



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

**BY EMAIL**

December 19, 2022

Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
Toronto ON M4P 1E4

Dear Ms. Marconi:

**Re: EB-2022-0047 Application for 2023 Rates**

In accordance with Procedural Order #1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

Lakeland Power Distribution Ltd.'s responses to interrogatories are due by January 13, 2023.

Any questions relating to this letter should be directed to Kelli Benincasa at [Kelli.Benincasa@oeb.ca](mailto:Kelli.Benincasa@oeb.ca) or at 416-440-7624. The Board's toll-free number is 1-888-632-6273.

Yours truly,

*Original Signed By*

Kelli Benincasa  
Incentive Rate Setting & Regulatory Accounting

Encl.

**OEB Staff Interrogatories  
Lakeland Power Distribution Ltd.  
EB-2022-0047**

Please note, Lakeland Power Distribution Ltd. (Lakeland Power) is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

**OEB Staff – 1**

**Ref: IRM Rate Generator Tab 16, 17, 19 and 20 – Annual Adjustment Mechanism**

**Ref: OEB Letter, 2023 Inflation Parameters**

**Ref: EB-2022-0020, Decision and Order**

**Ref: EB-2022-0021, Decision and Order**

OEB staff has made the following updates to Lakeland Power's Rate Generator:

- Updated the IPI Inflation Factor to 3.70%<sup>1</sup> in Tab 16 and Tab 17- Retail Service Charges
- Updated the Ontario Electricity Rebate in Tab 20 to 11.7% (as of November 1, 2022)
- Updated the Wireline Pole Attachment Charge to \$36.05<sup>2</sup> in Tab 17
- Updated Retail Service Charges by the inflation factor of 3.7% in Tab 17

**Question:**

- a) Please confirm the accuracy of these updates in the attached rate generator.

**OEB Staff – 2**

**Ref: IRM Rate Generator Tab 17, 19 and 20 Smart Meter Entity (SME) Charge**

OEB staff has updated the SME charge from \$0.43 to \$0.42.

**Question:**

- a) Please confirm this is correct.

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<sup>1</sup> OEB Letter, 2023 Inflation parameters, issued October 20, 2022

<sup>2</sup> EB-2022-0221, Decision and Order, issued November 3, 2022

**OEB Staff – 3**

**Ref: IRM Rate Generator Tab 17 and Tab 20 – Regulatory Charges, Time of Use RPP Prices and Distribution Rate Protection Charge**

OEB staff has made the following updates to Tab 17 of the rate generator:

**Regulatory Charges**

| Effective Date of Regulatory Charges                             |        | January 1, 2022 | January 1, 2023 |
|--|--------|-----------------|-----------------|
| Wholesale Market Service Rate (WMS) - not including CBR          | \$/kWh | 0.0030          | 0.0041          |
| Capacity Based Recovery (CBR) - Applicable for Class B Customers | \$/kWh | 0.0004          | 0.0004          |
| Rural or Remote Electricity Rate Protection Charge (RRRP)        | \$/kWh | 0.0005          | 0.0007          |
| Standard Supply Service - Administrative Charge (if applicable)  | \$/kWh | 0.25            | 0.25            |

|  |    |       |
|--|----|-------|
| Distribution Rate Protection (DRP) Amount (Applicable to LDCs under the Distribution Rate Protection program): | \$ | 38.08 |
|--|----|-------|

**Time-of-Use RPP Prices**

| As of    |        | November 1, 2022 |
|----------|--------|------------------|
| Off-Peak | \$/kWh | 0.0740           |
| Mid-Peak | \$/kWh | 0.1020           |
| On-Peak  | \$/kWh | 0.1510           |

**Question:**

- a) Please confirm the accuracy of these updates in the rate generator.

**OEB Staff – 4**

**Ref: IRM Rate Generator Tab 19 and Tab 20 – Retail Service Transmission Rates (RTSRs)**

**Ref: Decision and Order, EB-2021-0110**

OEB staff made the following updates to Tab 11 of the rate generator model:

| Hydro One Sub-Transmission Rates                     |    | Unit | 2021   |    | 2022   |    | 2023   |
|--|----|------|--------|----|--------|----|--------|
| Rate Description                                     |    |      | Rate   |    | Rate   |    | Rate   |
| Network Service Rate                                 | kW | \$   | 3.4778 | \$ | 4.3473 | \$ | 4.6545 |
| Line Connection Service Rate                         | kW | \$   | 0.8128 | \$ | 0.6788 | \$ | 0.6056 |
| Transformation Connection Service Rate               | kW | \$   | 2.0458 | \$ | 2.3267 | \$ | 2.8924 |
| Both Line and Transformation Connection Service Rate | kW | \$   | 2.8586 | \$ | 3.0055 | \$ | 3.4980 |

| Uniform Transmission Rates             |    | Unit | 2021       |            | 2022       |            | 2023    |
|--|----|------|------------|------------|------------|------------|---------|
| Rate Description                       |    |      | Jan to Jun | Jul to Dec | Jan to Mar | Apr to Dec | Rate    |
| Network Service Rate                   | kW | \$   | 4.67       | \$ 4.90    | \$ 5.13    | \$ 5.46    | \$ 5.60 |
| Line Connection Service Rate           | kW | \$   | 0.77       | \$ 0.81    | \$ 0.88    | \$ 0.88    | \$ 0.92 |
| Transformation Connection Service Rate | kW | \$   | 2.53       | \$ 2.65    | \$ 2.81    | \$ 2.81    | \$ 3.10 |

**Question:**

- a) Please confirm the accuracy of these updates in the rate generator.

**OEB Staff – 5**

**Ref 1: Manager’s Summary, p. 28**

**Ref 2: Tab 8 – IRM Rate Generator Model**

**Ref 3: 2006 Electricity Distribution Rate Handbook, May 11, 2005**

**Ref 4: Filing Requirements For Electricity Distribution Rate Applications - 2022 Edition for 2023 Rate Applications, April 18, 2022**

Lakeland Power has proposed \$0 in tax sharing even though the IRM Rate Generator Model has calculated a tax sharing amount to be refunded to customers of (\$13,324). Lakeland Power indicated that it will be paying 26.5% on its tax return as the small business deduction applies to the consolidated group of Lakeland Power and its affiliates.

Lakeland Power also stated that it believes there may be an error in the tax change calculation as the small business deduction is calculated based on rate base, which is approximately net book value of capital assets and not gross book value. Lakeland Power noted that if the taxable capital remained constant at the gross book value of \$45,470,233, approximately \$57,000 of taxable income would receive the small business deduction rate of 12.2%.

Section 2.6.2 of the Filing Requirements states that distributors are to use the stand-alone principle when determining Payment in Lieu of Taxes (PILs).

Page 64 of the Rate Handbook noted in Reference 3 states:

When calculating 2006 regulatory Ontario Capital Tax and the federal LCT, the applied-for 2006 rate base in the application should be used as the proxy for 2006 taxable capital for OEB purposes.

The applicant has the option of substituting its estimated 2006 taxable capital for the rate base proxy. In such cases, the following information must be provided:

- full details of the capital tax calculation, including balance sheet assumptions
  - the estimate calculated using rate base as a proxy
- a) Lakeland Power noted that it will be paying 26.5% tax rate on its tax return as the small business deduction applies to the consolidated group of Lakeland Power and its affiliates. Please clarify whether Lakeland Power's view is that the stand-alone principle as referenced in the Filing Requirements, should not apply for tax sharing purposes. If so, please explain.
  - b) Please explain why Lakeland Power believes that the application of the small business deduction should be based on the gross book value of capital assets.
  - c) Please comment on using rate base as a proxy for taxable capital in consideration of the Rate Handbook, referenced above.
  - d) The small business rate, if applicable, applies to the first \$500,000 in income. Please confirm that Lakeland Power is expecting approximately \$57,000 of taxable income for 2023. If not confirmed, please explain how the \$57,000 is derived.
  - e) Please provide the calculation for the 12.2% small business deduction rate.

## **OEB Staff – 6**

**Reference:** Managers Summary Page 28

**Preamble:** The 2021 CDM Guidelines (section 8) require distributors filing an application for 2023 rates to seek disposition of all outstanding LRAMVA balances related to previously established thresholds, including approval of LRAM-eligible amounts in future years (arising from persisting savings) until a distributor's next rebasing application, unless a distributor does not have complete information on eligible savings.

### **Questions:**

- a) Please confirm that the distributor will not be seeking to dispose of any balance in the LRAMVA due to LRAM-eligible CDM activities funded by the IESO through

the Conservation First Framework or Interim Framework in a future year's application.

- i. If not confirmed, please explain why a request for disposition was not submitted as part of this application.
- ii. If confirmed, please also confirm that Lakeland Power has verified that, relative to the LRAMVA threshold (if any) established in Lakeland Power's most recent rebasing application, the balance in the LRAMVA, and any prospective LRAM-eligible amounts until the next rebasing, are either zero or a debit (i.e., not a credit that would need to be refunded to customers).

## **OEB Staff – 7**

### **Ref 1: Managers Summary Page 29**

Lakeland Power states that:

The ROE achieved in 2021 was 12.06%, 3.08% above the deemed return which contained accounting adjustments related to 2020 resulting in an offside representation of LPDL's sustained performance.

Lakeland Power also states that: The primary factor in the excess return for 2021 is the change in OM&A expenses which was \$243,035 below the approved CoS.

This reduction is explained by 2 main items:

(1) LPDL increased its deferred revenue by \$2,138,764, primarily due to Broadband expansion in our area, which is significantly higher than a normal year, driven by the Ontario government's Broadband Act. This influx in contributed capital was equivalent to one year's normal capital. In order to keep up with the customer demand, employees were primarily working on capital projects throughout the year resulting in an abnormal reduction of maintenance being performed and deferred to 2022.

(2) Due to Covid in 2020, LPDL had a bad debt expense of \$429,780 which was the main contributor to the low ROE achieved in 2020. This expense is an accounting estimate based on Aged Receivables and timing of customer payments. During 2021 the Aged Receivables reduced and LPDL recorded an ending bad debt revenue of \$28,467. This accounting estimate was a swing of \$458,246 from 2020 to 2021 end balances.

- a) Please provide a copy of the 2021 RRR 2.1.5.6 that was filed.
- b) Please provide a detailed explanation for each of the Non-rate regulated items (Appendix 1) on the 2021 ROE (RRR 2.1.5.6) which reduced the regulatory net income for Lakeland Power in 2021.
- c) For the contributor of the reduced maintenance fees from the increased contributed capital due to the Broadband project, please explain what benchmark Lakeland Power is

used in the statement of the reduced maintenance fees. What was the 2022 maintenance fee in this context? And what was the corresponding approved maintenance fee in Lakeland Power's last rebasing application.

- d) For the contributor of the bad expense, please provide the 2021 actual bad debt expense and the bad debt expense that was approved as part of the OM&A expense in Lakeland Power's last rebasing application. Please compare the 2021 actual vs. the bad debt expense that was embedded in the approved OM&A expense in Lakeland Power's last rebasing application and explain the reasons of the decrease/increase of the expense.

## **OEB Staff – 8**

### **Ref: Managers Summary Page 29**

- a) Please provide 2022 regulated ROE based on the forecast and actual data of 2022. Please provide the drivers if the 2022 forecasted ROE is outside of the 300 basis point of the deemed ROE.