

## Lakefront Utilities

EB-2023-0035

October 6, 2023

Please note that Lakefront Utilities is responsible for ensuring that all documents it files with the Ontario Energy Board (OEB), including responses to OEB staff questions and any other supporting documentation, do not include personal information (as that phrase is defined in the Freedom of Information and Protection of Privacy Act), unless filed in accordance with rule 9A of the OEB's Rules of Practice and Procedure.

### OEB Staff Question - 1

Ref: 2024 IRM Rate Generator, Tab 11, 15 and 20

On September 28, 2023 the OEB issued a letter regarding 2024 Preliminary Uniform Transmission Rates (UTRs) and Hydro One Sub-Transmission Rates.<sup>1</sup> The OEB determined to use of preliminary UTRs to calculate 2024 Retail Service Transmission rates (RTSR) to improve regulatory efficiency, allowing for this data to feed into the rate applications including annual updates for electricity distributors on a timelier basis. The OEB also directed distributors to update their 2024 application with Hydro One Network Inc.'s proposed host RTSRs. Any further updates to Hydro One's proposed host RTSR will be reflected in the final rate generator.

OEB staff has updated Lakefront Utilities rate generator with the preliminary UTRs/and proposed host RTSR by HONI as follows:

Uniform Transmission Rates		Unit	2022 Jan to Mar		2022 Apr to Dec		2023 Jan to Jun		2023 Jul to Dec		2024
Rate Description			Rate		Rate		Rate		Rate		
Network Service Rate		kW	\$	5.13	\$	5.46	\$	5.60	\$	5.37	\$ 5.76
Line Connection Service Rate		kW	\$	0.88	\$	0.88	\$	0.92	\$	0.88	\$ 0.95
Transformation Connection Service Rate		kW	\$	2.81	\$	2.81	\$	3.10	\$	2.98	\$ 3.21

Hydro One Sub-Transmission Rates		Unit	2022		2023		2024
Rate Description			Rate		Rate		Rate
Network Service Rate		kW	\$	4.3473	\$	4.6545	\$ 4.5778
Line Connection Service Rate		kW	\$	0.6788	\$	0.6056	\$ 0.6056
Transformation Connection Service Rate		kW	\$	2.3267	\$	2.8924	\$ 3.0673
Both Line and Transformation Connection Service Rate		kW	\$	3.0055	\$	3.4980	\$ 3.6729

If needed, add extra host here. (I)		Unit	2022	2023	2024
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### Question:

Please confirm the accuracy of the Rate Generator update, as well as the accuracy of the resulting Retail Transmission Service Rates following these updates.

<sup>1</sup> OEB Letter, EB-2023-0222, 2024 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates, issued September 28, 2023

**Response:**

Lakefront confirms the accuracy of the Rate Generator update performed by the Board Staff, as well as the accuracy of the resulting Retail Transmission Service Rates following these updates.

**OEB Staff Question-2**

**Ref: Rate Generator Model, Tab 3, Continuity Schedule**

On September 12, 2023, the OEB published the 2023 Quarter 4 prescribed accounting interest rates applicable to the carrying charges of deferral, variance and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

**Question:**

Please update Tab 3 (Continuity Schedule) as necessary to reflect the Q4 2023 OEB-prescribed interest rate of 5.49%.

**Response:**

Lakefront confirms it has updated Tab 3 (Continuity Schedule) to reflect the Q4 2023 OEB-prescribed interest rate of 5.49%.

**OEB Staff Question-3**

**Ref: Rate Generator Model, Tab 3, Continuity Schedule**

**Ref: GA Analysis Workform, Principal Adjustments tab**

**Ref: Manager's Summary, pg 5.**

Lakefront Utilities has indicated that it is seeking disposition of 2022 group 1 variance accounts with the exception of Accounts 1588 and 1589. On December 22, 2022, the OEB issued a compliance report of Lakefront Utilities group 1 account balances due to concerns with accounts 1588 and 1589. Lakefront Utilities has included the report as an appendix to this year's rate application.

**Question:**

- a) The OEB has completed its inspection of accounts 1588 and 1589, Lakefront Utilities has also completed their assessment. Please clarify why Lakefront Utilities is choosing not to dispose of the accounts in question.

**Response:**

Lakefront in its application filed a request to dispose of all group 1 DVA's excluding accounts 1588 and 1589. Internally the issue was reviewed during the preparation of the 2022-year end audit and determined that any adjustments couldn't be processed in time to be reflected on the 2022 financial statement as the OEB's audit report was not received until late December 2022. Therefore, Lakefront concluded that the adjustments would be reflected in 2023 and the GA Analysis Workform and DVA Continuity Schedule will be updated during the preparation of the 2025 IRM. After the filing of the application and preceding the receipt of Staff questions, the CFO of Lakefront resigned from the utility. Lakefront, being a small utility in essence, lost significant internal knowledge of the substance of the audit and transactions related to DVA processing. Lakefront has retained two retired individuals well versed in finance and regulatory aspects of the Ontario Electrical Industry as transition personnel to aid in assisting in the replacement of CFO functions. Currently, however Lakefront is not in a position to be able to fulfill OEB requirements with any

degree of comfort. Lakefront is committed to doing a thorough review of the process with a target to include the disposition of accounts 1588 and 1589 in our anticipated 2025 IRM filing in August 2024. Lakefront request OEB leniency with respect to this matter.

- b) The OEB's audit of accounts 1588 and 1589 were for balances. Please confirm Lakefront Utilities have reviewed the 2020 to 2022 balances in the context of the findings from the inspection and have made any adjustments necessary.

**Response:**

Lakefront would reference our response to OEB Staff Question-3(a) above. Currently Lakefront is not able to confirm that it has reviewed the 2020 to 2022 balances in the context of the findings from the inspection or have made any adjustments necessary. Lakefront is committed to doing a thorough review of the process with a target to include the disposition of accounts 1588 and 1589 in our anticipated 2025 IRM filing in August 2024.

- c) Please confirm that the adjustments made to the accounts are accurate and the OEB's Inspection and Enforcement team have reviewed the adjustments.

**Response:**

Lakefront would reference our response to OEB Staff Question-3(a) above. Currently Lakefront is not able to confirm that the adjustments made to the accounts are accurate. Further Lakefront is not aware if the OEB's Inspection and Enforcement team has reviewed the adjustments. Lakefront is committed to doing a thorough review of the process with a target to include the disposition of accounts 1588 and 1589 in our anticipated 2025 IRM filing in August 2024.

- d) Please confirm that Lakefront Utilities has included all the audit adjustments for balances from 2016 to 2022 in the principal adjustment tab of the GA Workform and DVA Continuity Schedule of the IRM Rate Generator Model. If not, please add them in.

**Response:**

Lakefront would reference our response to OEB Staff Question-3(a) above. Currently Lakefront is not able to confirm it has included all the audit adjustments for balances from 2016 to 2022 in the principal adjustment tab of the GA Workform and DVA Continuity Schedule of the IRM Rate Generator Model. Therefore, Lakefront cannot with any comfort add them in. Lakefront is committed to doing a thorough review of the process with a target to include the disposition of accounts 1588 and 1589 in our anticipated 2025 IRM filing in August 2024

**OEB Staff Question-4**

**Ref: GA Analysis Workform, Tab 1, Information Sheet**

Lakefront Utilities has indicated the balance was last disposed for accounts 1588 and 1589 in 2015. The GA Workform shows transactions starting from 2018.

**Question:**

- a) Please update the Information Sheet on Tab 1 of the GA Analysis Workform and select the appropriate year to Question 1 (cell D21-24).

**Response:**

Lakefront would reference our response to OEB Staff Question-3(a) above. Currently Lakefront is not able to reliably address Accounts 1588 and 1589. Lakefront would note the OEB Decision EB-2022-0046 approved the disposition of December 31, 2021, Group 1 accounts balances, excluding Accounts 1588 and 1589, on a final basis. As such Lakefront would request that the OEB concentrate on all the other accounts. Lakefront is committed to doing a thorough review of the process with a target to include the disposition of accounts 1588 and 1589 in our anticipated 2025 IRM filing in August 2024.

- b) Responses to Question 1 on the Information Sheet should generate GA tabs for the required years. For example, if the year selected is 2015, GA tabs should generate for the years 2016 and 2017, etc. Please complete the required tables for each year. Should you have any issues with this step, please contact the case manager.

**Response:**

Lakefront would reference our response to OEB Staff Question-3(a) above. Currently Lakefront is not able to reliably address Accounts 1588 and 1589. Lakefront would note the OEB Decision EB-2022-0046 approved the disposition of December 31, 2021, Group 1 accounts balances, excluding Accounts 1588 and 1589, on a final basis. As such Lakefront would request that the OEB concentrate on all the other accounts. Lakefront is committed to doing a thorough review of the process with a target to include the disposition of accounts 1588 and 1589 in our anticipated 2025 IRM filing in August 2024.

- c) Please ensure updates to include 2016 and 2017 balances are reflected in the Account 1588 tab and Principal Adjustments tab in the GA Workform.

**Response:**

Lakefront would reference our response to OEB Staff Question-3(a) above. Currently Lakefront is not able to reliably address Accounts 1588 and 1589. Lakefront is committed to doing a thorough review of the process with a target to include the disposition of accounts 1588 and 1589 in our anticipated 2025 IRM filing in August 2024.

**OEB Staff Question-5**

**Ref: Rate Generator Model, Tab 3, Continuity Schedule**

Lakefront Utilities has indicated the 2015 balance was last disposed for accounts 1588 and 1589. The Continuity Schedule on Tab 3 of the Rate Generator Model shows opening balances starting from 2018.

**Question:**

On a separate excel, please complete the table for the years 2016 and 2017. Please ensure the ending 2017 balance reconciles with the opening 2018 balance in the Rate Generator Model. Should you have any questions regarding this step, please contact the case manager.

**Response:**

Lakefront would reference our response to OEB Staff Question-3(a) above. Currently Lakefront is not able to reliably address Accounts 1588 and 1589. Lakefront would note the OEB Decision EB-2022-0046 approved the disposition of December 31, 2021, Group 1 accounts balances, excluding Accounts 1588 and 1589, on a final basis. As such Lakefront would request that the OEB concentrate on all the other accounts. Lakefront is committed to doing a thorough review of the process with a target to include the disposition of accounts 1588 and 1589 in our anticipated 2025 IRM filing in August 2024.

**OEB Staff Question-6**

**Ref: Rate Generator Model, Tab 3, Continuity Schedule**

**Ref: GA Analysis Workform**

Lakefront Utilities has included principal adjustments for accounts 1588 and 1589 in the DVA Continuity Schedule of the Rate Generator Model.

**Question:**

Please ensure the following:

- a) For Account 1588, the transactions in the DVA Continuity Schedule are equal to principal adjustments in Principal Tab of the GA Workform.

**Response:**

Lakefront would reference our response to OEB Staff Question-3(a) above. Currently Lakefront is not able to reliably address Accounts 1588 and 1589. Lakefront is committed to doing a thorough review of the process with a target to include the disposition of accounts 1588 and 1589 in our anticipated 2025 IRM filing in August 2024.

- b) For Account 1589, the transactions in the DVA Continuity Schedule are equal to principal adjustments in Principal Tab of the GA Workform.

**Response:**

Lakefront would reference our response to OEB Staff Question-3(a) above. Currently Lakefront is not able to reliably address Accounts 1588 and 1589. Lakefront is committed to doing a thorough review of the process with a target to include the disposition of accounts 1588 and 1589 in our anticipated 2025 IRM filing in August 2024.

- c) Please ensure transactions and principal adjustments in the Account 1588 tab of the GA Workform also agree with that's reported in the DVA Continuity Schedule.

**Response:**

Lakefront would reference our response to OEB Staff Question-3(a) above. Currently Lakefront is not able to reliably address Accounts 1588 and 1589. Lakefront is committed to doing a thorough review of the process with a target to include the disposition of accounts 1588 and 1589 in our anticipated 2025 IRM filing in August 2024.