

**Board Staff Interrogatories**  
**2009 Incentive Regulation Mechanism Rate Application**  
**Lakefront Utilities Inc.**  
**EB-2008- 0193**

**Revenue to Cost Ratios**

*Ref.: 2009 3rd Gen. IRM Supplementary Filing Model, Sheet C2.1*

1. The Board directed, in EB-2007-0761, that increased revenues be collected from the street lighting and sentinel lights. The Board also directed, at page 21 of that decision, that “to the extent additional revenue is forecasted to be collected from the Street Lights and Sentinel Lights classes, the rates for the GS<50 kW and GS 50-2,999 kW classes shall be adjusted downward”.

According to the EB-2007-0761 decision, the adjusted revenue to cost ratio for the GS 50-2,999 kW rate class amounted to 146.8%, in accordance with the Vulnerable Energy Consumers Coalition’s (“VECC”) submission. The 3<sup>rd</sup> Generation IRM Supplementary Filing Model indicates (Sheet C2.1, cell K24) that the actual 2008 revenue to cost ratio for GS 50-2,999 increased to 169.4%.

- a) Please explain why this increase occurred.
- b) Please explain how this result is consistent with the Board’s directions in EB-2007-0761.

*Ref.: 2009 3rd Gen. IRM Supplementary Filing Model, Sheet C3.1*

2. Sheet C3.1 of the 3<sup>rd</sup> generation IRM Supplementary Filing Model indicates a decrease in the expected 2009 revenue to cost ratio for the GS 50-2,999 kW rate class from 169.4% to 164.3% while the ratio will remain the same for the GS<50 kW rate class.
  - a) Please explain why the revenue to cost ratios will not decrease for both of these rate classes
  - b) Please explain how these results are consistent with the Board’s directions in EB-2007-0761.

## **Tax Savings**

*Ref.: 2009 3rd Gen. IRM Supplementary Filing Module, Sheet F1.1*

3. The 3<sup>rd</sup> Generation IRM Supplementary Filing Model (Sheet F1.1) assumes the applicable corporate tax rate for Lakefront Utilities Inc. ("Lakefront") will decrease from 28.9% in 2008, to 28.4% in 2009. The model calculates that 50% of the expected tax savings in 2009 amounts to \$3,518. However, Lakefront has not included a tax sharing rate rider in its application.
  - a) Does Lakefront agree or disagree that any reduction in taxes from 2008 to 2009 should be shared 50%/50% between the distributor and its customers? If not, please provide a clear explanation on how this is consistent with Board's policy for 3<sup>rd</sup> Generation IRM.

*Ref.: 2009 3rd Gen. IRM Supplementary Filing Module, Sheet F1.1*

4. The 3<sup>rd</sup> Generation IRM Supplementary Filing Model (Sheet F1.1) assumes the applicable corporate tax rate was 28.9% in 2008. Lakefront's Manager Summary states on page 7 that "a tax rate of 30.82% was used" in its 2008 cost of service application.
  - a) Please provide the reference and basis of the 30.82% figure.
  - b) What does the applicant consider to be the applicable corporate tax rate for 2009?
  - c) Does the applicant agree with the calculated \$7,036 in tax savings for 2009 (cell G148 of Sheet F1.1)? If not, please provide the total amount and a detailed calculation of what Lakefront considers to be the total amount of tax reduction from 2008 to 2009.

## **Rural or Remote Electricity Rate Protection ("RRRP")**

5. By letter dated December 17, 2008, the Board informed the electricity distributors of the approval it has given to the IESO regarding the level of charge the IESO may apply to its Market Participants for the Rural or Remote Electricity Rate Protection (RRRP) program. In that letter, the Board stated: "Distributors that currently have a rate application before the Board shall file this letter as an update to their evidence along with a request that the RRRP charge in their tariff sheet be revised to 0.13 cents per kilowatt-hour effective May 1, 2009."

If Lakefront has not done so, please file the required addition to the evidence as outlined in the December 17<sup>th</sup> letter.