



Lakefront  
Utilities  
Inc.

December 10, 2019

Ontario Energy Board  
P.O. Box 2319 27<sup>th</sup> 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 response to OEB Staff submission in the above proceeding.

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", 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**

As a result of Lakefront Utilities' failure to report its Class A kWh for the 2017 consumption months of July, August, September, and December 2017 (December was due to technical difficulty with the IESO portal), Lakefront Utilities was overcharged by the IESO for its Class B Global Adjustment. Lakefront Utilities explained that the net result was that it was due back a credit of \$2,099,600 from the IESO that it would like to return to ratepayers as part of the current proceeding by applying it against the December 31, 2017 Group 1 DVA balances. Lakefront Utilities indicated that it was credited for the corrections in March 2018 (on the February 2018 invoice).

It is unclear to OEB staff as to why the third-party audit of Lakefront Utilities' December 31, 2017 balances of Accounts 1588 and 1589 would not have identified the adjustment that Lakefront Utilities is proposing in order to correct the Class A settlement error.

OEB staff is concerned with the accuracy of the adjustment that the applicant has proposed to the Group 1 DVA balances in the current application as it has not been audited and therefore its accuracy has not been confirmed. Furthermore, the fact that this adjustment was identified and corrected after the third-party audit was performed on the balances raises further questions and concerns as to whether any other adjustments may be required to the 2016 and 2017 commodity pass-through accounts, 1588 RSVA Power and 1589 RSVA GA; other adjustments that may not have been identified during the course of the audit as well.

OEB staff proposes that Lakefront Utilities provide explanations to a number of questions that OEB staff has laid out in its submission, as part of Lakefront Utilities' next rate application and that the OEB direct the utility to undertake another audit of the commodity pass-through variance accounts.

**Lakefront Response**

Lakefront notes that the error is an isolated incident and is not indicative of Lakefront's overall control process. Further, Lakefront would like to emphasize the error was isolated to Class A customers.

In discussion of the OEB's response with Lakefront's auditor they will be reclassifying the 2017 balances in the 2018 financial statements and provide full disclosure of the differences noted. In addition, during the 2018 financial statement audit, Lakefront's auditor will be increasing the audit testing associated with Accounts 1588 and 1589 and the process related to the settlement with the IESO.

Lakefront's proposal would be to defer a third-party audit until 2020 (if necessary). In Lakefront's 2020 IRM filing, Lakefront will provide explanations to OEB staff questions and if any issues are noted by OEB staff in

Lakefront's 2020 IRM filing, then Lakefront would support a recommendation of a third-party audit. Further, Lakefront believes that deferring the third-party audit will allow Lakefront to demonstrate in its 2020 IRM filing that it has sufficient controls in place surrounding Accounts 1588 and 1589 and the Class A settlement error was an isolated error.