



**Lakefront
Utilities
Inc.**

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Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, ON M4P 1E4
November 19, 2012

Dear Ms. Walli,

Re: Lakefront Utilities Inc. Interrogatory Responses to VECC in the proceeding EB-2012-0144

Lakefront Utilities Inc. (LUI) hereby submits its responses to VECC Interrogatories to the Ontario Energy Board (“the Board”)

Please find attached to this cover letter:

- 2 paper copies of the Interrogatory Responses to VECC in proceeding EB-2012-0144

A copy of the Interrogatory Responses to VECC has also been filed through the Web Portal and 1 paper copy and electronic copies were forwarded to all intervenors in EB-2012-0144.

In the event of any additional information, questions or concerns, please contact Jennifer Theoret, Director, Finance and Compliance, at jtheoret@lusi.on.ca or (905) 372-2193.

Sincerely,

{Original Signed}

Jennifer Theoret, CA
Director, Finance and Compliance
Lakefront Utilities Inc.

EB-2012-0144

ONTARIO ENERGY BOARD

IN THE MATTER OF

the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15 (Schedule B), as amended;

AND IN THE MATTER OF an Application by
Lakefront Utilities Inc. (LUI) for an order or orders
approving or fixing just and reasonable
distribution rates to be effective May 1, 2013.

Information Requests of the Vulnerable Energy Consumers Coalition (VECC)

LRAMVA

VECC Question # 1

Reference: Manager's Summary, Page 8

Preamble: LUI proposes to clear the account balances of 1521 with a credit balance of \$(61,133) and 1568 as a debit balance of \$9,786 by means of a one year deferral and variance rate rider excluding the remainder of the Group 1 account balances. The net of this amount is \$(51,347).

- a) Please explain the rationale for combining the account balances of 1521 and 1568 for clearance.

LUI RESPONSE:

The Rationale for combining the balances of account 1521 and account 1568 for clearance is due to the allocation of Group One type Accounts. The Ontario Energy Board Rate Generator sheet '8. Calculation of Def. Var. Rate Rider' is formatted to group these accounts following the threshold test set forward by the board. See summary below in figure 1-A.

FIGURE 1-A “8. Calculation of Def-Var RR”

Please indicate the Rate Rider Recovery Period (in years) 1

Rate Class	Unit	Billed kWh	Billed kW	Balance of Accounts Allocated by kWh/kW (RPP) or Distribution	Deferral/Variance Account Rate Rider	Allocation of Balance in Account 1588	Billed kWh or Estimated kW for Non-RPP	Global Adjustment Rate Rider
Residential	\$/kWh	73,125,152		(12,881)	(0.0002)	0	8,441,723	0.0000
General Service Less Than 50 kW	\$/kWh	35,160,634		(4,061)	(0.0001)	0	4,169,928	0.0000
General Service 50 to 2,999 kW	\$/kW	120,608,902	303,629	(29,199)	(0.0962)	0	271,356	0.0000
General Service 3,000 to 4,999 kW - Intermediate Use	\$/kW	19,295,356	47,442	(4,715)	(0.0994)	0	47,442	0.0000
Unmetered Scattered Load	\$/kWh	716,623		(175)	(0.0002)	0	714,574	0.0000
Sentinel Lighting	\$/kW	78,431	218	(19)	(0.0880)	0	218	0.0000
Street Lighting	\$/kW	1,215,575	3,343	(297)	(0.0888)	0	3,343	0.0000
MicroFit								
Total		250,200,674	354,633	(51,347)		0	13,648,584	

b) Please confirm the scope of the LRAM claim in this application.

LUI RESPONSE:

The scope of the LRAM claim in this application is what the Ontario Energy Boards June 22, 2011 ‘Chapter 3 of the Filing Requirements for Transmission and Distribution Applications’ claims to capture the lost revenue adjustment mechanism which is a retrospective adjustment, designed to account for the differences between the forecast revenue loss embedded in rates and the actual revenue loss. The LRAM to be adjusted and accounted for in this 2013 application is the amount for the 2011 year, and the residual 2010 balances that were rewarded in the 2011 year.

c) Please confirm that the LRAM amounts LUI is seeking to recover in this application are new amounts not included in past LRAM claims.

LUI RESPONSE:

The amounts that LUI is seeking to recover in this application are amounts related to the most recent ‘OPA 2011 Final Annual Report Data for Lakefront Utilities Inc’ issued on August 31, 2012. These are related to the 2011 annual results, and the 2010 programs that were carried into the 2011 year to be rewarded and accounted for in 2011. See Figure 1- B for the OPA gross savings.

FIGURE 1-B “OPA 2011 Final Annual Report Data for LUI”

Program	Gross Savings		Net Savings
	Incremental Peak Demand Savings (kW)	Incremental Energy Savings (kWh)	Incremental Peak Demand Savings (kW)
Consumer Program Total	122	372,126	74
Business Program Total	124	389,203	128
Industrial Program Total	64	969,945	42
Home Assistance Program Total	0	0	0
Pre-2011 Programs completed in 2011 Total	37	216,552	19
Total OPA Contracted Province-Wide CDM Programs	348	1,947,827	263

- d) Please provide the Board approved forecasted CDM related load forecast reduction compared to the actual CDM results.

LUI RESPONSE:

As per Ontario Energy Board Guidelines for Electricity Distributor Conservation and Demand Management EB – 2012-0003, LUI’s 2012 approved load forecast accounted for CDM in 2011 by adjusting 10% of the total CDM kWh target which is 1,359, 000 kWh. The summarized actual CDM results as per the 2011 Final Annual Report Data Lakefront Utilities Inc is a Gross Savings of 1,947,827 kWh. LUI was granted by the OPA savings 216,552kWh which were related to pre 2011 programs that were completed in 2011.

- e) Please explain why LUI deems the balance in the LRAMVA as significant for disposition.

LUI RESPONSE:

As per question 9 of the Ontario Energy Board Interrogatory Responses LUI has provided the LRAM balances in the IRM application as per the model requirement and also due to the unknown material threshold for the disposition of the LRAM. As per the Ontario Energy Board Guidelines for Electricity Distributor Conservation and Demand Management EB – 2012-0003 section 13.4 Disposition of LRAMVA LUI is directed that ‘Distributors may apply for the disposition of the balance in the LRAMVA on an annual basis, as part of their Incentive Regulation Mechanism rate applications, if the balance is deemed significant by the applicant.’ This is significant to a distributor observing that in the Ontario Energy Board Guidelines for Electricity Distributor Conservation and Demand Management EB – 2012-0003 section 13.2 it also states ‘Distributors will generally be expected to include a CDM component in their load forecast in Cost of Service Proceedings to ensure that its customers are realizing the true effects of conservation at the earliest possible date to mitigate that variance between forecasted revenue losses and actual revenue losses.’ Therefore to realize the true balancing effects of the LRAM assumptions, LUI feels the amount of \$9,786 is significant.

VECC Question # 2

Reference: Manager's Summary, Page 8

Preamble: LUI indicates it received the actual LRAM data from the OPA on August 31, 2012 and therefore the LRAM figures in 2.1.7 for the year ended 2011 do not reflect the 2011 LRAM amounts as they were not yet provided.

a) Please explain why the 2011 LRAM amounts were not provided.

LUI RESPONSE:

LUI did not include 2011 LRAM amounts in the figures for the year ended 2011 reporting due to the time lapse in when the 2011 Final Annual Report was submitted on August 31st 2012. LUI had not filed the 2.1.7 value of LRAM because of this timing differential, and recently had a forecasted adjustment based on 2012 Cost of Service.

b) Please explain the rationale for disposition of 1568 if the 2011 LRAM amounts were not provided.

LUI RESPONSE:

LUI has not reported a LRAM figure because of the time differential in reporting. LUI has as of August 31st 2012 received the 2011 Final Annual Report from the OPA for the year 2011 and at this time will apply for the disposition of 1568 2011 LRAM amounts that are based on actual results.

c) Please provide the LRAM data received from the OPA.

LUI RESPONSE:

LUI has attached in its filing the '2011 CDM Final Report from the OPA dated August 31, 2012'.

d) Please confirm the input assumptions used in the LRAM calculation.

LUI RESPONSE:

LUI has used the most recent input assumptions available as per the Guidelines for Electricity Conservation and Demand Management EB- 2012 – 0003 states;

- OPA's 2011 Prescriptive Measure and Assumptions, Release Version 1, March 2011;
- OPA's 2011 Quasi- Prescriptive Measures and Assumptions Lists, Release Version 1, December 2010 and,
- OPA's Avoided Supply Cost Assumptions Table, Appendix A, OPA Cost Effectiveness Guide, October 15, 2010

e) Please provide a list of all CDM programs at the measure level by year and customer class and include: # units, unit and total kWh energy savings, lifetime, and free ridership rate.

LUI RESPONSE:

Refer to the uploaded '2011 Final Annual Report Data Lakefront Utilities Inc.' The programs are described on sheets 2.5.1 Evaluation Findings, and the 2.5.2 Results – LDC for specific Program Details.

f) Please provide the LRAM calculations (lost revenue) for each CDM program.

LUI RESPONSE:

See Figure 2-A below. LUI calculated the LRAM amount using the August 31st 2012 OPA reported Incremental Energy Savings (kWh) gross savings that were summarized in the program results by class for the year 2011. LUI included the results that were pre 2011 programs completed in 2011. LUI then using the appropriate board approved variable distribution charge by class to complete the calculation of energy savings into a dollar value.

Figure 2-A 2011 LRAM Calculation

2011 LRAM - DVAD 1568		GROSS SAVINGS			
2011 PROGRAMS		2011	2011 OPA REPORT SAVINGS	2011 OPA REPORT SAVINGS	
CLASS		DISTRIBUTION VOLUMETRIC	kWh	kW	TOTAL
RESIDENTIAL	\$/kWh	0.0134	372,126	122	\$ 4,986
GS LESS THAN 50	\$/kWh	0.0081	331,938	109	\$ 2,689
GS 50 - 2999 KW	\$/Kw	3.4201	1,027,211	79	\$ 270
GS 3000-4999 KW	\$/Kw	1.0268			
USL	\$/kWh	0.0293			
SENTINEL	\$/Kw	11.4737			
STREET LIGHT	\$/Kw	24.3414			
TOTAL 2011			1,731,275	310	\$ 7,945
2010 PROGRAMS		2010	2010/2011 OPA REPORT SAVINGS	2010/2011 OPA REPORT SAVINGS	
CLASS		DISTRIBUTION VOLUMETRIC	kWh	kW	TOTAL
RESIDENTIAL	\$/kWh	0.0133			\$ -
GS LESS THAN 50	\$/kWh	0.0085	216,552	37	\$ 1,841
GS 50 - 2999 KW	\$/Kw	3.5044			\$ -
GS 3000-4999 KW	\$/Kw	1.0229			
USL	\$/kWh	0.0292			
SENTINEL	\$/Kw	11.4303			
STREET LIGHT	\$/Kw	18.4232			
TOTAL 2010			216,552	37	\$ 1,841
TOTAL 2010 & 2011			1,947,827	347	\$ 9,786

g) Please provide the calculation of carry charges if applicable.

LUI RESPONSE:

LUI did not calculate the carrying charges for the year 2011 or 2012. LUI received the final OPA report in a time frame that was not conducive to the board deadline of IRM date. Carrying charges are not included in the amount \$9,786.00 this figure is based on the variable distribution charge by class of kWh savings.

h) Please discuss why LUI did not have a 3rd party verify its CDM results.

LUI RESPONSE:

LUI does not require any third party report as it does not have any specialized Board Approved programs for CDM. All the CDM programs results associated with this LRAM claim go through the approval process with the OPA who conducts random audits in its validation process.

i) Adjust the LRAM claim as necessary to reflect the measure lives and unit savings for any/all measures that have expired.

LUI RESPONSE:

LUI used only the information from OPA 2011 Final Results Report to reflect the 2011 account 1568 LRAM claim in its 2013 IRM application. No persistence of these figures is going forward in this claim. LUI is not attempting to claim any future predicted amounts of the years 2012, 2013, etc within the figure of \$9786.00 in this application for disposal.

VECC Question # 3

Reference: Manager's Summary, Page 14

Preamble: LUI states it did not require a true-up to forecast as in the Cost of Service LUI did not forecast a CDM savings, and only forecasted from the year 2012 forward.

a) Please explain this statement more fully.

LUI RESPONSE:

LUI does not require to true up to its forecast because the 2012 Cost of Service reduced the load from the year 2012 forward and the 2011 results are based on the original 2008 Cost of Service predictions.

b) Please explain how CDM is factored into the last Board-approved load forecast.

LUI RESPONSE:

As per Ontario Energy Board Guidelines for Electricity Distributor Conservation and Demand Management EB – 2012-0003, LUI's last approved load forecast in 2011 was adjusted by 1.359KW for 2012 rates, and 2.718KW for year 2012 for the 2012 rates. The CDM directives were to reduce the load forecast by the CDM kWh Target over four years in 2011 LUI's goal is 10%, and in 2012 the reduction goal is 20%. See figure 3-A below.

Figure 3-A CDM Minister Adjustment – LUI Approved 2012 Cost of Service Application

Minister's CDM Adjustments	
2011 calc'd	243,230,531.78
2012 calc'd	246,675,649.84
10% of CDM Directive kWh	1,359,000.00
Thus, 2011 is	241,871,531.78
20% of CDM Directive kWh	2,718,000.00
Thus, 2012 is	243,957,649.84
CDM kWh Target	13,590,000.00

Revenue to Cost Ratio Adjustments

VECC Question # 4

Reference: Revenue to Cost Ratio Adjustment Workform, Sheet 3 Re-Based Bill Det & Rates

Preamble: VECC has reviewed the current tariff service charges and distribution volumetric rates and notes the following:

- a) The service charge for the GS 3,000 to 4,999 kW is shown as \$4,059.59 in the model compared to \$4,069.60 in the final rate order. Please explain.

LUI's Response:

LUI recognizes that in the Revenue to Cost Ratio Adjustment Workform the General Service 3,000 to 4,999 KW – Intermediate class rate is '4069.59' and not 4059.59 as stated in the question above. LUI's Final Rate Order from the Cost of Service 2012 shows that the rate is rounded up to 4069.60.

LUI had linked this rate class to the figure in the 2012 Cost of Service Final Rate Design Model which incidentally did not round up as it had in the Final Rate Order.

LUI has now adjusted the rate to 4069.60/customer properly reflect the rounding as stated in the Tariff of Rates and Charges. Not considered a material change in the models.

- b) The distribution volumetric rate for street lighting is shown as \$24.4722 in the model compared to \$24.4721 in the final rate order. Please explain.

LUI's Response:

LUI recognizes that in the Revenue to Cost Ratio Adjustment Workform the Street lighting class volumetric rate is '24.4722/kW' LUI's Final Rate Order from the Cost of Service 2012 shows that the street lighting volumetric rate is rounded down to 24.4721/kW.

LUI had linked this rate class to the figure in the 2012 Cost of Service Final Rate Design Model which incidentally did not round down as it had in the Final Rate Order and shows the rate of 24.4722/kW.

LUI has now adjusted the rate to 24.4721/kW to properly reflect the rounding as stated in the Tariff of Rates and Charges. Not considered a material change in the models.

VECC Question # 5

Reference: Revenue to Cost Ratio Adjustment Workform, Sheet 6, Decision Cost
Revenue Adjustment

Preamble: As part of LUI's Settlement Agreement approved by the Board, LUI is to adjust the revenue to cost ratio for the GS 3,000 – 4,999 kW customer class to the lower boundary of the range in equal increments over a 4 year period. The range for this customer class is 80-120%. Revenue to cost ratio of 57.5% was approved for this customer class in 2012.

- a) Please explain why LUI shows no change in the revenue to cost ratio for the GS 3,000 – 4,999 kW customer class in 2013.

LUI Response:

In the Cost of Service 2012 settlement agreement the parties acknowledge that Lakefront may make adjustments to the revenue to cost ratios for customer classes that are 100% in the years following 2012 in order to maintain revenue neutrality when the GS 3000 – 4999 kW class is adjusted in those subsequent years to bring that class to the lower boundary of its range; any such adjustments will always be made to the class most above a revenue to cost ratio of 100% first, until lowered to the next highest ratio.

In the settlement the parties accepted the revised proposed revenue to cost ratios with adjustments as referred to in paragraph 7.1 of the settlement agreement.

A particular note must be made that in the GS 3000- 4999kW rate class there is only one customer for Lakefront Utilities Inc. Lakefront also notes that as set out in Table 7-3 Proposed Revenue to Cost Ratios (Seen below as figure 5-A) in Exhibit 7 of Lakefront Utilities Inc 2012 Cost of Service application Lakefront established its movement in revenue to cost ratios to mitigate any rate shock in the GS 3,000 – 4,999.

Figure 5-A Appendix 2-0 Cost Allocation Exhibit 7

Class	Proposed Revenue-to-Cost Ratios			Policy Range
	2012	2013	2014	
	%	%	%	
Residential	97.64			85 - 115
GS < 50 kW	107.43			80 - 120
GS 50 - 2999 KW	112.18			80 - 120
GS 3000 - 4999	50.50	57.50	65.00	80 - 120
Large User, if applicable				85 - 115
Street Lighting	80.00			70 - 120
Sentinel Lighting	90.00			80 - 120
Unmetered Scattered Load (USL)	90.00			80 - 120
Other class, if applicable				
Embedded distributor, if applicant is a host distributor				

b) Please confirm LUI should adjust the revenue to cost ratio for the GS 3,000 – 4,999 kW customer class by increments of 5.625% over a 4 year period beginning in 2013 and ending in 2016 to arrive at the lower boundary of the range at the end of 4 years i.e. 80%.

LUI Response:

LUI does not intend to adjust the revenue to cost ratio for the GS 3,000 – 4,999kW for the 2013 year by increments of 5.625% of the even 4 year period. LUI adjusted the revenue to cost ratio for its only GS 3,000 – 4,999 kW customer in this class from 28.63% to the requested 57.50% revenue to cost ratio in the 2011 to 2012 cost of service year. LUI intends to move the revenue to cost ratio by an average of 7.5% which is the minimum policy range of 80% less the current ratio of 57.50% and divided by 3 years increments yearly beginning in 2014 – 2016. Lakefront uses this method to mitigate the rate shock to the GS 3000 – 4999 kW customer which was already experienced in the 2011 – 2012 rate adjustments. Offsetting the movement will be the class of GS < 50 – 2999 kW due to its 15% revenue to cost distance above the max policy range.