



***PUBLIC INTEREST ADVOCACY CENTRE
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VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

**Re: Vulnerable Energy Consumers Coalition (VECC)
EB-2008-0234 Lakeland Power Distribution Limited – 2009 Electricity
Distribution Rate Application**

Please find enclosed the interrogatories of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

Lakeland Power Distribution Ltd. (LPD)
2009 Electricity Rate Application
Board File No. EB-2008-0234

VECC's Interrogatories

Question #1

Reference: Exhibit 1/Tab 3/Schedule 5, Appendix A

- a) Please provide a copy of the three-year plan developed with UtiliAssist assistance (per pages 14-15)?
- b) What is the anticipated timing (i.e., required in-service dates) of the two new substations that LPD expects it will need?

Question #2

Reference: Exhibit 3/Tab 1/Schedule 2, page 1

- a) Please confirm whether the rates used in each year to determine the revenues shown on page 1:
 - Include/exclude the smart meter rate adder.
 - Recognize the lower revenues realized due to the transformer ownership allowance discount.
 - Include/exclude adders for LV charge recovery
- b) Please confirm that the 2009 revenues are calculated using 2009 proposed rates.
- c) If different from the filed schedule, please provide a similar schedule for 2009 but with the following adjustments:
 - Use proposed 2009 rates (if required)
 - Exclude the smart meter rate adder (if required)
 - Recognize the lower revenue due to the transformer ownership allowance discount (as required).
 - Exclude the LV cost recovery adders

Question #3

Reference: i) Exhibit 3/Tab 2/Schedule 1, page 2
ii) Exhibit 1/Tab 3/Schedule 5, Appendix A, page 10

- a) Please reconcile the customer additions reported in the two references for 2007, 2008 and 2009.

Question #4

Reference: Exhibit 3/Tab 2/Schedule 2

- a) Please re-do the regression analysis presented on page 3 including as separate explanatory variables: i) the number of Residential and GS<50 customers; ii) the number of GS>50-999; and iii) the number of GS>1000-4999 customers.
- b) What is the source of the GDP forecast used in LPD's load forecast and what is the publication date? Are there more recent forecasts available and, if so, please provide them and update the load forecast accordingly.
- c) With respect to page 5, please confirm if the assumed 2.7% loss factor used to determine the 2008 and 2009 billed forecast is consistent with that proposed in the Application and used in the determination of the Cost of Power (for working capital calculations). If not, please reconcile any inconsistencies.
- d) Please reconcile the 2008 and 2009 total customer count forecast values presented in Table 8 with the forecast values presented in Appendix B. The values in Appendix B appear to be less than those presented on page 7.
- e) With respect to page 8 (Table 10), please confirm that – for weather sensitive classes - the year to year growth in average customer usage will be impacted by year to year changes in weather. If this is confirmed, please explain why the average historical growth rate provides a reasonable forecast of non-weather normalized average use as suggested in the derivation of Table 11.
- f) With respect to page 9, is it LPD's contention that 100% of Residential and GS<50 kW load is weather sensitive? If so, why is this contention reasonable? If not, what does the 100% represent?
- g) Please provide the Hydro One data and the LPD analysis that supports the percentages in Table 13.
- h) Please provide the Retail NAC by customer class calculated based on the Hydro One weather normalized 2004 data and in the same schedule set out the

average weather normalized use per customer forecast by LPD for 2008 and 2009 by customer class.

- i) Please provide a table that sets out the actual number of customers in each customer for the most recent month in 2008 for which such data is available.
- j) With respect to page 8 (Table 10), does LPD have any explanation for the significant drop in average use for the GS 50-999 class between 2001 and 2002? It appears that there was a drop in customers between these two years – was one of them a relatively large customer?
- k) Please re-do the analysis set out in Tables 11 through 14, but for the GS 50-999 class, exclude the 2001/2002 change from the determination of the average growth rate for the class.
- l) With respect to page 10 (Table 14), please provide a schedule that indicates how the 1.7 GWh and 1.0 GWh 2009 adjustments for the Residential and GS<50 classes were determined.
- m) Please reconcile the customer counts for 2008 and 2009 presented in Table 8 of this schedule with those presented in:
 - Exhibit 3/Tab 2/Schedule 2, Appendix A, page 1 and
 - Exhibit 3/Tab 2/Schedule 3, page 2.For some classes the values are different. Which set of customer counts is used in deriving the rates in Exhibit 9?

Question #5

Reference: Exhibit 7/Tab 1/Schedule 1

- a) Please provide a schedule that sets out the calculation of the \$3,966,075.53 Distribution Revenue at existing rates, showing the rates, billing units and revenues by customer class.
- b) Please confirm whether the rates used to determine the Distribution Revenues (at existing rates):
 - Excluded the smart meter rate adder.
 - Recognized the lower revenues realized due to the transformer ownership allowance discount.
 - Excluded adders for LV charge recovery.
- c) If different from the schedule prepared in response to part (a), please provide an alternate schedule for the rates, volumes and revenues by customer class for 2009 Distribution Revenues at existing rates that:

- Excludes the smart meter rate adder (if required)
- Recognizes the lower revenue due to the transformer ownership allowance discount (as required).
- Excludes the LV cost recovery adders.

Question #6

Reference: Exhibit 8/Tab 1/Schedule 2, pages 1-4

a) Please complete the following schedules:

- kWh by Customer Class (delivered)

Customer Class (all)	Cost Allocation Filing		2009 Application	
	kWh	% of Total	kWh	% of Total

- Customer/Connection Count

Customer Class (all)	Updated Cost Allocation Filing		2009 Application	
	# Customers/ Connections	% of Total	# Customers/ Connections	% of Total

- b) Based on the results from part (a), please comment on the appropriateness of assuming that the revenue requirement proportions from the Cost Allocation Informational filing are appropriate to utilize for setting 2009 rates as LPD has done in Table 3.
- c) With respect to Table 3, please indicate how the percentages in the Cost Allocation column were derived.
- d) With respect to Tables 2 and 3, please indicate how the percentages in the Rate Application Revenue Requirement column of Table 3 were determined to be consistent with the proposed revenue to cost ratios in Table 2?

- e) Please explain why in Exhibit 3 there are load forecasts for both a GS 50-999 and a GS 1000-4999 customer class but in Exhibits 8 and 9 there is only reference to a single GS>50 class.
- f) For purposes of Exhibits 8 and 9 have the customer count and volume forecasts for the GS 50-999 and GS 1000-4999 classes in Exhibit 3 been combined into one class?

Question #7

Reference: Exhibit 8/Tab 1/Schedule 2

- a) Please confirm that for purposes of the 2006 Updated Cost Allocation Informational Filing:
 - The Revenues are based on distribution rates (excluding the discounts for transformer ownership allowance)
 - The Costs include the cost of the Transformer Ownership Allowance
 - The cost of the Transformer Ownership Allowance is allocated to all customer classes
- b) Please confirm that (per Exhibit 9/Tab 1/Schedule 1, page 6) LPD is proposing to allocate the cost of the transformer ownership allowance to the GS>50 Class.
- c) Please provide the results of an alternative cost allocation where:
 - The Revenues by class are based the rates reduced by the transformer ownership allowance where applicable
 - The Costs allocated exclude the “cost” of the Transformer Ownership Allowance.(Note: For purposes of the response please just file the revise Output Sheet O1)

Question #8

Reference: Exhibit 8, Tab 1, Schedule 2, page 3,
OEB Decision re: Wellington North’s 2008 Rates (EB-2007-0693)

Preamble: On page 29 of the Board’s EB-2007-0693 Decision the Board’s Findings state:

An important element in the Board’s report on cost allocation was its express reservation about the quality of the data underpinning cost allocation work to date. The report frankly indicated that the Board did not consider all of the data

underpinning the report to be so reliable as to justify the application of the report's findings directly into rate cases. For this reason, among others, the Board established the ranges depicted above and mandated the migration of revenue to cost ratios currently outside the ranges to points within the ranges, but not to unity. In short, the ranges reflect a margin of confidence with the data underpinning the report. No point within any of the ranges should be considered to be any more reliable than any other point within the range. Accordingly, there is no particular significance to the unity point in any of the ranges.

- a) Given the Board's findings (as quote above), why is it appropriate to consider moving the Residential and GS < 50 revenue to cost ratios to 100% when they are both well within the Board's target range?

Question #9

Reference: Exhibit 9/Tab 1/Schedule 1

- a) Please provide a schedule that sets out the derivation of the fixed/variable splits for each customer class as shown on page 3.
- b) Please provide the residential bill impact calculations referred to on page 3 (lines 8-12).
- c) Please provide a schedule that sets out the range for the monthly service charge for each customer class based on the OEB's guidelines and LPD's Cost Allocation run.
- d) Please reconcile the customer count numbers for 2009 set out on page 5 with the various values presented in Exhibit 3.
- e) Please provide a schedule that sets out the proposed 2009 transformer ownership allowance discount, the eligible kW's by class and the total "cost" of the 2009 transformer ownership allowance by customer class.
- f) Please provide a schedule that sets out the calculation of the Retail Tx Conn Revenue by customer class shown on page 7.

Question #10

Reference: Exhibit 9/Tab 1/Schedule 9, Appendix A

- a) Based on a recent 12 consecutive months of actual billing data, please indicate the percentage of total residential customers that:
- Consume less than 100 kWh per month
 - Consume 100 -> 250 kWh per month
 - Consume 250 -> 500 kWh per month
 - Consume 500 -> 750 kWh per month
 - Consume 750 -> 1,000 kWh per month
 - Consume 1,000 -> 1,500 kWh per month
 - Consume 1,500 -> 2,000 kWh per month
 - Consumer > 2,000 kWh per month.

Question #11

Reference: Exhibit 1/Tab 1/Schedule 5, page 1 and
Exhibit 1/Tab 2/Schedule 1, page 4

- a) Please explain the difference between the revenue requirement and deficiency reported on page 1 of Exhibit 1/Tab 1/Schedule 5 (\$5,365,301 and \$991,889) with the revenue requirement and deficiency reported on page 4 of Exhibit 1/Tab 2/Schedule 1 (\$4,957,965 and \$989,094).

Question #12

Reference: Exhibit 1/Tab 2/Schedule 1, page 7

- a) Please explain why Lakeland chose a 7-year tree trimming program, i.e., at the “low end” of the recommendation made in the Hydro One benchmarking study, given that “[o]ne of the single largest factors affecting the cost increases in LPDL is that its service territory is one of the most heavily treed areas of the province” and given the past experience with storm damage.
- b) Please indicate the period of the tree trimming program that LPDL was undertaking at the time of the Hydro One benchmarking study.
- c) Please provide the impact on the revenue requirement of pursuing a 5-year tree trimming program rather than the 7-year program chosen by LPDL.

Question #13

Reference: Exhibit 1/Tab 2/Schedule 2, page 1

- a) Please indicate whether the capital budget forecast is a three-year capital budget that is updated annually resulting in successive three-year overlapping plans (2006-08, 2007-09, etc.) If so, please provide a copy of the latest three-year budget and provide a copy of the previous three-year budget.

Question #14

Reference: Exhibit 1/Tab 3/Schedule 5, Appendix A, page 13

- a) The 2007 Annual Report shows distribution system maintenance expense increasing by \$179,600 in 2005 over its 2004 level of \$715,400. Please provide a high-level explanation as to why these expenses increased by about 25% in the year before the 2006 storm.

Question #15

Reference: Exhibit 2/Tab 1/Schedule 1, page 10

- a) The evidence states that “[a]ll Managers review budget progress on a monthly basis.” Please indicate whether 2008 capital expenditures are tracking the budgeted amounts to date and explain any material variances..
- b) Please indicate whether the 2008 bridge year capital spending projections include actual amounts for earlier months in 2008 and projected amounts for the remainder of 2008. If so, please indicate how many months of actual spending is included and also indicate whether an update is feasible and useful. If not, please explain why not.

Question #16

Reference: Exhibit 2/Tab 1/Schedule 2, page 1, Table 1 and
Exhibit 2/Tab 2/Schedule 5, page 1

- a) Is the explanation for the 2006 actual accumulated depreciation being so much greater than Board approved entirely due to it representing two years of depreciation? Depreciation was so much greater than the Board approved amount that although actual 2006 gross fixed assets were about \$1.6M above the Board approved level and actual 2006 working capital was also above the

Board approved level, rate base was below the Board approved level in 2006 and has remained so thereafter.

Question #17

Reference: Exhibit 2/Tab 3/Schedule 1, page 3, Table 1

- a) Please provide the amounts that LPDL had budgeted for 2006 and 2007 by account for distribution plant.

Question #18

Reference: Exhibit 2/Tab 3/Schedule 1, pages 4-5

- a) The evidence states that \$500,000 for putting in the 10 MVA substation was/will be “actually paid in 2008 but brought into service in 2009.” Please provide the amount spent to date on this and the breakdown of the \$500,000 into the amount of contributed capital and the amount of utility invested capital.

Question #18

Reference: Exhibit 2/Tab 3/Schedule 1, page 9, Table 3

- a) Please provide a breakdown, by number and type of equipment purchased, of “new & replacement hardware: desktops, laptops, monitors, printers” for each year 2006-2009.
- b) Please provide details of the annual expenditures on “new software” for each year 2006-2009 and indicate how and from whom the software was procured.

Question #19

Reference: Exhibit 2/Tab 3/Schedule 1, page 10 and
Exhibit 2/Tab 2/Schedule 1, page 4

- a) With respect to the 2002 bucket truck that is being replaced, please provide the original cost, accumulated depreciation, average life, and estimated salvage value.
- b) Please explain why there is no entry for disposals in Account 1930 in the 2009 continuity statement for the truck that is being replaced.

Question #20

Reference: Exhibit 2/Tab 3/Schedule 2, page 3

- a) With respect to the project to replace 100 transformers, please provide the number replaced in 2008 to date and indicate whether LPDL is on track to replace 30 in 2008.
- b) Please provide the number of transformers replaced in 2007 due to PCB concerns.