

Lakeland Power Distribution Ltd.
2011 EDR 3rd Generation IRM
EB-2010-0096

Board staff Interrogatories

1. Ref: RTSR Model – B1.2 Dist Billing Determinants

2009 Distributor Billing Determinants

Enter the most recently reported RRR billing determinants

Loss Adjusted Metered kWh **Yes**
 Loss Adjusted Metered kW **No**

Rate Class	Vol Metric	Metered kWh A	Metered kW B	Applicable Loss Factor C	Load Factor 730)	Loss Adjusted Billed kWh E = A * C
Residential	kWh	80,315,658	0	1.0585		85,014,124
General Service Less Than 50 kW	kWh	43,448,406	0	1.0585		45,990,138
General Service 50 to 4,999 kW	kW	84,543,539	208,435	1.0585	55.59%	89,489,336
Unmetered Scattered Load	kWh	167,164	0	1.0585		176,943
Sentinel Lighting	kW	40,602	97	1.0585	57.25%	42,977
Street Lighting	kW	1,870,098	3,489	1.0585	73.46%	1,979,498
Total		210,385,466	212,022			222,693,016

- Please explain why metered kWh and kW in columns A and B are not consistent with what is reported in the RRR 2.1.5 customer, demand and revenue section.
- If Lakeland is of the view that the data included in the application is more appropriate to use, please explain why. If not, please re-file the referenced sheet with the correct kWh's and kW's and staff will make the necessary adjustments to the RTSR model. If the RRR 2.1.5 kWh's and kW's are already loss adjusted please change column C to 1.0000.

2. Ref: Deferral and Variance Account Model – B1.3 Rate Class and Bill Det.

2009 Audited RRR						
Rate Group	Rate Class	Fixed Metric	Vol Metric	Metered kWh	Metered kW	Billed kWh for Non-RPP customers
RES	Residential	Customer	kWh	80,315,658		11,892,653
GSLT50	General Service Less Than 50 kW	Customer	kWh	43,448,408		10,300,485
GSGT50	General Service 50 to 4,999 kW	Customer	kW	84,543,539	208,435	55,720,725
USL	Unmetered Scattered Load	Connection	kWh	187,164		5,312
Sen	Sentinel Lighting	Connection	kW	40,602	97	2,776
SL	Street Lighting	Connection	kW	1,870,098	3,489	407,750
NA	Rate Class 7	NA	NA			
NA	Rate Class 8	NA	NA			
NA	Rate Class 9	NA	NA			
NA	Rate Class 10	NA	NA			
NA	Rate Class 11	NA	NA			
NA	Rate Class 12	NA	NA			
NA	Rate Class 13	NA	NA			
NA	Rate Class 14	NA	NA			
NA	Rate Class 15	NA	NA			
NA	Rate Class 16	NA	NA			
NA	Rate Class 17	NA	NA			
NA	Rate Class 18	NA	NA			
NA	Rate Class 19	NA	NA			
NA	Rate Class 20	NA	NA			
NA	Rate Class 21	NA	NA			
NA	Rate Class 22	NA	NA			
NA	Rate Class 23	NA	NA			
NA	Rate Class 24	NA	NA			
NA	Rate Class 25	NA	NA			
						78,329,700

B1.3 Rate Class And Bill Det

- Please explain why kWh's and kW's in columns A and B are not consistent with what is reported in the RRR 2.1.5 customer, demand and revenue section.
- If Lakeland is of the view that the data included in the application is more appropriate to use, please explain why. If not, please re-file the referenced sheet with the correct kWh's and kW's and staff will make the necessary adjustments to the Deferral and Variance model.
- Please confirm Billed kWh for Non-RPP customers is correct. Staff notes the global adjustment rate rider for each rate class is unusually high.

3. Ref: Proposed Tariff Sheet and Smart Meter Adder Calculation work form

In the proposed tariff sheet, Lakeland Power Distribution Ltd. ("Lakeland") shows a Smart Meter Funding Adder of \$6.50, while Sheet 8 of the Smart Meter Adder Calculation work form shows a funding adder of \$6.53.

Please confirm the smart meter funding adder that Lakeland is proposing for 2011. If Lakeland is proposing a smart meter funding adder of \$6.50 per month per metered customer, please provide its derivation.

4. Ref: Section 2: Smart Meter Funding Adder and Disposition Rider, and Smart Meter Adder Calculation work form

Lakeland is proposing an increase to its smart meter funding adder from \$2.00 per month per metered customer, to \$6.50 per month per metered customer.

Based on the Smart Meter Rate Calculation model filed as part of Lakeland's IRM application, this funding adder is established to recover, over the 2011 rate year (i.e. 12 months) the revenue requirement associated with smart meter-related capital and operating costs incurred from 2007 to 2011.

Sheet 8 of the Smart Meter Adder Calculation shows that the \$6.53 per month is set to recover a cumulative amount of \$1,473,944.23 over 24 months. The \$1,473,944.23 is composed of the derived revenue requirement of \$1,189,820.66 from 2007 to 2011 plus \$276,299 smart meter funding adder revenues and \$7,324.57 carrying charges. It appears that the smart meter funding adder revenues collected or estimated to be collected from May 1, 2006 to April 30, 2011 and associated interest have been added to rather than subtracted as an offset to the revenue requirement to be recovered.

- a) Please confirm that the smart meter funding adder revenues and associated interest should have been subtracted from the cumulative revenue requirement. In the alternative, please explain Lakeland's proposal.
- b) Please recalculate the smart meter funding adder that would result from correctly offsetting the revenue requirement to be recovered with smart meter funding adder revenues and associated interest.
- c) Please confirm that Lakeland is proposing that the smart meter funding adder would be in effect for 2 years, from May 1, 2011 to April 30, 2013. Please provide the rationale for Lakeland's proposal.

5. Ref: Section 2: Smart Meter Funding Adder and Disposition Rider, and Smart Meter Adder Calculation Model

In the Board's Decision with respect to an application for an increased smart meter funding adder from Atikokan Hydro Inc. ("Atikokan"), considered under file no. EB-2010-0185, the Board approved a smart meter funding adder of \$3.50 per month per metered customer. Atikokan had originally proposed a smart meter funding adder of \$4.88 per month, but agreed in its reply submission to Board staff's proposal of \$3.50 on the basis that the proposed increase was unprecedented at that time, that there were some concerns about whether certain expenses were smart meter-related or regular operating expenses, and to mitigate the impacts on customers.

Lakeland's proposed smart meter funding adder of \$6.53 per month represents an increase of \$4.53 over its existing smart meter funding adder of \$2.00 per month. A significant portion of Lakeland's smart meter costs

Per the calculations shown in the Smart Meter Adder Calculation model, the \$6.53 is calculated to recover over the 2011 rate year (12 months from May 1, 2011 to April 30, 2012) the revenue requirement associated with smart meter costs incurred from 2007 to 2011 inclusive, a period of six years.

The role of the funding adder has changed somewhat since it was introduced for 2006 electricity distribution rates. Originally intended as “seed funding” for smart meter programs that distributors were going to be expected to implement, it has also served sometimes more like a recovery of incremental revenue requirement for deployed smart meters until such time as a distributor makes application with the Board for disposition of actual and audited costs of installed smart meters. However, the smart meter funding adder also serves to help mitigate rate increases that would result from deployed smart meters for customers over time.

- a) Please provide Lakeland’s view as to the appropriateness of a lower funding adder for 2011 to partially recover the 2011 and historical revenue requirement for installed smart meters as a means to mitigate rate increases in this application, with full recovery determined when Lakeland makes application for final disposition of actual and audited smart meter costs.
- b) Please provide Lakeland’s views as to whether \$3.50 per month would be an adequate smart meter funding adder to largely recover the incremental revenue requirement for installed smart meters. If Lakeland believes that an alternative smart meter funding adder quantum would be preferred, please propose an alternative. Please provide the derivation of the alternative proposal and explain the rationale supporting your proposal.

6. Ref: Smart Meter Adder Calculation Model

On sheet 2: Smart Meter Data of the Smart Meter Adder Calculation Model, Lakeland shows over \$100,000 of capital costs in 2007 and 2008 under “Other AMI Capital Costs Related to Minimum Functionality”. These costs were incurred prior to Lakeland actually installing smart meters in 2009, as documented on that same sheet. Of these costs, over half (\$54,000) is identified as Professional Fees. In addition, \$24,870 in 2008 is listed as “Other AMI Capital”.

Please provide further information on the nature of costs incurred in 2007 and 2008, as documented on Sheet 2 of the Smart Meter Adder Calculation Model, including details of how these relate to Minimum Functionality in accordance with O.Reg. 425/06.