November 13, 2012

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2012-0145
Lakeland Power Distribution Ltd. – 2013 Cost of Service Application
Energy Probe – Interrogatories to Applicant

Pursuant to Procedural Order No. 1 issued by the Board on November 7, 2012 please find attached the Interrogatories of Energy Probe Research Foundation (Energy Probe) in respect of Lakeland Power Distribution Limited in the EB-2012-0145 proceeding.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Margaret Maw, Lakeland Power (By email)
Randy Aiken, Consultant to Energy Probe (By email)
Intervenors of Record (By email)

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EB-2012-0145

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act*, *1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Lakeland Power Distribution Ltd. for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2013.

INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")

November 13, 2012

LAKELAND POWER DISTRIBUTION LTD.
2013 RATES REBASING CASE
EB-2012-0145

ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1.0 Energy Probe # 1

Ref: Exhibit 1, Tab 1, Schedules 12 & 13

a) **Are any costs associated with the Board of Directors of Lakeland Holding Ltd., Bracebridge Generation ltd., Lakeland Energy Ltd, or any other affiliates of Lakeland Power Distribution Ltd. included in the test year revenue requirement? If yes, please identify the amount from each affiliate that has been included in the revenue requirement.**

b) **What is the amount of the cost included in the revenue requirement associated with the Board of Directors for LPDL? Please confirm how this cost has been determined, especially if there is an allocation of some of the costs to LPDL and some to other affiliates for shared Directors, etc.**

1.0 Energy Probe # 2

Ref: Exhibit 1, Tab 1, Schedule 14

a) **Have there been any changes to LPDL's corporate and operational structures since its last cost of service rebasing application? If yes, please provide details.**

b) **Please quantify all costs included in the test year revenue requirement associated with the proactive consideration of mergers and acquisitions.**

c) **Please provide the total cost forecast for the test year associated with the proactive consideration of mergers and acquisitions and show how these costs have been allocated between LPDL and Lakeland Holding Ltd. and any other affiliates to which costs have been allocated.**

1.0 Energy Probe # 3

Ref: Exhibit 1, Tab 2, Schedule 1

Please provide a RRWF that shows the calculation of the 2012 revenue deficiency/sufficiency based on the bridge year forecast information included in this application. In providing the response, please indicate whether the calculation has been done on a CGAAP or MIFRS basis.

1.0 Energy Probe # 4

Ref: Exhibit 1, Tab 2, Schedule 1, Appendix 2-W

Please explain why there is no Smart Meter Disposition Rider shown in the bill impact schedules.

EXHIBIT 2 – RATE BASE

2.0 Energy Probe # 5

Ref: Exhibit 2, Tab 1, page 1

The evidence indicates that LPDL's rate base calculation excludes any non-distribution assets.

a) **Please identify and quantify all non-distribution assets that have been removed from the rate base calculation.**

b) **Please identify and quantify all 2013 OM&A costs and depreciation expense associated with these non-distribution assets.**

c) **Please confirm that the 2013 OM&A costs and depreciation expense associated with these non-distribution assets have been excluded from the revenue requirement, including the calculation of PILs associated with any revenue and costs associated with these non-distribution assets.**

<u>2.0 Energy Probe # 6</u>

Ref: Exhibit 2, Tab 1, Schedule 2, pages 5-6

Please confirm that LPDL's methodology has removed the remaining net book value from rate base results in no stranded meters being included in the calculation of rate base for the 2013 test year because these assets are not included in the 2013 opening figures used in the calculation.

<u>2.0 Energy Probe # 7</u>

Ref: Exhibit 2, Tab 2, Schedule 1

a) Please explain why there is no difference in the gross asset additions shown for 2012 between CGAAP (Table 2.2.4(a)) and MIFRS (Table 2.2.4(a)).

b) Please explain why there are no Contributions and Grants shown for either 2012 or 2013. If the contributions and grants have been netted off the individual accounts shown in the Tables 2.2.4(a), 2.2.4(b) and 2.2.5, please provide a total for both 2012 and 2013 of the Contributions and Grants.

c) Please provide the actual Contributions and Grants received for the most recent year-to-date period available in 2012.

d) Please explain why the disposals (both gross additions and accumulated depreciation) for 2012 under MIFRS are different than that shown under CGAAP.

e) Please explain the disposal shown for smart meters in both 2012 and 2013 (under MIFRS). Have these smart meters reached the end of the lives?

f) Please indicate for each of 2009, 2010 and 2011 the amounts of the Contributions and Grants that are associated with each of the USoA accounts in those years.

<u>2.0 Energy Probe # 8</u>

Ref: Exhibit 2, Tab 2, Schedule 1 &
Exhibit 2, Tab 1, Schedule 1

a) How many months of actual capital expenditures have been included in the 2012 forecast?

b) **Please update Tables 2.2.4(a) and 2.2.4(b) to reflect the revised forecasts that are produced each month as noted on page 11 of Exhibit 2, Tab 1, Schedule 1. Please provide an explanation for any significant changes and if applicable, please also provide a revised Table 2.2.5 that reflects changes in 2012.**

2.0 Energy Probe # 9

Ref: Exhibit 2, Tab 3, Schedule 2

a) **Please update Table 2.3.2 to show the most recent forecast available for 2012 based on the most recent monthly information available. Please also update the 2013 forecast to reflect any deferrals from 2012 or advancements to 2012.**

b) **Please confirm that all of the projects shown that have expenditures in 2012 are still forecast to be in service by the end of 2012. If this cannot be confirmed, please identify the project(s) and the associated expenditure(s) that will not be in service by the end of 2012.**

2.0 Energy Probe # 10

Ref: Exhibit 2, Tab 5, Schedule 1

Please confirm that LPDL still intends on adopting MIFRS effective January 1, 2013 and that LPDL will not defer implementation beyond this point in time.

2.0 Energy Probe # 11

Ref: Exhibit 2, Tab 6, Schedule 1

Please confirm that LPDL is not requesting a funding adder related to its Green Energy Plan as part of this proceeding.

2.0 Energy Probe # 12

Ref: Exhibit 2, Appendix B

a) **Please confirm that the 2013 cost of power was based on the April, 2012 Regulated Price Plan Price Report.**

b) **Please update the 2013 cost of power calculations to reflect the RPP and non-RPP prices from the October, 2012 Regulated Price Plan Price Report.**

c) **Please explain the difference in LV charges of $447,495 and $677,259 at the end of Appendix B. Does LPDL intend to change the LV charges to recover the $677,259 in 2013?**

EXHIBIT 3 – OPERATING REVENUE

3.0 Energy Probe # 13

Ref: Exhibit 3, Tab 2, Schedule 1

a) **Please provide the actual billed (GWh) figure for the most recent year-to-date period available in 2012 and the corresponding figure for the same period in 2011 for each rate class shown in Table 3.2.3.**

b) **Please provide a table that shows the billed energy forecast for each rate class that results from the power purchased method and for the individual rate class prediction formulas. Please use the figures in this table to show the calculation of the 0.3% difference noted on line 4 of page 2.**

c) **Please update the billed energy and number of customers/connections for 2012 shown in Table 3.2.3 based on the most recent actual monthly data available for 2012, along with a forecast for the remaining months in 2012.**

d) **Please update Table 3.2.4 for 2012 to reflect the responses to part (c) above.**

3.0 Energy Probe # 14

Ref: Exhibit 3, Tab 2, Schedule 1

a) **Please update Table 3.2.10 to reflect a revised forecast for 2012, based on as many months of actual data that are currently available, along with a forecast for the remaining months in 2012.**

b) **Please update Table 3.2.13 to reflect a revised forecast for 2012, based on as many months of actual data that are currently available, along with a forecast for the remaining months in 2012.**

3.0 Energy Probe # 15

Ref: Exhibit 3, Tab 2, Schedule 1

a) **Please provide a revised Table 3.2.16 that excludes data for 2006 and 2007.**

b) **Please provide revised Tables 3.2.18, 3.2.19 and 3.2.22 based on the results to part (a) above.**

c) **What is the impact on revenues at current rates of the response to part (b) above, taking into account the change in both kWh and kW forecasts for 2013?**

<u>3.0 Energy Probe # 16</u>

Ref: Exhibit 3, Tab 2, Schedule 1

a) **Is the CDM activity variable used in the power purchased equation based on the net or gross impacts on actual volumes?**

b) **If the response to part (a) is net impacts, please explain why the gross impacts were not used, since it these volumes that would be reflect in actual consumption.**

c) **Please re-estimate the predicted purchases equation using a CDM activity variable that is calculated based on gross impacts and provide the regression statistics, and the resulting forecast in a revised Table 3.2.7.**

<u>3.0 Energy Probe # 17</u>

Ref: Exhibit 3, Tab 3, Schedule 3

a) **Please provide the most recent year-to-date actual revenues for 2012 in the same level of detail as shown in Table 3.3.11. Please also provide the year-to-date revenue for the corresponding period in 2011.**

b) **Where in Table 3.3.12 has the revenue associated with the sale of scrap (for example the non-compliant meters) been recorded?**

c) **The margin on streetlight maintenance (accounts 4375 and 4380) was $12,555 in 2010 and $12,681 in 2011. Please explain the decrease in the margin to $7,000 in 2012 and 2013.**

d) **Where is the revenue associated with the microFit charge recorded? Please provide the forecast for this revenue in 2013 using the monthly charge of $5.40 per month and the forecasted number of connections in the test year.**

EXHIBIT 4 – OPERATING COSTS

4.0 Energy Probe # 18

Ref: Exhibit 4, Tab 1, Schedule 1

Please provide the most recent year-to-date actual expenses for 2012 in the same level of detail as shown in Table 4.1.2, along with the figures for the corresponding period in 2011.

4.0 Energy Probe # 19

Ref: Exhibit 4, Tab 1, Schedule 1

a) **Please explain why $15,000 has been included for 2013 in Table 4.1.6(a) for consultant costs for regulatory matters (IRM) when there will not be an IRM application for 2013 rates.**

b) **Please explain the significant increase in 2012 and 2013 for line 7 in Table 4.1.6(a) and explain why this increase is not a one time increase related to the current application.**

c) **Please provide a breakdown of the $200,000 in total costs shown in Table 4.1.6(b) into costs associated with consultants, legal, intervenors, Board costs, and other costs.**

4.0 Energy Probe # 20

Ref: Exhibit 4, Tab 2, Schedule 2

a) **Please explain the higher costs in 2010 relative to 2009 and 2011 shown in Table 4.2.3.**

b) **Please explain the increase forecast for 2012 and 2013 relative to 2011 associated with account 5665 in Table 4.2.5.**

c) **Please explain the increase forecast for 2012 and 2013 relative to 2010 and 2011 associated with account 5675 in Table 4.2.5.**

<u>4.0 Energy Probe # 21</u>

Ref: Exhibit 4, Tab 2, Schedule 3

a) **Please provide the total cost associated with the Management Fee for each of 2009 through 2011 on an actual basis, along with the forecast for 2012 and 2013.**

b) **How many apprentice positions did LPDL have in each of 2009 through 2011 and forecast for 2012 and 2013?**

<u>4.0 Energy Probe # 22</u>

Ref: Exhibit 4, Tab 2, Schedule 4

a) **What is the impact on the test year revenue requirement if the increases were decreased from 3% to 2% for both 2012 and 2013 for the Management employees? Please indicate the impact on both the wage increase and, if applicable, the benefit increases.**

b) **What is the impact on the test year revenue requirement if the increases were decreased from 3% to 2% for both 2012 and 2013 for the Non-Union employees? Please indicate the impact on both the wage increase and, if applicable, the benefit increases.**

c) **What is the impact on the test year revenue requirement if the increases were decreased from 3% to 2% for both 2012 and 2013 for the Union employees? Please indicate the impact on both the wage increase and, if applicable, the benefit increases.**

<u>4.0 Energy Probe # 23</u>

Ref: Exhibit 4, Tab 2, Schedule 5

a) **Please explain how the mark up for the shared services shown for 2013 were calculated. For example, how was the mark up of 14.3% for the fibre optic connection ($16,000 price and $14,000 cost) determined.**

b) **Please confirm that the mark ups used for each of the shared services provided to LPDL are the same for the services provided to other utilities, districts and municipalities. If this cannot be confirmed, please provide a table that shows the mark up for each service to LPDL and to each other entity taking these services from Lakeland Energy. These other entities can be identified by letter rather than name, for confidentiality purposes.**

4.0 Energy Probe # 24

Ref: Exhibit 4, Tab 2, Schedule 7

Please confirm that LPDL's 2009 rates were set based on the use of the half year rule for depreciation for assets added in the 2009 forecast. If this cannot be confirmed, please indicate how the depreciation for capital additions in 2009 was accounted for in the last rebasing application.

4.0 Energy Probe # 25

Ref: Exhibit 4, Tab 2, Schedule 7

The calculation of the depreciation expense for 2011 and 2012 (CGAAP) shown in Tables 4.2.22 and 4.2.24 include an adjustment for fully depreciated costs. However, the calculations for 2012 (MIFRS) and 2013 shown in Tables 4.2.26 and 4.2.27 do not include a column to reflect assets that have become fully depreciated in 2012 and/or 2013. Please explain how the depreciation calculations for the bridge and test years have taken into account assets that have/will become fully depreciated in those years.

4.0 Energy Probe # 26

Ref: Exhibit 4, Appendix D &
Exhibit 2, Tab 2, Schedule 1, Table 2.2.3

Please explain why the capital cost allowance schedule for 2011 in Appendix D of Exhibit 4 shows acquisitions of $2,391,344, while the additions shown in the 2011 continuity statement in Table 2.2.3 of Exhibit 2, Tab 2, Schedule 1 shows a figure of $2,466,118. Please explain which additions in 2011 are not eligible for addition to CCA.

4.0 Energy Probe # 27

Ref: Exhibit 4, Tab 3, Schedule 2 &
Exhibit 2, Tab 2, Schedule 1

Please explain why there are no entries on the 2012 and 2013 CEC Continuity Schedule when there are entries in the continuity schedules shown in Exhibit 2, Tab 2, Schedule 1 for account 1612 that is also labelled CEC in the CCA Class column, culminating in a closing balance at the end of 2013 of more than $500,000.

4.0 Energy Probe # 28

Ref: Exhibit 4, Tab 3, Schedule 2

Does LPDL have any positions that qualify for the Ontario Apprenticeship Tax Credit, Federal Job Creation Tax Credit or the Ontario Co-operative Education Tax Credit? If yes, please provide the number of employees for each tax credit.

EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

5.0 Energy Probe # 29

**Ref: Exhibit 5, Tab 1, Schedule 2, Table 5.1.3 &
Exhibit 1, Tab 3, Schedule 1, Appendix D**

a) **Please reconcile the TD Bank loan of $1,162,500 shown in Table 5.1.3 as having an issue date of March 11, 2009 and a 5 year term, meaning a payment date of March, 2014 with the statement in the 2011 Audited Financial Statement at Note 9 that this debt is due March, 2013.**

b) **If this loan is due in March, 2013, please provide the forecast plans for the replacement of this debt, including the addition of any new long term debt in 2013, including the term and rate forecast for this replacement/new debt.**

5.0 Energy Probe # 30

**Ref: Exhibit 5, Tab 1, Schedule 2, Table 5.1.3 &
Exhibit 1, Tab 3, Schedule 1, Appendix D**

The TD Bank loan of $2,325,000 shown in Note 9 of the 2011 Audited Financial Statement is shown as being due March, 2013. Table 5.1.3, however, indicates that this debt was issued on March 13, 2008 with a term of 5 years, extended by 1 year.

a) **Please confirm that this loan is now due in March of 2014. If this cannot be confirmed, please indicate when this loan is due.**

b) **Please provide details on when the one year extension to this loan was negotiated, along with any other changes to the loan that were made.**

5.0 Energy Probe # 31

Ref: Exhibit 5, Tab 1, Schedule 2, Table 5.1.3

Please provide copies of both of the original TD Bank loans shown, along with any amendments made to them.

5.0 Energy Probe # 32

Ref: Exhibit 5, Tab 1, Schedule 2, Tables 5.1.1 & 5.1.3

The deemed capital structure for LPDL includes more than $11 million of long term debt (Table 5.1.1.), yet the total amount of actual long term debt is less than $3.5 million (Table 5.1.3).

a) **Please confirm that shareholder's equity is used to make up for the shortfall between the actual long term debt and the deemed long term debt.**

b) **What is the forecasted actual equity ratio for the 2013 test year?**

c) **Please explain why LPDL does not borrow additional long term debt to bring the actual long term debt more in line with the deemed long term debt amount.**

EXHIBIT 7 – COST ALLOCATION

7.0 Energy Probe # 33

Ref: Exhibit 7, Tab 1, Schedule 1

a) **Please reconcile the revenue cost ratios from the 2013 cost allocation model shown in Table 7.1.3 with the ratios shown in Table 7.1.2.**

b) **Please confirm that the only revenue-to-cost ratios outside of the Board's approved range shown in Table 7.1.2 are the USL and Sentinel ratios.**