Lakeland Power Distribution Ltd. EB-2009-0234 Reply Submission Page 1 of 9 Submitted: February 19, 2010

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February 19, 2010

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-2009-0234 2010 Electricity Distribution Rate Application Reply Submission

Please find enclosed the Reply Submission from Lakeland Power Distribution Ltd. in the above-noted proceeding.

Respectfully submitted,

Marganskla

Margaret Maw CFO Lakeland Holding Ltd.

1 Preface

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3	Lakeland Power Distribution Ltd. (LPDL) is the Local Distribution Company formed by
4	the Municipalities of Bracebridge, Huntsville, Burk's Falls, Magnetawan and Sundridge.
5	LPDL currently serves approximately 7,500 Residential customers, 1,500 General
6	Service under 50 kW customers and 96 General Service over 50kW customers within
7	144 sq. km. of service territory.
8	
9	On October 20, 2009 LPDL submitted a 2010 Distribution Rate Application following the
10	required filing guidelines. The Application has been based on the 2010 3 rd Generation
11	Incentive Regulation Mechanism. LPDL submitted the required interrogatory responses
12	to Board staff.
13	
14	This following is LPDL's reply submission to the Ontario Energy Board staff submission
15	dated February 3, 2010.
16	
17	
18	
19	<u>CONTENTS</u>
20	
21	1. Potential Tax Sharing Rate Rider
22	2. Disposition of Deferrral and Variance Accounts as per the Electricity Distributors'
23	Deferral and Variance Account Review Report (EDDVAR)
24 25	 Treatment of Smart Meter Funding Adder Adjustments to the Revenue to Cost Ratios
25 26	<i>4.</i> Adjustments to the Retail Transmission Service Rates; and
20 27	6. Accounting for the implementation of the Harmonized Sales Tax (HST)
28	
29	
30	

1 POTENTIAL TAX SHARING RATE RIDER:

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3 Submission

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5 Board staff notes that as a result of having kWh Tax Sharing rate adders of \$(0.0000) 6 when rounded to the fourth decimal place and kW Tax Sharing rate adders of \$(0.00)

7 when rounded to the second decimal place, the refund amount of \$9,504 will not be

8 returned to ratepayers, which defeats the intent of tax sharing process. Board staff

9 submits that the Board may wish to consider directing Lakeland to record the Tax

- 10 Sharing refund amount of \$9,504 in the variance account 1595 for disposition in a future
- 11 rate setting.

12 Reply

13

- 14 Upon reviewing the tax sharing rate adders, the rounding to all zeros which is referred
- 15 to is agreed. As the overall amount is small, LPDL would not object to recording the tax
- 16 sharing amount in the variance account 1595 for future disposition.

17

18 DISPOSITION OF DEFFERAL AND VARIANCE ACCOUNTS AS PER

19 THE EDDVAR REPORT:

20

21 Submission

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23 Board staff suggests that the Board may wish to consider establishing a separate rate 24 rider for the disposition of the global adjustment sub-account balance. The rate rider 25 would apply prospectively to non-RPP customers, and would exclude the MUSH sector 26 and other designated customers that were on RPP. Board staff submits that recovering 27 the global adjustment sub-account balance solely from non-RPP customers would be 28 more reflective of cost causality since it was that group of customers that were 29 undercharged by the distributor in the first place. However, the Board may wish to consider, as an alternative, to recover the allocated global adjustment sub-account 30 31 balance from all customers in each class. This approach would recognize the customer 32 migration that might occur both away from the non-RPP customer group and into the 33 non-RPP customer group.

- In addition to the decision on whether a separate rate rider should be established for the 1 2 disposition of the global adjustment sub-account, the Board must decide on the time 3 period over which the rate riders should apply. As previously noted, customer migration might occur in the low volume group. For this group of customers, there would be a 4 5 benefit to dispose of the global adjustment sub-account balance over a relatively short period of time in order to reduce inter-generational inequities. Board staff submits that a 6 7 disposition period no longer than one year would be appropriate. These balances have 8 been accumulating over the last four year period and to delay immediate action is not in 9 the customer's best interest. Board staff recognizes that some volatility in electricity 10 bills may result. That aside, Board staff believes that a one year disposition period 11 would be in the interest of all parties. Board staff hence agrees with Lakeland's 12 proposal. 13 In order to reduce inter-generational inequities, Board staff submits that the disposition 14 period for all Group 1 accounts should not exceed one year. This is also consistent with 15 Lakeland's proposal. 16
- 17 **Reply**
- 18
- 19 LPDL agrees with the Board staff submission.
- 20

21 TREATMENT OF SMART METER FUNDING ADDER:

22

23 Submission

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- Board staff submits that Lakeland has complied with the policies and filing requirements
 of the Smart Meter Guideline. Actual smart meter expenditures will be subject to review
- when Lakeland makes application for disposition of the account balances in a
- subsequent proceeding. Hence, Board staff takes no issue with Lakeland's proposal to
- increase its smart meter funding adder to \$2.00 per month per metered customer.
- 30 Reply
- 31
- 32 LPDL notes that Board staff takes no issue and agrees with submission.

ADJUSTMENTS TO THE REVENUE TO COST RATIOS:

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3 Submission

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Board staff submits that Lakeland has complied with the filing requirements of the 2010
 Supplemental Filing Module. Board staff takes no issue with Lakeland's revenue to cost
 ratio adjustments.

- 8
- 9 Reply
- 10
- 11 LPDL notes that Board staff takes no issue.

12 ADJUSTMENTS TO THE RETAIL TRANSMISSION SERVICE RATES

- 13 **(RTSR):**
- 14

15 Submission

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17 Board staff notes that very few distributors, including Lakeland, effected in their 2009

rates the July 1, 2009 level of UTRs since for most of them, distribution rates would

have been implemented on May 1, 2009. Therefore, in accordance with the July 22,

- 20 2009 RTSR Guideline, Board staff submits that the revisions to the RTSRs ought to
- reflect the changes from the current level to the January 1, 2010 level, that is an
- increase of about 15.6% to the RTSR Network Service rate, and an increase of about
- 23 5.2% to the RTSR Line and Transformation Connection Service Rate.
- Board staff has reviewed the evidence provided by the applicant and submits that the proposal by Lakeland may no longer be reasonable, based on the January 1, 2010 level
- of the UTRs. Board staff submits that the applicant's proposed rates be revised to
- 27 reflect the January 1, 2010 values.
- 28
- 29 Reply
- 30
- 31 LPDL agrees with the Board staff submission. An amended IRM3 Rate Generator
- 32 model is submitted with this reply reflecting these revisions, on the assumption that the

- 1 Board would approve the staff submission. The resulting changes to monthly rates and
- 2 charges from this amended model are highlighted below:

	Residential	GS<50	GS>50	USL	Sentinel	Streetlighting
	(\$/kWh)	kW (\$/kWh)	kW (\$/Kw)	(\$/kWh)	(\$/Kw)	(\$/Kw)
Original	.0044	.0041	1.7390	.0041	1.2995	1.2667
RTSR –						
Network						
Original	.0039	.0036	1.5184	.0036	1.1190	1.1083
RTSR –						
Connection						
Revised	.0051	.0047	2.0103	.0047	1.5022	1.4643
RTSR –						
Network						
Revised	.0041	.0038	1.5974	.0038	1.1772	1.1659
RTSR -						
Connection						

3

Applied For Monthly Rates and Charges General

Rate Class Residential **Rate Description** Metric Rate Service Charge \$ 15.34 Service Charge Smart Meter Funding Adder \$ 2.00 **Distribution Volumetric Rate** \$/kWh 0.0138 Low Voltage Volumetric Rate \$/kWh 0.0024 Distribution Volumetric Tax Change Rate Rider - effective until April 30, 2011 \$/kWh (0.00006) Distribution Volumetric Deferral Account Rate Rider One - effective until April 30, 2011 \$/kWh 0.00050 Distribution Volumetric Deferral Account Rate Rider Two - effective until April 30, 2011 \$/kWh (0.00039) Retail Transmission Rate - Network Service Rate \$/kWh 0.0051 Retail Transmission Rate - Line and Transformation Connection Service Rate \$/kWh 0.0041 Wholesale Market Service Rate \$/kWh 0.0052 **Rural Rate Protection Charge** \$/kWh 0.0013 Standard Supply Service - Administrative Charge (if applicable) \$ 0.25

Rate Class

General Service Less Than 50 kW

Rate Description	Metric	Rate
Service Charge	\$	36.62
Service Charge Smart Meter Funding Adder	\$	2.00
Distribution Volumetric Rate	\$/kWh	0.0084
Low Voltage Volumetric Rate	\$/kWh	0.0021
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2011	\$/kWh	(0.00004)
Distribution Volumetric Deferral Account Rate Rider One – effective until April 30, 2011	\$/kWh	0.00030
Distribution Volumetric Deferral Account Rate Rider Two – effective until April 30, 2011	\$/kWh	(0.00045)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0047
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0038
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Rate Class

1

General Service 50 to 4,999 kW

Rate Description	Metric	Rate
Service Charge	\$	502.91
Service Charge Smart Meter Funding Adder	\$	2.00
Distribution Volumetric Rate	\$/kW	1.4560
Low Voltage Volumetric Rate	\$/kW	0.8393
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2011	\$/kW	(0.00849)
Distribution Volumetric Deferral Account Rate Rider One – effective until April 30, 2011	\$/kW	0.06020
Distribution Volumetric Deferral Account Rate Rider Two – effective until April 30, 2011	\$/kW	(0.34234)
Retail Transmission Rate – Network Service Rate	\$/kW	2.0103
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.5974
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Rate Class	
Unmetered Scattered Load	

Rate Description M	/letric	Rate
Service Charge (per connection) \$	5	18.06
Distribution Volumetric Rate \$	5/kWh	0.0082
Low Voltage Volumetric Rate \$	/kWh	0.0021
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2011 \$	/kWh	(0.00009)
Distribution Volumetric Deferral Account Rate Rider One – effective until April 30, 2011 \$	/kWh	0.00060
Distribution Volumetric Deferral Account Rate Rider Two – effective until April 30, 2011 \$	5/kWh	(0.00017)
Retail Transmission Rate – Network Service Rate \$	/kWh	0.0047
Retail Transmission Rate – Line and Transformation Connection Service Rate \$	/kWh	0.0038
Wholesale Market Service Rate \$	/kWh	0.0052
Rural Rate Protection Charge \$	/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable) \$	5	0.25

Rate Class
Sentinel Lighting

Rate Description	Metric	Rate
Service Charge (per connection)	\$	4.27
Distribution Volumetric Rate	\$/kW	14.8029
Low Voltage Volumetric Rate	\$/kW	0.6624
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2011	\$/kW	(0.06680)
Distribution Volumetric Deferral Account Rate Rider One – effective until April 30, 2011	\$/kW	0.35580
Distribution Volumetric Deferral Account Rate Rider Two – effective until April 30, 2011	\$/kW	(0.16976)
Retail Transmission Rate – Network Service Rate	\$/kW	1.5022
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.1772
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Rate Class Street Lighting

Rate Description	Metric	Rate
Service Charge (per connection)	\$	4.16
Distribution Volumetric Rate	\$/kW	12.7330
Low Voltage Volumetric Rate	\$/kW	0.6488
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2011	\$/kW	(0.06377)
Distribution Volumetric Deferral Account Rate Rider One – effective until April 30, 2011	\$/kW	0.33870
Distribution Volumetric Deferral Account Rate Rider Two – effective until April 30, 2011	\$/kW	(0.19179)
Retail Transmission Rate – Network Service Rate	\$/kW	1.4643
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.1659
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

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ACCOUNTING FOR THE IMPLEMENTATION OF THE HARMONIZED

2 SALES TAX (HST):

3 Submission

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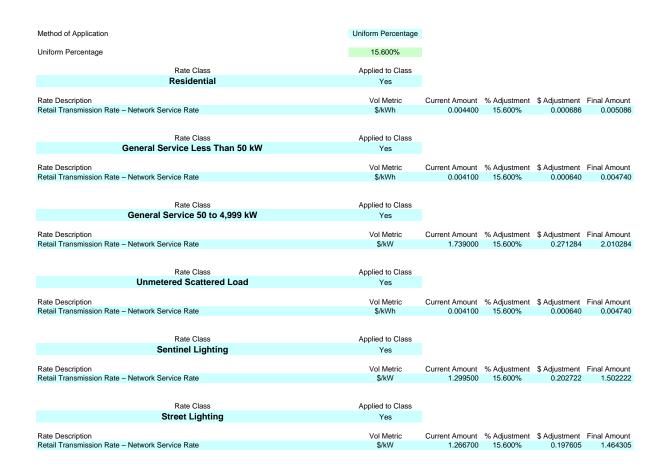
Board staff notes that many distributors' comments on the administrative burden and 5 costs of sales tax harmonization are at odds with the provincial and Federal 6 7 governments' pronouncements regarding the stimulative and competitive results of harmonization. Because the costs and savings are not clear at this point, Board staff 8 9 submits that tracking of these is warranted at this point to quantify, per government 10 pronouncements, that the potential savings for corporations like Lakeland could be significant. Accordingly, Board staff submits that the Board may wish to consider 11 12 establishing a deferral account to record the amounts, after July 1, 2010 and until 13 Lakeland's next cost-of-service rebasing application, that were formerly incorporated as 14 the 8% PST on capital expenditures and expenses incurred, but which will now be eligible for an HST Input Tax Credit ("ITC"). The intention of this account would be to 15 16 track the incremental change due to the introduction of the HST that incorporates an 17 ITC from the 5% to the 13% level. To qualify for this treatment, the cost of the subject 18 items must be in the category of distribution revenue requirement. Tracking of these 19 amounts would continue in the deferral account until Lakeland's next cost of service 20 application is determined by the Board or until the Board provides guidance on this 21 matter, whichever occurs first.

- 22
- 23 Reply
- 24
- 25 LPDL respectfully would like to re-iterate that it does not agree with the proposal to
- 26 establish a disposal account. The administrative burden in addition to the misstatement
- 27 of LDC financial statements, are a concern for LPDL. LPDL feels there is much more
- discussion required around the impact of the introduction of the HST and should be
- addressed at the next cost of service application. However, if the Board chooses to
- 30 address this item in the current IRM application, then other major items should also be
- 31 addressed such as the approved rate of return (8.01% in LPDL's case as opposed to
- 32 9.75% as of December 11, 2009).
- 33
- 34 All of which is respectfully submitted.



Name of LDC:Lakeland Power Distribution LimitedFile Number:EB-2009-0234Effective Date:May 1, 2010

Applied For TX Network General





Name of LDC:Lakeland Power Distribution LimitedFile Number:EB-2009-0234Effective Date:May 1, 2010

Applied For TX Connection General

Method of Application	Uniform Percentage				
Uniform Percentage	5.200%				
Rate Class	Applied to Class				
Residential	Yes				
Rate Description	Vol Metric	Current Amount	% Adjustment	\$ Adjustment	Final Amount
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.003900	5.200%	0.000203	0.004103
Rate Class General Service Less Than 50 kW	Applied to Class				
General Service Less Than 50 kw	Yes				
Rate Description	Vol Metric	Current Amount	% Adjustment	\$ Adjustment	Final Amount
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.003600	5.200%	0.000187	0.003787
Rate Class	Applied to Class				
General Service 50 to 4,999 kW	Yes				
Rate Description	Vol Metric	Current Amount	% Adjustment	\$ Adjustment	Final Amount
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.518400	5.200%	0.078957	1.597357
Rate Class Unmetered Scattered Load	Applied to Class Yes				
	163				
Rate Description	Vol Metric	Current Amount			
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.003600	5.200%	0.000187	0.003787
Rate Class	Applied to Class				
Sentinel Lighting	Yes				
Rate Description	Vol Metric	Current Amount	% Adjustment	¢ Adjuctment	Final Amount
Rate Description Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.119000	% Adjustment 5.200%	\$ Adjustment 0.058188	1.177188
Rate Class	Applied to Class				
Street Lighting	Yes				
Rate Description	Vol Metric	Current Amount	% Adjustment	\$ Adjustment	Final Amount
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.108300	5.200%	0.057632	1.165932



Name of LDC: Lakeland Power Distribution Limited File Number: EB-2009-0234 Effective Date: May 1, 2010

Applied For Monthly Rates and Charges General

Rate Class Residential

Rate Description	Metric	Rate
Service Charge Service Charge Smart Meter Funding Adder	\$ \$	15.34 2.00
Distribution Volumetric Rate	\$/kWh	0.0138
Low Voltage Volumetric Rate	\$/kWh	0.0024
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2011 Distribution Volumetric Deferral Account Rate Rider One – effective until April 30, 2011	\$/kWh \$/kWh	(0.00006) 0.00050
Distribution Volumetric Deferral Account Rate Rider Two – effective until April 30, 2011	\$/kWh	(0.00039)
Retail Transmission Rate – Network Service Rate Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0051
Retail Transmission Rate – Line and Transformation Connection Service Rate Wholesale Market Service Rate	\$/kWh \$/kWh	0.0041 0.0052
Rural Rate Protection Charge	\$/kWh	0.0052
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25
Rate Class General Service Less Than 50 kW		
Rate Description	Metric	Rate
Service Charge Service Charge Smart Meter Funding Adder	\$ \$	36.62 2.00
Distribution Volumetric Rate	\$/kWh	0.0084
Low Voltage Volumetric Rate	\$/kWh	0.0021
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2011	\$/kWh \$/kWh	(0.00004) 0.00030
Distribution Volumetric Deferral Account Rate Rider One – effective until April 30, 2011 Distribution Volumetric Deferral Account Rate Rider Two – effective until April 30, 2011	\$/kWh	(0.00045)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0047
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh \$/kWh	0.0038
Wholesale Market Service Rate Rural Rate Protection Charge	\$/kWh \$/kWh	0.0052
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25
Rate Class		
General Service 50 to 4,999 kW		
Rate Description	Metric	Rate
Service Charge	\$	502.91
Service Charge Smart Meter Funding Adder	\$ \$/kW	2.00
Distribution Volumetric Rate Low Voltage Volumetric Rate	\$/KVV \$/kW	1.4560 0.8393
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2011	\$/kW	(0.00849)
Distribution Volumetric Deferral Account Rate Rider One – effective until April 30, 2011 Distribution Volumetric Deferral Account Rate Rider Two – effective until April 30, 2011	\$/kW	0.06020
Distribution Volumetric Deferral Account Rate Rider Two – effective until April 30, 2011 Retail Transmission Rate – Network Service Rate	\$/kW \$/kW	(0.34234) 2.0103
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.5974
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh \$	0.0013
Standard Supply Service – Administrative Charge (if applicable)	3	0.25
Rate Class		
Unmetered Scattered Load		
Rate Description	Metric	Rate
Service Charge (per connection)	\$	18.06
Distribution Volumetric Rate Low Voltage Volumetric Rate	\$/kWh \$/kWh	0.0082 0.0021
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2011	\$/kWh	(0.00009)
Distribution Volumetric Deferral Account Rate Rider One - effective until April 30, 2011	\$/kWh	0.00060
Distribution Volumetric Deferral Account Rate Rider Two - effective until April 30, 2011	\$/kWh	(0.00017)
Retail Transmission Rate – Network Service Rate Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh \$/kWh	0.0047 0.0038
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25
Rate Class		
Sentinel Lighting		
Rate Description	Metric	Rate
Service Charge (per connection) Distribution Volumetric Rate	\$ \$/kW	4.27 14.8029
Low Voltage Volumetric Rate	\$/kW	0.6624
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2011	\$/kW	(0.06680)
Distribution Volumetric Deferral Account Rate Rider One - effective until April 30, 2011	\$/kW	0.35580
Distribution Volumetric Deferral Account Rate Rider Two – effective until April 30, 2011 Retail Transmission Rate – Network Service Rate	\$/kW \$/kW	(0.16976) 1.5022
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.1772
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge Standard Supply Service – Administrative Charge (if applicable)	\$/kWh \$	0.0013
	Ŭ,	0.20
Rate Class Street Lighting		
Rate Description	Metric \$	Rate 4.16
Service Charge (per connection) Distribution Volumetric Rate	\$ \$/kW	4.16
Low Voltage Volumetric Rate	\$/kW	0.6488
Distribution Volumetric Tax Change Rate Rider - effective until April 30, 2011	\$/kW	(0.06377)
Distribution Volumetric Deferral Account Rate Rider One – effective until April 30, 2011 Distribution Volumetric Deferral Account Rate Rider Two – effective until April 30, 2011	\$/kW \$/kW	0.33870 (0.19179)
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4643
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.1659
Wholesale Market Service Rate	\$/kWh \$/kWh	0.0052 0.0013
Rural Rate Protection Charge		