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613-562-4002

November 13, 2012

**VIA MAIL and E-MAIL**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge St.  
Toronto, ON  
M4P 1E4

Dear Ms. Walli:

**Re: EB-2012-0145 Lakeland Power Distribution Ltd.**

Please find enclosed the interrogatories of VECC in the above-noted proceeding.

Yours truly,

Michael Janigan  
Counsel for VECC

Encl.  
cc. Lakeland Power Distribution Inc.  
Attn: Ms. Margaret Maw  
[mmaw@lakelandholding.com](mailto:mmaw@lakelandholding.com)

<b>REQUESTOR NAME</b>	<b>VECC</b>
<b>INFORMATION REQUEST ROUND NO:</b>	<b># 1</b>
<b>TO:</b>	<b>Lakeland Power Distribution Inc. (Lakeland or LPDL)</b>
<b>DATE:</b>	<b>November 13, 2012</b>
<b>CASE NO:</b>	<b>EB-2012-0145</b>
<b>APPLICATION NAME</b>	<b>2013 Cost of Service Electricity Distribution Rate Application</b>

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### **1. GENERAL (Exhibit 1)**

**No Questions**

### **2. RATE BASE (Exhibit 2)**

#### **2.0-VECC- 1.0**

**Reference: Exhibit 2, Tab 1, Schedule 2, page 4**

- a) Please provide a breakdown and description of the assets written off as per MIFRS requirement in 2012 of \$126,361.

#### **2.0 – VEC – 2.0**

**Reference: Exhibit 2, Tab 3, Schedule 1, Table 2.3.1, page 2**

- a) Please explain why there are no capital contributions forecast for 2012 or 2013?

#### **2.0 – VECC – 3.0**

**Reference: Exhibit 2, Tab 2, Schedule 2, page 15-17**

- a) With respect to replacement of underground plant (e.g. Curling Road and Wilshire Blvd) does LPDL seek a contribution from the municipality for the premium costs of underground as opposed to overhead service?
- b) What is LPDL's policy in respect to request for underground service in replacement of overhead service?

- c) How many such requests has LPDL had in each of the past 3 years?  
Please detail by project, cost and contribution.

## **2.0 – VECC – 4.0**

**Reference: Exhibit 2, Tab 3, Schedule 2, page 4**

- a) Please provide the capital expenditures related to customer demand (new services and service upgrades) in each of 2009 through 2013.

## **2.0 – VECC – 5.0**

**Reference: Exhibit 2, Tab 3, Schedule 2, page 28**

- a) Please provide more detail on Project #45 – SCADA System.  
Specifically please explain:
  - (1) how the costs estimates for 2012 and 2013 were derived;
  - (2) provide the business plan summary for the project (if available);
  - (3) provide the actual 2012 spending to-date on this project.

## **2.0 - VECC- 6.0**

**Reference: Exhibit 2, Tab 3, Schedule 4, page 2**

- a) The evidence states that “for the purpose of this rate application, LPDL used the half year rule for calculating depreciation expense for the 2013 Test Year.” What method of calculating depreciation was used in the years 2009 through 2012?

## **2.0 - VECC- 7.0**

**Reference: Exhibit 2, Tab 5, Schedule 1, page 3, Table 2.5.1**

- a) Please explain why LPDL has chosen a proposed useful life for smart meters that is longer (15 years) than proposed by the Kinetrics Study (5-10 years)?

## **2.0 - VECC- 8.0**

**Reference: Exhibit 2, Tab 6, Schedule 1, page 1/ Exhibit 2, Appendix C – Green Energy Plan**

- a) Please clarify whether LPDL is seeking a funding adder for its Green Energy Plan.

- b) Please provide a table showing the actual and projected costs of the Green Energy Plan in years 2010 through 2016.
- c) When does LPDL expect to seek disposition of account 1531?

## **2.0 - VECC- 9.0**

**Reference: Exhibit 2, Tab 1, Schedule 1, pages 5-6 / Appendix A, Tab 5, Schedule 1, page 3, Table 2.5.1**

- a) Please provide the capital expenditures for 2009-2012 by the following categories:
  - (1) Distribution Plant – Customer Demand
  - (2) Distribution Plan – Aging Assets, Security, Reliability, Regulatory Requirements, Substations and Metering
  - (3) General Plant – Buildings, Office Furniture, Transportation, Tools and Equipment
  - (4) General Plant – Computer Software, Hardware, Communications, SCADA;
- b) Please provide a table which uses the same categories as above for the expenditures shown in the Asset Management Plan for the period 2013 through 2016.

## **3. LOAD FORECAST (Exhibit 3)**

### **3.0-VECC- 10.0**

**Reference: Exhibit 3, Tab 2, Schedule 1, page 2 (lines 1-5)**

- a) Please provide the 2013 forecast billed energy by customer class based on the individual customer class equations and compare with Lakeland's proposed forecast by class.

### **3.0-VECC- 11.0**

**Reference: Exhibit 3, Tab 2, Schedule 1, page 3**

- a) Please confirm that the 2012 and 2013 values both include the impact of 2012 and 2013 CDM programs.

### **3.0-VECC- 12.0**

**Reference: Exhibit 3, Tab 2, Schedule 1, pages 7**

- a) Please confirm that based on the estimated equation, 10 kWh of additional CDM savings in a month results a 64 kWh reduction in predicted purchases.
- b) What, in Lakeland's view, gives rise to this 6.4-times increase in the reduction and does it make intuitive sense?

### **3.0-VECC- 13.0**

**Reference: Exhibit 3, Tab 2, Schedule 1, page 7**

- a) Did Lakeland explore the use of any economic drivers as explanatory variables such as GDP or unemployment?
- b) If not, why not?
- c) If yes, please provide the results of such models (i.e., the equation, the R-squared values and the t-stats for the coefficients).
- d) If not, please re-estimate the model excluding CDM as an explanatory variable but include an economic driver (e.g. GDP or unemployment) and provide the results (i.e., the equation, the R-squared values and the t-stats for the coefficients).
- e) Please re-estimate the model using monthly purchases plus the CDM activity variable (per Appendix A), with the later marked-up by the historical loss factor (1.0797) as the dependent variable and heating degree days, cooling degree days, days in the month and number of peak hours as the independent variables and provide the results (i.e., the equation, the R-squared values and the t-stats for the coefficients).
- f) Based on the equation estimated in part (e) provide a table similar to Table 3.2.7. Note: For "actual" values include two columns one with and one without the CDM and do the same for the "predicted" values.

### **3.0-VECC- 14.0**

**Reference: Exhibit 3, Tab 2, Schedule 1, page 8**

- a) Please provide the OPA 2006-2010 Final CDM Results Report for Lakeland.
- b) Please revise Table 3.2.5 so as to include the values for 2010.

- c) Please provide the OPA report for the preliminary actual 2011 CDM program results.
- d) Are the final 2011 CDM results available from the OPA? If yes, please provide and indicate whether the 2011 program results reported in Table 3.2.5 have changed and whether these final results change the CDM savings schedule set out in Table 3.2.17.
- e) If the final 2011 results have changed from those used to determine the 2011 CDM activity variable in Appendix A, please update Appendix A, re-estimate the regression model and provide an updated version of Table 3.2.7.
- f) Please confirm that OPA's reports reflect the annualized value of the CDM programs undertaken in each year (i.e., assumes that all programs were in effect for the full year). If not confirmed please provide Lakeland's understanding of what the results represent and the basis for this understanding.

### **3.0-VECC- 15.0**

**Reference: Exhibit 3, Tab 2, Schedule 1, pages 11 - 12**

- a) Please explain why, for purposes of forecasting 2012 and 2013 purchases, the anticipated load impact of 2012 and 2013 CDM programs were not included in the CDM activity variable as opposed to making a separate adjustment after the fact as is done in the Application.

### **3.0-VECC- 16.0**

**Reference: Exhibit 3, Tab 2, Schedule 1, pages 12 - 13**

- a) What was the actual customer/connection count for each class for the most recent 2012 month available? In the same response please provide the 2011 values by class for the equivalent month.

### **3.0-VECC- 17.0**

**Reference: Exhibit 3, Tab 2, Schedule 1, pages 16 - 18**

- a) Please confirm that the difference between the gross and net CDM savings represents those savings that would have occurred even if there were no CDM programs. If not, please explain why not.
- b) Please explain why the difference between the gross and net CDM impacts is not already reflected in the forecast values for 2012 and 2013 based on the regression model.

## **OTHER OPERATING REVENUE (Exhibit 3)**

### **3.0-VECC- 18.0**

**Reference: Exhibit 3, Tab 3, Schedule 3**

- a) Please explain the forecast negative revenues associated with “Removal of Non-Compliant Meters” in 2012 and 2013 (page 2).
- b) Please explain why Carrying Charges on Regulatory Assets have been included in Interest and Dividend Income (page 2).
- c) Please explain the loss associated with “Aging Asset Replacement” reported for 2013 (page 2).
- d) Does Lakeland have any MicroFit customers and, if so, how many are forecast for 2013 and where is the associated monthly service charge revenue reported?
- e) Please explain why there is no interest/dividend income forecast for either 2012 or 2013 – apart from that associated with Regulatory Assets (page 2).
- f) Please provide a schedule that sets out the 2012 year-to-date other operating revenues by account (per Table 3.3.12) and provide the comparable year-to-date information for 2011.

## **4. OPERATING COSTS (Exhibit 4)**

### **4.0 - VECC- 19.0**

**Reference: Exhibit 4, Tab 1, Schedule 1, page 7 / Schedule 3, page 9**

- a) The evidence shows that LPDL has forecast onetime regulatory costs of \$200,000. Please confirm this is the estimated cost of the 2013 cost of service application.
- b) Please breakdown this cost into the components: Legal; Consulting and intervenor costs.
- c) Please provide the spending of this budget to-date.

### **4.0 - VECC- 20.0**

**Reference: Exhibit 4, Tab 2, Schedule 2, page 2/ Schedule 3, page 8.**

- a) Please explain why meter reading costs (account 5310) were significantly higher in 2010 than in previous and subsequent years.
- b) Meter reading costs were 116.9k in 2009 and are forecast to be 116k in 2013. Please explain why account 5310 does not appear to show the significant decrease in meter reading costs of \$83,336 as explained at page 8 of the evidence.

#### **4.0 - VECC- 21.0**

**Reference: Exhibit 4, Tab 2, Schedule 2, page 2**

- a) Please explain how LPDL derived the forecast for bad debt expense (account 5335). How is this forecast adjusted (or not) for the Credit Risk Insurance purchased by LPDL?
- b) Please explain how the forecast for miscellaneous customer accounts expenses (account 5340) is derived.
- c) Please explain what costs are incurred under Community Relations – Sundry (account 5410) and how the estimate for 2013 is derived.

#### **4.0 - VECC- 22.0**

**Reference: Exhibit 4, Tab 1, Schedule 1, page 2, Table 4.1.2**

- a) Please update Table 4.1.2 to show the OM&A expenses to-date and the remaining forecast to 2012 year end.

#### **4.0 - VECC- 23.0**

**Reference: Exhibit 4, Tab 2, Schedule 3, page 18**

- a) Please show separately the management fees included in account 5665 for the period 2009 through 2012.

#### **4.0 - VECC- 24.0**

**Reference: Exhibit 4, Tab 2, Schedule 2, page 3**

- b) Please explain the nature of the donations shown in account 6205 and explain why LPDL believes these are appropriate costs to be recovered in rates.



## **5. COST OF CAPITAL (Exhibit 5)**

### **5.0 - VECC- 25.0**

**Reference: Exhibit 4, Tab 2, Schedule 2, page 3**

- a) Please explain why the TD Bank 9520026-05 was extended one year without a change in the interest rate.
- b) LPDL's deemed capital structure is significantly different than its actual capital structure. Please explain the reasons LPDL has not aligned these figures more closely?

## **6.REVENUE DEFICIENCY/SUPRLUS (Exhibit 6)**

**No Questions**

## **COST ALLOCATION (Exhibit 7)**

### **7.0-VECC- 26.0**

**Reference: Exhibit 7, Tab 1, Schedule 2, page 4 (Note – Pages are not numbered)**

- a) In the case of Street Lighting, Sentinel Lighting, and/ USL are there any Lakeland owned assets that perform a function similar to “services” in that they connect the customers’ assets to the distributor’s distribution system. If yes, for which customer classes does this apply and where are the costs for the relevant assets recorded?

### **7.0-VECC- 27.0**

**Reference: Exhibit 7, Tab 1, Schedule 2, page 5 and Sheet I7.2**

- a) Please explain why the Metering Reading factor for GS>50 is only 0.22 relative to a value of 1.0 for Residential and GS<50.

### **7.0-VECC- 28.0**

**Reference: Exhibit 7, Tab 1, Schedule 2, page 7 – Table 7.1.3**

- a) Please explain why the “Revenue to Cost Ratios from the 2013 CA Model” shown in this table don’t match those set out in Table 7.1.2; Table 7.1.5 c) or the results (sheet O1) of the CA Model.

- b) The text on page 7 states that three classes are beyond the maximum ratio. However, according to Table 7.1.2 this is only the case for one customer class – USL. Please reconcile.
- c) Please revise Table 7.1.3 as necessary and confirm Lakeland's proposed 2012 revenue to cost ratios.

### **RATE DESIGN (Exhibit 8)**

#### **8.0-VECC- 29.0**

**Reference: Exhibit 8, Tab 1, Schedule 1, pages 4-5  
Exhibit 8, Tab 1, Appendix A, 2013 Tariff Sheets  
Exhibit 8, Appendix 2-W**

- a) Please explain why the GS>50 volumetric charge shown in Table 8.1.7 is \$1.5024 but the value in the Tariff Sheet is \$3.0048.
- b) Please explain why the GS>50 volumetric charge for 2013 used in the calculation of the Bill Impacts is \$3.0048 (per Appendix 2-W) as opposed to \$1.5024.
- c) Please revise the Tariff Sheets and Bill Impact calculations as required.

#### **8.0-VECC- 30.0**

**Reference: Exhibit 8, Tab 1, Schedule 1, pages 5 - 6**

- a) Please explain how the values for the Common ST kW and LVDS kW shown in Table 8.1.8 were determined.
- b) Please provide the actual 2011 LV costs for Lakeland.

#### **8.0-VECC- 31.0**

**Reference: Exhibit 8, Tab 1, Schedule 2, page 1**

- a) Given the foregoing issues regarding the GS>50 rates used in the bill impact analysis, please provide the bill impacts prior to any adjustment of the R/C ratios for rate mitigation.
- b) Is rate mitigation still required? If so, please indicate precisely what adjustments are proposed to each customer class' R/C ratio (i.e., the before and after ratios in each case).

### **9. DEFERRAL AND VARIANCE ACCOUNTS (Exhibit 9)**

### **9.0-VECC- 32.0**

**Reference: Exhibit 9, Tab 2, Schedule 3, page 2, Table 9.2.6**

- a) Please explain why the sum shown for Group 1 accounts (751,300) does not equal the sum of the accounts (583,995).

### **9.0 – VECC – 33.0**

**Reference: Exhibit 9, Tab 3, Schedule 1, page 2, Table 9.3.2**

- a) Has LPDL has used the actual recorded net book values of residential and GS<50 meter costs in calculating the stranded meter rider?
- b) If so please explain why the costs of residential single phase an GS<50 single phase meters and three phase meters are at the same unit cost.
- c) If LPDL has not used actual meter costs please explain how the proposed stranded meter rider is calculated in accordance to the principle of cost causality.

### **9.0 – VECC – 34.0**

**Reference: n/a**

- a) Does LPDL currently participate in any conservation and demand management programs. If yes, please provide the status of those programs and the expected date for seeking approval of LRAM or SSM compensation.

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