Board staff Comments on the Lakeland Power Distribution Ltd. Draft Rate Order, filed May 26, 2009
EB-2008-0234

The Draft Rate Order (DRO) was filed by Lakeland on May 26, 2009. Board staff examined the changes in the revenue share of each class in the Draft Rate Order, and found that the changes were directionally correct but not exactly what might have been expected when moving from the status quo to Lakeland's target Revenue to Cost ratios.

Staff has verified that the adjustment to the Unmetered Scattered Load rates is consistent with the Decision. There is not a specified ratio for the Unmetered Scattered Load in the Decision, and the rate design-based adjustment yields a ratio for this class that differs from that proposed by Lakeland. This alternative ratio must in turn affect what ratios can be attained in the other classes, at least marginally.

As noted in VECC's comments on the Draft Rate Order, the starting point for adjustments should be the ratios calculated net of the transformer ownership allowance, while including Miscellaneous Revenue allocated to the classes. Because forward-year cost allocation results are not available, it is necessary to deal with forecasted revenue shares. While Board staff has not replicated Lakeland's calculations, it comments that Lakeland may have started from the ratios in the original Informational Filing. For example, staff calculates that the revenue share of the Residential class has increased from 55.23% to 56.14%. This is nearly equal to the increase implied by re-balancing from a status quo ratio of 98.5% to the target of 100.0%, where 98.5% comes from the Informational Filing. In contrast, the increase in Residential share is larger than would be implied by re-balancing from status quo 99.85% to 100.0%, where 99.85% is the ratio found in the response to VECC supplementary interrogatory # 6 (as later adjusted by VECC and accepted by all parties).

However, staff is also aware that the forecast revenue shares may have changed due to developments in the service area itself, as VECC has also argued. Staff comments that the resulting proportions may reflect trends or unstated assumptions, rather than being a evidence of a discrepancy with the Decision.

In summary, Board staff submits that Lakeland should file its calculation of the revenue share of each class that result from its proposed rates, complete with a comparison to the status quo shares. Along with the calculations, it should provide an explanation of how the Decision has been reflected in the respective increases and decreases of revenue share.