate-Setting Method**

As indicated in the Manager’s Summary, Lakefront Utilities selected the Price Cap Incentive Rate-setting (Price Cap IR) option to adjust its fixed and volumetric 2018 rates. However, in Tab 1 of the 2018 IRM model that filed by Lakefront Utilities, the “Annual IR Index” was selected in cell F28 for Rate-setting method. OEB staff has updated the model accordingly. Please confirm the “Price Cap IR” option should be selected in Tab 1 as Rate-setting method.

11		
12		
13		
14	<b>Utility Name</b>	Lakefront Utilities Inc.
17		
18	<b>Assigned EB Number</b>	EB-2017-0057
19		
20	<b>Name of Contact and Title</b>	Adam Giddings, Manager of Regulatory Compliance and F
21		
22	<b>Phone Number</b>	1-905-372-2193 ext: 5242
23		
24	<b>Email Address</b>	agiddings@lusi.on.ca
25		
26	<b>We are applying for rates effective</b>	Monday, January 1, 2018 +
27		
28	<b>Rate-Setting Method</b>	Annual IR Index 
29		
30	<b>Please indicate in which Rate Year the</b>	
31	<b>Group 1 accounts were last cleared<sup>1</sup></b>	2017
32	<b>Please indicate the last Cost of Service</b>	
33	<b>Re-Basing Year</b>	2017
34		
35	<b>Legend</b>	

**Lakefront Utilities Response**

Lakefront Utilities confirms that the Price Cap IR should have been selected.

## Staff IR-2

Ref: Account 1588 and Account 1589

- 1) In the Utilsmart and Northstar Reconciliation tab of the Utilsmart and Northstar Reconciliation spreadsheet, the Actual kWh less Billing kWh reconciling item of 1,255,465 appears to be the difference in actual versus approved loss factor.
  - a. Please confirm this.
  - b. Please explain how this aforementioned difference in loss factor was determined.
  - c. Please indicate what Lakefront Utilities' billing and actual loss factors are.
  - d. Please confirm this amount does not relate to billed quantities, but rather that the purchased quantities are different from the billed quantities. If so, please treat this item as a unique reconciling item and update the Global Adjustment Analysis Workform accordingly.
  
- 2) On page 66 of the application, it indicates that Lakefront reconciles estimates of RPP and non-RPP consumption to actuals on a monthly basis.
  - a. Please confirm that the RPP/non-RPP split is initially based on estimates and then trued up to actual split.
  - b. When Lakefront Utilities determines the actual RPP/non-RPP split does it calculate a ratio of total actual calendar month non-RPP consumption volumes vs. total actual calendar month volumes purchased (including both purchases from the IESO controlled grid and embedded generation volumes).
  - c. If not, please clarify Lakefront Utilities' process in determining the actual RPP/non-RPP split. Also, please calculate the RPP/non-RPP split for each month in 2016 based on the approach indicated in part b. of this question.
  
- 3) The RPP/non-RPP consumption split used to calculate the GA for non-RPP recorded in the GL in the Expense tab excludes 9,078,790 kWh of consumption from retailer and missing RPP customers as per the Utilsmart and Northstar Reconciliation tab.
  - a. Please explain why this consumption data is excluded from the RPP/non-RPP consumption split.
  - b. The Adjusted 1589 tab in the Utilsmart and Northstar Reconciliation spreadsheet adjusts the GA expenses based on a revised RPP/non-RPP consumption ratio that includes missing consumption data. Please explain if Lakefront Utilities is proposing to make an adjustment to Account 1589 and Account 1588 for this.
  - c. Please explain why Lakefront uses the consumption data from Utilsmart to determine the RPP/non-RPP consumption split and not the billing data from Northstar even though the billing data better represents the split that is being billed to customers.
  - d. In the Utilsmart and Northstar Reconciliation tab, there is a reconciling item for generation from microFit and FIT. Please explain why this generation factors into any of the sales volumes calculations when

embedded generation volumes are a component of wholesale energy purchases.

- e. Please confirm whether the embedded generation consumption is submitted to the IESO and whether Lakefront Utilities is charged the GA for embedded generation by the IESO.

4) The difference in GA revenues between the GA Analysis Workform and the GA revenues recorded in Lakefront Utilities' GL is due to the GA rate used. The annual non-RPP consumption (column I) of 135,414,613 kWh in the GA Analysis Workform agrees to consumption in the Revenue tab of the Utilsmart and Northstar Reconciliation spreadsheet. In the Revenue tab, the consumption is multiplied by the weighted average first estimate GA rate to calculate revenues. Please explain why a weighted average first GA rate is used as Lakefront bills on a calendar month basis and therefore, the first GA rate for the calendar month would apply.

5) With regards to the Dec. 31 balance in Account 1588, components that flow into Account 1588 (i to iv in table below) should all be based on actuals as at year end. Please complete the following table to a) indicate whether the component is based on estimates or actuals as at year end and b) quantify the adjustment pertaining to each component that is trued up from estimate to actual.

	<b>Component</b>	<b>a) Estimate or Actual</b>	<b>Notes/Comments</b>	<b>b) Quantify True Up Adjustment</b>
i	Revenues (i.e. is unbilled revenues trued up by year end)			
ii	Expenses – Commodity: Charge Type 101 (i.e. is expense based on IESO invoice at year end)			
ijj	Expenses - GA RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end)		Please confirm this is based on actual.	
iv	Expenses - GA RPP: Charge Type 148 with		Please confirm that this is based on the final actual RPP/non-RPP split from the Expenses tab in the	

	respect and RPP/non-RPP pro-ratio percentages		Utilismart and Northstar reconciliation spreadsheet.	
v	RPP Settlement: Charge Type 142 including any data used for determining the RPP/HOEP/RPP GA components of the charge type		See question 6 below for further details.	

- 6) On page 66 of the application, a RPP settlement true up is included in the next month's IESO submission.
- a) Please confirm whether this true up is included in the December 31, 2016 year end balance or in the following year.
  - b) If it is in the following year, please explain why there is no adjustment for the RPP settlement true up in the DVA Continuity Schedule for Account 1588 and revise the evidence as needed.
- 7) Lakefront Utilities indicated it has engaged its auditors to thoroughly audit the balances in Account 1589 and 1595 (2012). Please explain whether or not Lakefront Utilities is withdrawing its request to dispose Group 1 DVAs.

### Lakefront Utilities Response

- 1) The Actual kWh less Billing kWh reconciling item of 1,255,465 is not the difference between actual versus approved loss factor. On the Utilismart and Northstar Reconciliation tab, the 1,255,465 is the difference between the actual kWh consumption and the billed kWh within the 2016 period. Northstar (CIS) is able to capture the kWh consumption period and billed period by date to retrieve this difference.

For example if a customer's bill date is January 11<sup>th</sup>, 2017 for consumption from December 1<sup>st</sup> to December 30<sup>th</sup>, 2016, the billing period would be January 2017 and the consumption period is December 2016. In this instance, this customer's kWh would be captured as a reconciling item within the 1,255,465 kWh difference.

Lakefront's billing loss factor as indicated on its Decision and Rate Order is 1.0441. Lakefront's actual loss factor as calculated using the GA Analysis Workform is 1.0108.

As indicated above, the difference is related to a reconciling item and is therefore not included in the GA Analysis Workform.

- 2) Lakefront's RPP and non-RPP split is not based on estimates. Lakefront's process for splitting RPP and non-RPP is detailed in the Utilismart and Northstar Reconciliation document, specifically, tabs "1589 Balance", "Revenue", and "Expense".

When Lakefront calculates the RPP and non-RPP split, it uses the Utilismart data and the query used to gather Northstar billing data, to determine the non-RPP consumption data. The calculation for the split is included in Utilismart and Northstar Reconciliation document, tab "Expenses".

- 3)
  - a) The consumption data for Retailer Residential, Retailer Small Commercial, etc of 9,078,790 kWh was not included in the query used to extract data from Northstar and therefore was not included in the calculation of the RPP and non-RPP split.
  - b) The "Adjusted 1589 Balance" tab calculates the 1589 balance based on the correct data. Consequently, Lakefront is proposing an adjustment to the 1589 balance.
  - c) Lakefront has historically used the consumption data from Utilismart to determine the RPP/non-RPP consumption split. The method was consistent with the process communicated during Lakefront's audit of Group 1 Deferral and Variance Accounts performed by the OEB in 2014.
  - d) The kWh associated with Lakefront's MicroFIT and FIT customers was not included in the combined NorthStar or Utilismart non-RPP kWh query data presented in column E on the "Expenses" worksheet. Embedded generation is not purchased from the IESO and therefore included as a reconciling item. To determine the generated kWh associated to Non-RPP, the percentage portion of actual kWh within the period is used.

- e) Lakefront submits monthly embedded generation quantities to the IESO. This consists of kWh from our microFIT and FIT customers. The dollars claimed from the IESO consists of the difference between what is refunded to our customers and the cost of power associated to the generated kWh.
- 4) Lakefront's CIS (NorthStar) bills Non-RPP customers the First Estimate GA rate based on the associated consumption period. This explains the difference between the Actual First Estimate GA rate and the Weighted Average GA rate shown above. The total revenue of \$13,501,930 from our CIS based on the Weighted Average GA rate is reasonable compared to the Actual Revenue booked in the GL. The difference of \$15,182 is considered immaterial.
- 5) Below is completed table.

	Component	a) Estimate or Actual	Notes/Comments	b) Quantify True Up Adjustment
i	Revenues (i.e. is unbilled revenues trued up by year end)	Actual		
li	Expenses – Commodity: Charge Type 101 (i.e. is expense based on IESO invoice at year end)	Actual		
ijj	Expenses - GA RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end)	Actual	Please confirm this is based on actual.	
iv	Expenses - GA RPP: Charge Type 148 with respect and RPP/non-RPP pro-ration percentages	Actual	Please confirm that this is based on the final actual RPP/non-RPP split from the	
v	RPP Settlement: Charge Type 142 including any data used for determining the RPP/HOEP/RPP GA components of the charge type	Actual	See question 6 below for further details.	

Lakefront notes that the above information was provided to the OEB in its responses on September 1, 2017.

- 6) Lakefront Utilities confirms that the true-up is included in the December 31, 2016 year end balance.
- 7) Lakefront Utilities is withdrawing its request to dispose of Group 1 DVAs.

**Staff IR-3**

**Ref: IRM model – Tab 3: Projected Interest**

In tab 3 Continuity Schedule of the IRM model, the projected interest entered by Lakefront Utilities in column BQ was calculated using formula “BG \* 1.1%”. Column BG is the closing principal balance as of December 31, 2016. However, as noted in the title of column BQ, the projected interest should be calculated based on December 31, 2016 balance adjusted for disposition during 2017. Therefore, the formula used in column BQ should be “BO \* 1.1%. OEB staff has updated the model. Please confirm if the formula for the projected interest should be corrected to “BO \* 1.1%”.

BQ	
Projec	
Projected Interest from Jan 1, 2017 to December 31, 2017 on Dec 31, 2016 balance adjusted for disposition during 2017 <sup>2</sup>	Projecte 1, 2018 t 31, 201 dispe
	7,938
)	(37)
)	(9,255)
)	
)	928
)	683
)	1,600
)	11,844
)	(25,747)

**Lakefront Utilities Response**

Lakefront Utilities confirms that the formula for the projected interest should be correct to BO\*1.1%.



## Staff IR-4

### Ref: IRM model – Tab 16: Total # of Transition Years

In tab 16 of the IRM model, the OEB-approved # of Transition Years that Lakefront Utilities entered in cell H13 is 5. However, as noted in the 2016 OEB-approved final IRM model, the total number of transition years was 4. Accordingly, OEB staff has updated the number of transition years to 5 in the 2018 IRM model. As a result, the rate design transition years left (cell F14) automatically changed from 3 to 2. Please confirm this change.

The Escalator and Stretch Factor have been set at the 2017 values and will be updated by O

# of Residential Customers (approved in the last CoS)	9,171	Effective Year of Residential Rate Design Transition (yyyy)	2016
Billed kWh for Residential Class (approved in the last CoS)	77,564,089	OEB-approved # of Transition Years	5
Rate Design Transition Years Left	3		

## Lakefront Utilities Response

Lakefront Utilities confirms the change from 3 years to 2 years.

**Staff IR-5**

**Ref: Revenue to Cost Ratio Adjustment Model – Tab 3: Rate Class**

As per the approved 2017 Tariff of Rates and Charges, the two GS>50 kW rate classes of Lakefront Utilities are “General Service 50 to 2,999 kW” and “General Service 3,000 to 4,999 kW”. In the 2018 Revenue to Cost Ratio Adjustment model, the two GS>50 kW rate classes entered in tab 3 are GS 50 to 2,499 kW and GS 2,500 to 4,999 kW. Please confirm these two rate classes should be the same as in the 2017 Tariff. OEB staff will update the Revenue to Cost Ratio Adjustment model.

Rate Group	Rate Class	Fixed Metric	Vol Metric
RES	Residential	Customer	kWh
GSLT50	General Service Less Than 50 kW	Customer	kWh
GSGT50	General Service 50 to 2,499 kW	Customer	kW
GSGT50	General Service 2,500 to 4,999 kW	Customer	kW
SL	Street Lighting	Connection	kW
Sen	Sentinel Lighting	Connection	kW
USL	Unmetered Scattered Load	Connection	kWh
NA	Rate Class 8	NA	NA

**Lakefront Utilities Response**

Lakefront Utilities confirms the update to the Revenue to Cost Ratio Adjustment.

**Staff IR-6**

**Ref: Revenue to Cost Ratio Adjustment Model – Tab 6**

In tab 6 of the Revenue to Cost Ratio Adjustment model, the revenue to cost ratio entered for residential class for 2018 is 94.77%. On page 15 of the Draft Rate Order filed in Lakefront Utilities 2017 CoS EB-2016-0089 proceeding, it's noted that the revenue to cost ratio for residential class for year 2018 is 96.01%. Please provide explanation for the discrepancy in this ratio. If this revenue to cost ratio needs to be revised, please notify OEB staff for the necessary update in the Revenue to Cost Ratio Adjustment model.

Rate Class	Direction	Current Year	Transition Year 1	Tr
		2017	2018	
Residential	Change	92.85%	94.77%	
General Service Less Than 50 kW	No Change	103.03%	103.03%	
General Service 50 to 2,499 kW	No Change	104.44%	104.44%	
General Service 2,500 to 4,999 kW	No Change	109.72%	109.72%	
Street Lighting	Change	294.25%	206.25%	
Sentinel Lighting	No Change	115.49%	115.49%	
Unmetered Scattered Load	Change	118.61%	120.00%	

D) Proposed Revenue-to-Cost Ratios

Class	Proposed Revenue-to-Cost Ratios			Policy Range
	2017	2018	2019	
	%	%	%	
Residential	92.85	96.01	97.32	85 - 115
GS < 50 kW	103.03	103.03	103.03	80 - 120
GS 50-2999 kW	104.44	104.44	104.44	80 - 120
GS 3000-4999 kW	109.72	109.72	109.72	80 - 120
Street Lighting	294.25	206.25	119.25	80 - 120
Sentinel Lighting	115.49	115.49	115.49	80 - 120
Unmetered Scattered Load (USL)	118.61	120.00	120.00	80 - 120

**Lakefront Utilities Response**

Lakefront Utilities confirms that the revenue-to-cost ratio adjustment for 2018 should be 96.01%.