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July 16, 2016

BY EMAIL & BY 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-2016-0089
Lakeview Utilities Inc. --- 2017 COS Application
Energy Probe – Interrogatories to Applicant

Pursuant to Procedural Order 1, issued June 29, 2016, attached please find the Interrogatories of Energy Probe Research Foundation (Energy Probe) to Lakeview Utilities Inc. in the EB-2016-0089 proceeding.

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

Yours truly,

David S. MacIntosh
Case Manager

cc. Dereck C. Paul, Lakefront Utilities (By email)
Adam Giddings, Lakefront Utilities (By email)
James Sidlofsky, Borden Ladner Gervais LLP (By email)
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EB-2016-0089

Ontario Energy Board

Lakefront Utilities Inc.

**Application for electricity distribution rates beginning
January 1, 2017**

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

July 16, 2016

**LAKEFRONT UTILITIES INC.
2017 RATES REBASING CASE
EB-2016-0089**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1-Energy Probe-1

Ref: Exhibit 1, page 148

Please provide the actual return on equity achieved for each of 2012 through 2015, calculated on the same basis as done in a cost of service application.

EXHIBIT 2 – RATE BASE

2-Energy Probe-2

Ref: Exhibit 2, Table 2.1

Please explain the significantly lower ending balance for 2012 actual as compared to Board approved.

2-Energy Probe-3

Ref: Exhibit 2, page 11

Table 2.7 shows that the ending balance in 2012 was substantially lower than the Board approved figure, but the evidence states that capital additions in 2012 were approximately \$2,296,000 higher than the Board approved additions.

Please explain how the capital additions can be higher than Board approved, but the ending balance lower than Board approved, given that the opening balance is the same.

2-Energy Probe-4

Ref: Exhibit 2 Appendix 2-BA

- a) Does the continuity schedule for 2016 reflect actual data for 2016? If not, please provide an updated continuity schedule for 2016 that reflects actual data for 2016, along with an updated continuity schedule for 2017.**
- b) With respect to the continuity schedule for 2012, gross additions for smart meters are shown as \$2,044,874. Were there any other additions in 2012 associated with smart meters (such as software)? If so, please quantify the other additions in 2012 related to smart meters.**
- c) Please explain why Lakefront was still adding capital expenditures to meters rather than to smart meters in 2013.**
- d) Please explain how the stranded meters which were disposed of in EB-2011-0250 have been reflected in the 2012 continuity schedule.**

2-Energy Probe-5

Ref: Exhibit 2, Table 2.8

- a) If required, please update Table 2.8 to reflect actual data for 2016.**
- b) Please explain why the forecast is for no WIP at the end of either 2016 or 2017, given that there has been WIP in each of 2012 through 2015.**

2-Energy Probe-6

Ref: Exhibit 2, Table 2.9

Please explain the significant variance between 2012 actual and 2012 Board approved for account 1860 meters. Please explain how the removal of stranded meters has been reflected in the actual 2012 figures as compared to the removal included in the 2012 Board approved figure.

2-Energy Probe-7

Ref: Exhibit 2, page 39

- a) Please update the evidence to reflect the most recent RPP and non-RPP prices available, as well as any updates for WMS charges, network and connection charges, low voltage charges, etc. Please provide an updated Table 2.15 that reflects these updates.**
- b) Please show the derivation of the most recent RPP and non-RPP prices used based on the latest Price Plan Price Report used in (a).**

EXHIBIT 3 – OPERATING REVENUE

3-Energy Probe-8

Ref: Exhibit 3 & Load Forecasting Model

The evidence and load forecasting model are contradictory with respect to a number of variables that are used or not used. Specifically, the evidence at page 16 states that employment and holiday months are included, but CPI Canada and full time employment for Cobourg are excluded. Page 18 in the evidence does not include a description of holiday months, and under employment, it describes the CPI. The load forecasting model in the Excel spreadsheet uses employment and a winter flag that is 0 in all months shown.

- a) Please explain fully which variables are actually used in the equation.**
- b) Please explain if the employment variable is employment or CPI.**
- c) If CPI is used, please explain why inflation would have any impact on use.**
- d) Please explain the figures included in the holiday month variable and how they are calculated.**
- e) Please provide the source the data used for the employment stats included in the model.**

3-Energy Probe-9

Ref: Exhibit 3, pages 28 & 17

The evidence states (line 13) that the 20 year average was used for HDD and CDD. Please confirm that the forecast is actually based on the 10 year average of these variables, as stated on page 17.

3-Energy Probe-10

Ref: Exhibit 3, Table 3.8

Please explain why the CDM adjustment for 2015 is significantly lower than the previous years.

EXHIBIT 4 – OPERATING EXPENSES

4-Energy Probe-11

Ref: Exhibit 4, Appendix 2-JA

- a) How many months of actual data are included in the 2016 forecast?**
- b) Please provide the most recent year-to-date actual figures for OM&A for 2016 that is currently available in the same level of detail as shown in the table. Please also provide the actual year-to-date figures for the corresponding period in 2015.**
- c) Based on the year-to-date actuals for 2016, what is the current forecast for 2016?**

4-Energy Probe-12

Ref: Exhibit 4, Appendix 2-JB

- a) When did Lakefront recover the OM&A and depreciation costs associated with smart meters?**
- b) Where the costs included in the deferral account prior to 2012 recovered as part of OM&A costs in 2012? If so, was the full amount included in the 2012 revenue requirement or was the amount normalized over the cost of service and IRM period of 4 years?**

- c) **Please explain fully why there is no cost driver shown for the recovery of smart meter costs that were included in the deferral account and recovered in 2012.**

4-Energy Probe-13

Ref: Exhibit 4, page 15 & Appendix 2-M

- a) **Please reconcile the figure of \$21,702 in regulatory costs of the 2017 COS application noted on page 15 with the figure of \$23,630 shown in Appendix 2-M.**
- b) **If the 2017 COS application costs of \$118,150 shown in Appendix 2-M are to be amortized over 5 years (i.e. the COS year and the following 4 IRM years), please explain why 2016 includes \$21,702 of costs in the bridge year forecast.**

4-Energy Probe-14

Ref: Exhibit 4, Tables 4.14 through 4.19

- a) **Please explain the significant difference (in the range of 10% to 16%) between the depreciation expense calculated in these tables as compared to that in the continuity schedules.**
- b) **Table 4.19 shows a total depreciation expense to be included in the test year revenue requirement of \$955,816. However, the RRWF includes the figure of \$1,061,438. Please explain and reconcile.**

4-Energy Probe-15

Ref: Exhibit 4, Table 4.21

Lakefront appears to be proposing changes to the useful life of a number of accounts (1835, 1850, 1845, 1855).

- a) **Please provide the rationale and evidence to support the needs for these changes.**
- b) **Please confirm that Lakefront is proposing these changes to take place in 2017 and that for 2016 and prior years, the current rates have and continue to be used. If this cannot be confirmed, please explain.**

- c) **What is the impact on the depreciation expense in the test year of the proposed changes in the useful lives of the accounts where a change is proposed?**

4-Energy Probe-16

Ref: Exhibit 4, page 58

Does Lakefront have any positions in the 2017 test year that are eligible for any tax credits, such as the Ontario apprentice tax credit, co-op education tax credit, or federal job creation tax credits? If yes, please identify.

4-Energy Probe-17

Ref: Exhibit 4, PILS Model & Exhibit 2, Appendix 2-BA

- a) **Please explain why Lakefront has placed \$10,000 into CCA Class 1 in the bridge year when the continuity schedule indicates it would be CCA Class 47.**
- b) **Please explain the difference in the \$76,000 added to CCA Class 8 in 2016 and the \$83,000 shown in the continuity schedule as being in CCA Class 8.**
- c) **Please explain why Lakefront has placed \$10,000 into CCA Class 1 in the test year when the continuity schedule indicates it would be CCA Class 47.**

EXHIBIT 5 - COST OF CAPITAL AND CAPITAL STRUCTURE

5-Energy Probe-18

Ref: Exhibit 5, page 7 & Appendix 2-OB

- a) **Please explain why Lakefront is requesting a long term debt rate of 4.54% when the third party loans are at rates lower than this figure.**
- b) **Please calculate the weighted average cost of long term debt using the third party debt rates and the 4.54% applied to the affiliated debt.**

5-Energy Probe-19

Ref: Exhibit 5, page 7

- a) Is Lakefront able to pay off all or any part of the affiliate loan?**
- b) Is there any prepayment penalty associated with paying off all or any part of the affiliate loan? If yes, please identify.**
- c) Has Lakefront investigated the cost savings associated with replacing all or some part of the affiliate debt with a lower long term rate? If not, why not?**

EXHIBIT 6 - CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

6-Energy Probe-20

Ref: Exhibit 6

Based on any corrections, changes or updates (such as the cost of power), please:

- a) Provide updated Tables 6.1 through 6.8,**
- b) Provide an updated RRWF that includes the appropriate and necessary entries in the Tracking Form indicating the interrogatory response which is the basis for the change made. Please also provide the RRWF in electronic form.**
- c) Please confirm that the 2015 data shown in Table 6.5 reflects actual data for 2015.**

EXHIBIT 7 – COST ALLOCATION

7-Energy Probe-21

Ref: Exhibit 7, page 15

- a) Please explain why Lakefront is proposing to increase the revenue to cost ratios for the GS<50, GS 50-2999 and GS 3000-4999 classes, despite the fact that the status quo ratios are already above 100%.**
- b) Please explain why Lakefront is proposing to decrease the revenue to cost ratio for the sentinel lighting class, despite the fact that the status quo ratio is already below 100%.**

- c) Please explain why Lakefront is not proposing to reduce the revenue to cost ratios for the street lighting and USL classes into the policy range. Please explain why Lakefront is not proposing any changes beyond 2017 for these two rate classes.

EXHIBIT 8 - RATE DESIGN

8-Energy Probe-22

Ref: Exhibit 8, pages 6-7

- a) Please confirm that the proposed residential fixed charge of \$16.46 shown in Table 8.3 is not between the minimum and maximum shown in Table 8.2 but has been calculated based on Appendix 2-PA.
- b) Please reconcile the maximum fixed charges shown in Table 8.2 with those found in the cost allocation model.
- c) Please explain why Lakefront is proposing to maintain the fixed charge percentage for the non-residential classes, instead of maintaining the fixed charge percentage, subject to not exceeding the maximum fixed charge from the cost allocation model.

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

9-Energy Probe-23

Ref: Exhibit 9, page 24

Please explain the function of the proposed new subaccount for 217 for account 1595.

9-Energy Probe-24

Ref: Exhibit 9, Table 9.3

- a) Please explain why all of the accounts shown in the top part of Table 9.3 are not included in the bottom part of the table. In particular, why are the amounts shown in account 1595 for 2010, 2012 and 2015 not proposed for recovery?
- b) Please explain the interest to December 31, 2015 of \$796,625 shown for account 1595 for 2015 given the principal of \$127,631.