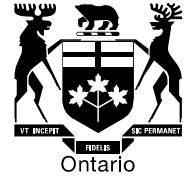


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**BY E-MAIL**

February 15, 2012

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

Dear Ms. Walli:

**Re: Board staff Interrogatories  
Lakeland Power Distribution Ltd.  
Application for 2012 Smart Meter Cost Recovery effective May 1, 2012  
Application Board File Number EB-2011-0413**

In accordance with the procedure documented in the Notice of Application and Hearing, please find attached Board staff's interrogatories in the above proceeding with respect to Lakeland Power Distribution Ltd.'s application for rate riders to recover smart meter costs. Please forward the following to Lakeland Power Distribution Ltd. and to all other registered parties to this proceeding.

Yours truly,

*Original signed by*

Keith C. Ritchie  
Project Advisor - Applications

Attachment

**Lakeland Power Distribution Ltd.  
2012 Smart Meter Cost Disposition and Recovery  
EB-2011-0413**

**Board staff Interrogatories**

***General***

**1. Responses to Letters of Comment**

Following publication of the Notice of Application, the Board has, to date, received no letters of comment. Please confirm whether Lakeland Power Distribution Ltd. (“Lakeland”) has received any letters of comment. If so, please file a copy of any letters of comment. For each, please confirm whether a reply was sent from Lakeland to the author of the letter. If confirmed, please file that reply with the Board. Please ensure that the author’s contact information except for the name is redacted. If not confirmed, please explain why a response was not sent and confirm if Lakeland intends to respond.

***Manager’s Summary***

**2. Ref: Manager’s Summary/page 9**

On page 9 of its Application, Lakeland states:

The high volume of collectors and repeaters was necessitated by LPDL’s large, non-contiguous geographic distribution area servicing five separate, distinct municipalities, rural and island services and heavily forested, rocky terrain (map of service territory provided in Appendix 5). This has contributed to a higher cost per meter than if LPDL’s service territory was one contiguous, wide open, flat area with no distance or natural elements affecting meter/collector communications.

Please provide a synopsis of technological and operational challenges and issues (e.g., intermittent or persistent read failures, incidence of “buddy” meters to solve unreadable meters, additional or relocated collectors, manual adjustment of meter read data, etc.) that Lakeland and its service provider encountered in Lakeland’s smart meter deployment and operationalization. Please also summarize the resolution of these issues.

**3. Ref: Manager's Summary/page 9**

On page 9, Lakeland states:

As of October 2011, System Acceptance Testing completion is pending but will follow shortly with the finalization of the Elster Service Level Agreement (SLA).

Lakeland filed its Application on December 2, 2011.

- a) Has the Elster Service Level Agreement been finalized? If yes, please state the date. If not, please provide information on what remains to be finalized and the expected finalization date.
- b) Is System Acceptance Testing now complete? If yes, please state the date. If not, please provide information on what is outstanding and when System Acceptance Testing is now expected to be completed.

**4. Ref: Manager's Summary/page 12 – Conventional Meter Disposal**

On page 12, Lakeland states:

At the completion of the mass smart meter deployment process, Greenport removed the storage bin and recycled the old conventional meters at a no cost option.

- a) Please confirm whether this statement means that Lakeland had no net salvage proceeds from the disposal of conventional meters replaced by smart meters.
- b) If this interpretation is incorrect, please clarify.
- c) If there are net proceeds from the salvage of conventional meters, how is Lakeland taking these into account? Will they be used to offset the remaining net book value of stranded meters when Lakeland seeks disposition in its next cost of service rebasing application? In the alternative, please explain.

**5. Ref: Manager's Summary/page 16 – Web Presentment**

On page 16, Lakeland states:

The ODS has been a very useful and effective tool for the continuous, uninterrupted and reliable web presentment of hourly data to LPDL's customers. LPDL's eCARE DSM web presentment module pulls the customer usage data from the ODS. *The MDM/R has become accessible to provide this data in mid 2011 but in order to integrate with it, LPDL will be required to incur more costs and*

*customer's accessibility will be hampered due to the frequently scheduled outages which disrupt online access. [Emphasis added]*

Please provide further information on the resolution of this issue. If this has not been fully resolved please provide a status update on Lakeland's plans and efforts to resolve it.

**6. Ref: Manager's Summary, page 23 – Stranded Meter Costs**

On page 23 of its Application, Lakeland states that it is not seeking disposition of stranded meter costs in this Application, but will seek recovery in its next cost of service application. Lakeland states that the NBV of stranded meters as of December 31, 2010 is \$587,000 and that it continues to amortize the stranded meters. Please provide Lakeland's estimate of the NBV of the stranded meters as of December 31, 2012.

***Smart Meter Model, Version 2.17***

**7. Ref: Excel Smart Meter Model, Version 2.17, Sheet 3 – Cost of Service Parameters**

In its most recent cost of service application for 2009 rates (EB-2008-0234), Lakeland was approved the following Cost of Capital parameters:

<b>Cost of Capital Parameter</b>	<b>Board-approved value</b>
Short-term Debt Rate	1.33%
Long-term Debt Rate	5.16%
Return on Equity (ROE)	8.01%

On Sheet 3, Lakeland used different values of a 4.47% Short-term Debt Rate and 8.57% ROE for 2009, but has use its Board-approved rates for 2010 and subsequent years.

Please explain why Lakeland has not used its Board-approved Cost of Capital parameters in 2009.

**8. Ref: Excel Smart Meter Model, Version 2.17, Sheet 3 – Cost of Service Parameters**

In its 2006 EDR rebasing application, (RP-2005-0020/EB-2005-0388), Lakeland proposed and was approved a Long-term Debt Rate of 4.38%. It used this value for the debt rate in 2008 but used 6.25% in 2006 and 2007. Please explain why Lakeland did not use its Board-approved Long-term Debt Rate for the 2006 and 2007 years.

**9. Ref: Excel Smart Meter Model, Version 2.17, Sheet 3 – Depreciation Rates**

On Sheet 3, under Depreciation Rates, for the classes of Tools & Equipment and Other Equipment, Lakeland has used an estimated useful life of 15 years. Typically, assets in these classes are assumed to have useful lives of 10 years. Please explain Lakeland's basis for assuming longer average useful lives for these asset classes.

**10. Ref: Excel Smart Meter Model, Version 2.17**

In the Smart Meter Model Version 2.17 filed by Lakeland, the utility has relied upon sheet 8B to calculate the interest on OM&A and depreciation/amortization expenses. Sheet 8B calculates the interest based on the average annual balance of deferred OM&A and depreciation/amortization expenses based on the annual amounts input elsewhere in the model.

The more accurate and preferred method for calculating the interest on OM&A and depreciation/amortization expense is to input the monthly amounts from the sub-account details of Account 1556, using sheet 8A of the model. This approach is analogous to the calculation of interest on SMFA revenues on sheet 8 of the model.

- a) Please re-file the smart meter model using the monthly OM&A and depreciation/amortization expense data from Account 1556 records. Lakeland should also take into account any revisions necessary, such as in its response to the preceding interrogatory.
- b) If this is not possible, please explain.

**11. Ref: Excel Smart Meter Model, Version 2.17 – Smart Meter Funding Adder Revenues**

On Sheet 8, Board staff observes the following:

- Interest is calculated to December 2012; and
- SMFA Revenues are input for May 2012.

However, Lakeland's current SMFA ceases as of April 30, 2012.

The net effect is to increase the SMFA revenues and associated carrying charges used to offset the deferred revenue requirement, and hence to decrease the amount to be recovered through the SMDR.

Please explain Lakeland's rationale for calculating interest beyond April 2012 and for including SMFA revenues for May 2012.

**12. Ref: Excel Smart Meter Model, Version 2.17 – TOU Implementation and CIS System Upgrade Costs**

On Sheet 2, cell K105, Board staff observes that Lakeland has documented \$24,869 in 2008 for capital costs for TOU implementation, CIS system upgrades and web presentation. These costs are recorded prior to Lakeland actually installing smart meters. Please provide further explanation for these capital costs incurred in 2008.

**13. Ref: Excel Smart Meter Model, Version 2.17 – Taxes/PILs rates**

On sheet 3 of the Smart Meter Model, on row 40, the utility inputs the aggregate Federal and Provincial tax rates applicable for each year from 2006 to 2012. By default, the model is populated with the maximum tax rate in each year, but the cells can be overridden.

Board staff observes that Lakeland has used the default tax rate in each year. A review of the Board's Decision and material filed in support of its draft rate order in Lakeland's 2009 cost of service rebasing application (EB-2008-0234) indicates that the Federal income tax rate approved was 19.00% and the provincial tax rate approved for Lakeland was 7.86%. This results in an aggregate tax rate of 26.86%, lower than the maximum rate of 33.0% for that year.

Please recalculate the Smart Meter Model using the aggregate Corporate income tax rate implicit in the taxes actually paid by Lakeland in each year from 2006 to 2011 and that Lakeland estimates would be used for its 2012 taxes/PILs. This should be readily available from taxes/PILs calculations or spreadsheets used in annual cost of service or Incentive Regulation Mechanism ("IRM") rates applications. Please identify the source of the tax rate used for each year.

***Per Meter Costs***

**14. Ref: Excel Smart Meter Model, Version 2.17 – Sheet 2**

Board staff has prepared the following table to calculate the average per meter cost for installed smart meters, on both a capital expenditures and total (capital and operating costs) basis.

	2006	2007	2008	2009	2010	2011	2012	Total		
Capital		\$ 41,990	\$ 64,725	\$ 1,630,024	\$ 452,112	\$ 81,221	\$ 17,107	\$ 2,287,179		
OM&A				\$ 31,283	\$ 53,427	\$ 79,846	\$ 106,250	\$ 270,806		
Number of Smart Meters				8945	421	131	123	9620		
								<b>Total</b>	<b>Average per meter</b>	
								<b>Total (capex + opex)</b>	\$ 2,557,985	\$ 265.90
								<b>Capex only</b>	\$ 2,287,179	\$ 237.75

- a) Please confirm or correct these numbers.
- b) In applications to date, smart meter costs have typically averaged below \$200 per meter on a total cost (capex plus opex) basis. This is particularly so when smart meter deployment only involves the Residential and GS < 50 kW (i.e., there are no deployments “beyond minimum functionality” for other metered customer classes like GS > 50 kW). Please provide further explanation of Lakeland’s circumstances that support its costs higher than average and of efforts that Lakeland took during its smart meter deployment to control its capital and operating costs for the program.

**Cost Allocation**

**15. Ref: Manager’s Summary, pages 24-29 – Cost Allocation**

- a) If Lakeland has made revisions to its Smart Meter Model, Version 2.17 as a result of its responses to interrogatories, please update also tables 3a, 3b, 3c, 3d and 3e with respect to the calculation of class-specific SMDRs.
- b) Similarly, please provide updates for tables 4a, 4b, 4c, 4d and 4e with respect to the calculation of class-specific SMIRRs.