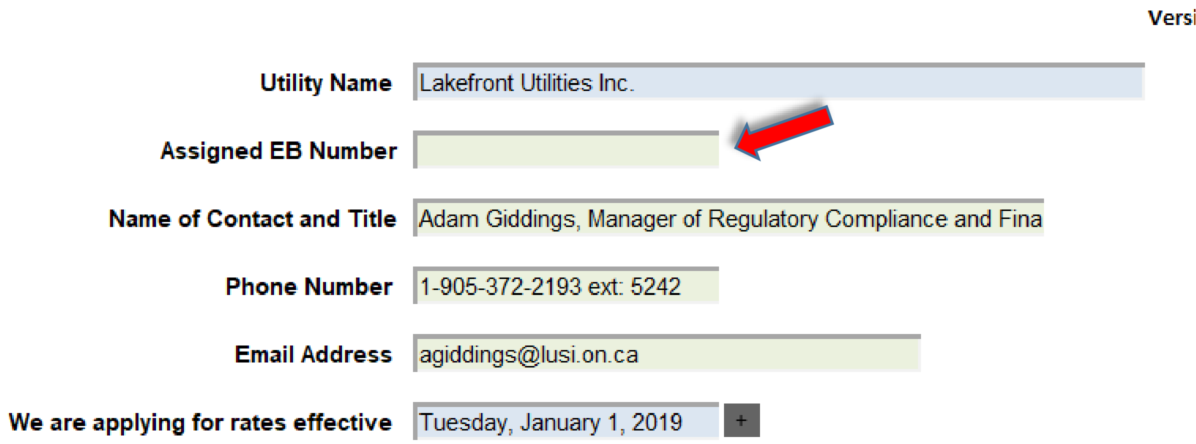
Lakefront Utilities Inc. – 2019 IRM Application (EB-2018-0049)
OEB Staff Interrogatories
November 22, 2018

Staff-IR 1

Ref: IRM Model, Tab 1

Tab 1 of the IRM model does not show the OEB-assigned file number (EB-2018-0049) for this application. Please update tab 1 of the IRM Model with the OEB-assigned file number for this application.



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Utility Name	Lakefront Utilities Inc.
Assigned EB Number	
Name of Contact and Title	Adam Giddings, Manager of Regulatory Compliance and Fina
Phone Number	1-905-372-2193 ext: 5242
Email Address	agiddings@lusi.on.ca
We are applying for rates effective	Tuesday, January 1, 2019

Staff-IR 2

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 the Street Lighting Class for 2019 is 120.00%. On page 15 of the Draft Rate Order filed in Lakefront Utilities' 2017 CoS proceeding (EB-2016-0089) it's noted that the revenue to cost ratio for the Street Lighting Class for year 2019 is 119.25%.

a) Please provide an explanation for the discrepancy in this ratio (as shown below with red arrows). If this revenue to cost ratio needs to be revised, please file an updated Revenue to Cost Ratio Adjustment model, and an updated 2019 IRM Rate Generator model.
b) Please explain the other discrepancies in the ratios entered for 2017 and 2018 as shown below with blue arrows when compared to the Draft Rate Order and update the model, if necessary.
c) Please confirm the General Service Rate Class should be General Service 3,000 kW to 4,999 kW (as opposed to 2,500 kW to 4,999 kW) as indicated in Lakefront Utilities' 2018 tariff and update the model, if necessary.

Rate Class	Direction	Current Year 2017	Transition Year 1 2018	Transition Year 2 2019	T
Residential	Change	94.77%	96.67%	97.32%	9
General Service Less Than 50 kW	No Change	103.03%	103.03%	103.03%	1
General Service 50 to 2,999 kW	No Change	104.44%	104.44%	104.44%	1
General Service 2,500 to 4,999 kW	No Change	109.72%	109.72%	109.72%	
Street Lighting	Change	206.25%	120.00%	120.00%	1
Sentinel Lighting	No Change	115.49%	115.49%	115.49%	1
Unmetered Scattered Load	Change	120.00%	120.00%	120.00%	1

D) Proposed Revenue-to-Cost Ratios

Class	Proposed Revenue-to-Cost Ratios 2017	2018	2019	Policy Range
	%	%	%	%
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

Staff-IR 3

Ref: Tabs 6/6.1a/Tab 6.2a of IRM Rate Generator; Validation Spreadsheets (attachment)

Customers that transition between Class A and B during the variance account accumulation period are to pay their share of the Global Adjustment and CBR costs during the time the customer was a Class B customer through a charge/or credit. In order for the IRM Rate Generator Model to make calculations correctly all fields of Tab 6 in the Rate Generator Model must be completed with the data required.

a) Please enter the year that Account 1580 CBR Class B was last disposed in Tab 6. If the account was never disposed, please enter the appropriate year to generate the appropriate years in the table in 3a, Tab 6 (e.g., if you enter 2015, the years 2016 and 2017 are auto generated). A table will be generated based on the number of customers in Tab 6. Please complete all information required in this table and in Tab 6 as required, and refile the 2019 IRM Model.
b) Once Tab 6 has been populated correctly, row 20 of Tab 6.1a and Tab 6.2a must be updated. Please confirm the values input into Tabs 6.1a and 6.2a using the attached validation spreadsheet and update and re-file the 2019 IRM Rate Generator Model accordingly.

Staff-IR 4

Ref: IRM Model, Tab 3

Lakefront Utilities shows a debit balance of approximately $1.6 million (recovery from ratepayers) in Account 1588 as at December 31, 2017. Given that this account accumulates the difference between energy revenue and the energy costs, the expectation is that the balance of the account should be relatively small and close to zero (primarily comprised of the difference between amounts billed at the approved total loss factor versus actual system losses for the year). Furthermore, Lakefront Utilities indicated that all required RPP settlement true-ups performed in 2018 for 2017 have been correctly reflected in the 2017 ending balance in the DVA continuity schedule.

Please explain what the remaining variance tracked in this account pertains to.

Staff-IR 5

Ref: Accounts 1588 and 1589 Audit Report

Lakefront Utilities has undertaken an external audit of its December 31, 2017 balances in Accounts 1588 and 1589 as ordered by the OEB in the Decision and Rate Order for Lakefront Utilities' 2018 IRM application (EB-2017-0057).

a) Please provide details as to the finding that came out of the audit with respect to the Lakefront Utilities' settlement process with the IESO.
b) Lakefront Utilities has made adjustments related to splitting CT 148 between RPP and non-RPP. Please explain what has changed to necessitate the adjustments and why the new allocation methodology is more appropriate.
c) Please also explain any other process changes that have been implemented subsequent to Lakefront Utilities' 2018 IRM application pertaining to the accumulation and on-going tracking of the balances in Accounts 1588 and 1589.

Staff-IR 6

Ref: Application, p. 23

At the above reference, the Applicant has identified a material adjustment ($2,099,600) to their December 31, 2017 audited balance for Accounts 1588 and 1589. The adjustment stems from the utility's failure to report its Class A kWh consumption for the consumption months of July, August, September, and December 2017. Consequently, Lakefront Utilities was overcharged for Class B Global Adjustment by the IESO.

a) The above finding represents a material deviation from the audited December 31, 2017 balances in Accounts 1588 and 1589 as presented in the Collins Barrow Audit Report. Have your auditors been informed of this material adjustment and will they be restating their audit results?

b) The adjustment required to Class B Global Adjustment is $2,099,600. Please break this balance to show the portion that is attributable to RPP customers (account 1588) and non-RPP customers (account 1589).
c) Did Lakefront Utilities first adopt Class A customers during 2017? If so, please provide the effective month.
d) Lakefront Utilities has indicated that it failed to report Class A consumption during July, August, September and December 2017, but there is no indication as to whether Class A consumption was reported for October and November. If it was reported for October and November, please explain how it was reported for those months but not for July, August, September, and December.
e) Please explain why the impact of the error to Account 1589 is not being presented as a reconciling item as part of Note 5 in the 2017 GA Analysis Workform, and adjust the workform accordingly to reflect this adjustment.

Staff-IR 7

Ref: Application, Appendix 5 (GA Methodology Description)

Please explain whether Lakefront Utilities bills consumption on a calendar month basis. If not, please explain how consumption is billed.

Staff-IR 8

Ref: Application, Appendix 5 (GA Methodology Description)

In the responses provided to question 2, Lakefront Utilities indicated that its settlements with the IESO (done on the 4th day following the end of the end of the month) are done on an actual basis.

a) Please explain how Lakefront Utilities system allows you to get actual consumption data so soon after the month end in order to be able to settle with the IESO based on actual consumption.
b) Please describe the systems and the source of the actual consumption data that is used in RPP settlements.
c) Given that the actual GA rate will not be known at the time of settlement, please confirm that the Lakefront Utilities uses an estimated GA rate (i.e. 2nd Estimate) for monthly settlement purposes with the IESO. If so, please explain when and how Lakefront Utilities trues-up its settlements with the IESO for the actual GA rate once it becomes known.
d) Are the monthly settlement true-ups to the actual GA already all reflected in the December 31, 2017 balance? Please confirm that the one required for December 2017 has been accrued as part of the December 2017 ending balance in account 1588.

Staff-IR 9

Ref: Application, Appendix 5 (GA Methodology Description)

With respect to the recording of the CT 148 charge from the IESO:

a) Please confirm whether the Lakefront Utilities waits for the CT 148 invoice to come in before booking anything to the G/L, or if it initially accrues an estimate and then does a true-up adjustment to actual once the invoice is received from the IESO.
b) Lakefront Utilities indicates that the CT 148 invoice from the IESO is initially split based on the actual RPP and non-RPP split for the particular month. If that is the case then please explain what is being referred to when you state that the true-up to accounts 1588 and 1589 related to the RPP and non-RPP splits for 2016 and 2017 were completed in 2018. Does this mean that previously Lakefront Utilities was not doing true-ups of their RPP and non-RPP splits? Is the ability to now initially split the CT 148 IESO invoice based on actual consumption for the particular month something new that was implemented in 2018 and forward?

Staff-IR 10

Ref: Application, Appendix 5 (GA Methodology Description)

In the response provided to question 4d, Lakefront Utilities lists principal adjustments that it has indicated it recorded in the DVA continuity schedule that was provided in the current proceeding.

a) Please explain what these adjustments relate to and where they are presented in the DVA continuity schedule.
b) Please provide a detailed reconciliation of the differences between the 2017 balances of the Group 1 DVA accounts and the 2017 RRR reported account balances.

Staff-IR 11

Ref: Application, page 23

The total group 1 deferral and variance accounts exceed the OEB's threshold for disposition, but Lakefront Utilities has proposed not to dispose of the balances given the adjustment of $2,099,600 to its December 31, 2017 audited balances for Accounts 1588 and 1589.

a) Based on the responses to these interrogatories and any revisions to the group 1 balances, please confirm whether Lakefront Utilities is still not seeking disposition of the group 1 deferral and variance accounts, and whether the balances exceed the OEB's threshold.
b) If Lakefront Utilities is still not seeking disposition of the group 1 balances, please explain why.