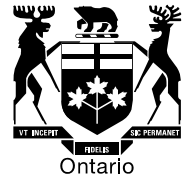


**Ontario Energy
Board**
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

**Commission de l'Énergie
de l'Ontario**
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL

March 9, 2012

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Board Staff Supplementary Interrogatories
2012 Electricity Distribution Rates
Lakefront Utilities Inc.
Board File No. EB-2011-0250**

In accordance with Procedural Order No. 3, please find attached Board staff supplementary interrogatories in this proceeding. Please forward the attached to Lakefront Utilities Inc. and the intervenors in the proceeding.

Sincerely,

Original Signed By

Suresh Advani
Advisor

Attachment

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

61. Schedule of Proposed Rates and Charges

Ref: Board staff interrogatory #5

Board staff notes that the following rates are missing in the Proposed Tariff of Rates and Charges provided by Lakefront in response to Board staff’s interrogatory #5.

- Service Charge pertaining to the microFIT Generator rate class
- Retail Transmission Rate – Network Service Rate and Retail Transmission Rate – Line and Transformation Connection Service Rate pertaining to all applicable rate classes
- Allowances (Transformer Ownership and Primary Metering)
- Retail Service Charges
- Loss Factors

Please re-file the Proposed Tariff of Rates and Charges to include these missing elements.

62. Updated RRWF

Ref: Board staff interrogatory #3

In its response to Board staff IR # 3, Lakefront updated the RRWF. However, this appears to have been done incorrectly, as Lakefront has overwritten the data in column E on sheet “3. Data Input Sheet”. Instead, Lakefront should use the middle column M, or the adjustment column I to show what has changed from the original application. The original application column should not change.

- a. Please revise and file the updated RRWF in working Microsoft Excel format.
- b. If, as a result of this round of supplementary interrogatories, there are further changes to Lakefront's proposed revenue requirement, please provide an updated RRWF showing the further adjustments in columns M and I of sheet 3. Please file the updated RRWF in working Microsoft Excel format.

63. OM&A Cost Drivers

Ref: Board staff interrogatory #8

Please provide actual 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 in Exhibit 4/p. 25.

64. Service Quality and Reliability

Ref: Board staff interrogatory #14

- a. Please update the response to Board staff interrogatory #14 to show 2011 data.
- b. Lakefront states that it does not have information on reliability with and without loss of supply prior to 2009. Since the issuance of the 2000 Electricity Distribution Rate Handbook, utilities have been required to track outages by cause code. Cause code 2 is for "loss of supply". Further information was reflected in the 2006 Electricity Distribution Rate Handbook. Lakefront has been reporting its service quality and reliability statistics since 2000. Please explain why Lakefront does not have the relevant statistics available prior to 2009.
- c. Board staff notes a sharp increase from 2009 to 2010 in Lakefront's reliability performance indices SAIDI, SAIFI and CAIDI for all interruptions excluding loss of supply, provided in response to Board staff's interrogatory. Please provide reasons for this increase.

- d. Additionally, please comment on whether Lakefront regards these increases as a future trend or within normal year-to-year fluctuation. If the former, please provide details of Lakefront's plans to control the increase.

65. Capital Expenditures

Ref: Board staff interrogatory #6

With respect to Lakefront's capital expenditures in the 2008-2011 period, Board staff notes total actual capital expenditure has been variously stated as follows. Please confirm and identify the correct value for each year.

2008

\$1,255,668 in the response Board staff's interrogatory, Exhibit 2/p. 28, and Exhibit 2/p. 30, and \$114, 483 in Exhibit 2/p. 31.

2009

\$1,110,231 in the response Board staff's interrogatory, Exhibit 2/p. 28 and \$1,133,625 in Exhibit 2/p. 39.

In addition, please provide the 2009 Fixed Asset Continuity schedule which Board staff notes is missing in the application.

2010

\$1,492,040 in the response Board staff's interrogatory, Exhibit 2/p. 28, and Exhibit 2/p. 50, and \$340,288 in Exhibit 2/p. 51.

2011

\$1,233,835 in the response Board staff's interrogatory, \$1,245,298 in Exhibit 2/p. 28, \$2,258,901 in Exhibit 2/p. 61 and \$1,988,901 in Exhibit 2/p. 62.

Additionally, Board staff notes that Lakefront's proposed capital expenditures for the test year 2012 has been variously stated as \$1,953,000 in Exhibit 2/p. 74 and \$2,099,000 in Exhibit 2/p.75. Please confirm and identify the correct value.

66. System Energy Forecast (Regression Model)

Ref: Response to Board staff interrogatory #21 (b)

In its response, Lakefront provided the coefficients for all the input variables used in the regression model. Board staff is unable to replicate the load forecast based on the model and input variables provided. Please provide an illustrative example which determines the “Predicted Purchases”. Please use input variables provided in response to Board staff IR # 21(b) and data provided Exhibit 3 / page 25/ Appendix A. Provide the calculation which demonstrates how the “Predicated Purchases” for the month of January 2004 (i.e. 23,306,673 kWh) and for the month of January 2011 (i.e. 22,877,405 kWh) are calculated.

67. System Energy Forecast (Regression Analysis)

Ref: Response to Board staff interrogatory #22 (b)

In its response, Lakefront provided the amount of the “kWh Consumed”, “Billed without Loss Factor”, “kWh Billed”, “kW” for the period from January 2004 to March 2011. However Lakefront did not provide the forecast kWh and kW that have been added back to the **2011 and 2012** load forecast. 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.

68. System Energy Forecast (Heating and Cooling Days)

Ref: Response to Board staff interrogatory #23

In its response, Lakefront indicated that Table 3-4 provides the details of the 10 & 20 Year Trend. However, Board staff is requesting the **load forecast** (“Predicted Purchases”) generated by on a 10-year and 20-year trend Heating Degree Days (“HDD”) and Cooling Degree Days (“CDD”), not the values of the HDD and CDD. Please provide the load forecasts for 2012 by using the 10 & 20 Year trend HDD and CDD as input variables.

69. Account 1562 Deferred PILs

Ref: Response to Board staff interrogatory #s 54 to 59

Income Tax rates used in SIMPIL Models

Corporate taxpayers are eligible for the full federal small business deduction when taxable capital is below \$10 million. The small business deduction is phased out on a straight-line basis as taxable capital increases above \$10 million, and is completely eliminated when taxable capital reaches \$15 million.¹ The taxpayer pays a lower rate of income tax than the maximum rate as long as taxable capital remains below \$15 million.

The SIMPIL models require income tax rates to be input in order to calculate the variances that support some of the entries in account 1562 deferred PILs. These income tax rates are entered on sheet TAXCALC by the applicant.

Lakefront has used income tax rates as shown in the table below in its SIMPIL models. The taxable paid-up capital from the federal T2 tax returns filed in evidence is also shown.

	2002	2003	2004	2005
Taxable paid-up capital	12,863,777	11,438,289	11,612,807	11,669,427
Income tax rate used in SIMPIL	38.62%	36.62%	32.65%	32.14%

- A. Please provide income tax rates below the maximum for 2002 and 2003 consistent with Lakefront's tax evidence.
- B. Please input the revised income tax rates in the SIMPIL models for 2002 and 2003 to calculate the tax impact; and deduct 1.12% from these revised income tax rates to calculate the grossed-up tax amounts.
- C. Please file a revised continuity schedule that reflects the changes in the SIMPIL models for 2002 and 2003; and, identify already submitted in

¹ Income Tax Act, section 125 (5.1)

evidence, or re-file, the SIMPIL models for 2001, 2004 and 2005 that support the revised continuity schedule. Please file active Excel workbooks for all evidence.

70. Deferral and Variance Accounts (#1)

Ref: Response to Board staff interrogatory #s 33c and 33d

In response to Board staff interrogatory #33c, Lakefront has provided - \$38,533.04 as the balance for account 1521 as the most recent balance in the account. However, in the Table provided under Board staff interrogatory #33d, the most recent balance shown under column titled "Total for Disposition (Principal & Interest) based on forecasted Dec. 31, 2011 balance" is -\$21,302.62.

- a. Please clarify and explain why the above two amounts are not consistent with each other.
- b. Please indicate which of the two amounts is correct.

71. Deferral and Variance Accounts (#2)

Ref: Response to Board staff interrogatory #39a

The column titled "Claim (including all dispositions and interest forecasts)" includes account 1595 for year 2009/2010 in the amount of -\$229,688. The rate rider of this recoveries account does not end until April 30, 2012. As per the EDDVAR report of the Board, the balance in the recoveries account should not be disposed of until the rate rider has ended.

Please explain why is Lakefront proposing disposition of the balance in this account while the rate rider is still in effect?

72. Deferral and Variance Accounts (#3)

Ref: Response to Board staff interrogatory #39c

Lakefront did not have an amount for disposition in its pre-filed evidence for account 1592.

- a. Please provide a detailed explanation and supporting documentation for the credit amount of \$98,840 for the proposed disposition, as indicated in the new evidence included in the response to Board staff interrogatory #39c.
- b. Please provide a detailed explanation as to why the amount proposed for disposition does not tie to the RRR 2.1.7 reporting which showed zero balance as of December 31, 2010 for account 1592.
- c. Is any part of the balance in account 1592 related to the 1592 sub account HST/OVAT Input Tax Credit (ITC) related?
- d. If so, only 50% of that sub-account is returnable to the ratepayers (per Decision and Order EB-2009-0233). Has Lakefront included only 50% of the amounts accumulated in account 1592, sub-account HST/OVAT ITC when calculating the rate rider?

73. Deferral and Variance Accounts (#4)

Ref: Response to Board staff interrogatory #39c

Please provide reasons and supporting documentation for changing the balance for disposition for account 1562 from -\$250,253 to -\$385,370.

74. Deferral and Variance Accounts (#5)

Ref: Response to Board staff interrogatory #39c

Please recalculate the rate riders ensuring that the corrected balances and allocators have been used for all of the accounts (including account 1521, 1562, 1592, and 1595). Please provide the spreadsheet in the Excel format to facilitate checking of the formulae.

75. IFRS (#1)

Ref: Response to Board staff interrogatory #42

Please provide Tables 2-16, 2-18, and 2-20 in Excel format to facilitate checking of the numbers.

76. IFRS (#2)

Ref: Response to Board staff interrogatory #50

PP&E Deferral Account

Lakefront's response (page 100 of Lakefront's response to Board staff interrogatories) to this interrogatory indicates that it would be booking a credit of \$406,756 in the PP&E Deferral Account, which would result in amortization of \$101,689 per year for 4 years (CoS year + 3 years IRM period) to depreciation expense. However, this reduction in depreciation has not been incorporated in Lakefront's RRWF.

Note: The RRWF shows amortization expense of \$816,209, and the response to Board staff interrogatory #50 shows the amortization of \$714,519.

Please adjust and re-file Lakefront's RRWF and amortization expense included in the revenue requirements, as per the Addendum to Report of the Board: Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment (EB-2008-0408, June 13, 2011).

77. IFRS (#3))

Ref: Response to Board staff interrogatory #52

IFRS (Pension and Other Post Employment Benefit Costs)

Lakefront stated: "Lakefront's next actuarial report expected to be completed early 2012, for the year end December 31, 2011."

- a. Please provide the full actuarial valuation report.
- b. Please confirm if Lakefront's external auditors have audited the report.
Please provide supporting documentation.
- c. Please provide a copy of the previous actuarial evaluation report that would have been completed 3 years ago, i.e. as of December 31, 2008.

78. IFRS (#4)

Ref: Response to Board staff interrogatory #52

IFRS (Pension and Other Post Employment Benefit Costs)

Under part b) of the interrogatory response, Lakefront stated: "Lakefront will elect to recognize cumulative actuarial gains/losses, and will use estimates, as at the transition date."

- a. Please provide the dollar value of the actuarial Gains and Losses as of January 1, 2011.
- b. What is Lakefront's proposed regulatory treatment of the actuarial Gains and Losses as of the transition date (January 1, 2011) – are these amounts incorporated anywhere in the revenue requirement? Please explain.
- c. Please provide the Journal Entry for Lakefront's books of accounts to record actuarial gains and losses as of the transition date.

79. Smart Grid Development

Ref: Response to Board staff interrogatory #29

Ref: Filing Requirements, Part V, GEA Plan: Development of the Smart Grid²

²

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

In the response to Board staff interrogatory #29a, Lakefront indicates that “it is in the process of installing automated distribution line reclosers on its 27.6Kv system [...]”

In the response to Board staff interrogatory #29a, Lakefront clarifies that it “intends to fund capital expenditures such as the purchase of equipment (reclosers for example) and the associated installation of that equipment”.

- a. Are the system upgrades envisaged in the response to #29a to be undertaken on a system-wide scale?
- b. Does Lakefront intend to consider the system upgrades mentioned in the response to #29a as part of their future GEA Plan?
- c. In accordance with the Filing Requirements for Distribution Plans, please confirm that Lakefront is aware that smart grid activities eligible for cost recovery are presently limited to demonstration projects, studies and planning exercises, and employee smart grid education and training.
- d. Are the capital expenditures in the response to #29b envisaged under Lakefront's asset management plan?

80. Smart Meter Model

Ref: Response to Board staff interrogatory #17

- a. Lakefront has used the maximum taxes/PILs rates input on sheet 3, row 40, for the years 2006, 2007, 2008, 2009, 2010, 2011 and 2012 and beyond. These are summarized in the following table:

Year	2006	2007	2008	2009	2010	2011	2012 and beyond
Aggregate Federal and provincial income tax rate	36.12%	36.12%	33.50%	33.00%	31.00%	28.25%	26.25%

Please confirm that these are the tax rates corresponding to the taxes or PILs actually paid by Lakefront in each of the historical years, and that Lakefront forecasts it will pay for 2012. For historical years to 2011, these would be the aggregate rate derived for calculating the taxes/PILs included in the revenue

requirement in cost of service applications, or as calculated in taxes/PILs calculations as part of IRM applications. In the alternative, please explain the tax rates input and their derivation.

- b. On sheet 8A, Lakefront has omitted depreciation expense by month. This will result in an underestimate of the interest expense on OM&A and depreciation expenses. Please update sheet 8A with depreciation expense as recorded in Account 1556, sub-account depreciation expense. If Lakefront is unable to do so, please explain.
- c. Board staff observes that the OM&A documented on sheet 8A of \$154,985.07 does not correspond with the OM&A of \$158,605 shown on Sheet 2 of the Smart Meter model. Please provide a reconciliation.
- d. If Lakefront has updated its Smart Meter Model Version 2.17 as a result of a) or b), please re-file the model in working Microsoft Excel format.

81. Class Specific Smart Meter Disposition Riders (“SMDR”)

Ref: Response to Board staff interrogatory #19

In its response to Board staff IR # 19 b), Lakefront has provided a table with calculated class-specific SMDRs for Residential, GS < 50 kW, GS 50-4999 kW and Intermediate customer classes. However, in its Smart Meter Model, Lakefront shows smart meters only being deployed to the Residential and GS < 50 kW classes. Board staff believes that Lakefront has incorrectly applied the cost allocation methodology evolving from recent decisions for smart meter disposition from PowerStream, as documented in the original interrogatory. Using the *attached spreadsheet* as an example, please provide updated calculations of class-specific SMDRs for the Residential and GS < 50 kW classes to which smart meters were deployed. The costs and revenues as inputs should correspond with the results of the Smart Meter Model updated per the immediately preceding interrogatory. Please file the resulting spreadsheet in working Microsoft Excel format.

82. Properties (VECC)

Ref: Response to VECC interrogatory #5

The table shown in the response is cut off because of formatting. Please reformat and re-submit showing all years from 2008 to 2015.

83. Capital Contribution (VECC)

Ref: Response to VECC interrogatory #6c

If it is the Town of Coborg's requirement that overhead lines in the downtown "heritage district" be converted to underground during any rebuild, why does Lakefront not require any capital contribution from the Town, or downtown BIA, for any incremental capital costs? In other words, why should all other Lakefront ratepayers subsidize this underground conversion which would not similarly apply to them?

84. Board of Directors' Costs (VECC)

Ref: Response to VECC interrogatory #20

In response to VECC IR # 20, Lakeland states that it has applied inflation for the increase in the Board of Directors' costs in Account 5605. Analysis of the table suggests that Lakefront has applied a 3% inflation factor for forecasting 2012 costs from 2011.

Please confirm that Lakefront has used a 3% inflation factor. In the alternative, please provide the inflation factor used. In either case, please provide the basis for the inflation factor used.

85. Water and Sewer Billing (VECC)

Ref: Response to VECC interrogatory #22b

- a. Please provide a copy of the cost analysis conducted by Lakefront to support the estimated \$30,000 fee charged to LUSI for water and sewer billing.
- b. Please confirm whether the cost analysis is based on a fully allocated or marginal costs approach.
- c. Please provide the rationale supporting this approach.
- d. Does the fee include a return on capital used to provide such services? If not, please explain.

86. Weighting Factors (VECC)

Ref: Response to VECC interrogatory #26d

The table provided in the response to VECC IR # 26d is cut off due to formatting. Please reformat and resubmit to show all data in the table.