Lakefront Utilities Inc. (“LUI”)
2012 Electricity Distribution Rates
EB-2011-0250
Board Staff Interrogatories

1. Responses to Letters of Comment

Following publication of the Notice of Application, has the Applicant received any letters of comment in respect of this application? If so, please confirm whether a reply was sent by the Applicant in response to such comments and if so, please file copies of such responses with the Board. If not, please explain why a response was not sent and advise whether the Applicant intends to respond and file a copy of the response if and when such response is given.

2. Conditions of Service

a) Please identify any rates and charges that are included in the applicant’s conditions of service, but do not appear on the Board-approved tariff sheet, and provide an explanation for the nature of the costs being recovered.

b) If applicable, please provide a schedule outlining the revenues recovered from these rates and charges from LUI’s last rate re-basing year 2008 to 2010 and the revenue forecasted for the 2011 bridge and 2012 test years.

c) If applicable, please explain whether in the applicant’s view, these rates and charges should be included on the applicant’s tariff sheet.

3. Updated RRWF

Upon completing all interrogatories from Board staff and intervenors, please provide an updated RRWF with any corrections or adjustments that the applicant wishes to make to the amounts in the previous version of the RRWF included in the middle column. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note.

4. Low Income Energy Assistance Program (LEAP)

Ref: Exhibit 1/p13, Exhibit 4/p 46-47, Exhibit 4/p 60 and Exhibit 4/p 66

The application states that the Applicant has included an amount of $5,000 for the emergency financial assistance component of the LEAP. Board staff notes that section 2.7.2.3 of Chapter 2 of the Filing Requirements[1] for Transmission and Distribution Applications stipulates that the Board has determined that the greater of 0.12% of a distributor's forecasted service revenue requirement or $2,000, is a reasonable commitment by all distributors to emergency financial assistance. Board staff further notes that 0.12% of the Applicant's forecasted service revenue requirement yields $6,157.

a) Please explain the reason for the discrepancy.

b) Please state whether or not the applicant has included (in addition to the $5,000 amount discussed above) an amount in its 2012 Test year revenue requirement for any legacy program(s), such as Winter Warmth. If so, please identify the amount and provide a breakdown identifying the cost of each program along with a description of each program.

5. Schedule of Proposed Rates and Charges

Ref: Exhibit 8/p. 21

Please provided the Schedule of Proposed Rates and Charges which Board staff notes is missing in the application.

6. Capital Expenditures

Ref: Exhibit 2/p. 31-73

The Applicant provides details of its capital expenditures in the 2008-2011 period.

Please provide any information available that compares the approved capital expenditures (i.e. OEB approved or LUI's Board of Directors approved) and the subsequent actual capital expenditures for each year in the 2008 to 2011 period and provide an explanation for the differences.

[1] http://www.ontarioenergyboard.ca/OEB/_Documents/Regulatory/Chapter2_Filing_Requirements_20110622.pdf

7. Year-by-year increase in OM&A Expenses

Ref: Exhibit 4/p. 5

Board staff notes that the Year-by-Year Increase in OM&A expenses provided in Table 4.0 appears to be based on an incorrect formula. Please confirm if this is correct and re-submit Table 4.0 with the corrected values.

8. OM&A Cost Drivers

Ref: Exhibit 4/p. 25

Please provide absolute dollar amounts for cost driver categories ‘B’ to ‘N’ and ‘O’ for the 2010 Actual, 2011 Bridge and 2012 Test columns in Table 4.14.

9. General Administrative Salaries and Expenses

Ref: Exhibit 4/p. 48 & 61

The Applicant has stated that the significant costs that primarily contributed to the variance in Account 5615 (General Administrative Salaries and Expenses) during the 2008 to 2012 period were incurred in 2009-2010. The Applicant has cited the addition of a Financial Analyst as one on the primary causes.

The Applicant has also stated that there was an increase in the Finance department of a Financial Analyst in 2011.

Please provide clarification about the total number of Financial Analysts that were hired during the 2008 to 2012 period.

10. Working Capital allowance

Ref: Exhibit 2/p. 9 & 90 and Exhibit 4/p. 10

Board staff notes that the value for Working Capital Allowance has been variously stated as $3,926,020 and $3,719,550 in the application. Please confirm and identify the correct value.

11. Other Distribution Revenue

Ref: Exhibit 3/p. 36 & 39

Board staff notes that the 2009 Actual value for Account 4080 (Distribution Services Revenue – SSS Admin Fee) which is a component of Other Distribution Revenue has been variously stated as $35,440 and $33,279 in the application. Please confirm and identify the correct value.

Board staff further notes that while the forecast of Other Distribution Revenue for the test year 2012 is nearly identical to the bridge year 2011, the bridge year projection is considerably lower than the actual revenues in 2009 and 2010.

Please provide reasons why the forecast revenue is not tracking actual revenue.

12. Employee Costs

Ref: Exhibit 4/p. 74 & 77

Table 4.36 shows that the Total Compensation (Salary, Wages and Benefits) costs for union staff increased by 16.4% p.a. from 2010 to 2012 compared to 0.3% p.a. from 2008 to 2010. For management and non-union staff, the increases were respectively 10.7% p.a. and 19.2% p.a.

a) Please explain the circumstances that have led to a significantly higher increase in union staff costs for the 2010 to 2012 period compared to the 2008 to 2010 period.
b) Please explain the circumstances that have led to employee cost increases for the 2010 to 2012 period that exceed annual wage increases of 3%.

13. Loss Factors

Ref: Exhibit 8/p. 10-12

The Applicant has stated that LUI is an embedded distributor.
a) Please elaborate whether LUI is fully or partially embedded.

I. If LUI is fully embedded, Board staff notes that the requested Supply Facility Loss Factor (“SFLF”) of 1.0099 is uncharacteristically low for a fully embedded distributor. Please provide an explanation.
II. If LUI is partially embedded, please provide a brief description of the degree to which LUI is embedded, i.e. percentage of total kWh obtained directly from the IESO controlled grid and percentage of total kWh obtained from the host distributor.

b) Please submit Table 8.9 in accordance with the format provided in Appendix 2-P and Section 2.11.7 of Chapter 2 of the Filing Requirements for Transmission and Distribution Applications.

14. Service Quality and Reliability

Ref: Exhibit 2/p. 100-103

Board staff notes that Section 2.5.3 of Chapter 2 of the Filing Requirements for Transmission and Distribution Applications requires the Applicant to provide data on reliability performance (SAIDI, SAIFI and CAIDI) for (1) All interruptions, and (2) All interruptions excluding Loss of Supply.

a) Please identify whether the reliability performance data provided in the applications pertains to (1) or (2) and if necessary provide the component that is missing.

15. Smart Meter Efficiencies or Savings

Ref: Exhibit 2/p. 100-103

What operational efficiencies or savings has LUI been able to anticipate or realize as a result of the deployment of smart meters and its associated communications network?

Further, please explain how these efficiencies or savings have been taken into account in this application.

16. Smart Meter Costs

Ref: Exhibit 9/p. 24

LUI is specifically requesting the following:

- "An actual cost recovery rate rider of $ $ 0.05 per metered customer per month for the period May 1, 2012 to April 30, 2013. This rate rider will collect the difference between the smart meter adder collected from May 1, 2006 to April 30, 2012 and the 2010 and 2011 revenue requirement related to smart meters deployed as of December 31, 2010. Approval to include smart meter capital deployed as of December 31, 2010, plus forecasted in 2011, in the 2012 rate base that supports the 2012 revenue requirement and distribution rates which is the subject of this rate application."

- "Approval to include smart meter operation and maintenance expenses in the 2012 revenue requirement associated with smart meters deployed as of January 1, 2011."

In its smart meter model, it appears that Lakefront is including the capital costs also for 685 meters deployed or forecasted to be deployed in 2011.

a) Please confirm that, in this application, Lakefront is seeking approval for and recovery of costs for smart meters deployed to December 31, 2011. In the alternative, please provide an explanation and clarification of what Lakefront is seeking approval for.

17. Smart Meter Model

Ref: Smart Meter Model Version 2.0
Attached: Draft version of the Smart Meter Model Version 2.17

In its Application Lakefront filed the Smart Meter Model Version 2.0, which was distributed by the Board to all electricity distributors via e-mail on September 13, 2011.

On December 15, 2011, the Board issued Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition. Accompanying Guideline G-2011-0001 was an updated Smart Meter Model Version 2.17. The updated model reflects changes to the methodology based on enquiries from distributors and issues raised in recent rates applications considered by the Board. The updated methodology is also consistent with accounting guidance for accounting of smart meter costs previously issued by the Board.

In reviewing the smart meter spreadsheet model filed by Lakefront, Board staff has observed the following issues or errors with the input data:

- On sheet 3 “Cost_of_Service_Parameters”, Lakefront has not used the approved Cost of Capital parameters in all years from 2006 to 2011. For a year in which Lakefront had its rates rebased through a Cost of Service application (i.e. 2006 and 2008), the Cost of Capital parameters should be those approved by the Board. For years in which Lakefront had its rates adjusted through the IRM price cap formula, the Cost of Capital parameters should be those approved in the prior Cost of Service rates application; and
- On Sheet 8 “Funding_Adder_Revs”, Lakefront has applied the prescribed interest rate for all quarters and months in 2012, increasing the calculation of the interest earned for Smart Meter Funding Adder Revenues collected from May 1, 2006 to April 30, 2012.

Version 2.17 of the Smart Meter Model also contains corrections for the following:

- Interest on Smart Meter Funding Adder revenues is calculated as simple interest on the opening principal balance for SMFA revenues, rather than as compounded interest.; and
- Sheets 8A and 8B have been added to calculate the simple interest on the OM&A and depreciation/amortization expense. Sheet 8A is the preferred approach, based on the monthly detail that the utility should have recorded in Account 1556. Sheet 8B calculates a proxy based on the average annual balance of deferred OM&A and depreciation expenses input on sheet 2 of the model.

To aid in the regulatory process, Board staff has prepared a draft version of the Smart Meter Model Version 2.17, copying over the data from Lakefront’s Excel spreadsheet. Board staff has also revised the Cost of Capital parameters on Sheet 3 based on the those approved in Lakefront's 2006 and 2008 rates applications, and has adjusted the period for which interest is calculated for SMFA revenues on sheet 8 of the model.

a) Lakefront is requested to review, confirm and correct the data in this model. Any changes should be identified and explained.
b) Lakefront is requested to update 2011 data to reflect actual smart meters deployed and recorded costs and SMFA revenues as of December 31, 2011.
c) If available, Lakefront is requested to populate sheet 8A with the monthly detail of OM&A and depreciation/amortization expense from its Account 1556 records. This will allow for a more accurate calculation of the interest on smart meter OM&A and depreciation/amortization expenses. If the monthly data is not available, Lakefront should provide an explanation.

18. Beyond Minimum Functionality Costs (Smart Meters)

Ref: Exhibit 9/p. 35-36

Guideline G-2008-0002: Smart Meter Funding and Cost Recovery, issued October 22, 2008, states that, as one of the filing requirements for an application seeking disposition of smart meter costs, the utility must provide "justification for any smart meter or AMI costs incurred to support functionality that exceeds the minimum functionality adopted in [Ontario Regulation] 425/06." (p 12).

Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition, issued December 15, 2011, confirms the definition of minimum functionality as defined by the Board in its Decision with Reasons EB-2007-0063 (August 8, 2007) and also documented in Guideline G-2008-0002. Guideline G-2011-0001 also defines the categories of "beyond minimum functionality costs" for which the applicant utility is required to file separate documentation and justification. A summary table is also contained on the "Notes" page of the Smart Meter Model Version 2.0 filed by Lakefront in its initial Application.

One of the categories identified for "beyond minimum functionality" costs are costs for TOU pricing implementation, and include costs for back-office changes to CIS and billing systems, customer education and web presentation.

On pages 35 and 36 of Exhibit 9, Lakefront documents its activities for TOU implementation, customer education and web presentment. However, a disaggregation of costs for these activities is not shown in the evidence nor in the filed smart meter model.

a) Please confirm whether any costs are for “beyond minimum functionality” categories as defined in section 3.4 of Guideline G-2011-0001. If so, please document the quanta and provide a description of such costs.
b) Further, as necessary, please revise the costs documented in the Smart Meter Model Version 2.17 to separate the costs into the appropriate categories and sub-categories of “minimum functionality” and “beyond minimum functionality” as allowed for in the model.

19. Smart Meter Disposition Rider (“SMDR”)

Ref: Exhibit 9/p. 45

In its Application, Lakefront has filed for a uniform SMDR to be applicable for all Residential and GS < 50 kW customers.

In recent decisions with respect to disposition of smart meter costs, the Board has accepted that the SMDR should be determined on a class-specific basis, depending on the availability of the necessary data and the materiality of the differences. This has been recently documented in the Board’s decision with respect to PowerStream’s 2011 application for the disposition of smart meter costs [EB-2011-0128, issued November 21, 2011]. The Board has also documented this in Guideline G-2011-0001, in section 3.5. While the Board-issued model only calculates the uniform SMDR, a fairly standard approach can be used to allocate the deferred incremental revenue requirement to applicable classes based on cost allocation and cost causality principles.

a) Please provide Lakefront’s views as to whether there are material differences in the capital and operating costs for the smart meters deployed in each of the Residential and GS < 50 kW customer classes. Please provide support for your position.
b) Please re-calculate the smart meter disposition rider using the following methodology that is based on the approach approved by the Board in Power Stream’s 2010 smart meter application (EB-2010-0209):

I. Allocate the total revenue requirement for the historical years, as revised per the previous interrogatory, using the following cost allocation methodology:

- Allocate the return (deemed interest plus return on equity) and amortization based on the allocation of Account 1860 in the cost allocation model (CWMC in the cost allocation model);
- Allocate the OM&A based on the number of meters installed for each class; and
- Allocate PILs based on the revenue requirement allocated to each class before PILs.

II. Sum the allocated amounts and calculate the percentages of costs allocated to customer rate classes.

III. Subtract the revenues generated from the smart meter funding adder from the overall revenue requirement.

IV. Allocate the amount calculated in part (iii) by using the allocation factors derived in part (ii)

V. To calculate the smart meter disposition rider, divide the allocated amount by rate class derived in part (iv) by the number of customers in each class, and then divide by 12.

VI. If the proposed disposition period is greater than 1 year, divide the result of part (v) by the proposed number of years.

c) Please provide Lakefront's views, with reasons, as to whether the SMDR should be uniform or should be class-specific.

20. Stranded Meters

Ref: Exhibit 2/p. 43-44

In its Application, Lakefront is seeking recovery for $279,651, as the December 31, 2010 NBV of conventional meters stranded due to replacement by smart meters.

On Exhibit 9, p 44, Lakefront states:

> "Proceeds on the scrapped meters are captured in account 1555 as an offset to the costs in the deferral account, in accordance with the Board's Guideline 2008-

0002 and the Board's January 16, 2007 letter to distributors on stranded meter costs related to the installation of smart meters".

a) Please document what are the net proceeds on the scrapped meters, and how these have been taken into account in the determination of the NBV of stranded meters.

While Lakefront may have removed the stranded meters from its records as of December 31, 2010, these conventional meters remained in the rate base and revenue requirement from Lakefront's base rates on which its 2011 rates were calculated through the IRM price cap adjustment. Therefore, rates in 2011 continued to reflect the recovery of the revenue requirement, including a return on capital and annual depreciation/amortization expense for these stranded conventional meters.

b) What would be the annual amortization/depreciation expense for conventional meters in 2011.
c) Please provide Lakefront's views as to whether the NBV of stranded conventional meters to be recovered through the Stranded Meter Rate Rider as of January 1, 2012 should be reduced to reflect the additional year of amortization/depreciation expense recovered in rates in 2011. If appropriate, please update Lakefront's proposal for the Stranded Meter Rate Rider.

In its original Application, Lakefront has proposed a uniform SMRR applicable to the Residential and GS < 50 kW classes. Section 3.7 of Guideline G-2011-0001 states that the utility should consider allocation of costs and class-specific stranded meter rate riders based on principles of cost causality and practicality.

d) Please provide Lakefront's views as to whether the Stranded Meter Rate Rider should be uniform or class-specific for the Residential and GS < 50 kW classes. Please support your position.
e) If Lakefront concurs that the Stranded Meter Rate Rider should be class-specific, please provide Lakefront's proposal. Please provide all supporting calculations.

21. System Energy Forecast (Regression Model)

Ref: Exhibit 3/ p. 14 & 25

On page 14, Lakefront provides the statistical results for the regression model in Table 3-5. As compared to Exhibit 3/ p.25/Appendix A, it appears that two input variables, Population and Blackout Flag, are not included in Table 3-5.

a) Please provide the updated statistical results as stated in Table 3-5 to reflect the inclusion of two missing input variables, Population and Blackout Flag.

b) Please also provide the coefficients for all the input variables used in the regression model.

c) Please provide the assumptions used to determine the population and Ontario Real GDP Monthly % for 2011 and 2012 as stated in Exhibit 3/ p.25/ Appendix A.

22. System Energy Forecast (Regression Analysis)

Ref: Exhibit 3/ p. 7

On page 7, it states:

> "LUI removed data for 2 (two) specific customers from the analysis due to their negative impacts on the results of the regression analysis. One customer is in the GS>50-2999kW customer class and the other customer is in the GS > 3000-4999 customer class. After running the regression analysis, LUI added back the original data for the GS > 50-2999 kW customer, in order to better predict 2011 & 2012 data. This GS > 50-2999 customer usage ranges from 561,500 – 1,162,000 kWh per month. This large variation caused a negative impact on the regression analysis. LUI used industry knowledge and experience with the GS 3000-4999 kW class customer in order to forecast the data for 2011 & 2012 as follows. The average of the usage for 2009 and 2010 was used to forecast the 2011 and 2012 kWh and kW for the customer in the GS 3000-4999 class."

a) For the above mentioned customer in the GS 3000-4999 kW class, please provide the forecast kWh and kW that have been added back to the 2011 and 2012 load forecast.

b) For the above mentioned customer in the GS > 50-2999 kW class, please provide the forecast kWh and kW that have been added back to the 2011 and 2012 load forecast and how such kWh and kW are determined.

23. System Energy Forecast (Heating and Cooling Days)

Ref: Exhibit 3/ p.12

On page 12, it states: “In accordance with the filing requirement LUI has also provided a comparison of the average of heating and cooling days used in this application, 10 and 20 year trend of data in Table 3-4. LUI has provided the load forecasts based on a 10-year and 20-year trend of Heating Degree Days and Cooling Degree Days.”

As indicated above, Lakefront has provided the load forecasts based on a 10-year and 20-year trend Heating Degree Days and Cooling Degree Days. However, it appears that such load forecasts are not included in the application, please provide the details of the load forecasts for these two scenarios.

24. Actual and Forecast System Energy

Ref: Exhibit 3/ p. 8-9

On page 8, it states: “Table 3-1, 3-2, 3-3 below provide a summary of weather normalized load and customer/connection forecast used in this section.” And on page 9, it states: “The years 2004 to 2010 are weather actual, 2011 and 2012 are weather normalized and adjusted by a CDM factor.”

Please provide Table 3-1 again but exclude the CDM adjustment, and recalculate the “Percentage Change” for 2011 and 2012.

25. CDM Impacts on Load Forecast

Ref: Board's CDM Guidelines[2] (March 28, 2008, EB-2008-0037)

Section 5.2 of the Board's CDM Guidelines states that lost revenues are only accruable until new rates (based on a new revenue requirement and load forecast) are set by the Board, as the savings would be assumed to be incorporated in the load forecast at that time.

a) Please discuss the CDM impacts that Lakefront is proposing to include in its load forecast from programs delivered from 2005-2012 inclusive.
b) Please provide a table that shows how Lakefront proposes to incorporate its CDM targets within its load forecast (Lakefront's CDM targets are: 2.770 MW & 13.590 GWh).

26. Annual kWh Usage per Customer/Connection

Ref: Exhibit 3/ p. 17

In Table 3-9, Lakefront provides the annual kWh usage per customer/connection for all the classes. The usage for the Streetlights class for 2008, 2009 and 2010 is 668, 488 and 434 kWh respectively. Please explain why the usage per connection for Streetlights dropped significantly in 2009 and further dropped in 2010.

27. Accommodation of Renewable Generation

Ref: Exhibit 2/p.109/section 3

Ref: Part V/section 2/4th bullet of the Filing Requirements[3] for Distribution System Plans LUI addresses the forecast of future renewable connections, but does not indicate how it plans to prioritize the connection of these projects.

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[2] http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/33956/view/Board%20Guidelines%20for%20CDM_20080328.PDF

[3] http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/183437/view/Filing%20Req_DSP_20100325.PDF

a) In accordance with the Filing Requirements for Distribution Plans, please provide LUI's prioritization methodology.

28. Identification of Renewable Enabling Capital Expenditures

Ref: Exhibit 2/ p. 108 & 110

LUI states that: "LUI has no renewable enabling (GEA) capital expenditures related to infrastructure upgrade planned in its forecasted five year capital plan". However, LUI later states that: "LUI is investing in capital to improve its distribution plant […]. This capital investment will also add renewable generation connection capacity to LUI's distribution plant."

a) Please confirm that LUI is not seeking a prudence review of the GEA Plan in this proceeding.
b) Are there any OM&A expenditures, such as labour expenses, associated with the implementation of the GEA Plan in general, and more specifically with the connection of the current FIT and micro-FIT projects?
c) Please clarify whether any of the capital projects LUI intends to undertake are driven by the connection of distributed generation.

29. Smart Grid Development

Ref: Exhibit 2/ p.110-111

LUI indicates that "a detailed summary of incremental expenditures associated with specific Smart Grid activities and projects is currently being compiled."

a) Does LUI plan to undertake any of the Smart Grid activities identified at the reference over the 5-year GEA planning horizon?
b) What are the capital and OM&A expenditures associated with these Smart Grid activities?

30. Deferral and Variance Accounts (Adjustments)

Has the Applicant made any adjustments to deferral and variance account balances that were previously approved by the Board, subsequent to the balance sheet date that was cleared in the most recent rates proceeding? If yes, please provide explanations for the nature and amounts of the adjustments and include supporting documentation.

31. Deferral and Variance Accounts (Energy Sales and Cost of Power))

Please provide breakdown of energy sales and cost of power expense, as reported in the audited financial statements, by USoA account number. Please tie these numbers to the audited financial statements. If there is a difference between the energy sales and cost of power expense reported numbers, please explain why the applicant is making a profit or loss on the commodity.

32. Deferral and Variance Accounts (Global Adjustment)

1588 RSVA Power and 1588 RSVA Sub-account Global Adjustment:

a) Does the applicant pro-rate IESO Charge Type 146 Global Adjustment into the RPP portion and non-RPP portion? If not, why not. If so, please provide the supporting spreadsheet for the year 2010 which prorates the IESO Charge Type 146 Global Adjustment into RPP portion and non-RPP portion.
b) Is the RPP portion included in Account 4705 control account and then incorporated into the variance reported in Account 1588 control account? If not, why not. If so, please provide journal entries for the month of December 2010 to record the RPP portion of global adjustment in Account 4705 control account and incorporated into the variance reported in Account 1588 control account.
c) Is the non-RPP portion included in Account 4705 sub-account Global Adjustment and then incorporated into the variance reported in Account 1588 sub-account Global Adjustment? If not, why not. If so, please provide journal entries for the month of December 2010 to record the non-RPP portion of global adjustment in Account 4705 sub-account Global Adjustment and incorporated into variance reported in Account 1588 sub-account Global Adjustment.

d) If any of part “a”, “b”, or “c” in above is not followed, please make appropriate adjustments and file the updated evidence. Please provide explanations for the changes made by Applicant, if any.

33. Deferral and Variance Accounts (Account 1521)

Ref: Exhibit 9, p.15, lines 18-21

According to the Board letter of April 23, 2010 on the Special Purpose Charge: “In accordance with section 9 of the SPC Regulation, recovery of your SPC assessment is to be spread over a one-year period, starting from the date on which you begin billing to recover your assessment. The request for disposition of the balance in “Sub-account 2010 SPC Variance” and “Sub-account 2010 SPC Assessment Carrying Charges” should be made after that one-year period has come to an end, and all bills that include amounts on account of that assessment have come due for payment.”

In its application, LUI stated:

> LUI’s share of the Assessment for MEI Conservation and Renewable program of $106,153 was recognized in this account in July 2010, and customer billing for recoveries commenced May 1, 2010. As per the Board’s instructions, **LUI will recover the SPC assessment over a one year period and apply to the Board no later than April 20, 2012 for an order to clear any debit or credit balance** remaining in these 1521 Sub Accounts [emphasis added].

a) Please confirm if LUI has completed the recovery of SPC assessment given the fact that it stated that “LUI will recover the SPC assessment over a one year period”. Please provide the reason(s) if LUI has not yet completed the recovery of SPC assessment.
b) Please provide the timing of the completion of the recovery period.
c) If LUI has finished implementing the SPC program in 2011, please provide the most recent balance in account 1521, “Sub-account 2010 SPC Variance” and explain why LUI has not proposed the disposition of the account balance in this account in the current proceeding.

d) Please complete the following table related to SPC.

SPC Assessment (Principal Balance)	Amount recovered from customers in 2010	Carrying Charges for 2010	Dec. 31, 2010 Year End Principal Balance	Dec. 31, 2010 Year End Carrying Charges Balance	Amount Recovered from Customers in 2011	Forecasted Carrying Charges to April 30, 2012	Forecasted December 31, 2011 Year End Principal Balance	Forecasted Carrying Charges Balance to April 30, 2012	Total for Disposition (Principal & Interest) based on forecasted April 30, 2012 balance

e) Please provide an updated rate rider calculation including the forecasted principal amount in account 1521 and associated carrying charges, as at April 30, 2012.

34. Deferral and Variance Accounts (Sales Tax)

The Provincial Sales Tax (“PST”) and the Federal Goods and Services Tax were harmonized into the Harmonized Sales Tax (“HST”) effective July 1, 2010. As a result of this harmonization, applicants may benefit from an overall net reduction in costs in the form of Input Tax Credits (“ITCs”). This arises due to cost decreases from the receipt of additional ITCs on the purchases of goods and services previously subject to PST that become subject to the HST. These cost decreases may be partially offset by cost increases on certain items that were not previously subject to PST but become subject to the HST with no additional ITCs having been granted (i.e., these items are subject to recaptured ITC requirements).

During the 2010 IRM application process, the Board directed electricity distributors to record in deferral account 1592 (PILs and Tax Variances, Sub-account HST/OVAT Input Tax Credits (“ITCs”)), beginning July 1, 2010, the incremental ITCs received on distribution revenue requirement items that were previously subject to PST and became subject to HST.

In December 2010, as part of its Frequently Asked Questions on the Accounting Procedures Handbook for electricity distributors, the Board provided accounting guidance on this matter and provided a simplified approach designed to facilitate administrative cost-saving opportunities.

No additional amounts should be recorded in Account 1592 (PILs and Tax Variances, Sub-account HST/OVAT ITCs for the Test Year and going forward, as the impact of the

HST and associated ITCs on capital and operating costs in the Test Year should be reflected in the applied-for revenue requirement. For the 2012 Test Year for example, entries to record variances in the sub-account of Account 1592 would cover the period from July 1, 2010 to December 31, 2011 since the Test Year, which starts May 1, 2012 would include the HST impacts in rates going forward.

a) Please confirm that the Applicant has followed the December 2010 FAQs accounting guidance regarding Account 1592 sub-account HST/OVAT ITCs. If this is not the case, please explain.
b) Please confirm that entries have been made to record variances in the sub-account account of Account 1592 to cover the period from July 1, 2010 to December 31, 2011 since the Test Year, which starts May 1, 2012 would include the HST impacts in rates going forward. If this is not the case, please explain.
c) Please confirm that zero amounts will be recorded in Account 1592, sub-account HST/OVAT ITCs for the Test Year and forward. If this is not the case, please explain.
d) Please confirm that only the balance in Account 1592 “Sub-account HST / OVAT ITCs” will be requested for disposition, and not the contra account Account 1592 “HST/OVAT Contra Account”, which is used only for RRR reporting purposes. If this is not the case, please explain.

35. Deferral and Variance Accounts (Disposition Period)

Ref: Exhibit 1, p. 15 (lines 5-6) and p. 24 (lines 19-20)

Under the section “Specific Approvals Requested”, Lakefront has requested approval to dispose of the Deferral and Variance Account Balances over a **one-year period**. However, under the section “Proposed Issues List”, it states that LUI is requesting the disposition of the amounts 9 over a **four-year period**.

Please clarify and confirm the requested disposition period.

36. Deferral and Variance Accounts (Account Balances Date)

Ref: Exhibit 1, p. 15 (lines 5-6) and Exhibit 9, p. 5 (lines 17-18)

Under the section "Specific Approvals Requested" of Exhibit 1, Lakefront has requested approval to dispose of the Deferral and Variance Account Balances as at **April 30, 2012**. However, under Exhibit 9, it states: "unless otherwise stated, LUI is applying for disposition of all account balances as at **December 31, 2010**".

Please clarify and confirm whether the balances proposed for disposition are as of December 31, 2010 or as of April 30, 2012.

37. Deferral and Variance Accounts (Continuity Schedule for 2010)

Ref: Exhibit 9, p. 65

a) Please explain the reasons for the adjustments shown under column headings "Other Adjustments during Q1 2010", "Other Adjustments during Q4 2010" for the principal amounts, and "Adjustments during 2010 – other" for the interest amounts.
b) Please provide supporting documentation for the adjustments made in the columns referenced in part a) above.

38. Deferral and Variance Accounts (Group 1 and Group 2 Balances for Disposition)

Ref: Exhibit 9, p. 66 (Continuity Schedule: Total Claim) and p. 22, Tables 9-4 and 9-5

LUI has recorded the following amounts in the Total Claim column of the Continuity Schedule, but has not recorded them in Table 9-4 – Group 1 Balances for Disposition and Table 9-5 – Group 2 Balances for Disposition:

Account #	Amount
1595	-$229,688
1525	37,595
1592	31,574

Please indicate which evidence (i.e. Continuity Schedule, page 66 or Tables 9-4 and 9-5) should the Board rely on for the purpose of this proceeding, and why?

39. Deferral and Variance Accounts (Rate Riders)

Ref: Exhibit 9, page 21 - 23, Tables 9-3, 9-4, 9-5, and 9-7

Using the allocators and the amounts for disposition, and the rate rider calculation over 4 years, Board staff tried to replicate the applicant's calculation of the rate riders. The rate rider for Group 1 and Group 2 without Global Adjustment calculated by the Board staff did not match the calculations in Table 9-7 for several rate classes.

Please provide the following information:

a) Total for Disposition for Group 1 and Group 2, without Global Adjustment:
b) Recovery Term:
c) Annual Recovery:
d) Please confirm that the applicant has chosen to use Distribution Revenues as the allocator for account 1562.
e) Please recalculate the allocations as provided under Table 9-5 Group 2 Balances for disposition on page 22 for all accounts including account 1562.
f) Please complete the following Table:

Total to be allocated							
Annual Recovery	Residential	GS < 50 kW	GS > 50 – 2999 kW	GS > 3000 – 4999 kW	USL	Sentinel Lights	Street Lights
Rate Rider							
	kWh	kWh	kW	kW	kWh	kW	kW

40. Deferral and Variance Accounts (Accounts 1508 & 1525)

Ref: Board Decision and Order[4] EB-2010-0295, p. 19
Ref: Board Decision and Order[5] EB-2010-0095, p. 13
Ref: Exhibit 9, p. 13, line 12 and p. 16

[4] http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/251150/view/dec_order_LPP%20Generic_20110222.PDF
[5] http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/258234/view/Dec_Order_Lakefront_20110317.PDF

In its Decision EB-2010-0295, the Board stated the following:

> The Board does not expect any material difference to occur in this regard and therefore the request for a variance account is denied.

A one-time expense amount of $36,872.16 for the Late Payment Penalty (LPP) was disposed of in EB-2010-0095. However, on page 13, line 12, the applicant states:

> For 2012, LUI is not yet requesting disposition of the balances in this account.

Please state if there is an amount recorded in account 1508 or 1525 with respect to the LPP as of December 31, 2011. If so, please provide the Board direction to record the amount for LPP in account 1508 or 1525 or any other deferral/variance account.

41. IFRS (Implementation)

Ref: Exhibit 1, p. 26 and Exhibit 9, page 20

Exhibit 1 indicates that the 2011 financial statements have been prepared in accordance with Canadian GAAP. However, Exhibit 9 indicates that:

> LUI will be in a position to implement IFRS on January 1, 2011.

Please clarify the date of the IFRS implementation.

42. IFRS (CGAAP vs. MIFRS)

Ref: Exhibit 2, p. 74 (Table 2-18) and p. 93 (Table 2-20)
Ref: Amended Revenue Requirement model 2012 v1.xls (Tab “FA Continuity 2012”)

a) Table 2-20 titled “Fixed Asset Continuity MIFRS” does not match the values in the Revenue Requirement model. Please indicate which evidence the Board should rely on, for the purpose of this proceeding, and why.

b) Table 2-18 heading is unclear as to whether the information is CGAAP or MIFRS based. The preamble on page 74 (Lines 3-4) appears to suggest that it is MIFRS based.
   - Please clarify whether Table 2-18 is based on MIFRS or CGAAP. If Table 2-18 is based on CGAAP, please file it based on MIFRS.
   - If this Table is based on MIFRS, please indicate where Lakefront Utilities has filed the 2012 Fixed Asset Continuity Schedule based on CGAAP as per the filing requirements. If not, please file it based on CGAAP.

43. IFRS (CGAAP vs. MIFRS)

Re: Exhibit 2, p. 61, Table 2-16

a) Is Table 2-16 based on MIFRS or CGAAP?
b) Has Lakefront provided the Fixed Asset continuity schedule for the bridge year on both, MIFRS as well as CGAAP basis? If not, please provide Fixed Asset continuity schedules for the bridge year based on both, CGAAP as well as MIFRS.

44. IFRS (Capitalization Policy)

Ref: Exhibit 2, p. 123 (Appendix E) and p. 124-125

Lakefront Utilities filed a draft capitalization policy under review.

a) Please provide a status update to the review of the capitalization policy. Please file an updated copy with the Board if Lakefront Utilities has made any changes to the draft copy that was filed with the Board.

   Lakefront Utilities stated,

   > In order to be capitalized, an item must meet the minimum threshold requirement of two hundred dollars ($500.00) unless it is a small vital component in a larger capital asset (i.e. ties at the base of a pole), then the item should still be capitalized. The minimum threshold may be overridden, based on justified professional judgment.

b) Please confirm if the Lakefront Utilities' minimum threshold requirement is $200 or $500.

45. IFRS (Service Lives)

Ref: Exhibit 2, p.21

a) Please provide a list of detailed asset service lives with reference to the Typical Useful Lives (TUL) from the Kinectrics Report.
b) Please provide an explanation for any differences in useful lives of the assets used by the Applicant in this proceeding from the Board sponsored Kinectrics Report.

46. IFRS (Amortization Expense)

Ref: Exhibit 4, p. 88 (Table 4-41)

a) Please indicate if the Amortization Expense for 2011 is based on CGAAP or IFRS.
b) Please indicate if the Amortization Expense for 2012 is based on CGAAP or IFRS.
c) Please provide reference to the pre-filed evidence where Lakefront Utilities has filed its amortization expense based on CGAAP for the bridge and test years. Please file the amortization expense for the bridge and test years based on CGAAP if not filed.
d) Please provide reference to the pre-filed evidence where Lakefront Utilities has filed its amortization expense based on MIFRS for the bridge and test years. Please file the amortization expense for the bridge and test years based on MIFRS if not filed.

47. IFRS (Depreciation Forecasted Expense)

Exhibit 4, p. 93 (Table 4-46)

a) Please explain the Adjustments column.
b) The amounts for -$79,693 and 773,769 recorded under the "Adjusted Depreciation Expense" column do not appear to correspond to specific account numbers. Please clarify and explain these entries.

48. IFRS (Rate Base & Depreciation Expense)

Ref: Sections 2.5 and 2.7.7 of Chapter 2 of the Filing Requirements for Transmission and Distribution Applications

a) For the bridge and test years, please provide a breakdown of the components of the underlying PP&E assets (i.e. pool assets is not permitted), including gross capital cost and accumulated depreciation values, revised useful lives, and the calculation of the depreciation expense based on revised service lives.
b) Please confirm that significant parts or components of each item of PP&E are being depreciated separately. Please explain.
c) Please confirm that the Applicant has identified the gain or loss on the retirement of assets in a group of like assets. Please provide the treatment of the retirement for rate application purpose and disclose the amount. Please state the reasons if the gains/losses are not charged to depreciation expense.
d) Please disclose any asset impairment loss recorded under IFRS which should be reclassified to PP&E. Please describe the nature of the losses, the amounts of the losses and the consideration whether and how such amounts are to be reflected in rates.

49. IFRS (Asset Retirement Obligations)

a) Please confirm whether or not the applicant has any asset retirement obligations.
b) If yes, please identify and provide a detailed breakdown of the major asset components.
c) Please provide a proposal for how the asset retirement obligations should be recovered in rates.

50. IFRS (PP&E Deferral Account)

Ref: Addendum to Report of the Board: Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment[6] (EB-2008-0408, June 13, 2011)

[6] http://www.ontarioenergyboard.ca/OEB/_Documents/EB-2008-0408/IFRS_Report_Addendum_20110613.pdf

Regarding the PP&E (Property Plant & Equipment) Deferral Account, on page 32 of the Addendum, the Board stated:

> Amortization of the adjusting amount, up or down, shall be reflected in any applicable rate application as an adjustment to depreciation expense (the refund or recovery of the amount of the adjustment over time) and the return on rate base calculation on the unamortized balance shall be included in applicable revenue requirement calculations…

Differences may arise with Property, Plant and Equipment balances due to implementing IFRS. Lakefront Utilities has not provided a calculation or balance in the Board-approved PP&E Deferral account.

a) Please provide a breakdown of the amount recorded in the PP&E deferral account on the transition date to MIFRS that is effective as of January 1, 2011. Please provide the supporting analysis similar to Appendix A of the March 31, 2011 Staff Discussion Paper – Transition to IFRS.
b) Please update Lakefront Utilities' evidence to clear the PP&E Deferral Account as an adjustment to depreciation expense in the test year and provide an update to the revenue requirement for the test year.

51. IFRS (Borrowing Costs)

Please confirm that all borrowing costs that are directly attributable to the acquisition, construction, or production of PP&E costs are capitalized to PP&E and not expensed. If this is not the case, please explain.

52. IFRS (Pension and Other Post Employment Benefit Costs)

Ref: Exhibit 4, p.20
Ref: Section 2.7.4 of Chapter 2 of the Filing Requirements for Transmission and Distribution Applications

LUI stated,

> LUI's next actuarial report expected to be completed early 2012, for the year end December 31, 2011.

a) What is the accounting treatment of the unamortized actuarial gains and losses and past service costs at the date of transition (January 1, 2011)?
b) Please confirm if Lakefront Utilities will elect the option under IFRS 1 to recognize all cumulative actuarial gains or losses at the transitional date of January 1, 2011. If so, how Lakefront can achieve this without conducting an actuarial evaluation for the transitional date.
c) What is the proposed regulatory treatment of these amounts – are these amounts incorporated anywhere in the revenue requirement? Please explain.
d) Has the Applicant applied the optional early adoption to the IASB's June 2011 revisions to IAS 19, Employee Benefits?
(Note: The IAS revisions are effective January 1, 2013, but early adopted is permitted. These revisions include the elimination of the option to defer recognition of gains and losses, known as the "corridor method".)
e) Please explain if the Applicant has early adopted this element of IAS 19 and state whether the impacts of this early adoption are incorporated anywhere in the revenue requirement.

53. IFRS (Financial Statements)

Please file LUI's Audited Financial Statements for the year 2010 as per Section 2.4.3 of Chapter 2 of the Filing Requirements for Transmission and Distribution Applications.

54. Disposition of Account 1562 – Deferred PILs (#1)

Ref: 2001 through 2005 SIMPIL Models – Appendices 12-16

In the Combined Proceeding EB-2008-0381, the three applicants were all subject to the maximum blended income tax rates based on the tax evidence they each submitted in the case. That proceeding was not a generic proceeding, and therefore the Board's findings on income tax rates do not apply to every distributor. Blended income tax rates determined from the applicants' own tax evidence are used to calculate the tax variances in SIMPIL models that form part of the entries in account 1562 deferred PILs.

a) Lakefront's actual 2002 tax evidence it filed in this proceeding indicates that it took advantage of the small business deductions and was subject to a blended income tax rate of 19.12% for the 2002 tax year. Thus, Lakefront paid less tax than it would have if it had used the maximum income tax rates.

   Please explain why Lakefront should not use the blended minimum income tax rate of 19.12% from its own tax return evidence in completing the 2002 SIMPIL model.

b) Please provide the blended income tax rate that can be determined from Lakefront's actual tax returns for 2003. It is less than the maximum tax rate used in the 2003 SIMPIL model.

c) Please provide the documents that show all of the calculations that were made by Lakefront's auditors to validate the blended income tax rates for 2004 and 2005 that were used in Lakefront's SIMPIL models.

d) Lakefront was inconsistent in choosing the maximum income tax rate for some years and tax rates lower than the maximum for other years. Please explain why Lakefront did not select a consistent approach based on its own tax evidence submitted in this case.

55. Disposition of Account 1562 – Deferred PILs (#2)

Ref: 2001 through 2005 SIMPIL Models – Appendices 12-16

Lakefront modified the SIMPIL models for 2002, 2003 and 2004 by deleting formulas that would have trued up an amount related to regulatory adjustments for transition cost recovery of $63,055 in each year. The reasons for the change in formulas are explained on pages 5 and 6 of the consultant's report prepared for Lakefront.

The Board decided that the impact of regulatory assets and liabilities must be excluded in the determination of the variances that are entered in account 1562. The purpose of the formula in the SIMPIL model is to remove (reduce) the impact on PILs of regulatory assets and liabilities contained in the proxy calculations when compared to the actual tax values. Lakefront's changes to the models leave regulatory asset impacts in the calculations, and therefore do not comply with the Board's decision.

The Board in its decision on the Combined Proceeding expects that distributors will use similar models as had been submitted by Halton Hills. Halton Hills did not alter the formula that Lakefront has changed in its evidence.

a) Please explain why Lakefront believes it should not be subject to the decision regarding regulatory assets and liabilities in the Combined Proceeding.

b) Please identify every formula that Lakefront has changed in the SIMPIL models for 2001 through 2005.

56. Disposition of Account 1562 – Deferred PILs (#3)

Ref: 2001 through 2005 SIMPIL Models – Appendices 12-16

Please make copies of the Excel SIMPIL models for 2002, 2003, 2004 and 2005 that Lakefront filed in evidence, make the following changes, and file the revised active Excel models.

a) In the SIMPIL models for 2002, 2003 and 2004 please correct the formula so that the variance related to regulatory adjustments of $63,055 that appears in cell E24 will true up with the correct sign in cell E105 for each year.

b) In the 2002 SIMPIL model please enter the blended federal and Ontario minimum income tax rate of 19.12% in cells E122 and E138. Please enter 18% in cells E130 and E175.

c) In the 2003 SIMPIL model please enter the income tax rate determined from Lakefront's own tax returns as responded to in interrogatory #1 b above.

d) If Lakefront selects different income tax rates for 2004 and 2005 after responding to the interrogatories in #1 c and d above, please enter these tax rates in the revised 2004 and 2005 SIMPIL models.

e) Please enter the variances from these revised SIMPIL models in the continuity schedule Appendices 1, 32, 33, and 34 and file the active revised Excel model(s).

57. Disposition of Account 1562 – Deferred PILs (#4)

Ref: 2001 through 2005 SIMPIL Models – Appendices 12-16

Did Lakefront or its consultant participate in the Combined Proceeding EB-2008-0381? Did Lakefront make submissions to the Board on the issues that it now disagrees with?

58. Disposition of Account 1562 – Deferred PILs (#5)

Ref: 2001 through 2005 SIMPIL Models – Appendices 12-16

The Board's approved PILs methodology consists of a proxy that was included in rates and a true-up mechanism that includes account 1562 deferred PILs. The existence of this deferral account has kept the period open for adjustments based on unique tax evidence to be filed by each distributor.

Lakefront has adopted its consultant's report that stated on pages 5 and 6:

> "The OEB approved these adjustments to taxable income and the income tax implications as part of the LDCs PILS entitlement in the 2002 rate application. The true-up (or reversal) of these adjustments totally negates the approved entitlement to receive the related PILS. Similar to the Q4 2001 PILS IMBSI believes that the rate freeze in 2002 entitles the LDC to receive these 2002 PILS amounts until new PILS amounts were determined in 2005. The PILS amounts remained at the 2002 determined level until they were revised as part of the 2005 rate application where the regulatory adjustments were removed from the determination of taxable income."

a) Please provide the regulatory references from the decisions in the Combined Proceeding EB-2008-0381, or from any document issued from the Board during the period 2001 through 2006, that supports the above statement.

59. Disposition of Account 1562 – Deferred PILs (#6)

Ref: 2001 through 2005 SIMPIL Models – Appendices 12-16

Interest Expense

When the actual interest expense, as reflected in the financial statements and tax returns, exceeds the maximum deemed interest amount approved by the Board, the excess amount is subject to a claw-back penalty and is shown in sheet TAXCALC as an extra deduction in the true-up calculations.

For the tax years 2001 to 2005:

a) Did Lakefront have interest expense related to liabilities other than debt that is disclosed as interest expense in its financial statements?

b) Did Lakefront net interest income against interest expense in deriving the amount it shows as interest expense in its financial statements and tax returns? If yes, please provide details to what the interest income relates.

c) Did Lakefront include interest expense on customer security deposits in interest expense for purposes of the interest true-up calculation?

d) Did Lakefront include interest income on customer security deposits in the disclosed amount of interest expense in its financial statements and tax returns?

e) Did Lakefront include interest expense on IESO prudentials in interest expense?

f) Did Lakefront include interest carrying charges on regulatory assets or liabilities in interest expense?

g) Did Lakefront include the amortization of debt issue costs, debt discounts or debt premiums in interest expense? If the answer is yes, did Lakefront also include the difference between the accounting and tax amortization amounts in the interest true-up calculations? Please explain.

h) Did Lakefront deduct capitalized interest in deriving the interest expense disclosed in its financial statements? If the answer is yes, did Lakefront add back the capitalized interest to the actual interest expense amount for purposes of the interest true-up calculations? Please explain.

i) Please provide Lakefront's views on which types of interest income and interest expense should be included in the excess interest true-up calculations.

j) Please provide a table for the years 2001 to 2005 that shows all of the components of Lakefront's interest expense and the amount associated with each type of interest. On page 7 of its consultant's report, there appears a table of interest expense. However, this table does not identify individually the different types of charges that Lakefront included in interest expense in its financial statements. Please ensure that the table balances back to all of the interest expense listed in the audited financial statements.

60. Lost Revenue Adjustment Mechanism ("LRAM") Recovery

Ref: Exhibit 10/p. 3

Lakefront has requested an LRAM recovery for a total amount of $26,696.67.

a) Please confirm that Lakefront has used final 2010 program evaluation results from the OPA to calculate its LRAM amount.
b) If Lakefront did not use final 2010 program evaluation results from the OPA, please explain why and update the LRAM amount accordingly.
c) Please provide a table that shows the LRAM amounts Lakefront has collected historically.
d) Please confirm that Lakefront has not received any of the lost revenues requested in this application in the past. If Lakefront has collected lost revenues related to programs applied for in this application, please discuss the appropriateness of this request.
e) Please identify the CDM savings that were proposed to be included in Lakefront's last Board approved load forecast.
f) Please provide a table that shows the LRAM amounts requested in this application by the year they are associated with and the year the lost revenues took place,

divided by rate class within each year. Use the table below as an example and continue for all the years LRAM is requested:

Program Years (Divided by rate class)	Years that lost revenues took place			
	2009	2010	2011	2012
2006	$xxx	$xxx	$xxx	$xxx
2007	$xxx	$xxx	$xxx	$xxx
2008	$xxx	$xxx	$xxx	$xxx
2009	$xxx	$xxx	$xxx	$xxx