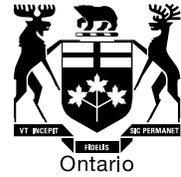


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**BY E-MAIL**

December 20, 2012

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Lakeland Power Distribution Ltd.  
2013 Distribution Rate Application  
Board Staff Supplemental Interrogatories  
Board File No. EB-2012-0145**

In accordance with Procedural Order No. 2, please find attached Board Staff Supplemental Interrogatories in the above proceeding.

Yours truly,

*Original Signed By*

Silvan Cheung  
Advisor – Applications & Regulatory Audit

Encl.

cc: Parties to EB-2012-0145 proceeding

**Board Staff Supplemental Interrogatories  
2013 Electricity Distribution Rates  
Lakeland Power Distribution Ltd. (“LPDL”)  
EB-2012-0145  
December 20, 2012**

**EXHIBIT 2 – RATE BASE**

**2.0-Staff-36**

Ref: 2.0-Energy Probe-10; Exhibit 2/ Tab 5/ Schedule 4/ Page 1, Table 2.5.4 – CGAAP/MIFRS

In its response to 2.0-Energy Probe-10, LPDL has chosen to defer the transition to IFRS until January 1, 2014 and to continue to adopt CGAAP in 2013. In addition, LPDL stated:

LPDL has however, made a change to its accounting policy to reflect the OEB’s requirement in accordance with the Board’s letter of July 17, 2012. LPDL confirms that the new useful lives proposed in Exhibit 2, Tab 5, Schedule 1, pg 3 will be adopted for 2013 in accordance with the OEB Kinectric’s study and will follow the OEB’s July 17,2012 letter “re: Regulatory accounting policy direction regarding changes to depreciation expenses and capitalization policies in 2012 and 2013”.

LPDL will continue to adopt CGAAP in 2013 and as such, there is not a requirement to re-state prior year balances as the change in accounting policy is made prospectively, not retroactively. As a result, new useful lives and componentization will not be applied to 2012.

Consequently, LPDL has removed the PP&E adjustment from the revenue requirement and has made the changes as shown in response to 6.0-Staff-24 and all models have been updated.

In its application, LPDL provided the impact of MIFRS on revenue requirement in Table 2.5.4.

Please update and file Table 2.5.4 (Exh.2/Tab5/sch.4) to show the impact between CGAAP (based on new depreciation and capitalization policies) and MIFRS as if the conversion started in 2013.

## **2.0-Staff-37**

Ref: 2.0-Energy Probe-8; Exhibit 2/ Tab 2/ Schedule 1 – Fixed Asset Continuity Schedule

In its response to 2.0-Energy Probe-8, LPDL has provided the revised fixed asset continuity schedules to reflect the updated 2012 capital forecast and the deferral of capital expenditures to 2013. Please provide updated fixed asset continuity schedules for 2013 in CGAAP basis and also confirm whether the schedule has reflected the new useful lives as proposed in Exhibit 2, Tab 5, Schedule 1, page 3.

## **EXHIBIT 3 – OPERATING REVENUE**

### **3.0-Staff-38**

Ref: Exhibit 3/Tab 2/Schedule 1; 3.0-VECC-14 – Load Forecasting / CDM Variable

On pages 7 and 8, LPDL describes the CDM variable used in its load forecasting methodology. As the OPA publishes the data on an annual basis, the annual data is converted to monthly values by a methodology of interpolating the data.

- a) The interpolation of monthly results within each year means that there is a linear increase or decrease to the CDM values within each time period. However, CDM impacts would more reasonably be expected to be flat (e.g., due to programs like LED street lighting or refrigerator round-ups), or show cyclical or seasonal patterns (e.g., Peaksaver, energy efficient furnace and air conditioners, improved insulation). Thus, the pattern of the constructed CDM variable may not be approximating the influence of CDM activity on the real system consumption, and thus the CDM variable may be reflecting other drivers of consumption or demand. Please provide LPDL's views as to whether it believes the CDM variable is a reasonable proxy for the influence of CDM activity on demand.
- b) LPDL has stated in its response to 3.0-VECC-14 that the OPA results are already annualized (i.e. assume that the programs are in effect for the full year from January 1 to December 31). If this is the case, then what is the rationale for calculating another and different "annualized" amount by multiplying the December value by twelve months?

### 3.0-Staff-39

Ref: 3.0-Staff-12, 3.0-VECC-14 – Load Forecasting

In its response to 3.0-Staff-12, LPDL provided its explanation on why it believes that the estimated CDM activity variable coefficient of (6.4) is reasonable. LPDL states:

As shown in, Exhibit 3, Tab 2, Schedule 1, Page 8 of 21, Table 3.2.5, the 2011 net CDM results from 2011 program plus the persistence of 2006 to 2010 OPA CDM programs in 2011 is 2.4 GWh (i.e. 0.5 GWh from 2011 programs plus 1.9 GWh from the persistence of 2006 to 2010 programs). For 2011, the CDM activity variable reflects 2.4 GWh from the impact of CDM programs initiated from the end of 2005 to 2011. Over the same period actual purchases have declined by 14.2 GWh and 14.2 divided by 2.4 is 5.9. This is very close to the absolute value of the coefficient for the CDM activity variable. As a result, in LPDL's view this provides evidence to support the coefficient for the CDM activity being (6.4).

However, this also suggests the coefficient on the CDM activity variable is picking up a decline in power purchases that is more than the impact of net CDM results. The decline could be attributed to such items as the difference between gross and net CDM results, the impact of customer perception on electricity pricing once smart meters were installed even though customers were not transitioned to TOU pricing, the real impact of TOU pricing and the impact of economic conditions in the LPDL service area. LPDL was not able to separately quantify the impact of these items.

Based on Table 3.2.16 as updated in response to 3.0-Staff-14, the average 'net' to 'gross' conversion would be about 68%. Since the 'net' CDM variable is used in the regression analysis, while the endogenous variable is purchased kWh, Board staff interprets that the reciprocal of the 'net' to 'gross' or a coefficient of about (1.5). Ignoring any issues about the constructed CDM variable being addressed in other interrogatories, this would still imply that the bulk of the 'explanatory power' being picked up by the CDM variable and coefficient is related to other matters, such as economic activity, price elasticity, etc.

- a) LPDL does not include any variables for population size or economic activity other than Ontario real GDP in the documented regression equation. Were such variables tried? If so, what variables were tried? Why were these variables ultimately rejected?

- b) Did LPDL attempt to account for behavioural changes due to changes arising from smart meter deployment and forthcoming TOU pricing? If so, what variables were tried? Why were these variables ultimately rejected?

### **3.0-Staff-40**

Ref: 3.0-VECC-13 – Load Forecasting

Please run a variation of the model requested in 3.0-VECC-13 e) with the addition of an economic indicator (e.g. real Ontario GDP, Full-time-Employment in or close to LPDL's service territory).

Please provide the regression results in the full regression output format provided in Microsoft Excel. If possible, please provide the data used and the regression results in a working Microsoft Excel spreadsheet.

### ***EXHIBIT 4 – OPERATING COSTS***

#### **4.0-Staff-41**

Ref: 4.0-Staff-23, Table 4-11 – Depreciation & Amortization Expenses

In Table 4-11, LPDL provided a revised amortization expenses for 2013 under MIFRS. Please provide the same table to reflect the adoption of CGAAP in 2013 test year.