

LakelandPower

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January 29, 2009

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

**RE: Lakeland Power Distribution Ltd.
EB-2008-0234
2009 Electricity Distribution Rate Application
Responses to Energy Probe Interrogatories – Round 2**

Please find enclosed the response to the Round 2 interrogatories of Energy Probe in the above-noted proceeding.

Respectfully submitted,



**Margaret Maw
CFO
Lakeland Holding Ltd.**

**LAKELAND POWER DISTRIBUTION LIMITED
2009 RATES REBASING CASE
EB-2008-0234**

**RESPONSES TO
ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES – SECOND ROUND**

January 29, 2009

Interrogatory # 39

Ref: Response to Energy Probe Interrogatory # 8

The response to part (c) of the question does not appear to reconcile with the calculation of the depreciation expense shown for 2009 for a number of accounts in Exhibit 2, Tab 2, Schedule 1, Table 4. Further, the question asked for all the calculations used to calculate the depreciation expense for each asset class found in Table 4.

The attached table shows the asset classes in 2009 for which the total calculated depreciation based on the response to Energy Probe Interrogatory # 8c is less than the depreciation expense shown in Table 4 of Exhibit 2, Tab 2, Schedule 1.

- a) Please confirm that the 2009 opening balance, 2009 additions and 2009 depreciation expense for the accounts shown for 2009 are correct.

Confirmed

- b) Please confirm that the years used for calculating the depreciation expense are correct.

Confirmed with the exceptions identified in part (c)

- c) Please confirm that the calculations shown in the calculated depreciation additions and calculated depreciation opening columns accurately reflect the response to Energy Probe Interrogatory # 8c. If not, please explain what changes need to be made and provide a “live” spreadsheet with the corrected calculations.

When the 5 utilities were merged, the opening balances for the new company were set up by account and a new determination of service life was determined for each account based on the asset age in each account. The attached revised spreadsheet identifies the years used for the 2000 opening

balances. For Account 1955, the additions in 2000 were under depreciated by \$1550 in the first two years so this has been spread over the next 8 (\$194 per year)

Account	2009 Opening Balance	2009 Additions	2009 Depreciation Expense	Years	Calculated Depreciation Additions	Calculated Depreciation Opening	Total Calculated Depreciation	Excess Depreciation
1820 since 2000	526,772.71	500,000.00	31,070.08	25	10,000.00	21,070.91	31,070.91	-0.83
at merge	907,649.85	0.00	53,391.17	17	0.00	53,391.17	53,391.17	0.00
1820 Total	1,434,422.56	500,000.00	84,461.25		10,000.00	74,462.08	84,462.08	-0.83
1830 since 2000	1,976,481.38	369,878.00	86,456.73	25	7,397.56	79,059.26	86,456.82	-0.09
at merge	3,140,701.37	0.00	181,959.18	17	0.00	184,747.14	184,747.14	-2,787.96
1830 Total	5,117,182.75	369,878.00	268,415.91		7,397.56	263,806.39	271,203.95	-2,788.04
1835 since 2000	1,055,747.80	220,000.00	46,627.27	25	4,400.00	42,229.91	46,629.91	-2.64
at merge	1,659,193.92	0.00	69,133.08	24	0.00	69,133.08	69,133.08	0.00
1835 Total	2,714,941.72	220,000.00	115,760.35		4,400.00	111,362.99	115,762.99	-2.64
1840 since 2000	359,165.22	122,000.00	16,806.61	25	2,440.00	14,366.61	16,806.61	0.00
at merge	2,536,199.65	0.00	118,028.38	21.5	0.00	117,962.77	117,962.77	65.61
1840 Total	2,895,364.87	122,000.00	134,834.99		2,440.00	132,329.38	134,769.38	65.61
1845 since 2000	783,040.53	60,160.00	32,523.50	25	1,203.20	31,321.62	32,524.82	-1.32
at merge	637,415.16	0.00	26,558.97	24	0.00	26,558.97	26,558.97	0.01
1845 Total	1,420,455.69	60,160.00	59,082.47		1,203.20	57,880.59	59,083.79	-1.32
1850 since 2000	2,354,084.32	70,000.00	95,562.19	25	1,400.00	94,163.37	95,563.37	-1.18
at merge	2,005,164.26	0.00	137,729.78	14.5	0.00	138,287.19	138,287.19	-557.41
1850 Total	4,359,248.58	70,000.00	233,291.97		1,400.00	232,450.56	233,850.56	-558.59
1860 since 2000	374,090.76	15,000.00	15,262.93	25	300.00	14,963.63	15,263.63	-0.70
at merge	750,734.35	0.00	37,279.86	20	0.00	37,536.72	37,536.72	-256.86
1860 Total	1,124,825.11	15,000.00	52,542.79		300.00	52,500.35	52,800.35	-257.56
1908 since 2000	74,923.56	0.00	2,497.41	30	0.00	2,497.45	2,497.45	-0.04
at merge	83,641.81	0.00	3,062.69	27	0.00	3,097.84	3,097.84	-35.15
1908 Total	158,565.37	0.00	5,560.10		0.00	5,595.30	5,595.30	-35.20
1955 Total	158,565.79	0.00	16,049.88	10	0.00	15,856.58	15,856.58	193.30
Total	19,383,572.44	1,357,038.00	969,999.71		27,140.76	946,244.22	973,384.98	-3,385.27

- d) Please confirm that based on the methodology that is reflected in the response to Energy Probe Interrogatory #8c, the calculated depreciation is the maximum depreciation expense that could be recorded because some of the assets in the opening balance may already be fully depreciated. If this cannot be confirmed, please provide an explanation and an example where the depreciation could be more than that reflected in the calculation methodology.

Confirmed

- e) Please explain why the depreciation expense shown for each of these accounts is higher than the calculated depreciation expense as shown in the attached spreadsheet.

See part (c) above – a live spreadsheet is attached

Interrogatory # 40

Ref: Response to Energy Probe Interrogatory # 11 & 12

- a) The responses indicate that a new developer has come on near the site of the substation and that this has increased the cost. The original cost was forecast to be \$1.5 million offset by \$1.0 million in contributed capital (Exhibit 2, Tab 3, Schedule 1, page 4). Please update the total cost and the contributed capital to reflect the new developer.

The current estimate on the final cost of the substation and subdivision is \$2.3 M with a contributed capital of \$1.4 M leaving an LDC asset of \$879 K versus the \$500 K in the original application. Expected energization date is June 2009. Cost spent to date are \$323 K.

- b) Is there any impact on the number of forecast customer additions for 2009? If not, why not?

The original developer understated the actual connection estimates for 2009 due to the recession while the new developer has sold his units. The total number of connections estimated for the design of the substation is slightly increased, however the time horizon is now out 8 years.

Interrogatory # 41

Ref: Response to Energy Probe Interrogatory # 28a

- a) Please confirm that the \$23,954 of depreciation on transportation and communication equipment is reallocated from depreciation expense to OM&A expense.

Confirmed

- b) Please confirm that none of this reallocated depreciation expense was capitalized to the capital projects that utilize the trucks.

For the purposes of this rate application, this is confirmed

Interrogatory # 42

Ref: Response to Energy Probe Interrogatory # 28e

The 2006 EDR Handbook stated with respect to the Ontario Capital Tax Exemptions (Section 7.2.2, part ii) that “Where the applicant is a member of a larger corporate group, the full provincial capital tax exemption will be prorated among the regulated entities in that group”.

- a) Please provide the basis for the allocation of the \$15 million exemption between LPDL and its affiliates.

The allocation is based on the calculation in CT23 of the Ontario PILs return that determines Paid-up Capital/Taxable Capital by company.

2007 Figures	Lakeland Power	Bracebridge Generation	Lakeland Energy	Lakeland Holding
CT21 Taxable Capital	17,202,635	4,170,345	945,922	1,499,635
Percent	72.2	17.5	4.0	6.3
Allocation	10,833,559	2,626,323	595,705	944,413

- b) Are any of the other PILS paying LPDL affiliates regulated entities? If yes, please provide details, including the regulatory body charged with regulating each of the affiliates.

Bracebridge Generation is issued a licence by The Ontario Energy Board.

- c) Please calculate the Ontario Capital Tax if the exemption is \$15 million.

If the exemption was \$15 M, the Ontario Capital Tax would be \$1,124.

Interrogatory # 43

Ref: Response to Energy Probe Interrogatory # 30

It is not clear how the figures presented in the response to part (d) of the question have been calculated, or why there is a change to the 2008 figures.

The only assets that were nor properly classified for CCA purposes in 2005 through 2007 appear to be distribution assets that were put into Class 1 after February 22, 2005 that should have been put into Class 47.

Please provide a continuity schedule for 2005 through 2008 that shows the amounts that were recorded in Class 1 (opening balance, additions, $\frac{1}{2}$ year rule impacts, CCA and ending balance) that should have been put into Class 47. If this information cannot be provided, please provide the level of additions to Class 1 in each of 2005 (after Feb. 22), 2006 and 2007 that should have recorded in Class 47 in each of those years.

CCA Continuity Schedule (Correction)

Class	Class Description	UCC Prior Year Ending Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}	Reduced UCC	Rate %	CCA
1	Distribution System - 1988 to 22-Feb-2005	14,979,567	0	0	14,979,567	0	14,979,567	4%	599,183
47	2005 Additions		505,905	0	505,905	252,953	252,953	8%	20,236
1	Distribution System - 1988 to 22-Feb-2005	14,380,384		0	14,380,384	0	14,380,384	4%	575,215
47	2006 Additions	485,669	341,844	0	827,513	170,922	656,591	8%	52,527
1	Distribution System - 1988 to 22-Feb-2005	13,805,169		0	13,805,169	0	13,805,169	4%	552,207
47	2007 Additions	774,986	761,468	0	1,536,454	380,734	1,155,720	8%	92,458
1	Distribution System - 1988 to 22-Feb-2005	13,252,962		0	13,252,962	0	13,252,962	4%	530,118
47	2008 Additions	1,443,996	745,358	0	2,189,354	372,679	1,816,675	8%	145,334
1	Distribution System - 1988 to 22-Feb-2005	12,722,844		0	12,722,844	0	12,722,844	4%	508,914
47	2009 Additions	2,044,020	1,387,160	0	3,431,180	693,580	2,737,600	8%	219,008

Original Submission for 2008

Class	Class Description	UCC Prior Year Ending Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions	Reduced UCC	Rate %	CCA
1	Distribution System - 1988 to 22-Feb-2005	14,777,723	0	0	14,777,723	0	14,777,723	4%	591,109
47	2008 Additions	0	745,358	0	745,358	372,679	372,679	8%	29,814

620,923

Correction for 2008

Class	Class Description	UCC Prior Year Ending Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions	Reduced UCC	Rate %	CCA
1	Distribution System - 1988 to 22-Feb-2005	12,722,844	0	0	12,722,844	0	12,722,844	4%	508,914
47	2008 Additions	2,044,020	745,358	0	2,789,378	372,679	2,416,699	8%	193,336

702,250

Original Submission for 2009

Class	Class Description	UCC Prior Year Ending Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions	Reduced UCC	Rate %	CCA
1	Distribution System - 1988 to 22-Feb-2005	14,208,174	0	0	14,208,174	0	14,208,174	4%	568,327
47	2009 Additions	715,544	1,387,160	0	2,102,704	693,580	1,409,124	8%	112,730

681,057

Correction for 2009

Class	Class Description	UCC Prior Year Ending Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions	Reduced UCC	Rate %	CCA
1	Distribution System - 1988 to 22-Feb-2005	12,722,844	0	0	12,722,844	0	12,722,844	4%	508,914
47	2009 Additions	2,044,020	1,387,160	0	3,431,180	693,580	2,737,600	8%	219,008

727,922

Correction for 2008/2009 ALL CLASSES

Class	Class Description	UCC Prior Year Ending Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}	Reduced UCC	Rate %	CCA
2008	All Classes - as submitted	15,371,135	974,788	0	16,345,923	487,394	15,858,529	mixed	852,406
2009	All Classes - as submitted	15,493,517	1,685,160	0	17,178,677	842,580	16,336,097	mixed	924,904
2008	All Classes - corrected for Class 47	15,360,276	974,788	0	16,335,064	487,394	15,847,670	mixed	933,293
2009	All Classes - corrected for Class 47	15,401,771	1,685,160	0	17,086,931	842,580	16,244,351	mixed	971,769
2008	All Classes - difference								80,886
2009	All Classes - difference								46,865

Interrogatory # 44

Ref: Response to Energy Probe Interrogatory # 32

- a) Please explain why the year-to-date expenses in 2007, shown in part (b) of the response, are significantly higher than the expenses for the full year shown in the response to part (a).

The table inadvertently picked up account 5705 Depreciation and Amortization in the G&A total, \$850 K. The corrected table is below.

Description	2008 YTD Oct	2007 YTD Oct
OM&A expenses		
Operation	86,399	127,666
Maintenance	633,534	472,544
Billing and Collections	531,192	490,105
Community Relations	8,073	16,149
Administrative and General Expenses	811,561	720,666
Property Taxes	10,270	9,676
Total Operating Costs	2,081,029	1,836,806

- b) If there was an adjustment made to the administrative and general expenses after October, 2007, please indicate the amount of the adjustment and the reason for the adjustment. If an adjustment figure is not available for the year-to-date October figure, please provide the annual adjustment that was made.

See above explanation

Interrogatory # 45

Ref: Response to Energy Probe Interrogatory # 35b

Please provide the forecasted 2009 Electrical Safety authority fees based on distribution revenues only.

In the 2009 Test year submission, ESA fees were calculated as \$30 K. Based on distribution revenue only, they should be \$7,300.

Interrogatory # 46

Ref: Response to Board Staff Interrogatory # 25a, Revised Exhibit 3, Tab 2, Schedule 2, & Exhibit 4, Tab 2, Schedule 9

Please reconcile the actual billed revised figures shown in the response to Board Staff IR #25a and in Table 1 of Exhibit 4, Tab 2, Schedule 9 with the actual billed figures shown in the revised Exhibit 3, Tab 2, Schedule 2 (Table 5 and Appendix A).

Description	2001	2002	2003	2004	2005	2006	2006	
Actual Billed								
Board IR 25a (D)	201.5	215.2	217.6	220.2	221.9	216.0	217.9	at the meter - GWh
Table 1, Ex4,Tab2,Sch 9			217,560,236	220,249,273	221,884,709	215,997,396	217,874,248	at the meter - kWh
Distribution Loss factor	1.0428	1.0428	1.0428	1.0428	1.0428	1.0428	1.0428	
Actual Billed with loss	0	0	226,871,814	229,675,942	231,381,375	225,242,085	227,199,266	billed to customer - kWh
Ex3,Tab2,Sch 2 App A Revised	210,163,368	224,358,489	226,871,814	229,675,942	231,381,375	225,242,085	227,199,266	billed to customer - kWh
Board IR 25a (B)	210.2	224.4	226.9	229.7	231.4	225.2	227.2	billed to customer - GWh
Table 5, Exh3,Tab2,Sch 2 Revised	210.2	224.4	226.9	229.7	231.4	225.2	227.2	billed to customer - GWh

Interrogatory # 47

Ref: Response to Board Staff Interrogatory # 9 & Exhibit 4, Tab 2, Schedules 4 & 5

Are office supplies/photocopying/etc. allocated based on percentage of time allocated, as noted on page 1 of Exhibit 4, Tab 2, Schedule 5 and in the response to the Board Staff IR, or are they based on the number of employees as shown in Table 1 in Exhibit 4, Tab 2, Schedule 5?

The dollars allocated were based on percentage of time allocated. There was a typographical error in Table 1 of Exhibit 4, Tab 2, Schedule 5 description of the allocator. The percentages that reflect the costs are 62.3% Power, 18.7% Energy, and 19% Generation.