

**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**

December 29, 2014

John Pickernell  
Applications Administration  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto ON M4P 1E4

Dear Mr. Pickernell:

**Re: Lakefront Utilities Inc.  
2015 IRM Distribution Rate Application  
Board Staff Interrogatories  
Board File No. EB-2014-0090**

In accordance with Procedural Order #1, please find attached Board Staff interrogatories in the above proceeding. The applicant has been copied on this fling.

Lakefront responses to interrogatories are due by January 16, 2015.

Yours truly,

*Original Signed By*

Kelli Benincasa  
Electricity Rates and Accounting

Encl.

**Lakefront Utilities Inc.**  
**EB-2014-0090**  
**Board Staff Interrogatories**

**Interrogatory #1**

**Ref: Managers Summary - Page 17 - 1595 Balances Excluded**

For Account 1595 (2011), LUI indicated that this account should not have been disposed in LUI's 2014 IRM, EB-2013-0148 as the refund/recovery period is not completed until April 30<sup>th</sup>, 2016.

- a) On page 17, LUI indicates that "The 2012 balance is not included in this EB-2014-0090 because the recovery period is not complete". However, a balance of \$1,020,359 is included in Tab 5 of the IRM Rate Generator for disposition. Please confirm that LUI is requesting interim disposition for this account.
- b) There are differences between the revised audited balances per Table 1 (page 8) and the requested disposition balances per Table 5 (page 16) for Accounts 1595 (2009), 1595 (2010), and 1595 (2011), though the total balance for Account 1595 is the same. Please explain why the balances requested for disposition is different than the revised audited balances.
- c) Subject to LUI's response to part a) above, LUI is proposing to dispose the adjustment to Account 1595 (2011) so that the net balance disposed from the 2014 IRM and the current 2015 IRM is equal to the account balance as at December 31, 2012. However, Account 1595 (2011) should not be disposed until after April 30<sup>th</sup>, 2016. Please explain why LUI is not proposing to reverse \$1,020,360, the entire amount that was disposed on an interim basis in LUI's 2014 IRM so that the net effect is that the account is not disposed. This would simplify the process and allow LUI to bring the remaining residual balance in the account for disposition in a future rate application.

**Interrogatory #2**

**Ref: Rate Generator – Tab 11 – STS – Tax change**

- a) Please confirm Taxable Capital Income should be \$17,660,020, see RRWF Tab 4 line 5, from Cost of Service EB-2011-0250. If not, please explain why the amount of \$2,660,020 is correct.

- b) Please confirm Regulatory Taxable income should be \$164,531, see RRWF Tab 6 line 3, from Cost of Service EB-2011-0250. If not, please explain why the amount of \$142,661 is correct.
- c) Please confirm Tax Impact should be \$18,685, see RRWF Tab 6 line 6, from Cost of Service EB-2011-0250. If not please explain why the amount of \$22,112 is correct.
- d) Please confirm the Grossed-up Tax Amount should be \$22,112, see RRWF Tab 6 line 8. If not, please explain why the amount of \$26,169 is correct.

## Board Staff updated Version of Tab 11 – STS – Tax Change

### Summary - Sharing of Tax Change Forecast Amounts

For the 2012 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)

#### 1. Tax Related Amounts Forecast from Capital Tax Rate Changes

	2012	2015
Taxable Capital (if you are not claiming capital tax, please enter your Board-Approved Rate Base)	\$ 17,660,020	\$ 17,660,020
Deduction from taxable capital up to \$15,000,000	\$ 15,000,000	\$ 15,000,000
Net Taxable Capital	\$ 2,660,020	\$ 2,660,020
Rate	0.00%	0.00%
Ontario Capital Tax (Deductible, not grossed-up)	\$ -	\$ -

#### 2. Tax Related Amounts Forecast from Income Tax Rate Changes

Regulatory Taxable Income	\$ 164,531	\$ 164,531
Corporate Tax Rate	15.50%	15.50%
Tax Impact	\$ 18,685	\$ 25,502
<b>Grossed-up Tax Amount</b>	<b>\$ 22,112</b>	<b>\$ 30,180</b>
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ -	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 22,112	\$ 30,180
Total Tax Related Amounts	\$ 22,112	\$ 30,180
Incremental Tax Savings		\$ 8,068
<b>Sharing of Tax Savings (50%)</b>		<b>\$ 4,034</b>

### Interrogatory #3

#### Ref: Rate Generator – Tab 15 – RTSR – UTR's & Sub Tx

- A. Please confirm Hydro One Sub-Transmission Rates effective January 1, 2015 should equal the January 1, 2014 rates and not the January 1, 2013 rates. If not, please explain.

Hydro One Sub-Transmission Rates		Unit	Effective January 1, 2013	Effective January 1, 2014	Effective January 1, 2015
Rate Description			Rate	Rate	Rate
Network Service Rate	kW	\$	3.18	\$ 3.23	\$ 3.18
Line Connection Service Rate	kW	\$	0.70	\$ 0.65	\$ 0.70
Transformation Connection Service Rate	kW	\$	1.63	\$ 1.62	\$ 1.63
Both Line and Transformation Connection Service Rate	kW	\$	2.33	\$ 2.27	\$ 2.33

### Interrogatory #4

#### Ref: Generic IR

Chapter 3 of the Filing Requirements notes that “distributors must establish separate rate riders to recover the balances in the RSVAs from Market Participants (“MPs”) who must not be allocated the RSVA account balances related to charges for which the MPs settle directly with the IESO (e.g. wholesale energy, wholesale market services).

Chapter 3 of the Filing Requirements also note that “distributors who serve Class A customers per O.Reg 429/04 (i.e. customers greater than 5 MW) must propose an appropriate allocation for the recovery of the global adjustment variance account balance based on their settlement process with the IESO.

- a) Please confirm whether or not Lakefront Utilities serves any consumers that are Wholesale Market Participants (“WMPs”).
  - i. If yes:
    - i. Have these consumers been WMPs throughout the entire time over which variances accumulated in the RSVA accounts proposed for disposition?
    - ii. Please confirm that RSVA account balances have not been allocated to WMP customers as they settle these charges directly with the IESO.
- b) Please confirm whether or not Lakefront Utilities serves any class A consumers that settle energy charges directly with Lakefront Utilities. If yes, please explain how balances in Account 1589 (Global Adjustment) have been allocated to these consumers.

**Interrogatory #5****Ref: Generic IR**

In calculating Deferral and Variance Account rate riders for sub-groups of customers within a class (e.g. WMPs and non-WMPs), distributors have used two approaches.

- 1) Rate riders grouped by the nature of the deferral and variance accounts (i.e. one set of rate riders for accounts related to transmission (e.g. 1584 and 1586) and another set of rate riders for accounts related to power (e.g. 1580 and 1588). For an example, see the EnWin Utilities Ltd. Final 2014 Tariff of Rates and Charges (EB-2014-0156).
- 2) Sets of rate riders calculated on the basis of the customer group to which they would apply (i.e. one rate rider for WMPs and one rate rider for non-WMPs). For an example, see Bluewater Power Distribution Corp.'s 2014 IRM application (EB-2013-0112).

Please explain which approach Lakefront Utilities would use and why.