



Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

July 2, 2021

Ms. Christine E. Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Long:

**Re: Ontario Energy Board (OEB) Staff Interrogatories
Lakefront Utilities Inc.
2022 Cost of Service Rate Application
OEB File Number: EB-2021-0039**

Please find attached OEB staff's interrogatories in the above referenced proceeding, pursuant to Procedural Order No. 1.

Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's Rules of Practice and Procedure.

Yours truly,

Original Signed By

Margaret DeFazio, P. Eng.
Project Advisor – Electricity Distribution: Major Rate Applications & Consolidations

Encl.

cc: All parties in EB-2021-0039



ONTARIO ENERGY BOARD

OEB Staff Submission

Lakefront Utilities Inc.

2022 Cost of Service Application

EB-2021-0039

July 2, 2021

* Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

0-Staff-1

Letters of Comment

Following publication of the Notice of Application, the OEB received 1 letter of comment. Section 2.1.7 of the Filing Requirements states distributors will be expected to file with the OEB their responses to the matters raised within letters of comment sent to the OEB related to the distributor's application. If the applicant has not received a copy of the letters of comments, they may be accessed from the public record for this proceeding.

Please file a response to the matters raised in the letters of comment referenced above. Going forward, please ensure that responses to any matters raised in subsequent comments or letter are filed in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

0-Staff-2

Updated Revenue Requirement Work Form (RRWF) and Models

Upon completing all interrogatories from Ontario Energy Board (OEB) staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on Sheet 3 Data_Input_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documents on Sheet 14 (Tracking Sheet) and may also be included on other sheets in the RRWF to assist understanding of changes.

In addition, please file an updated set of models that reflects interrogatory responses. Please ensure the models used are the latest available models on the OEB's 2022 Electricity Distributor Rate Applications webpage.

0-Staff-#3

Updated Bill Impacts

Upon completing all interrogatories from OEB staff and intervenors, please provide an

updated Tariff Schedule and Bill Impact model for all classes at the typical consumption / demand levels (e.g. 750 kWh for residential, 2,000 kWh for GS<50, etc.).

1.0 PLANNING

1.1-Staff-4

Ref: Exhibit 2, Distribution System Plan, Page 70

Preamble:

LUI reports that the customer engagement activities related to capital projects they arranged were not well attended. LUI mentions conducting in-depth discussions with those in attendance and followed up with phone calls and emails with other customers that could not attend the sessions.

Question(s):

- a) What did LUI do to encourage attendance and participation?
- b) What were the results of LUI follow up with phone calls and emails with customers that could not attend the sessions? What percentage of customers reached through phone calls and emails replied to LUI with their feedback?

1.1-Staff-5

Ref 1: Exhibit 2, Distribution System Plan, Page 89

Ref 2: Appendix 2 - AA

Preamble:

The listing of material investments in the DSP for 2022 do not match the listing of projects in Appendix 2 – AA, in category or amounts.

For example, in the DSP, LUI forecasts Underground Miscellaneous and Overhead Miscellaneous as System Renewal capital projects costing \$45k each. However, in Appendix 2 – AA, Underground Miscellaneous and Overhead Maintenance are included under System Service and forecast at \$73k each in 2022.

Question(s):

- a) Please rectify the inconsistencies between Appendix 2 – AA and the DSP and

resubmit both tables

1.1-Staff-6**Ref: Exhibit 2, Distribution System Plan, Pages 79**

Preamble:

The System Access capital budget from 2023 to 2026 is on average \$307k per year. The System Access capital expenditure for 2020 to 2022 is on average \$75k per year. The actual System Access capital expenditure from 2017 to 2019 was on average, \$279k per year, \$139k more than planned during the same period.

Question(s):

- a) Why was the actual System Access capital expenditure during 2017 to 2019 more than the planned System Access capital expenditure during the same period?
- b) Please clarify the reasons the forecast System Access expenditures from 2023 to 2026 are higher compared to 2020 to 2022. Include a list of known projects and budgets.

1.1-Staff-7**Ref 1: Exhibit 2, Appendix A – Asset Condition Assessment**

Preamble:

In its 2017 rate application (EB-2016-0089, Exhibit 2 – Rate Base, page 106, Lakefront Utilities stated in 2016 it had in service 1,239 distribution transformers, specifically 718 pole top transformers and 521 pad mounted transformers. In this proceeding, Lakefront Utilities has stated it has in service 75 fewer distribution transformers, specifically 88 (12%) fewer pole mounted transformers and 13 (2.5%) more pad mounted transformers.

Question(s):

- a) Please explain the decrease in the number of pole mounted transformers in service in 2021 compared to 2017

1.1-Staff-8**Ref: Exhibit 2, Appendix 2-AB (revised June 18, 2021)**

Preamble:

Gross system renewal expenditures over 2017-2021 averaged \$961k per year, which is 78% of the planned expenditures over the same period.

Planned system renewal expenditures over 2022-2026 are \$1,134 per year, which is 18% more than actual amounts over the previous 5 years.

Question(s):

How do the following support increases in system renewal spending?

- a) LUI's customer preferences.
- b) The ACA
- c) Reliability performance

1.1-Staff-9**Ref 1: Exhibit 2, Asset Condition Assessment, Page 39****Ref 2: Exhibit 2, Appendix 2-AB (revised June 18, 2021)**

Preamble:

LUI's DSP Implementation progress is measured by two sub-metrics

- i. budgeted gross capital spending compared to actual spending
- ii. completion of planned projects at the beginning of the year to the actual projects completed at the end of the year.

The DSP implementation progress measure has been shown as "complete" for 2016 through 2020.

Question(s):

- a) Please explain the DSP Implementation Progress measure rating of complete, with respect to system renewal actual expenditures being less than planned expenditures, over 2017-2021. Did LUI complete the planned projects during 2017-2020? Provide details by asset class.
- b) For the historic period and 2022 please list and briefly describe projects in system renewal, system service and general plant have been categorized by LUI as mandatory.

1.1-Staff-10**Ref: Exhibit 2, Asset Condition Assessment, Page 30**

Preamble:

In explaining the Wood Poles Asset Condition Assessment in Exhibit 2, LUI states that:
The remaining strength condition parameter is a quantitative measurement that provides adequate evidence of the deterioration of the operational health of the asset.

LUI included additional conditional parameters include service age, wood rot presence, mechanical defects, and the leaning of the wood poles.

Question(s):

- a) Please explain the method LUI uses to measure the remaining strength condition parameter. Does LUI use hammer testing, drilling or another?

1.1-Staff-11**Ref: Exhibit 2, Asset Condition Assessment, Pages 28, 30-32, 72**

Preamble:

In explaining the Wood Poles Asset Replacement Plan in Exhibit 2, LUI states that:
The ACA has determined that 702 wood poles are in fair condition, 90 poles are in poor condition, and 37 poles in very poor condition.

Per Table 3-1 in the ACA, the Implications of equipment categorized as fair are:
Increased diagnostic testing; possible remedial work or replacement needed depending on the unit's criticality.

The ACA recommends replacement of 55 wood poles per year from 2020 to 2025.

Question(s):

- a) How many wood poles per year does LUI project deteriorating from the grouping of fair, good and very good categories into the grouping of poor and very poor categories?
- b) Does LUI plan to replace 55 wood poles per year, through targeted system

renewal projects and/or the other capital categories (system service and system access) as outlined in the ACA? For 2022, provide a list of projects, budgeted costs and the number of poles to be replaced in each project.

- c) Please explain the method LUI uses to determine which poles to replace as part of the Wood Poles replacement program. Are all the wood poles planned for replacement from 2020 to 2025 are determined to be in Poor or Very Poor condition from the Asset Condition Assessment?
- d) When will the 37 poles categorized in very poor condition be replaced?
- e) Please provide the average installed cost per pole replacement achieved by LUI over the historical period 2017 to 2021.
- f) Please provide the cost per installed pole replacement that LUI is projecting each year of the 2022 to 2025 time period.
- g) Please provide the methodologies LUI is anticipating that will allow it to attain the greatest efficiencies for pole replacement in carrying out this work (e.g. improved work methods, different workplace setups, batch replacements at nearby locations, improved equipment, newer types of tools).

1.1-Staff-12

Ref: Exhibit 2, Asset Condition Assessment, Pages 28, 42, 73

Preamble:

In the ACA LUI has classified 90 pad-mount transformers to be in fair condition and 3 pad-mount transformers to be in poor condition.

Per Table 3-1 in the ACA, the Implications of equipment categorized as fair are:

Increased diagnostic testing; possible remedial work or replacement needed depending on the unit's criticality.

Question(s):

- a) How many transformers categorized as fair has LUI determined are critical?
- b) How many transformers per year does LUI project deteriorating from the grouping of fair, good and very good categories into the grouping of poor and very poor categories?
- c) How many pad-mount transformers does LUI plan to replace per year?
- d) When will the 3 pad-mount transformers in poor condition be replaced?

1.1-Staff-13**Ref: Exhibit 2, Asset Condition Assessment, Page 37, 73**

Preamble:

LUI has age to evaluate the condition of underground primary cables. LUI has not had failures on underground primary cables and has not reported test results.

Question(s):

- a) Does LUI plan to replace 0.75km of underground primary cables per year as outlined in the ACA?
- b) If LUI plans to replace any amount of underground primary cables;
 - a. Has LUI categorized any sections of underground cable as critical?
 - b. How has this replacement program been prioritized based on LUI's customers' input and/or preferences?
 - c. How does LUI identify and prioritize the sections of underground primary cables to replace?

1.1-Staff-14**Ref 1: Exhibit 2, Distribution System Plan, Page 81****Ref 2: Exhibit 2, Appendix 2-AB**

Preamble:

Between 2017 and 2019 smart meters were replaced due to their seal expiring, resulting in \$100k, \$160k and \$137k respectively of additions.

Question(s):

- a) Why were the meters replaced instead of having the seals extended?
- b) Were the meters in service for the manufacturer's stated useful life?
- c) What is the useful life of the new meters?
- d) Do the new meters have additional functionality that LUI will be using? If so, please explain.
- e) What are the forecast expenditures for smart meter replacements in 2022?

1.1-Staff-15**Ref 1: Exhibit 2, Page 30**

Question(s):

For each of the Durham St. Substation and Victoria St. Substation rebuilds in 2017.

- a) Provide a breakdown of the increased costs that totaled \$830k.
- b) What project controls were in place for the projects?
- c) What alternatives were considered to the cost overruns?
- d) What work was deferred or cancelled due to the cost overruns?

1.1-Staff-16**Ref: Exhibit 2, Distribution System Plan, Pages 30-33**

Preamble:

Table 2-5 and Table 2-6 show a significant increase in SAIDI and SAIFI for 2019 and 2020 compared to 2016 to 2018 historical years. In addition, the SAIDI and SAIFI for 2019 and 2020 is significantly higher compared to LUI target.

Table 2-9 and Table 2-10 show customer hours interrupted by Defective Equipment, Human Element and Foreign Interference increased during 2019 and 2020 compared to 2016 to 2018.

LUI explains the increases in 2020 is contributed by equipment failures at LUI's substations.

Question(s):

- a) Please clarify plans to halt the upward trend of SAIDI and SAIFI for 2021 and the forecast period.
- b) Does LUI anticipate a reduction in SAIDI and SAIFI in the forecast period? Does LUI anticipate reaching its target as listed in Table 2-5 and Table 2-6 during the forecast period?
- c) Please explain the event of a short across 2 phases of the 44 kV system in LUI's service territory which occurred in July 2019.
- d) Please explain the events causing the increase in number of customer hours interrupted by Defective Equipment. How has LUI has taken the causes of these outages into account in the capital budget for the forecast period.
- e) Does LUI anticipate the number of customer hours interrupted by Defective

Equipment to decrease in the forecast period to the numbers during 2016 to 2019.

1.2-Staff-17**Ref: Exhibit 2, Appendix 2-AB**

Preamble:

System O&M amounts are proposed to increase from 2021 to 2026, and were higher than planned from 2017 through 2020.

OEB staff calculate the average gross capital expenditures over 2017-2021 to be \$1,718k per year. The proposed 2022 gross capital expenditure of \$1,960k is \$242k (14%) more than the average over 2017-2021.

Question(s):

- a) As part of an informed Asset Management plan, could O&M costs be reduced through a more proactive asset replacement approach?
- b) Please explain LUI's plans and resources to execute the larger amount of capital and O&M work in 2022 and later years.

1.2-Staff-18**Ref: Exhibit 4, Page 45**

Preamble:

In EB-2016-0089, Table 2-JC, Vegetation Management costs for 2015, and forecast costs for the 2016 bridge year and 2017 test year, were less than \$50k. Outsourced Tree Trimming Services in 2020 were more than \$100k.

Question(s):

- a) Why were the costs for vegetation management 100% higher in 2020 than 2017?
- b) What did LUI include for vegetation management costs in 2022?
- c) How does LUI plan and budget for vegetation management activities each year?

1.2-Staff-19**Ref: Exhibit 2, Distribution System Plan, Page 16**

Preamble:

In explaining Customer Preferences and Expectations, LUI states that:

In the customer survey issued on the Municipality's website "Engage Cobourg", Lakefront asked customers how familiar they are with Lakefront Utilities which operates the electricity distribution system. Overall, only 25.8% indicated that they are very familiar with Lakefront.

LUI also presented that 82.20% of customers indicated they are either somewhat familiar or not familiar with how electricity distribution rates are set in Ontario.

Question(s):

- a) Please provide details on steps LUI is taking to increase customer familiarity with LUI and informing customers regarding how electricity distribution rates are set in Ontario.

1.2-Staff-20**Ref: Exhibit 1, Distribution System Plan, Page 41**

Question(s):

- a) Has LUI received its 2019 assessment for "Level of Compliance with Ontario Regulation 22/04", and if so, what was the assessment?

1.2-Staff-21**Ref: Exhibit 2, Distribution System Plan, Page 16**

Preamble:

In explaining Customer Preferences and Expectations, LUI states that:

In the customer survey issued on the Municipality's website "Engage Cobourg", Lakefront asked customers how familiar they are with Lakefront Utilities which operates the electricity distribution system. Overall, only 25.8% indicated that they are very familiar with Lakefront.

LUI also presented that 82.20% of customers indicated they are either somewhat

familiar or not familiar with how electricity distribution rates are set in Ontario.

Question(s):

- a) Please provide details on steps LUI is taking to increase customer familiarity with Lakefront Utilities and informing customers regarding how electricity distribution rates are set in Ontario.

1.2-Staff-22

Ref: Exhibit 2, Distribution System Plan, Page 41

Preamble:

System Losses ranged from 4.13% to 4.84 over 2016 to 2018. System Losses decreased to 1.24% in 2019, and increased to 5.39% un 2020.

Question(s):

- a) What contributed to the decrease in System Losses in 2019?
- b) What contributed to the increase in System Losses in 2020?

2.0 REVENUE REQUIREMENT

2.1-Staff-23

Ref 1: Exhibit 2, Page 38

Ref 2: Exhibit 2, Appendix 2-AB

Preamble:

Exhibit 2, Page 38 explains year-over-year variances in Gross Assets from 2021 Bridge Year amount and the 2022 Test Year amount.

“Contributed Capital: \$100,000

- The increase in contributed capital in 2022 is an estimate based on the prior years average annual contributed capital amount.”

Appendix 2-AB shows contributed capital amounts in 2017, 2018, 2019 and 2020 to be \$202k, \$359k, \$137k, and \$268k respectively. The 2022 forecast contributed capital amount in Appendix 2-AB is \$100k.

Question(s):

- a) Confirm the 2022 forecast contributed capital amount.
- b) What knowledge and assumptions were used to forecast contributed capital amount for the 2022 Test Year?
- c) What are the forecast projects with contributed capital in 2022? Provide contributed capital calculations for each project.

2.1-Staff-24**Ref: Exhibit 5, Page 8**

Question(s):

- a) Will LUI update the long-term debt cost rate for 2022 when it is issued by the OEB, or is it proposing a custom rate of 3.05%?

2.1-Staff-25**Ref: Exhibit 1, Page 96**

Preamble:

LUI stated that LUI achieved a return of equity of 5.49% in 2020, which is below the 5.78% to 11.78% range allowed by the OEB.

Question:

- a) Please explain the reasons that LUI's achieved ROE was below the 300 basis points band.

2.1-Staff-26**Ref 1: Exhibit 1, page 103**

Preamble:

LUI stated that "LUI's parent company, Holdco, intends to prepare an annual report for 2020, to be finalized in June 2021 and posted on its website".

Question(s):

- a) Please file the 2020 annual report.

2.1-Staff-27**Ref: Exhibit 1, Appendix N, 2020 Audited Financial Statements (AFS), page 17**

Preamble:

Note 3(s) Significant Accounting Policies of LUI's 2020 AFS stated that "the company is currently assessing the impact, if any, that the standards will have on the financial statements".

Question:

- a) Please provide LUI's assessment of these standards on the 2021 bridge year and 2022 test year forecast provided in this rate application.

2.1-Staff-28**Ref 1: Exhibit 1, Appendix O – RECONCILIATION BETWEEN FINANCIAL STATEMENT AND RESULTS FILED****Ref 2: Exhibit 1, Appendix M, 2019 AFS and Appendix N, 2020 AFS**

Preamble:

OEB staff notes that the net assets and net liabilities in Appendix O (reconciliation between RRR financial results filed and the AFS) appear to not match with the total assets and total liabilities and equity in the 2019 and 2020 AFS, which are provided in Reference 2.

Questions:

- a) Please provide an updated reconciliation for total assets and total liabilities and equity in 2019 and 2020 between the AFS and results filed.
- b) In a), please ensure that the total PP&E is reconciled between the PP&E on the AFS in 2019 and 2020 and the Fixed Assets net book value in Appendix 2-BA.

2.1-Staff-29**Ref 1: PILs model****Ref 2: Exhibit 4, Appendix D, LUI's 2020 Income Tax Return**

Preamble:

OEB staff notes that schedule 1 and schedule 2 of Reference 2 shows that LUI deducted the maximum allowable deduction of \$11,875 for charitable donations in its 2020 income tax return. However, there was no figure entered in line 311 charitable donations in Tab “H1 Sch 1 Taxable Income Hist” of LUI’s PILs model.

For the 2022 test year, LUI did not enter any figure in line 311 charitable donations in Tab “T1 Sch 1 Taxable Income Test” of LUI’s PILs model while the charitable donations of \$6,213 was added back in line 112 to arrive at 2022 taxable income.

Questions:

- a) Please update the line 311 charitable donations in Tab “H1 Sch 1 Taxable Income Hist” to match with the 2020 tax return.
- b) Please update the line 311 charitable donations in Tab “T1 Sch 1 Taxable Income Test” of the PILs model.

2.1-Staff-30

Ref 1: PILs model

Ref 2: the OEB’s Letter “Accounting Direction Regarding Bill C-97”, July 25, 2019

Preamble:

LUI has applied accelerated capital cost allowance (CCA) in the PILs model, in accordance with the Accelerated Investment Incentive Program (AIIP). In the OEB’s July 25, 2019 letter titled Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance, it stated that:

The OEB recognizes that there may be timing differences that could lead to volatility in tax deductions over the rate-setting term. The OEB may consider a smoothing mechanism to address this.

Question(s):

- a) Please confirm that all LUI’s capital additions in the 2022 test year are forecasted to be eligible for the AIIP.
- b) Please discuss whether LUI has considered smoothing accelerated CCA for its capital additions and, if so, what its conclusion is on that matter.
- c) Please provide a calculation showing how LUI would smooth CCA over the IRM period, and what the impact to PILs would be under a smoothed and unsmoothed scenario.

- d) Assuming the current proposed capital additions are approved in this rate application, please provide the balance in Account 1592 sub-account CCA changes as at end of the IRM term, i.e. 2026, for the full revenue impacts of the phasing out of the AIPP.

3.0 LOAD FORECAST, COST ALLOCATION AND RATE DESIGN

3.1-Staff-31

Ref: Exhibit 3, Pages 13-16

Preamble:

The regression results assigned a coefficient of -1,619.75 to the Customer # variable, a count of the customers in the Residential and General Service (GS) < 50 kW rate classes.

OEB staff notes that the number of customers has increased each year from 2011 to 2020.

In Figure 3.10, the kWh purchased exceeded the Adjusted value in every year from 2011 to 2013, and was less than the Adjusted value in every year from 2014 to 2020.

Question(s):

- a) Please explain the counter-intuitive result that for each additional customer, monthly wholesale load decreases by 1,620 kWh.
- b) Has Lakefront Utilities tried using other explanatory variables such as for economic, CDM, or a trend variable? If not, why not? If so, please provide the regression results.

3.1-Staff-32

Ref: Load Forecast Model, sheet 6. WS Regression Analysis, sheet 7. Weather Sensitive Class, sheet 8. KW and Non-Weather Sensitive

Ref: Response to Error Checking OEB Staff Question #9

Preamble:

LUI has stated that the regression model presented on sheet 6. WS Regression Analysis is from a previous version, and that it should be disregarded. Instead, that the

regression model presented on sheet 6.1 Regression Scenarios is used.

However, column Q of sheet 6. WS Regression Analysis references the regression model on the same sheet when calculating monthly weather normalized purchases. This results in a forecast of 254,194,550 kWh, as displayed in cell R163 on this sheet, and referenced on sheets 7 and 8 of the load forecast.

Question(s):

- a) If the regression model provided in sheet 6.1 is used, please provide the cell references or derivations which outline how it is used.
- b) If the regression model provided in sheet 6 is used, please confirm that it is Lakefront Utilities' proposal to use this model, and that it was derived from the current version of the explanatory variables and dependent variable.
- c) Please provided any necessary revisions if any inconsistencies are discovered in preparing the response to part a) or b).

3.1-Staff-33

Ref: Load Forecast Model, sheet 6. WS Regression Analysis

Preamble:

The variables used on the worksheet WS Regression Analysis for the years 2021 and 2022 appear to be ten-year averages of the ten years prior to the forecasted value. That is, 2021 is forecasted based on the average of the same month in 2011 to 2020, and 2022 is forecasted based on the average of the same month in 2012 to 2021. The approach appears to be used for all explanatory variables.

The formula in the Weather Normalized column multiplies the explanatory variables for HDD, CDD, and the calendar variables by the respective coefficients. However, the Customer # explanatory variable and coefficient are added together.

Questions(s):

- a) Please confirm OEB staff's understanding or explain.
- b) Please explain why 2021 is used in forecasting 2022 when 2021 itself is a forecast.
- c) Please explain why a historic average is used for forecasting Number of Degree Days and Peak Number of Hours rather than based off 2021 and 2022 calendars.

- d) Please explain why the Customer # variable is forecasted using a historic average, rather than based on Lakefront Utilities' forecasted number of customers.
- e) Please explain why the Customer # variable is added to, rather than multiplied by the coefficient. Please revise as required.

3.1-Staff-34

Ref: Load Forecast Model, sheet 8. KW and Non-Weather Sensitive.

Ref: EB-2016-0089, Settlement Proposal, Page 31.

Preamble:

The GS 3,000 – 4,999 kW rate class has an adjustment, increasing the kW forecast by 2,900 kW. Below, there is a note: "Increase by 2900kW from 36,978 to 39878 as per Partial Settlement Agreement".

In Lakefront Utilities' previous Cost of Service proceeding, the Parties agreed that the demand forecast for the GS 3,000 – 4,999 kW rate class would be increased by 2,900 kW.

Also, in the GS 3,000 – 4,999 kW rate class, the kW/kWh ratio was above 0.00260 in every year from 2011 – 2014, and below 0.00220 in every year from 2017-2020.

Question(s):

- a) Please explain why the additional 2,900 kW is still appropriate for the 2022 forecast or revise.
- b) Does LUI have any insight into the difference in kW/kWh ratio, and whether it expects the recent lower kW/kWh ratio to persist or return to the longer-term average?

3.1-Staff-35

Ref: Exhibit 3, page 20

Ref: Load Forecast Model, sheet 7. Weather Sensitive Class, sheet 8. KW and Non-Weather Sensitive, sheet 10.1 CDM Allocation, sheet 11. Final Load Forecast

Ref: Response to Error Checking OEB Staff Question #10

Preamble:

Exhibit 3, page 20 discusses a persistent CDM variable. It states that “A manual adjustment to the load forecast is not required”. In response to error checking question #10, Lakefront Utilities states that the CDM variable was not incorporated in the regression model.

OEB staff notes that sheet 11, column O refers to a hidden worksheet, sheet 10.1 for the kWh and kW class forecasts.

Sheet 10.1 CDM Allocations includes the following details. Adjusted (kWh) reconciles the kWh on sheet 11. Final Load Forecast. The column labelled 2022 reconciles to the kWh on sheet 9. Weather Adj LF.

Rate Class	2022	Target	Adjusted (kWh)
Residential	75,357,216	766,409	74,590,807
General Service < 50 kW	32,869,543	334,295	32,535,249
General Service > 50 – 2,999 kW	105,033,099	1,068,223	103,964,876
Streetlighting	1,070,033	10,883	1,059,150
Sentinel Lighting	43,789	445	43,344
General Service 3,000 – 4,999 kW	19,103,384	194,288	18,909,096
Unmetered Scattered Load	605,443	6,158	599,285
Total	234,082,507	2,380,700	231,701,807

Sheet 10.1 CDM Allocations also includes the following details. Adjusted (kWh) reconciles the kW on sheet 11. Final Load Forecast. The column labelled 2022 reconciles to the kW on sheet 9. Weather Adj LF.

Rate Class	2022	Adjusted (kWh)
General Service > 50 kW - 2999 kW	276,957	274,141
Streetlighting	2,860	2,831
Sentinel Lighting	131	130
General Service 3000-4999 kW	49,046	48,547
Total	328,995	325,649

Question(s):

- a) Please confirm sheet 11. Final Load Forecast reflects the proposed load forecast.
- b) Please confirm whether LUI is proposing to make a manual adjustment to the load forecast for CDM, and if so, whether it is consistent with the column labelled

Target above.

- c) If part b) is confirmed, please provide details around the programs included in the adjustment.
- d) If either of the parts b) cannot be confirmed, please reconcile the Final load forecast on sheet 11. to the Weather Adjusted load forecast on sheet 9.

3.1-Staff-36

Ref: Response to Error Checking OEB Staff Question #11

Preamble:

LUI has supplied the derivation of the Demand allocators in response to the above referenced error checking question.

OEB staff notes that on the worksheet Hourly load shapes by class, the monthly NCP volumes are derived in the area from N8788 to T8799. For the 1 NCP, LUI has used the values from row 8788, which corresponds to January. However, the highest peak of the year, is not always in January.

Similarly, the CP is derived directly below the NCP in the cells N8802 to T8813. Here, the values should be the rate class load when the distributor is on peak. OEB staff notes that the formulas do not appear to do this. For the GS < 50 kW and GS 3,000 – 4,999 kW rate classes, it appears to be calculating a class NCP by selecting the highest class usage in the month. For the remaining classes, it appears to be selecting the current class load in the hour that the GS < 50 kW rate class was on peak in 2004.

Question(s):

- a) Please confirm OEB staff's observations as outlined above, or explain why this isn't the case.
- b) Please ensure that the 1 NCP is selecting the highest peak of the year. E.g. for residential, the following formula could be used:
$$=max('Hourly load shapes by class'!N8788:N8799)*1000000$$
- c) Please ensure that the monthly CP load by rate class is calculated based on current system peaks, as determined using column U of the sheet Hourly load shapes by class.
- d) Please ensure that the 1 CP is selecting the highest peak of the year. E.g. for residential, the following formula could be used:
$$=max('Hourly load shapes by class'!N8802:N8813)*1000000$$

3.1-Staff-37**Ref: Chapter 2 Appendix 2-R****Ref: RRR 2.1.5.3****Ref: EB-2016-0089, Tariff of Rates and Charges, January 5, 2017.**

Preamble:

OEB staff has prepared the table below comparing the values entered in Chapter 2 Appendix 2-R to the RRR 2.1.5.3 for the years available in both sources.

	2016	2017	2018	2019
Appendix 2-R A(1)	256,568,543	251,426,480	265,797,565	256,497,590
Appendix 2-R A(2)	245,731,772	240,806,896	254,570,985	245,663,816
RRR 2.1.5.3 A	245,136,695	243,659,847	257,663,819	254,697,945
Appendix 2-R F	237,051,158	231,562,616	243,920,467	243,752,568
RRR 2.1.5.3 B	237,752,643	236,669,322	249,560,304	247,035,018

LUI has used a supply facility loss factor of 1.0045 in each year. However, the A(1) line (reflecting generation requirement of the energy delivered to LUI) divided by the A(2) line (reflecting the energy delivered to Lakefront Utilities) is 1.0441. LUI's total loss factor approved for 2017 was 1.0441.

The distributor's system loss factor was 1.0366 in 2016, and except for 2019 it has increased every year, reaching its maximum in 2020 at 1.0491. In 2019 it was 1.0078.

Question(s):

- a) Please reconcile the Appendix 2-R values to the RRR
- b) Please explain the difference between rows A(1) and A(2) in the context of LUI's proposed supply facility loss factor, and historic total loss factor.
- c) Please explain why the losses were lower in 2019.
- d) Please explain why the distribution loss factor has exhibited an increasing trend over the past five years, except for 2019.

3.2-Staff-38**Ref: Exhibit 7, page 9**

Preamble:

LUI has proposed weighting factors for services for GS less than 50 kW, GS 50 – 2,999 kW and GS 3,000 – 4,999 kW based on relative effort to Residential.

Question(s):

- a) For each rate class, what proportion of customers does Lakefront Utilities provide all or part of the costs associated with customer services?
- b) For each rate class, please calculate an average cost booked to account 1855 for the last several services installed or replaced in each rate class.

3.2-Staff-39

Ref: Exhibit 7, pages 24-25

Ref: Exhibit 8, page 86

Ref: Tariff and Bill Impacts Model, Sheet 6. Bill Impacts.

Ref: EB-2016-0089, Draft Rate Order, December 28, 2016, page 15.

Preamble:

LUI is proposing to adjust all revenue-to-cost ratios to 100% except for Street Lighting which is proposed to move to 90%, and Unmetered Scattered Load which is proposed to move to 120%.

Two rate classes, Street Lighting and Sentinel Lights are proposed to have total bill impacts more than 10%.

LUI states that: “For current revenue and expenses, the Cost Allocation model calculates the revenue to expenses ratio is 76% for Sentinel Lighting and 86% for Street Lighting customer classes. This indicates that these rate classes since the last re-basing in 2017 (EB-2016-0089) have not been paying their equitable share of revenue to cover the utility’s costs.”

The revenue-to-cost ratio for the sentinel rate class was 115.49% in 2017, and the revenue-to-cost ratio for street lighting was 294.25% in 2017, 206.25% in 2018, and 119.25% in 2019.

Question(s):

- a) Please confirm that while street lighting and sentinel lighting revenue-to-cost ratios, are less than 100% now, they were more than 100% in 2017.
- b) Please confirm that the Street Lighting revenue-to-cost ratio is within the OEB’s

prescribed revenue-to-cost range based on the current cost allocation results.

- c) In LUI's view, what is the purpose of the prescribed revenue-to-cost ratio ranges?
- d) Please provide the revenue-to-cost ratios and total bill impacts that would result if the following revenue-to-cost adjustment steps were taken:
 - i. The GS 3,000 – 4,999 kW and Unmetered Scattered Load revenue-to-cost ratios are reduced to 120%
 - ii. The Sentinel Lights revenue-to-cost ratio is increased to 80%
 - iii. Sentinel Lights, Street Lights, GS < 50 kW, and Residential revenue-to-cost ratios are increased as required eliminate any revenue shortfall that would result after completing steps i and ii.

3.2-Staff-40

Ref: Cost Allocation Model, sheet I3 TB Data

Ref: EB-2016-0089, Cost Allocation Model, December 15, 2016, sheet I3 TB Data

Preamble:

In the current cost allocation model, account 5070, Customer Premises – Operation Labour has \$91,371 recorded. In the previous cost allocation model, \$0 was recorded for this account.

Question(s)

- a) Please explain what expenses LUI is tracking in this account, and why it has increased.

3.2-Staff-41

Ref: Cost Allocation Model, sheet I7.1 Meter Capital, sheet I7.2 Meter Reading

Preamble:

The Meter Capital sheet indicates that the Street Lighting class has 2 meters, the Sentinel Light class has 49 meters, and the Unmetered Scattered Load (USL) class has 80 meters. The meter reading sheet indicates that meter reading is not being performed in the Sentinel Light rate class or the USL rate class.

Question(s):

- a) Please explain the purpose of these meters, and whether they're being read.
- b) Please make any revisions to the cost allocation model if required.

3.3-Staff-42**Ref: Exhibit 8, pages 4-5****Ref: Revenue Requirement Work Form, tab 13. Rate Design****Ref: Response to Error Checking OEB Staff Question #13**

Preamble:

In its filed application, LUI proposed to maintain the fixed to variable split for all rate classes.

In response to OEB staff error checking question #13, LUI states that it has updated the RRWF, and that it now agrees with the tariff of rates and charges. It indicates that the RRWF now reflects the values in the tariff. OEB staff notes that this results in changes to the initial RRWF filed April 30, 2021 in the GS 3,000 – 4,999 kW, street lighting, sentinel Lights, and USL rate classes. OEB staff also notes that the updated RRWF fixed charges indicated still do not exactly match the tariff for sentinel lights. LUI also indicates that the rates in Exhibit 8, page 5, Table 8.1, which agree to the RRWF are hypothetical rates if LUI kept the existing fixed/ variable split.

In the GS < 50 kW and USL rate classes, the fixed charge is already above the minimum system with peak load carrying capability adjustment as calculated by the cost allocation model, commonly referred to as the ceiling. This proposal results in a further increase to the fixed charge for these rate classes.

Question(s):

- a) Please provide an updated RRWF reflecting the current proposal.
- b) Please explain why LUI is proposing to increase the fixed charge further above the ceiling in the GS < 50 kW and USL rate classes.
- c) Please explain why LUI is now proposing to change the fixed/variable splits in the GS 3,000 – 4,999 kW, street lighting, sentinel lights, and USL rate classes.

3.4-Staff-43**Ref: Exhibit 7, page 18**

Preamble:

The proposal outlines the calculation of distribution volumes and standby volumes if there is not a utility grade meter on the generator.

Question(s):

- a) Please provide the proposed determination of distribution and standby volumes there is a utility grade meter on the generator.
- b) Please provide a derivation of the proposed standby rates for the GS 50 – 2,999 kW and GS 3,000 – 4,999 kW rate classes.
- c) Please provide the amount of generation in billing kW proposed to be subject to standby rates, in each rate class, in each year from 2011 to 2020, and expected in 2021 and 2022.
- d) Please indicate how the above standby load was reflected in the load forecast.

3.5-Staff-44

Ref: Exhibit 8, page 17

Preamble:

LUI has based its LV charges of \$1,657,800 on 2020 Actual costs of \$1,129,800 plus two years of annual inflation at \$264,000 per year. This results in increased low voltage charges to customers as follows:

Rate Class	2021 Charge	2022 Proposed Charge	Increase
Residential	\$0.0014	\$0.0074	429%
General Service < 50 kW	\$0.0012	\$0.0066	450%
General Service 50 – 2,999 kW	\$0.4933	\$2.6567	439%
General Service 3,000 – 4,999 kW	\$0.5819	\$3.1336	439%
Street Lighting	\$0.3814	\$2.0539	439%
Sentinel Lighting	\$0.3893	\$2.0969	439%
Unmetered Scattered Load	\$0.0015	\$0.0082	447%

Question(s):

- a) Please provide a calculation of low voltage charges that would result from 2022 forecasted volumes, multiplied by 2022 host rates if known, or by current host rates.

3.6-Staff-45

Ref: RTSR Workform

Preamble:

LUI has completed the 2021 version of the RTSR workform. Since Lakefront Utilities filed its application, a 2022 version of the model was released on June 25, 2021.

Question(s):

- a) Please update to use the current version of the RTSR model, or explain why LUI considers the 2021 model to be more appropriate.
- b) If LUI updates to the 2022 model, please confirm that the updated 2022 RTSR model has the correct 2020 RRR data, and that the historic wholesale volumes reflect 2020 actual.
- c) If LUI opts to stay with the 2021 RTSR model, please confirm that the historic wholesale volumes reflect 2019 actual.

3.6-Staff-46

Ref: Exhibit 8, page 9

Preamble:

LUI proposes to “maintain its current Retail Service Charges and Specific Service Charges.”

Question(s):

- a) Please confirm that LUI’s 2021 retail service charges are based on the OEB’s standard retail service charges.
- b) Does LUI propose to continue using the standard retail service charges, as updated by the OEB, or does Lakefront Utilities propose to continue using the 2021 retail service charges in 2022?

3.7-Staff-47

Ref: Exhibit 8, pages 13-16

Preamble:

LUI is proposing to charge \$2.00 for printing paper bills. It indicates that this is based on labour, postage, and outsourcing costs, which total \$2.33. It further indicates that the proposed \$2.00 charge is the \$2.33 cost rounded to the nearest \$0.50. No costs associated with e-billing have been identified.

A new specific service charge of \$15.00 is proposed for duplicate invoices. This is based on labour costs of \$14.66, again with rounding to the nearest \$0.50.

Question(s):

- a) Is it LUI's proposal to round the \$2.33 paper bill cost to the nearest \$0.50 (\$2.50), or is the intent to charge \$2.00 based on another rationale?
- b) Please advise any Ontario LDC precedent or rule which would permit billing for paper bills.
- c) Which Canadian communications companies are charging consumers for paper bills for one or more the services they offer?
- d) Is it LUI's proposal to round the \$14.66 duplicate invoice cost to the nearest \$0.50 (\$14.50), or is the intent to charge \$15.00 based on another rationale?

3.7-Staff-48

Ref: Exhibit 1, Page 110

Ref: Exhibit 8, Pages 13,14

Preamble:

LUI states it provides both electricity and water and sewer charges on one bill. Lakefront LUI proposes a monthly charge for customers continuing to require paper bills. Total customers on e-billing has been stated to be approximately 28%.

Question(s):

- d) How does Lakefront Utilities' e-billing uptake of 28% compare to other utilities?
- e) Other utilities have had success moving customers to e-billing by implementing incentive programs. What has Lakefront Utilities done to incentivize customers to change to e-billing?
- f) What has Lakefront Utilities done to determine why customers have not changed to e-billing, and what has it found?
- g) What steps has Lakefront Utilities undertaken to consult with its customers about implementing the new monthly charge for paper bills and what were the results?
- h) What would the e-billing system cost Lakefront Utilities to operate and maintain if all customers were on e-billing, in total per year and per customer per year?
- i) As electricity and water/sewer bills are provided on the same paper bill, are the costs to produce and mail the joint paper bills currently shared between Lakefront Utilities and Lakefront Utilities Services Inc. (LUSI)? Please detail the allocation of the cost to produce and mail paper bills between LUSI and LUI.

- j) Are water/sewer customers able to access their account and billing electronically if they sign up for e-billing with Lakefront Utilities, or do they continue to receive paper water/sewer bills?
- k) Will a portion of the monthly charge for customers requiring paper bills will be allocated to LUSI? If so, how much and how is this reflected in the application?
- l) Please provide the following for 2018-2020.
- i. Number of customer complaints regarding billing
 - ii. Yearly cost for printing and mailing paper bills
 - iii. Yearly cost for e-billing
 - iv. Percentage of customers using e-billing
 - v. Bad debt from customer energy accounts

4.0 ACCOUNTING

4.1-Staff-49

Ref 1: Exhibit 1, Section 2.1.6

Ref 2: Exhibit 4, Section 2.4.6.2

Preamble:

LUI has proposed to dispose of the LRAMVA balances over a 24-month period from January 1, 2022 to December 31, 2023. Per OEB policy, rate mitigation over a period longer than 12-months is recommended when bill impacts exceed 10% for a given rate class.

Question(s):

- (a) Please complete the tables below for both a one-year and two-year disposition period for the LRAMVA for each rate class.

One-Year Disposition Period

Rate Class	Total LRAMVA Balance Including Interest (\$)	LRAMVA Rate Rider	Total Customer Bill Impact (%)
Residential			
GS < 50 kW			
GS 50 to 2,999 kW			

Two-Year Disposition Period

Rate Class	Total LRAMVA Balance Including Interest (\$)	LRAMVA Rate Rider	Total Customer Bill Impact (%)
Residential			
GS < 50 kW			
GS 50 to 2,999 kW			

- (b) Considering that the total as filed bill impact for the Residential, GS < 50 kW, and GS 50 to 2,999 kW customers are all materially below the 10% mitigation threshold, please elaborate on the rationale for why a two-year disposition period for the LRAMVA balances is being sought.

4.1-Staff-50

Ref 1: Exhibit 4, Section 2.4.6.2

Ref 2: LRAMVA Workform

Preamble:

LUI stated that LRAMVA carrying charges \$366.06 to the end of December 31, 2022 and that rates in 2021 was summed to be 0.57%

Question(s):

- (a) Please identify why carrying charges were calculated to December 31, 2022, but Lakeland Utilities applied for the LRAMVA rate rider to be applied to customer bills until December 31, 2023.
- (b) Please identify where the calculations for the 2021 and 2022 LRAMVA carrying charges can be found within the LRAMVA Workform. In the response, please identify how the 2021 carrying charge interest rate sum of 0.57% was calculated.

4.1-Staff-51

Ref 1: Exhibit 2, Appendix C Capitalization Policy

Ref 2: Appendix 2-BA Fixed Assets Continuity Schedules

Preamble:

In Reference 1, OEB staff notes that there is no policy on asset disposals discussed as part of LUI's capitalization policy. In the 2019 Fixed asset continuity schedule of Reference 2, OEB staff notes that there were asset disposals which had the same costs and accumulated depreciation of \$254,203.

Questions:

- a) Please provide LUI's policy regarding the asset disposals.
- b) Please explain why the 2019 asset disposal had the same costs and additions in accumulated depreciations (i.e. there were no gains or losses for the disposals).

4.2-Staff-52

Ref 1: Exhibit 1, Page 41

Ref 2: Appendix 2-A

Preamble:

In Reference 2, LUI has requested a two-year disposition of Group 1 and Group 2 Deferral and Variance Accounts (DVAs) and the Lost Revenue Adjustment Mechanism Variance Account (LRAMVA). However, LUI did not list these requests in Reference 1.

Question:

- a) Please confirm that LUI is requesting the disposition of Group 1 and Group 2 DVAs and the LRAMVA in this application.

4.2-Staff-53

Ref: Exhibit 9, Page 4

Preamble:

OEB staff notes that LUI has requested final disposition of Group 1 and Group 2 DVA balances including accounts 1588 and 1589 in this application while the audit of these two accounts by the OEB's Audit and Investigation Department, which was ordered by the OEB in LUI's 2020 IRM Decision and Order, has not been completed at the time of filing the application. LUI stated that it will update its application to reflect any revisions to Account 1588 and 1589 as a result of the audit.

Questions:

- a) Please provide an update of the status of the audit.
- b) Please provide LUI's position on not disposing the accounts 1588 and 1589, if the audit of these two accounts cannot be completed in time before the conclusion of this proceeding.
- c) Please provide the DVA rate riders and bill impacts, under the scenario of excluding disposition of accounts 1588 and 1589.

4.2-Staff-54**Ref 1: DVA Continuity Schedule****Ref 2: Exhibit 9, Pages 8 and 9**

Preamble:

LUI has requested disposition of account 1550 LV variances of \$2,517,025 as part of the Group 1 account balances. OEB staff notes from the DVA continuity schedule that the \$2,517,025 balance is comprised of the following principal and interest amounts from 2016 to 2020:

\$	Net transactions per DVA continuity schedule	Total Interest	Total Claim
2016	415,998		
2017	391,550		
2018	265,322		
2019	533,328		
2020	817,790		
Total	2,423,988	93,037	2,517,025

LUI provided the analysis of LV variances in 2017 to 2020 in Table 9.1 of Reference 2.

Table 9.1: Analysis of Low Voltage Charges

Year	Actual Charges Billed to Customers	Low Voltage Charges Paid to Hydro One	Variance
2017	\$308,676	\$700,226	\$391,550
2018	\$335,983	\$601,305	\$265,322
2019	\$304,521	\$837,849	\$533,328
2020	\$312,010	\$1,129,800	\$817,790

LUI further stated that:

Lakefront notes that the amount included in Lakefront's 2017 Cost of Service filing (EB-2016-0089) to calculate the low voltage charge was \$313,004 due to a miscalculation when preparing the filing. Consequently, the difference between the amount billed to customers and the actual amount paid to Hydro One has created a significant variance.

Questions:

- Please update Table 9.1 by including 2016 in the analysis.
- Please elaborate on the miscalculation of low voltage charge of \$313,004 in LUI's 2017 cost of service application, including the relevant evidence in the 2017 cost of service application.
- Please explain when LUI became aware of this miscalculation error in its 2017 application.

4.2-Staff-55

Ref: Account 1595 Analysis Workform

Preamble:

Tab "1595 -2012" of Account 1595 Analysis Workform shows the total residual balance of \$101,727, which is comprised of the DVA rate rider residual balance of \$96,146 and the GA rate rider residual balance of \$5,581. LUI did not provide the analysis for the DVA rate rider residual balance of \$96,146 because the variance % is -9.8%.

Tab "1595 -2016" of Account 1595 Analysis Workform shows the total residual balance of -\$80,679, which is comprised of the DVA rate rider residual balance of \$33,499 and the GA rate rider residual balance of -\$114,178. LUI provided the analysis for both DVA rate rider and GA rate rider residual balances. However, the analysis for the DVA rate rider residual balance shows the variance of \$13,906, which only explains 42%

(\$13,906 of \$33,409) of the DVA rate rider residual balance.

Question(s):

- a) Please provide the analysis for the DVA rate rider residual balance of \$96,146 in Tab “1595-2012”.
- b) Please explain the remaining 58% variance in the DVA rate rider residual balance of \$33,499 in Tab “1595-2016”.

4.2-Staff-56

Ref: Account 1595 Analysis Workform

Preamble:

Tab “1595 -2015” of Account 1595 Analysis Workform shows the total residual balance of (\$52,355), which is comprised of the total residual balances pertaining to principal and carrying charges approved for disposition of \$58,423 and carrying charges recorded on net principal account balances of (\$110,778):

Components of the 1595 Account Balances:	Residual Balances Pertaining to Principal and Carrying Charges Approved for Disposition	Carrying Charges Recorded on Net Principal Account Balances	Total Residual Balances
Total Group 1 and Group 2 Balances excluding Account 1589 - Global Adjustment	\$36,815	-\$89,730	-\$52,915
Account 1589 - Global Adjustment	\$21,608	-\$21,048	\$560
Total Group 1 and Group 2 Balances	\$58,423	-\$110,778	-\$52,355

Question:

- a) Please explain why the total carrying charges recorded on net principal account balances of (110,778) are in opposite direction and in large absolute figure as

compare to the total residual balances pertaining to principal and carrying charges approved for disposition of \$58,423?

4.2-Staff-57**Ref 1: Report of the OEB “Energy Retailer Service Charges”, EB-2015-0304****Ref 2: Exhibit 9, Page 12**

Preamble:

Report of the OEB for Energy Retailer Service Charges states that:

At market opening, there was uncertainty about the cost of the settlement process with electricity retailers. This settlement process has now been an integral part of the operations of electricity distributors for more than 16 years. At rebasing, the balances will be disposed of and the RCVAs will be eliminated.

...The OEB does not see merit in electricity distributors continuing to track these variances beyond rebasing.

In Reference 2, LUI proposed continuing the retail service variance accounts 1518 and 1548.

Question(s):

- a) Based on the statements made in the OEB’s Report, please provide any rationale for LUI’s request to continue use of these accounts. Alternatively, please provide LUI’s position on discontinuing these accounts, in accordance with the Report.

4.2-Staff-58**Ref 1: DVA Continuity Schedule****Ref 2: Account 1592 Support excel file****Ref 3: the OEB’s Letter “Accounting Direction Regarding Bill C-97”, July 25, 2019**

Preamble:

In Reference 1, LUI is requesting disposition of \$68,164, comprised of a \$67,713 principal balance and \$836 in interest. LUI did not explain how the revenue requirement impacts are calculated and the percentage of sharing with ratepayers in Exhibit 9. LUI provided an excel file “Account 1592 Support”, showing the calculation of the principal balance of \$67,713 in the account (the following is copied from the excel file):

	\$
2018 CCA Difference	2,357.28
2019 CCA Difference	22,038.06
2020 CCA Difference	41,701.48
Total	66,096.82
Principal balance in DVA continuity schedule	67,713.12
Difference	(1,616.30)

OEB staff notes the following observations from the Account 1592 excel file:

- the CCA differences in the table above are not grossed up by LUI's corporate tax rates
- the 2018 CCA difference of \$2,357 represents only the CCA difference for class 47 distribution assets of \$131,371
- the 2019 CCA difference of \$22,038 appears linking to an incorrect cell on 2019 Tab of the Account 1592 support excel file; based on the 2019 tab, the CCA difference calculated in 2019 (cell D19) is \$30,193.57

The OEB's July 25, 2019 letter Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance states that:

The OEB expects Utilities to record the impacts of CCA rule changes in the appropriate account (Account 1592 - PILs and Tax Variances and similar accounts for natural gas utilities and OPG) for the period November 21, 2018 until the effective date of the Utility's next cost-based rate order. For the purposes of increased transparency, the OEB is establishing a separate subaccount of Account 1592 - PILs and Tax Variances – CCA Changes specifically for the purposes of tracking the impact of changes in CCA rules.

Questions:

- a) Please clarify that the CCA differences noted in the Account 1592 Support excel file represent the revenue requirement impacts of changes in CCA rules in the respective periods.
- b) Please explain LUI's proposed percentage of sharing with ratepayers regarding the revenue requirement impacts of the CCA differences.
- c) Please explain why LUI has calculated the 2018 CCA difference on class 47 distribution assets only, i.e. not including the CCA differences on other assets.

- d) Please provide a copy of Schedule 8 of LUI's 2018 tax return and reconcile that with the accelerated CCA figure provided in the Account 1592 Support excel file.
- e) Please update the 2019 CCA difference by linking to the correct cell of 2019 tab in the Account 1592 Support excel file.
- f) Please provide a copy of Schedule 8 of LUI's 2019 tax return and reconcile that with the accelerated CCA figure provided in the Account 1592 Support excel file.
- g) Please update the table above for the revenue requirement impacts in Account 1592 by grossing up the CCA differences by LUI's corporate tax rates.

5.0 OTHER

5.3-Staff-59

Ref: Exhibit 3, Page 16

Ref: Load Forecast Model, sheet 5. Variables

Preamble:

Lakefront states that it "has replaced the actual total system load for April to June 2020 with the average from 2011 to 2019 thereby removing any load impacts resulting from COVID-19 on the load forecast."

Question(s):

- a) Please confirm that Lakefront utilities has not replaced the actual explanatory variables April to June 2020 with historic averages for these values or explain where this was done.
- b) As a scenario, please update the explanatory variables for April to June 2020 to be averages from 2011 to 2019.
- c) Please discuss the extent to which LUI's load was impacted by COVID-19 in July – December 2020.
- d) Please discuss the extent to which LUI expects its load to be impacted by COVID-19 in 2022.

5.3-Staff-60

Ref 1: Exhibit 9, DVA continuity schedule

Ref 2: Exhibit 1, Page 14

Ref 3: Report of the OEB for Regulatory Treatment of Impacts Arising from the COVID-19 Emergency, June 17, 2021

Preamble:

Pages 2 to 3 of the *Report of the OEB: Regulatory Treatment of Impacts Arising from the COVID-19 Emergency*, dated June 17, 2021, (the Report) summarizes the rules and operations of Account 1509. Included in that summary are the following:

- The OEB will adopt a means test for recovery.
- The means test will be based on a utility's achieved regulatory return on equity (ROE) compared to its OEB-approved ROE less 300 basis points (bps). Recovery will be anchored to this ROE-based means test (i.e., no greater than the lower end of the dead band of 300 bps from a utility's approved ROE).
- The net amounts recorded in the Account are subject to a 50% recovery rate.
- The OEB will apply a separate set of rules for the costs necessary to comply with government or OEB-initiated programs aimed at providing relief to customers which is referred to as the Exceptional Pool. Those costs are eligible for a 100% recovery rate and are subject to an approved ROE plus 300 bps means test.
- For those utilities that intend to submit claims for recovery, both costs and savings are to be recorded in the Account and presented on a net basis.

LUI is requesting disposition of \$23,225 in COVID-19 related costs recorded in Account 1509. In reference 2, LUI provided a breakdown of the COVID-19 related costs in Table 10.

OEB staff understands that LUI's evidence regarding the COVID-19 impacts recorded in Account 1509 was filed before the issuance of the Report.

Questions:

- a) Please provide any updates to the pre-filed evidence with respect to Account 1509, in consideration of the rules for the account set out in the Report. Please include any updates to LUI's position, including supporting rationale, with respect to its request to recover incremental COVID-19-related impacts. For any aspects of LUI's proposal that remain unchanged, after consideration of the Report, please advise why that aspect of the proposal remains appropriate.
- b) Is LUI proposing to discontinue use of the Account effective January 1, 2022? If not, please explain.
- c) Has LUI experienced any impacts to cost or execution of capital and maintenance projects due to COVID-19 in 2021? If so, please specify the impacts.
- d) If the LUI forecasts charging more than more than \$50k to Account 15029 in 2021, please provide a breakdown of the forecast amounts.