



November 7, 2019

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

Attention: Ms. Judy But
Regarding: OEB Staff Follow-up Questions – EB-2019-0050

Dear Ms. But,

Please find attached accompanying responses to OEB Staff follow-up questions 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 in a cursive style.

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

Cc: Dereck C. Paul

Lakefront Utilities Inc.

2020 IRM Application

EB-2019-0050

Applicant's Responses to OEB Staff Follow-up Questions

Follow-up Question 1

Ref: Response to Staff-Question 3

IRM Rate Generator, Tab 6.1a (GA) and Tab 6.2a (CBR)

In the re-submitted version of the IRM Rate Generator, it appears that the entries for the 2016 and 2017 volumes applied in each of tabs 6.1a and 6.2a (cells E19 and E20) respectively are not matching the information filed in previous IRM models.

Below is an extract of the RRR data related to 2016 and 2017 volumes:

2018 IRM model (tab 4) – 2016 actual volumes

Rate Class	Unit	Total Metered kWh	Total Metered kW	Metered kWh for Non-RPP Customers (excluding WMP)	Metered kW for Non-RPP Customers (excluding WMP)	Metered kWh for Wholesale Market Participants (WMP)	Metered kW for Wholesale Market Participants (WMP)	Total Metered kWh less WMP consumption (if applicable)	Total Metered kW less WMP consumption (if applicable)
RESIDENTIAL SERVICE CLASSIFICATION	kWh	72,513,063	0	3,670,368	0	0	0	72,513,063	0
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	31,677,494	0	4,984,150	0	0	0	31,677,494	0
GENERAL SERVICE 50 TO 2,999 KW SERVICE CLASSIFICATION	kW	115,497,447	322,074	108,146,304	283,594	0	0	115,497,447	322,074
GENERAL SERVICE 3,000 TO 4,999 KW SERVICE CLASSIFICATION	kW	16,025,324	37,793	16,025,324	37,793	0	0	16,025,324	37,793
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	611,896	0	53,380	0	0	0	611,896	0
SENTINEL LIGHTING SERVICE CLASSIFICATION	kWh	45,673	127	4,831	13	0	0	45,673	127
STREET LIGHTING SERVICE CLASSIFICATION	kWh	1,080,613	2,923	1,080,613	2,922	0	0	1,080,613	2,923
Total		237,451,511	362,917	133,964,971	324,322	0	0	237,451,511	362,917

2019 IRM model (tab 4) – 2017 actual volumes

Rate Class	Unit	Total Metered kWh	Total Metered kW	Metered kWh for Non-RPP Customers (excluding WMP)	Metered kW for Non-RPP Customers (excluding WMP)	Metered kWh for Wholesale Market Participants (WMP)	Metered kW for Wholesale Market Participants (WMP)	Total Metered kWh less WMP consumption (if applicable)	Total Metered kW less WMP consumption (if applicable)
RESIDENTIAL SERVICE CLASSIFICATION	kWh	71,069,927	0	2,978,250	0	0	0	71,069,927	0
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	31,692,564	0	5,490,966	0	0	0	31,692,564	0
GENERAL SERVICE 50 TO 2,999 KW SERVICE CLASSIFICATION	kW	112,373,021	310,016	100,076,366	272,554	0	0	112,373,021	310,016
GENERAL SERVICE 3,000 TO 4,999 KW SERVICE CLASSIFICATION	kW	19,536,821	39,865	19,536,821	39,865	0	0	19,536,821	39,865
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	610,018	0	53,447	0	0	0	610,018	0
SENTINEL LIGHTING SERVICE CLASSIFICATION	kW	45,445	126	6,072	16	0	0	45,445	126
STREET LIGHTING SERVICE CLASSIFICATION	kW	1,077,264	2,923	1,077,264	2,922	0	0	1,077,264	2,923
Total		236,405,060	352,930	129,219,186	315,357	0	0	236,405,060	352,930

- Please confirm accuracy of the 2016 and 2017 volumes entered in cells E19 and E20 in each of tabs 6.1a and 6.2a.
- Please confirm that the allocated portion of CBR to class B customers who did not transition between class A and B results in a volumetric rate rider that rounds to 0 (in tab 6.2). If yes, please delete the 2016 and 2017 volumes in tab 6.2a in order to have the entire balance disposed of through the 1580 control account.
- Please re-submit a revised version of the IRM rate generator, addressing the above issues.

Lakefront Utilities Response

Lakefront Utilities has updated cell E19 and F19 in each of tabs 6.1a and 6.2a to nil.

Follow-up Question 2

Ref: Clarification to OEB Staff Question #10 f)

OEB Staff Question:

“Please quantify and explain the difference between Lakefront Utilities’ actual system loss factor and the approved loss factor for 2016, 2017, and 2018.”

Lakefront Utilities Response:

“The difference between Lakefront Utilities actual system loss factor and the approved loss factor for 2016, 2017, and 2018 is as follows:

Year	Calculated Loss Factor	Actual Loss Factor	Difference
2016	1.0635	1.0565	0.70%
2017	1.0382	1.0441	-0.59%
2018	1.0440	1.0441	-0.01%

Lakefront does not consider the above differences to be material and notes that the differences are consistent with other LDCs. “

Lakefront Utilities Clarification

The dollar difference between Lakefront Utilities actual system loss factor and the approval loss factor for 2016, 2017, and 2018 is as follows:

Year	Calculated Loss Factor	Actual Loss Factor	Difference - %	Difference - \$
2016	1.0635	1.0565	0.70%	(\$13,554)
2017	1.0382	1.0441	-0.59%	\$13,165
2018	1.0440	1.0441	-0.01%	\$156

The differences are not considered material and confirm the accuracy of the consumption data entered in Note 4 of the GA Analysis Workform.

Follow-up Question 3

Ref: Clarification to OEB Staff Question #10 g)

OEB Staff Question:

“It is not clear why Adjustment 9 in each of the 2016, 2017 and 2018 GA Analysis Workforms are presented as reconciling adjustments between the OEB’s expected GA calculation (in Note 4 of the GA Analysis Workform) and the actual GA for each year (Cell C62 for 2016 GA Analysis Workform, Cell C64 in the 2017 and 2018 GA Analysis Workforms). Please explain.”

Lakefront Utilities Response:

“Lakefront prepares an extensive monthly reconciliation process based on a usage download from CIS, Northstar. Lakefront’s process compares the data download from CIS, Northstar to the billed amounts in the appropriate GL.

The amounts recorded in Adjustment 9 are the totals of unreconciled miscellaneous amounts between the data download and Lakefront’s GL. The totals are as follows:

2016 - \$3,135
2017 - \$8,277
2018 - \$15,422

Lakefront notes the above amounts are immaterial and have an immaterial impact on the GA Analysis Workform.”

Lakefront Utilities Clarification

Lakefront Utilities clarifies that the amounts listed in Adjustment 9 in the GA Analysis Workforms are not included in the Non-RPP Class B billed consumption in Note 4 of the GA Analysis Workform. However, the amounts are recorded in Lakefront’s GL and therefore the amounts are listed as a reconciling item under Note 5 on the GA Analysis Workform.

Follow-up Question 4

Ref: Clarification to OEB Staff Question #10 d) and 10 e)

OEB Staff Question:

“In the GA Analysis Workform, Lakefront Utilities has proposed certain principal adjustments (such as the unbilled revenue accrual adjustment), however they do not appear to be reflected in the DVA continuity schedule. Please explain why they have been excluded. If they should be reflected in the DVA continuity schedule, please update accordingly.”

“With respect to the unbilled revenue accrual differences (i.e Adjustment 2b in the GA Analysis Workform for each year), please provide an explanation in the space provided beside Adjustment 2b (for each year) that explains whether the year-end unbilled revenue accrual for the particular year was over- or understated.”

Lakefront Utilities Response:

“The unbilled revenue items listed on the GA Analysis Workform are not principal adjustments and Lakefront has updated the GA Analysis Workform for 2016, 2017, and 2018 to indicate that no principal adjustment is necessary on the DVA Continuity. The amounts included on Note 5, 2a and 2b are already included in the amount calculated as “\$ Consumption of GA Rate Billed”. While preparing its own internal reconciliation, Lakefront segregates the amounts associated with unbilled revenue and records the amounts in 2a and 2b. Lakefront also notes the GA Analysis Workform balances to nil for 2016, 2017, and 2018, a further indication that no principal adjustment is necessary.”

“As noted in d), the amounts aren’t unbilled revenue accrual differences. Lakefront notes the amounts listed in 2a and 2b for 2016, 2017, and 2018 have an immaterial impact on the GA Analysis.”

Lakefront Utilities Clarification

Lakefront Utilities clarifies that the amounts listed as unbilled revenue accrual adjustments have not been recorded in the consumption amounts listed in Note 4 in the GA Analysis Workform.

Lakefront notes the net adjustment for each year is immaterial and going forward, Lakefront Utilities will ensure the General Ledger correctly reflects the unbilled revenue accrual adjustment.

Follow-up Question 5

Ref: Clarification to OEB Staff Question #10 a) and 10 b)

OEB Staff Question:

“Cell C62 in 2016 GA Analysis Workform, and Cell C64 in 2017 and 2018 GA Analysis Workforms must correspond to the transaction during the year as per the DVA continuity schedule. As they currently do not, please update accordingly.”

“Audit adjustments recorded as principal adjustments in the DVA continuity schedule should be presented as such in the GA Analysis Workform of each year. Please update accordingly.”

Lakefront Utilities Response:

“GA Analysis Workform and DVA continuity schedule were updated accordingly to ensure that cell C62 in 2016 and cell C64 in 2017 and 2018 agree to the continuity schedule.”

“The GA Analysis Workform was updated to reflect the audit adjustment.”

Lakefront Utilities Clarification

Lakefront Utilities clarifies that the amount of \$974,452 recorded on the GA Analysis Workform, tab GA 2018 is the result of Lakefront Utilities' failure to report its Class A kWh for the 2017 consumption months of July, August, September, and December 2017. As a result, Lakefront Utilities was overcharged by the IESO for its Class B Global Adjustment. Lakefront Utilities confirms that it was credited for the corrections in March 2018 (on the February 2018 IESO invoice). The item was disclosed in Lakefront's 2019 IRM filing.

The amount of \$974,452 was not included on the GA Analysis Workform tab GA 2017 because no adjusting journal entry was prepared to account for the misstatement in 2017. That is, the net change in the principal balance in the GL (cell C64) of \$2,441,748 is the original transactions recorded in Lakefront's DVAD Continuity Schedule for Account 1589. As a result of Lakefront's internal audit conducted in 2018, Lakefront prepared an adjusting journal entry in 2018 related to 2017 DVAD Account 1589 for \$2,373,485. The 2017 DVAD Continuity Schedule for Account 1589 is updated to reflect the revised 2017 transactions of \$68,263 (\$2,441,748 - \$2,373,485). The credit of \$974,452 was not accrued at December 31, 2017 and was not adjusted in 2018 because the credit was received on the February 2018 invoice.

If Lakefront were to accrue the \$974,452 at December 31, 2017, the adjustment would be as follows:

DR Accounts Receivable – IESO \$2,099,600
 CR DVAD Account – 1589 (\$974,452)
 CR DVAD Account – 1588 (\$1,125,148)

If Lakefront had recorded the accrual at December 31, 2017, Note 5 on Lakefront’s GA Analysis Workform, would be as follows:

	Item	Amount
Net Change in Principal Balance in the GL (i.e. Transactions in the Year)		\$ 3,416,200
1a	True-up of GA Charges based on Actual Non-RPP Volumes - prior year	
1b	True-up of GA Charges based on Actual Non-RPP Volumes - current year	
2a	Remove prior year end unbilled to actual revenue differences	-\$ 51,976
2b	Add current year end unbilled to actual revenue differences	\$ 54,792
3a	Remove difference between prior year accrual/forecast to actual from long term load transfers	
3b	Add difference between current year accrual/forecast to actual from long term load transfers	\$ 16,923
4	Remove GA balances pertaining to Class A customers	
5	Significant prior period billing adjustments recorded in current year	
6	Differences in GA IESO posted rate and rate charged on IESO invoice	\$ (974,452)
7	Differences in actual system losses and billed TLFs	
8	Others as justified by distributor	\$ (2,373,485)
9	Variance between billing system and GL	-\$ 8,277
10	Pro-rated GA difference	\$ 30,950

Note 6	Adjusted Net Change in Principal Balance in the GL	\$	110,675
	Net Change in Expected GA Balance in the Year Per Analysis	\$	110,677
	Unresolved Difference	\$	(2)
	Unresolved Difference as % of Expected GA Payments to IESO		0.0%

Lakefront also confirms that the consumption amounts recorded in Note 4 in the GA Analysis Workform are accurate and do not include Class A consumption, as evidenced

by the immaterial difference indicated in follow-up question #2. Lakefront's above explanation is further supported by the following:

- Lakefront's unreconciled difference on its GA Analysis Workform, Tabs GA 2016, GA 2017, and GA 2018 is nil for all years;
- As indicated in follow-up Question #2, the difference between the calculated loss factor and actual loss factor is immaterial;
- The principal balance in DVAD Account 1588 at December 31, 2018 is a credit of \$21,018;
- Tab 3. Continuity Schedule in Lakefront's 2020 IRM Rate Generator agrees to Lakefront's General Ledger and Reporting and Record Keeping Requirements (RRR) at December 31, 2018.