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BY E-MAIL

December 10, 2009

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

Dear Ms. Walli:

**Re: Lakefront Utilities Inc.
2010 IRM3 Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2009-0233**

In accordance with the Notice of Application and Written Hearing, please find attached Board Staff Interrogatories in the above proceeding. Please forward the following to Lakefront Utilities Inc. and to all other registered parties to this proceeding.

In addition please advise Lakefront Utilities Inc. that responses to interrogatories are due by January 6, 2010

Yours truly,

Original Signed By

Martin Benum
Advisor – Applications & Regulatory Audit

Encl.

Board Staff Interrogatories

2010 IRM3 Electricity Distribution Rates Lakefront Utilities Inc. ("Lakefront") EB-2009-0233

1. Ref: 2010 IRM Deferral Variance Account 1588 -Power

The 2008 ending balances reported in the 2010 IRM Deferral Variance Account workform prepared by Lakefront shows the split for account 1588 – Power and Global Adjustment. On October 15, 2009 the Board issued “Regulatory Audit and Accounting Bulletin 200901” which clarified the accounting rules for reporting the 1558 – Global Adjustment sub-account.

Account Description	Account Number	Total Claim
		I = C + D+ E + F + G + H
RSVA - Power (Excluding Global Adjustment)	1588	1,659,251
RSVA - Power (Global Adjustment Sub-account)		(687,787)

- a) Has Lakefront reviewed the Regulatory Audit & Accounting Bulletin 200901 dated October 15, 2009, and ensured that it has accounted for its account 1588 and sub-account Global Adjustment in accordance with this Bulletin?
- b) Has Lakefront made adjustments subsequent to filing the 2010 IRM3 application and need to re-file an updated 2010 IRM Deferral Variance Account workform?

2. Ref: 2010 IRM Deferral Variance Account 1588 – Global Adjustment

On November 13, 2009 Board Staff prepared a submission in the Enersource EB-2009-0193 2010 IRM3 Application. The following is an excerpt from the submission in respect to Board staff concerns with the current proposal for handling the disposition of the USoA 1588 – Global Adjustment.

The EDDVAR Report as well as the Board’s Decision in EB-2009-0113 adopted an allocation of the GA sub-account balance based on kWh for non RPP customers by rate class. Traditionally this allocation would then be combined with all other allocated variance account balances by rate class. The combined balance by rate class would then be divided by the volumetric billing determinants (kWh or kW) from the most recent audited year end or Board

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approved forecast, if available. This process hence spreads the recovery or refund of allocated account balances to all customers in the affected rate class.

This method was factored on two premises; a) that the recovery/refund of a variance unique to a subset of customers within a rate class would not be unfair to the rate class as a whole and b) that the distributors' billing systems would not be able to bill a subset of customers within a rate class, without placing a significant burden to the distributor.

For these reason the Board's original Deferral Variance Account workform was modelled on this basis. However based on Enersource's evidence, there could be material unfairness to RPP customers within the affected rate classes.

Therefore Board staff suggests that a separate rate rider be established to clear the GA sub-account balance to Non-RPP customers within rate classes.

What remains unclear to Board staff is whether Enersource's billing system could accommodate that change within a reasonable timeframe."

Board staff would like to poll Lakefront on the above issue.

- a) Board staff is proposing that a separate disposition rate rider be applied prospectively to Non-RPP customers for 1588 – Global Adjustment. Does Lakefront agree that this proposal would be fair to all customers? Why or why not?
- b) If the Board were to order Lakefront to provide such a rate rider, would Lakefront's billing system be capable of billing non-RPP the separate rate rider? What complications, if any, would Lakefront see with this rate rider?
- c) If Lakefront were to be unable to bill in this fashion what would Lakefront consider proposing in the alternative?

3. Ref: 2010 IRM Deferral Variance Billing Determinants

Below are the billing determinants identified on Sheet "B1.3 Rate Class And Bill Det" of the workform.

2008

Rate Class	Billed Customers or Connections		
	A	B	C
Residential	8,023	75,604,253	
General Service Less Than 50 kW	1,052	35,639,722	
General Service 50 to 2,999 kW	134	125,799,428	298,912
General Service 3,000 to 4,999 kW	2	43,016,692	80,519
Unmetered Scattered Load	98	743,068	
Sentinel Lighting	55	49,122	98
Street Lighting	2,793	2,001,656	5,177

- a) Please identify if these values are from the Lakefront 2008 Cost of Service Application or 2008 RRR reported values.
- b) If the above are from the 2008 CoS application please provide reference to location in the application.

4. Ref: 2010 IRM Deferral Variance Billing Determinants

Below are the Billed kWh for Non-RPP customers identified on Sheet "B1.3 Rate Class And Bill Det" of the workform.

Rate Class	Billed kWh for Non-RPP customers
	D
Residential	717,950
General Service Less Than 50 kW	298,867
General Service 50 to 2,999 kW	7,749,137
General Service 3,000 to 4,999 kW	3,532,226
Unmetered Scattered Load	0
Sentinel Lighting	0
Street Lighting	166,805

- a) Please identify if these values estimated values or actual values and specify the applicable period.
- b) If the above values are estimated please explain why Lakefront is unable to determine actual.

- c) As discussed in one of the questions above Board staff have proposed a non-RPP customer rate rider for disposition of the 1588 – Global adjustment. If accepted would Lakefront support using the numbers above as the most reasonable denominator to be used for rate determination.
- d) If Lakefront were to establish a separate rate rider to dispose of the balance of the 1588 – Global adjustment sub-account, does Lakefront believe that the rider be applied to customers in the MUSH sector? If not, would Lakefront have the billing capability to exclude customers in the MUSH sector if a separate rate rider were to apply for the disposition of the 1588 – Global adjustment sub-account?

5. Ref: 2010 IRM Deferral Variance Total Claim

Below are the Total Claim values for the EDDVAR Group One Deferral Accounts.

Regulatory Assets - Continuity Schedule Final

Account Description	Account Number	Total Claim
		I = C + D+ E + F + G + H
LV Variance Account	1550	293,002
RSVA - Wholesale Market Service Charge	1580	(677,234)
RSVA - Retail Transmission Network Charge	1584	(48,229)
RSVA - Retail Transmission Connection Charge	1586	(32,509)
RSVA - Power (Excluding Global Adjustment)	1588	1,659,251
RSVA - Power (Global Adjustment Sub-account)		(687,787)
Recovery of Regulatory Asset Balances	1590	(40,635)
Disposition and recovery of Regulatory Balances Account	1595	0
Total		465,859

- a) Please complete the amended Deferral Variance Account Workform V4 as found on the Board's website under the 2010 Electricity Distribution Rates update December 7, 2009. Note that Board staff can assist in converting your most recent model (either the one filed with your application or a more recent version if available). Please contact your case manager to assist you.

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- b) Please reconcile final balance for disposition to the 2008 year end account balance reported in the RRR filing. Please identify the source and reasons for variances.
- c) Please confirm that Lakefront has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance. If Lakefront has used other practices in the calculation please explain where in the filing and why.
- d) Please confirm that Lakefront has used the simple interest calculation as required by the Board using the Boards prescribed interest rates. If Lakefront has used other calculations please explain where in the filing and why.
- e) Please confirm that Lakefront has complied with the requirement to apply recoveries to principal first as outlined in the 2006 Regulatory Assets Transactions document issued September 4, 2009 (included in the Updated IRM Deferral and Variance Account Work Form zip file). If Lakefront has not complied with this requirement please explain why not?

6. Ref: Supplemental Module - Z-Factor Tax Changes

Sheet "F1.1 Z-Factor Tax Changes" of the supplemental module shows Grossed-Up Tax Amount as \$283,894 while the 2009 3GIRM Supplementary Filing Module sheet "F1.1 Z-Factor Tax Changes" shows Grossed-Up Income Taxes as \$290,930.

- a) Please review and advise of the correct amount.

HST Interrogatory

7. Harmonized Sales Tax

It is possible that the PST and GST may be harmonized effective July 1, 2010. Unlike the GST, the PST is included as an OM&A expense and is also included in capital expenditures. If the GST and PST are harmonized, corporations would see a reduction in OM&A expenses and capital expenditures.

In the event that PST and GST are harmonized effective July 1, 2010:

- a. Would Lakefront agree to capture in a variance account the reductions in OM&A and capital expenditures?
- b. Are there other alternatives that the Board might consider to reflect the reductions in OM&A and capital expenditures if this bill is enacted?