



Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

September 24, 2021

Ms. Christine E. Long  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4  
[Registrar@oeb.ca](mailto:Registrar@oeb.ca)

Dear Ms. Long:

**Re: Ontario Energy Board (OEB) Staff Submission  
Lakefront Utilities Inc.  
Cost of Service  
OEB File Number: EB-2021-0039**

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Please find attached OEB staff's revised submission in the above referenced proceeding, pursuant to Procedural Order No. 1. The contents of Table 1 and Table 2 have been revised. Lakefront Utilities Inc. and all intervenors have been copied on this filing.

Yours truly,

*Original Signed By*

Margaret DeFazio, P.Eng.  
Project Advisor – Electricity Distribution: Major Rate Applications & Consolidations

Encl.

cc: All Parties in EB-2021-0039



# **ONTARIO ENERGY BOARD**

## **OEB Staff Submission**

**Lakefront Utilities Inc.**

**Cost of Service Application**

**EB-2021-0039**

**September 24, 2021**

## Introduction

Lakefront Utilities Inc. (Lakefront Utilities) filed a Cost of Service application with the Ontario Energy Board (OEB) on April 30, 2021, under section 78 of the *Ontario Energy Board Act, 1998* seeking approval for the rates that Lakefront Utilities charges for electricity distribution, effective January 1, 2022.

The OEB issued an approved issues list for this proceeding on June 30, 2021. A settlement conference took place on August 10 and 11, 2021. Lakefront Utilities filed a settlement proposal representing a complete settlement of all issues on September 17, 2021. The parties to the settlement proposal are Lakefront Utilities Inc. and the approved intervenors in the proceeding: Cobourg Taxpayers Association, Energy Probe Research Foundation, Northumberland Hills Hospital, School Energy Coalition and Vulnerable Energy Consumers Coalition (the Parties).

For a typical residential customer with a monthly consumption of 750kWh, the total bill impact if the settlement proposal is approved would be an increase of \$4.55 per month before taxes, or 4.06%.

This submission is based on the status of the record at the time of filing of Lakefront Utilities' settlement proposal and reflects observations that arise from OEB staff's review of the evidence and the settlement proposal. It is intended to assist the OEB in deciding upon the settlement proposal.

## Settlement Proposal

OEB staff has reviewed the settlement proposal in the context of the objectives of the *Renewed Regulatory Framework*<sup>1</sup> (RRF), the *Handbook for Utility Rate Applications*<sup>2</sup>, applicable OEB policies, relevant OEB decisions and the OEB's statutory obligations.

OEB staff submits that the settlement proposal reflects a reasonable evaluation of the distributor's planned outcomes in this proceeding, appropriate consideration of the relevant issues and ensures that there are sufficient resources to allow Lakefront Utilities to achieve its identified outcomes in the five years of the plan from 2022 to 2026.

OEB staff further submits that the explanations and rationale provided by the Parties support the settlement proposal and that the outcomes arising from the OEB's approval of the settlement proposal would reflect the public interest and would result in just and reasonable rates for customers.

Below, OEB staff provide submissions on the following issues in the settlement proposal:

- Issue 1.1 – Capital
- Issue 1.2 – Operating, Maintenance and Administration
- Issue 2.0 – Revenue Requirement
- Issue 3.0 – Load Forecast, Cost Allocation and Rate Design
- Issue 3.7 – Specific Service Charges
- Issue 4.0 – Accounting

### Issue 1.1 - Capital

Lakefront Utilities proposes total net capital expenditures of \$1.86M for the 2022 test year. The largest area of capital investments is system renewal which focuses on distribution asset replacement as outlined in Lakefront Utilities' Distribution System Plan (DSP).

For the purposes of the settlement of all issues in this proceeding, the Parties have agreed that the opening rate base, capital budget and forecast net in-service additions for the test year are appropriate as proposed. Lakefront Utilities has agreed to add further rigor to its capital planning process through the increased use of testing data rather than age of assets in its planning process. OEB staff notes that the underground

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<sup>1</sup> Report of the Board – Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach, October 18, 2012

<sup>2</sup> Handbook for Utility Rate Applications, October 13, 2016

cable replacement program outlined in the DSP used age, rather than condition assessment, to identify and prioritize projects. OEB staff agrees with the increased use of test (and performance) data in the capital planning process, although Lakefront Utilities should consider how best to accomplish that with their available resources. Lakefront Utilities further agreed to focus existing resources to address increasing outages caused by defective equipment.

OEB staff submits that the capital expenditures as proposed are reasonable.

## Issue 1.2 – OM&A

Lakefront Utilities proposed a total OM&A spending of \$2.83M for the 2022 test year in its application. This represented an increase of \$450k from 2017 OEB Approved OM&A spending, or a compound annual growth rate of 3.56%. There is no increase in employee headcount proposed during the forecast period.

The Parties agreed to Lakefront Utilities' proposed 2022 test year OM&A budget as proposed. Lakefront Utilities has agreed to increase its available LEAP funding over the next five years to \$10k per year, within the proposed OM&A envelope, to support customers with the recovery of Account 1550 - Low Voltage Variance, as further explained in Issue 4.0 – Accounting.

Lakefront Utilities was in efficiency group 2 in 2020<sup>3</sup> and, and forecasts that it will move to group 1 in 2021. Lakefront Utilities has demonstrated prudent OM&A spending, for example by using a shared control room and performing joint billing with LUSI Water Services. OEB staff submits that the proposed OM&A expenses are reasonable.

## Issue 2.0 – Revenue Requirement

### PILS Expense – Accelerated Capital Cost Allowance

Bill C-97 introduced the Accelerated Investment Incentive Program (AIIP), which provides for a first-year increase in capital cost allowance (CCA) deductions on eligible capital assets acquired after November 20, 2018.

In its July 25, 2019 letter ([CCA Letter](#))<sup>4</sup>, the OEB provided accounting direction on the treatment of the impacts from accelerated CCA resulting from the AIIP. The OEB

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<sup>3</sup> Empirical Research in Support of Incentive Rate-Setting: 2020 Benchmarking Update, Report to the Ontario Energy Board, Pacific Economics Group Research, LLC, August 2021

<sup>4</sup> Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance

established a separate sub-account of Account 1592 - PILs and Tax Variances, Sub-account CCA Changes to track the impact of any differences that result from the CCA change to the tax rates or rules that were used to determine the tax amount that underpins rates.

The CCA Letter also indicated that utilities were to reflect any impacts arising from CCA rule changes in their cost-based applications for 2020 rates and beyond and that the OEB may consider a smoothing mechanism to address any timing differences that could lead to volatility in tax deductions over the rate-setting term.

In the pre-filed evidence, Lakefront Utilities did not reflect the impact of the AIIP in its test year's PILs expense. In the settlement proposal, the Parties agreed that the forecast PILs expense in the test year should be updated to reflect the use of the AIIP, with a resulting increase in the amount of CCA available to offset PILs expense in the test year. As a result of this update, the PILs expense in the test year has decreased by \$52,748 from the proposed amount of \$153,420 to \$100,672 in the settlement proposal. In its response to an OEB staff interrogatory, Lakefront Utilities stated that it plans on utilizing Account 1592 sub-account CCA changes for the duration of the rate-setting term and therefore did not propose a smoothing mechanism in this application.<sup>5</sup>

OEB staff supports the updated PILs expense, which reflects the application of the AIIP in the test year, as this is in accordance with the CCA Letter. In addition, OEB staff does not object to the proposal by Lakefront Utilities not to smooth CCA impacts expected during the upcoming rate-setting term. The AIIP is to be phased out from 2024 to 2027. The continued use of the Account 1592 sub-account CCA changes by Lakefront Utilities will capture the impact of differences that result from CCA rule changes, including the impacts of phasing out of the AIIP (which results in an increase in taxes payable over the PILs amounts assumed in rates). Using Account 1592 for this purpose will generally achieve the same intent as a smoothing mechanism.

### **Issue 3.0 Load Forecast, Cost Allocation and Rate Design**

#### Load Forecast

The Parties agreed to a change in how Lakefront Utilities determined Residential, General Service (GS) < 50kW and Unmetered Scattered Load (USL) rate class energy forecasts from modelled wholesale purchases. It was agreed that Lakefront Utilities would use the 2019 ratio of rate class energy to wholesale purchases rather than the

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<sup>5</sup> Response to OEB staff interrogatory 2.1-Staff-30.

2020 ratio from the initial application. This is to remove the impact of COVID-19 on the rate class energy forecasts.

In the context of the settlement proposal, OEB staff does not have any concerns with the proposed load forecast of 238 GWh, 333 MW, and 3,159 customers and connections as shown in Tables 11 and 12 of the settlement proposal. This reflects an increase of 6.6 GWh (2.8%) and 7.1 MW (2.2%) relative to Lakefront Utilities' initial application. OEB staff submits that the agreed-upon load and customer connection forecasts are reasonable.

### Cost Allocation

The proposed settlement cost allocation model reflects the removal of an allocation of meters to the Sentinel Light, Street Light, and USL rate classes.

Parties agreed that the weighting factors would be adjusted to reflect the updated calculations in 8-VECC-60.

Revenue-to-cost ratios for the GS 3,000 – 4,999 kW and USL rate classes were initially above the OEB's target ranges for these two rate classes. The Parties proposed that these revenue-to-cost ratios be reduced to 120%, the upper end of the policy range, by increasing the classes with the lowest revenue to cost ratios, Residential, Street Lighting, and Sentinel Lights to 98%. The agreed-upon revenue-to-cost ratios by rate classes are provided in Table 15 of the settlement proposal.

In the context of the settlement proposal, OEB staff does not have any concerns with the cost allocation agreed to by the Parties.

### Rate Design

The Parties agreed that the fixed charge for the GS < 50 kW rate class be maintained at its current charge of \$25.50 as it already exceeds the allocated cost of the Minimum System with Peak Load Carrying Capability adjustment (commonly referred to as the ceiling). This results in fixed charges within the guidance from the cost allocation model.<sup>6</sup>

In the context of the settlement proposal, OEB staff has no concerns with the rate design proposal.

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<sup>6</sup> Cost Allocation Model, Sheet O2 Fixed Charge|Floor|Ceiling, September 17, 2021.

### Standby

The Parties agreed that Lakefront Utilities would remove the proposal of a standby charge for the GS 50 – 2,999 kW and GS 3,000 – 4,999 kW rate classes. The Parties note that this would be best addressed in a comprehensive province-wide manner.

OEB staff has no concerns with the removal of Lakefront Utilities' proposal to apply a standby charge.

### **3.7 Are the existing Specific Service Charges, the proposed Specific Service Charge for customers requiring a printed bill and the proposed Specific Service Charge for a duplicate invoice appropriate?**

#### Paper Bill

As part of the settlement, Lakefront Utilities has withdrawn the request to charge customers who continue to request a paper bill \$2 per month. The application included forecast revenue of \$41k from the paper bill charge, which Lakefront Utilities has agreed would remain in other revenue so that eliminating the service charge does not result in a revenue deficiency to be addressed when setting rates.

Approximately 28% of Lakefront Utilities customers use e-billing. OEB staff notes that increasing the number of customers who use e-billing would reduce costs and there are other incentive and education-based methods to encourage uptake of e-billing. OEB staff has no concerns with the removal of Lakefront Utilities' proposal for this additional charge.

#### Duplicate Invoice

Lakefront Utilities receives few requests per year from customers requesting a duplicate invoice and had requested an additional service charge for this activity. Lakefront Utilities has withdrawn the request to charge customers \$15 for a duplicate invoice. OEB staff has no concerns with the removal of this request as part of the settlement agreement. There are no financial implications to this change.

## **Issue 4.0 – Accounting**

### Disposition of Deferral and Variance Accounts

In its pre-filed evidence, Lakefront Utilities proposed to dispose of its Group 1 Deferral and Variance Account (DVA) balances (debit of \$914,261) as at December 31, 2020, and Group 2 and other DVA balances (credit of \$69,927) as at December 31, 2020 plus



interest forecasted up to December 31, 2021, on a final basis. All DVA balances are proposed for disposition over a two-year period.

The Parties agreed to disposition of Lakefront Utilities' Group 1 DVA balances (debit amount of \$572,623), except for Accounts 1588 and 1589, over a two-year period and separate Account 1550 dispositions, totaling a debit amount of \$1,440,157, over a five-year period (see the Account 1550 section below for details). Part of the Account 1550 balance is the result of errors made by Lakefront Utilities in its 2017 rebasing application. The Parties have also agreed to the disposition of revised Group 2 and other DVA balances totalling a credit amount of \$127,676 over two-year period.

### *Group 1 DVAs*

In its pre-filed evidence, Lakefront Utilities requested final disposition of Group 1 and Group 2 DVA balances, including accounts 1588 and 1589, despite an ongoing inspection of these two accounts by the OEB's Inspection and Enforcement Department, which was ordered by the OEB in Lakefront Utilities' 2020 IRM Decision and Order.<sup>7</sup> In its response to an OEB staff interrogatory, Lakefront Utilities stated that its preference is to have the accounts disposed on an interim basis if the inspection cannot be completed in time during this proceeding.<sup>8</sup>

The Parties agreed to the disposition of Lakefront Utilities' group 1 DVAs, excluding accounts 1588 and 1589, subject to the modification to the disposition of Account 1550, which is described below. The settlement proposal stated that Accounts 1588 and 1589 should be disposed of in Lakefront Utilities' next IRM application, subsequent to the completion of the audit.<sup>9</sup>

OEB staff does not take issue with the disposition of Group 1 DVAs, except for an issue noted below regarding the balance in Account 1550.

### Account 1550 Low Voltage (LV) Variance

In its pre-filed evidence, Lakefront Utilities proposed disposition of Account 1550 LV Variance Account with a debit balance of \$2,517,025, consisting of a principal amount of \$2,423,988 as at December 31, 2020 and total interest of \$93,037 forecasted up to December 31, 2021. Lakefront Utilities disclosed the following error made in its 2017 rebasing application: the LV rates set in 2017 rebasing application were understated

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<sup>7</sup> EB-2019-0050.

<sup>8</sup> Response to OEB staff interrogatory 4.2-Staff-53.

<sup>9</sup> Settlement Proposal, page 48.

because the forecasted LV charge of \$313,004 at the time was based on the incorrect prior year actuals while the 2015 LV charge paid to Hydro One was \$601,505.<sup>10</sup> This mistake has resulted in material balances (approximately \$300k on an annual basis) that have been recorded and accumulated in the LV variance account 1550 from 2017 to 2020 instead of being collected from the customers through Lakefront Utilities' tariff and rates on an annual basis. Lakefront Utilities identified this error during the preparation of its 2021 incentive rate application.<sup>11</sup> In the settlement proposal, Lakefront Utilities stated that it has calculated and included a forecasted principal debit amount of \$291,697 for the 2021 year in Account 1550, in order for the total impact of the under-recovery (which will effectively span from 2017 to 2021), to be addressed cumulatively in this proceeding.<sup>12</sup> The Parties have agreed that it is preferable to include the 2021 amounts, on a forecast basis, in order to remedy this issue collectively at once, as the low voltage rate will be adjusted effective January 1, 2022, and the under-recovery issue will effectively cease at that time.<sup>13</sup>

OEB staff has summarized the adjustments to the Account 1550 balance and the cost recovery method, and compared the amounts to those in the settlement proposal and its attached schedules, in the tables below:

**Table 1: Account 1550 Balance – Originally Proposed vs. Revised**

\$	LV Variance	Interest	Total Claim
<b>Account 1550 Originally Proposed by Lakefront Utilities</b>	2,423,988	93,037	<b>2,517,025</b>
<b>2021 Forecasted LV Variance related to 2017 under-recovered LV rates<sup>14</sup></b>	291,697		
<b>Write off Interest related to 2017 to 2020 LV variance<sup>15</sup></b>		(65,584)	
<b>Account 1550 Revised Balance (OEB Staff Calculation)</b>	2,715,685	27,453	<b>2,743,138</b>

<sup>10</sup> Response to OEB Staff Interrogatory 4.2-Staff-54.

<sup>11</sup> Response to OEB Staff Interrogatory 4.2-Staff-54.

<sup>12</sup> Settlement Proposal, page 48.

<sup>13</sup> Settlement Proposal, page 49.

<sup>14</sup> Page 48 of the Settlement Proposal stated that "LUI has forecast the 2021 principal charges of \$291,697 to be recorded in Account 1550 in order that the total impact of the under-recovery between 2017 and 2021 can be addressed at the same time."

<sup>15</sup> Settlement Proposal, page 49.

**Table 2: Account 1550 Costs Recovery**

\$	LV Variance	Interest	Total Claim	Notes
<b>Account 1550 Revised Balance (per Table 1) – (A)</b>	2,715,685	27,453	<b>2,743,138</b>	
<b>Separate Rate Riders for the Under-Recovery of LV variances (2017 to 2021) due to under-estimated LV rates<sup>16</sup> - (B)</b>	1,440,157	-	<b>1,440,157</b>	Recovered over five-year period
<b>Remaining Balance in Account 1550 (OEB Staff Calculation) – (C= A-B)</b>	1,275,528	27,453	<b>1,302,981</b>	Recovered with Group 1 accounts over two-year period
<b>Remaining Balance in Account 1550, as disclosed in settlement proposal<sup>17</sup> (D)</b>	983,831	19,244	<b>1,003,075</b>	Per Table 21 in the settlement proposal
<b>Difference (E=C-D)</b>	291,697	8,209	<b>299,906</b>	

The Parties have agreed on two additional modifications related to the 2017 LV rate calculation error:

- 1) Bill inserts for the LV mistake: Lakefront Utilities will incorporate wording in a bill insert related to the low voltage pass through charge and increase in 2022 rates. The wording, intended to explain the nature of the amounts being recovered and the reason for the extended 5-year period of recovery, has been reviewed and agreed to by the Parties to the settlement.<sup>18</sup>
- 2) Additional LEAP funding without an increase of the OM&A claim: Lakefront Utilities will provide additional LEAP funding each year (increased from \$6,247 as originally proposed to \$10,000) for the five-year period of 2022 to 2026 to ensure that collection of this undercharge in that period does not adversely impact customers least able to afford it. The additional LEAP funding of \$3,753 will be

<sup>16</sup> Settlement Proposal, page 50, Table 22.

<sup>17</sup> Settlement Proposal, page 50, Table 21.

<sup>18</sup> Settlement Proposal, page 49.

funded out of the existing OM&A budget such that it has no impact on the revenue requirement in the test year.<sup>19</sup>

OEB staff does not object in principle to what was agreed upon, with respect to Account 1550, by the Parties. OEB staff notes that the significant balance in Account 1550 does not arise from the incorrect accounting entries made in the account but from the under-forecasted LV rates in Lakefront Utilities' 2017 rebasing proceeding. In OEB staff's view, this error has effectively deferred the collection of LV charges by Lakefront Utilities, as they should have been collected through higher LV rates starting in 2017. Instead, these charges have been recorded in Account 1550 for the disposition commencing in 2022. The delay may have implications of intergenerational inequity. However, OEB staff notes that the LV charges that are recorded in Account 1550 are genuine pass-through costs which should be collected by Lakefront Utilities to keep the utility whole. Furthermore, OEB staff notes that the modifications (the additional LEAP funding and bill inserts) will help Lakefront Utilities' customers understand the error and will further assist Lakefront Utilities' low-income customers. OEB staff encourages Lakefront Utilities to implement additional processes and procedures to prevent similar errors in the future and to monitor and identify potential mistakes sooner.

As per Table 1 and Table 2 above, OEB staff notes that there is a difference of \$297,906 between Lakefront Utilities' revised remaining balance in Account 1550 and OEB staff's calculated remaining balance in Account 1550, comprised of a principal differential of \$289,697 and interest differential of \$8,209. OEB staff notes that the difference in interest may be partially attributable to the need for Lakefront Utilities to recalculate the interest based on the revised principal balance. In addition, OEB staff notes that Lakefront Utilities has not attached the calculation for the under-recovered amount of \$1,440,157 arising from the 2017 LV rate error. As part of Lakefront Utilities' reply submission, OEB staff invites Lakefront Utilities to:

- 1) confirm the differences (especially the difference in principal) in Table 1 and Table 2 and revise the relevant evidence for Account 1550 as applicable
- 2) provide the calculation for the total under-recovered amount of \$1,440,157 by year from 2017 to 2021

OEB staff submits that the Parties to the settlement proposal should indicate whether they consent to the correction after Lakefront Utilities has responded to the above-noted matters.

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<sup>19</sup> Settlement Proposal, page 49.

Account 1588 Power and Account 1589 Global Adjustment

In its pre-filed evidence, Lakefront Utilities proposed to dispose of Group 1 DVAs, including accounts 1588 and 1589, on a final basis. The OEB ordered an inspection of accounts 1588 and 1589 in its decision and order for Lakefront Utilities' 2020 rates.<sup>20</sup> OEB staff notes that the inspection has not been completed in advance of the settlement conference. The Parties agreed that accounts 1588 and 1589 should be removed from the total Group 1 claim and that these accounts should be disposed of as part of Lakefront Utilities' next rates proceeding subsequent to the completion of the inspection.<sup>21</sup> OEB staff does not take issue with this approach.

*Group 2 and Other DVAs*

OEB staff notes that Lakefront Utilities' proposed Group 2 and other DVA credit balances have increased by \$57,749 from a credit of \$69,927 as originally proposed to a credit of \$127,676 as agreed to in the settlement, resulting from changes in the following two accounts:

- Account 1509 Impacts Arising from the COVID-19 Emergency
- Account 1592 Sub-account CCA Changes

Account 1509 Impacts Arising from the COVID-19 Emergency

In its pre-filed evidence, Lakefront Utilities proposed to dispose of \$23,411 in Account 1509 for the incremental costs incurred associated with the COVID-19 pandemic in 2020. OEB staff notes that Lakefront Utilities' evidence was filed prior to OEB's issuance for the *Report of the OEB: Regulatory Treatment of Impacts Arising from the COVID-19 Emergency* dated June 17, 2021 (COVID-19 Report). In its response to OEB staff's interrogatory, Lakefront Utilities stated that it is difficult to forecast the 2021 balance in Account 1509 due to the continuance of the pandemic and proposes continuing use of the account throughout this rate term.<sup>22</sup> Lakefront Utilities did not update its request for disposition of Account 1509 in consideration of the OEB's COVID-19 Report, as requested by OEB staff in an interrogatory.<sup>23</sup>

In the settlement proposal, the disposition of Group 2 and other accounts excludes the \$23,411 balance in Account 1509. The settlement agreement states that "the disposition

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<sup>20</sup> EB-2019-0050, December 12, 2019.

<sup>21</sup> Settlement Proposal, page 48.

<sup>22</sup> LUJ's Response to OEB Staff Interrogatory 5.3-Staff-60.

<sup>23</sup> 5.3-Staff-60.

of the account will be deferred until Lakefront Utilities' next cost of service filing".<sup>24</sup>

As part of the settlement proposal, the Parties agreed that:

In the event the OEB identifies an issue with respect to the impact of COVID-19 on the deemed return on equity for 2022 and provides relief to LDCs who embed the 2022 deemed return on equity in their 2022 Test Year revenue either by allowing an adjustment to the embedded return on equity in a future year or through some other mechanism, Lakefront Utilities will be permitted to access such a mechanism<sup>25</sup>

Page 3 of the OEB's COVID-19 Report states that:

The OEB is expecting applications to be filed only on an exceptional basis for costs not related to mandated government or OEB initiated programs; and utilities should generally have been able to manage pandemic-related impacts within existing budgets.<sup>26</sup>

Given the fact that no update was made to the original proposal with respect to Account 1509, to address any considerations associated with the OEB's COVID-19 Report, as well as the immateriality of the 2020 balance, OEB staff does not object to the request by Lakefront Utilities to defer disposition of the balance recorded in Account 1509. OEB staff recommends that any potential COVID-19 related incremental costs be reviewed by the OEB in Lakefront Utilities' s next cost of service proceeding, if submitted for recovery by Lakefront Utilities at that time. In addition, OEB staff submits that there is no compelling reason for Lakefront Utilities to request future adjustments pertaining to the impact of COVID-19 on the 2022 deemed return on equity that is to be approved in this proceeding. However, if the OEB provides for such an adjustment generically, OEB staff does not oppose Lakefront Utilities' access to that mechanism. In general, OEB staff's view is that any impacts associated with the COVID-19 pandemic should be recorded in Account 1509, with the application of the criteria established in the OEB's COVID-19 Report.

#### Account 1592 Sub-account CCA Changes

Lakefront Utilities proposed to calculate the revenue requirement impacts of the CCA changes resulting from the AIP in 2018, 2019 and 2020 using actual capital additions and that the balance recorded in Account 1592 sub-account CCA changes is to be fully refunded to customers.

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<sup>24</sup> Settlement Proposal, page 48.

<sup>25</sup> LUJ's Settlement Proposal, page 26.

<sup>26</sup> EB-2020-0133, Report of the Ontario Energy Board, Regulatory Treatment of Impacts Arising from the COVID-19 Emergency, June 17, 2021

The credit balance in Account 1592 sub-account CCA Changes increased from \$68,549 in the pre-filed evidence to \$102,887 in the settlement proposal, mainly because the original proposed balance in the account was not grossed-up by Lakefront Utilities' corporate tax rate to capture the full revenue requirement impact in rates. Lakefront Utilities proposed the continuation of this account to track any further CCA impacts expected during the incentive period, including the phasing out of the AIIP.

OEB staff notes that some utilities, as part of their 2021 cost of service applications<sup>27</sup>, have used the actual capital additions in the calculation of the revenue requirement impacts in Account 1592 and the OEB has approved settlement agreements where Parties have agreed upon refunding 100% of the revenue requirement impacts associated with the AIIP to customers. OEB staff has no concerns with the proposed disposition in this account by Lakefront Utilities as the method used is consistent with the approach taken by other utilities in their settlements (which were subsequently approved by the OEB). OEB staff also has no concerns regarding the use of Account 1592 sub-account CCA Changes to track any impacts from the phasing out of the AIIP during the next incentive period. Lakefront Utilities has calculated its test year's PILs expense based on certain CCA deductions that are expected to be phased out, commencing in 2024, and given that the impact of this phase-out has not been incorporated into the test year, access to the Account 1592 sub-account CCA Changes for these impacts is appropriate.

### Disposition Period

Lakefront Utilities proposed to dispose of its Group 1 and Group 2 DVAs over two years to mitigate bill impacts. The Parties agreed to a disposition period of two years for all Group 1 and Group 2 DVAs.<sup>28</sup> The Parties also agreed to a disposition of separate rate riders for five years for \$1,440,157 related to LV variances from the under-recovery stemming from erroneously calculated 2017 LV rates. OEB staff supports a two-year disposition period for Group 1 and Group 2 DVAs and a five-year disposition period for the separate LV rate riders, to reduce the bill impacts to the customers.

~All of which is respectfully submitted~

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<sup>27</sup> Oshawa PUC's 2021 cost of service application EB-2020-0048; Burling Hydro's 2021 cost of service application EB-2020-0007

<sup>28</sup> Settlement Proposal, page 48.