



Lakefront
Utilities
Inc.

November 29, 2018

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

Attention: Mr. Vince Mazzone
Regarding: OEB Staff Interrogatories – EB-2018-0049

Dear Mr. Mazzone

Please find attached accompanying responses to OEB Staff interrogatories in the above proceeding.

Should the board have questions regarding this matter please contact Adam Giddings at agiddings@lusi.on.ca or
Dereck Paul at dpaul@lusi.on.ca

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Adam Giddings', is written over a light blue horizontal line.

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

Cc: Dereck C. Paul

Lakefront Utilities Inc.
EB-2018-0049

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.

Versi

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 +

Lakefront Utilities Response

Lakefront Utilities has updated tab 1 of the IRM Model with the OEB-assigned file number.

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%.

- 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.
- 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.
- 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 T Year 2 2019
Residential	Change	94.77%	96.67%	97.32%
General Service Less Than 50 kW	No Change	103.03%	103.03%	103.03%
General Service 50 to 2,999 kW	No Change	104.44%	104.44%	104.44%
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%
Sentinel Lighting	No Change	115.49%	115.49%	115.49%
Unmetered Scattered Load	Change	120.00%	120.00%	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 notes that the Revenue to Cost Ratio Adjustment Model for 2019 IRM Filers was not available until August 22, 2018. To meet its August 13, 2018 filing deadline, Lakefront used the 2018 Revenue to Cost Ratio Adjustment Model. The adjustment used in Tab 6 for 2018 were included in the heading 2017.

Lakefront has updated the Revenue to Cost Ratio Adjustment with the latest model.

Rate Class	Direction	Current Year	Transition	Transition	Transition	Transition	Transition
		2018	Year 1 2019	Year 2 2020	Year 3 2021	Year 4 2022	Year 5 2023
Residential Regular	Change	96.01%	97.95%	97.32%	97.32%	97.32%	97.32%
General Service Less Than 50 kW	No Change	103.03%	103.03%	103.03%	103.03%	103.03%	103.03%
General Service 50 to 2,999 kW	No Change	104.44%	104.44%	104.44%	104.44%	104.44%	104.44%
General Service 3,000 to 4,999 kW	No Change	109.72%	109.72%	109.72%	109.72%	109.72%	109.72%
Street Lighting	Change	206.25%	119.25%	120.00%	120.00%	120.00%	120.00%
Sentinel Lighting	No Change	115.49%	115.49%	115.49%	115.49%	115.49%	115.49%
Unmetered Scattered Load	Change	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%

Lakefront has updated Tab 16 in the Rate Generator Model and has also updated Tab 3 and changed General Service 2,500 to 4,999 kW to General Service 3,000 to 4,999 kW.

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.

Lakefront Utilities Response

- a) Lakefront Utilities has updated Tab 6 so that the year 2017 is generated. Lakefront did not have Class A customers until 2017.
- b) Lakefront has completed Tab 6 and has updated row 20 of Tab 6.1a and Tab 6.2a. Lakefront completed the attached validation worksheet and the 2019 IRM Rate Generator Model has been re-filed.

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.

Lakefront Utilities Response

As mentioned in Lakefront's 2019 IRM Application (page 23), Lakefront was overcharged for Class B Global Adjustment, which affected its 1588 and 1589 balances as a result of not submitted Class A consumption for July to September, and December. Consequently, the \$1.6 million in Account 1588 as at December 31, 2017 is not an accurate reflection of the account balance.

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.

Lakefront Utilities Response

- a) The majority of Lakefront Utilities' settlement process with the IESO were not changed. That is, monthly 1598 filings with the IESO were prepared using actual consumption data from Lakefront's CIS, NorthStar. The main difficulty with the settlement process was the split of RPP and non-RPP customers.
- b) During Lakefront's 2018 IRM filing and the preparation of the GA Analysis Workform, Lakefront noted that it was using incorrect data to allocate the Global Adjustment between accounts 1588 and 1589.

The new allocation methodology is more appropriate because it uses actual consumption data from Lakefront's CIS, NorthStar. Lakefront is able to generate an analysis that ensures usage data used to allocate the Global Adjustment was correctly applied, and the correct Global Adjustment rate was charged to customers. The revised analysis is further supported since Lakefront Utilities was able to reconcile its Global Adjustment in the GA Analysis Workform to nil for both 2016 and 2017.

- c) See b) above. Further to the 1589 analysis. Lakefront Utilities developed its own 1588 Workform to analyze the transactions that effect Account 1588 and to ensure the correct usage and rates were allocated properly. This analysis was used by Lakefront's auditors to obtain additional support that the 1588/1589 split was recorded correctly.

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.

Lakefront Utilities Response

- a) Lakefront Utilities' auditors have been informed of the adjustment. Although the adjustment is material, it does not have an impact on the equity position of Lakefront Utilities and therefore a prior period adjustment to the 2017 financial statements will not be made. However, the 2018 financial statement will include a prior year reclassification and additional note disclosures will be included. The additional disclosure will outline the nature of the reclassification, the affect and the dollar values.

Collins Barrow does not intend to restate their Special Purpose Audit as the additional note disclosure in the 2018 financial statements will state that prior year numbers have been reclassified. In addition, they will detail the differences

in accounts 1588 and 1589, the nature of the reclassification and the dollar values.

b) Below is a summary of the breakdown.

Month	Class A Consumption	Actual GA Rate	Dollar Impact
July 2017	5,127,381.00	0.112800	\$578,368.58
August 2017	5,748,695.87	0.101090	\$581,135.67
September 2017	5,320,699.05	0.088640	\$471,626.76
December 2017	5,088,183.35	0.092070	\$468,469.04
Total GA Credit			\$2,099,600.05
CBDR Class B			\$8,907.73
IESO Admin Charge			(\$2,894.26)
Total Credit			\$2,105,613.52

Account	Description	Actual February Invoice	February Invoice without Credit	Difference
4705	Power Purchased	\$395,293.61	\$395,293.61	\$0.00
4707	Class A Global Adjustment	\$356,932.39	\$356,932.39	\$0.00
4705	Global Adjustment - RPP	(\$557,299.36)	\$836,625.08	(\$1,393,924.44)
4707	Global Adjustment - Non-RPP	(\$282,133.33)	\$423,542.24	(\$705,675.57)
4705	Ontario Fair Hydro Plan	(\$277,552.06)	(\$277,552.06)	\$0.00
1110	Global Adjustment Modifier	(\$44,255.44)	(\$44,255.44)	\$0.00
4705	FIT/MicroFIT	(\$72,965.76)	(\$72,965.76)	\$0.00
2290	HST	(\$49,529.77)	(\$49,529.77)	\$0.00
4708	Wholesale Market Services	\$94,138.04	\$91,244.14	\$2,893.90
4708	CBDR Class B	(\$2,828.83)	\$6,078.58	(\$8,907.41)
4708	CBDR Class A	\$1,722.95	\$1,722.95	\$0.00
4751	Smart Meter Entity Charge	\$7,947.77	\$7,947.77	\$0.00
1250	OESP Credit	(\$33,500.23)	(\$33,500.23)	\$0.00
1110	Ontario Rebate	(\$130,741.10)	(\$130,741.10)	\$0.00
Total IESO Bill		(\$594,771.12)	\$1,510,842.40	(\$2,105,613.52)

c) Lakefront Utilities first adopted Class A customers in 2017. The billing period commenced July 1, 2017 as per instructions from the IESO, as follows:

Base Period (Peak-setting Period)	Adjustment Period (Billing Period)
May 1, 2017 to April 30, 2018	July 1, 2018 to June 30, 2019
May 1, 2016 to April 30, 2017	July 1, 2017 to June 30, 2018
May 1, 2015 to April 30, 2016	July 1, 2016 to June 30, 2017
May 1, (Year X) to April 30, (Year X+1)	July 1, (Year X+1) to June 30, (Year X+2)

- d) Class A consumption was report for October 2017 and November 2017. When Lakefront adopted Class A customers for the first time, the reporting of Class A kWh was not submitted for the 2017 consumption months of July, August, September. Lakefront was not aware this submission was required as it was not documented in the ICI communications or webinar slides. After being notified about the submission requirement by the IESO, Lakefront began to submit the monthly data for October 2017 and November 2017. The data for July to September was not reported in December 2017 due to user inaccessibility to the IESO portal. The IESO's technical support was unable to resolve the access issue during the window of time allocated for the December 2017 submission to take place. IESO assisted Lakefront by manually adjusting these missing submissions in the following year.
- e) The consumption data recorded on the GA Analysis Workform is based on actual monthly usage data from Lakefront's CIS, NorthStar. Despite the error to Account 1589, the actual consumption data per NorthStar and the Global Adjustment rate charged to customers, was correct. Lakefront's reconciliation process is based on actual usage and the final Global Adjustment rate.

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.

Lakefront Utilities Response

Lakefront Utilities bills consumption on a calendar month basis (i.e. first of month to the last day of the month) for a small portion of interval metered customers classified as General Service Greater Than 50. All customers are billed monthly, averaging a 30-day consumption period mostly overlapping between months (i.e May 8th – June 7th). The monthly consumption data provided by Lakefront Utilities in its GA Analysis Workform was downloaded from CIS Northstar was based on the effective date of the Global Adjustment, therefore there are no unbilled consumption amounts recorded on the GA Analysis Workform.

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 true-ups 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.

Lakefront Utilities Response

- a) The consumption data retrieved from Lakefront's CIS, NorthStar, is based on posted billings, and therefore, actual consumption data. Posted bills are retrievable the following business day. These are actual consumptions billed based on approximate 30-day reading period generated immediately following the end of the month.
- b) The actual consumption data is obtained from Lakefront's CIS, NorthStar. The consumption data is extracted by way of query generating the billed customers from the month.
- c) Lakefront Utilities confirms that it uses the 2nd Estimate for monthly settlement purposes with the IESO. Given the actual GA rate is not known, Lakefront will do a true-up and include the adjustment in the following month IESO settlement. However, as Lakefront utilizes actual consumption data, the monthly true-up adjustment is not material. For example, the total monthly true-ups in 2017 were

\$326.88 or a monthly average of \$27.24. Further, the absolute value of the true-ups in 2017 was \$26,231.54 or a monthly average of \$2,185.96.

- d) The monthly settlement true-up to the actual Global Adjustment required for December 31, 2017 was accrued in 2017.

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?

Lakefront Utilities Response

- a) Lakefront Utilities confirms that it waits for the CT 148 invoice to come in before booking anything to the GL.
- b) Lakefront Utilities reference to Accounts 1588 and 1589 RPP and non-RPP splits for 2016 and 2017 were completed in 2018 is in reference to Lakefront Utilities third-party audit that was conducted in 2018 and resulted in adjustments to Accounts 1588 and 1589.

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.

- Please explain what these adjustments relate to and where they are presented in the DVA continuity schedule.
- 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.

Lakefront Utilities Response

- The principal adjustments related to Accounts 1588 and 1589 and are the result of Lakefront's audit conducted in 2018. The principal adjustments to Accounts 1588 and 1589 were included in the "Transactions Debit/(Credit) during 2017" column, as follows:

		2017			
Account Descriptions	Account Number	Transactions Debit / (Credit) during 2017	OEB-Approved Disposition during 2017	Principal Adjustments ¹ during 2017	Closing Principal Balance as of Dec 31, 2017
Group 1 Accounts					
LV Variance Account	1550	391,550	305,639		807,548
Smart Metering Entity Charge Variance Account	1551	(2,570)	(1,729)		(4,185)
RSVA - Wholesale Market Service Charge ⁵	1580	(258,012)	(471,942)		(627,438)
Variance WMS - Sub-account CBR Class A ⁵	1580				0
Variance WMS - Sub-account CBR Class B ⁵	1580	4,572			88,956
RSVA - Retail Transmission Network Charge	1584	(78,541)	(29,064)		12,625
RSVA - Retail Transmission Connection Charge	1586	(25,234)	41,742		78,518
RSVA - Power ⁴	1588	2,331,557	395,836		1,622,158
RSVA - Global Adjustment ⁴	1589	68,263	(764,541)		(117,569)
Disposition and Recovery/Refund of Regulatory Balances (2012) ³	1595				170,827
Disposition and Recovery/Refund of Regulatory Balances (2013) ³	1595				0
Disposition and Recovery/Refund of Regulatory Balances (2014) ³	1595				0
Disposition and Recovery/Refund of Regulatory Balances (2015) ³	1595	(213,510)			(740,255)
Disposition and Recovery/Refund of Regulatory Balances (2016) ³	1595	155,113			(17,457)
Disposition and Recovery/Refund of Regulatory Balances (2017) ³	1595	630,504	466,958		163,547
Disposition and Recovery/Refund of Regulatory Balances (2018) ³					
<i>Not to be disposed of until a year after rate rider has expired and that balance has been audited</i>	1595				0
RSVA - Global Adjustment	1589	68,263	(764,541)	0	(117,569)
Total Group 1 Balance excluding Account 1589 - Global Adjustment		2,935,429	707,440	0	1,554,844
Total Group 1 Balance		3,003,692	(57,101)	0	1,437,275
LRAM Variance Account (only input amounts if applying for disposition of this account)	1568		0		0
Total including Account 1568		3,003,692	(57,101)	0	1,437,275

Lakefront has revised its Rate Generator Model and separated the transactions during 2017 and the principal and interest adjustments in 2017 as a result of the Account 1588 and 1589 audit, as summarized below.

- b) Below is a summary of the Account 1588 and Account 1589 adjustments, including a reconciliation to Lakefront's RRR filing.

Description	Account 1588			Account 1589		
	Principal	Interest	Total	Principal	Interest	Total
2017 Transactions (prior to adjustment)	(41,928.48)	6,654.83	(35,273.65)	2,441,747.86	(15,641.84)	2,426,106.02
Revised Transactions	2,331,556.68	(5,754.23)	2,325,802.45	68,262.70	(3,232.78)	65,029.92
Adjustment	(2,373,485.16)	12,409.06	(2,361,076.10)	2,373,485.16	(12,409.06)	2,361,076.10
Net Adjustment						0.00
RRR Filing	638,965.35	8,334.87	647,300.22	865,622.90	(17,829.97)	847,792.93
Actual Balance	1,622,157.94	(11,827.29)	1,610,330.65	(117,569.38)	2,331.88	(115,237.50)
Adjustment			(963,030.43)			963,030.43
Net Adjustment						0.00

The net adjustment to Accounts 1588 and 1589 is nil. Consequently, Lakefront did not revise its RRR filing.

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.

Lakefront Utilities Response

- a) Based on the responses to the interrogatories, Lakefront Utilities confirms that it is still not seeking disposition of group 1 deferral and variance accounts and Lakefront confirms that the balances exceed the OEB's threshold.
- b) As noted in Lakefront Utilities' 2019 IRM Filing, the total group 1 claim is \$2,002,764. Lakefront feels that it would be inappropriate to include a rate rider to collect the \$2,002,764 from customers, considering the significant balance at December 31, 2017 is the result of a timing issue associated with an offsetting credit from the IESO, which was received in February 2018.