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BY E-MAIL ONLY

January 9, 2009

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

Dear Ms. Walli:

**Re: Board Staff Submission - Procedural Order No. 2
Lakeland Power Distribution Ltd. ("Lakeland")
Application for Approval of 2009 Electricity Distribution Rates
Board File No. EB-2008-0234**

The following is the submission of Board staff addressing the procedural issues identified in the Board's Procedural Order No. 2, issued on January 5, 2009:

a) Whether Further Discovery is Required, either in the Form of Further Interrogatories or a Technical Conference.

Board staff has specific comments on the following areas of the Lakeland interrogatory responses received on December 19, 2008:

OM&A

Board staff found the responses to the O&M interrogatories to be complete with the exception of Board staff IR #6d) regarding costs for the IFRS conversion. It appears that the \$120,000 cost is one time and will be amortized over a four year period. It is unclear as to whether this cost is already included in the application or if an update is required.

Smart Meters

In response to Board staff IR # 34, Lakeland indicates that it will file an application for a different Smart Meter rate adder in accordance with the Board's Guidelines. The

response does not specify if this application will be submitted in this proceeding.

Retail Transmission Service Rates

In response to Board staff IR#36, Lakeland provides a recalculation of their RTS Rates but does not clearly indicate that it will amend its application to reflect these new rates.

The continuity schedule filed in response to # 38a) shows a steady growth in the surplus in accounts 1584 and 1586 since the beginning of 2006. It appears that the re-calculated RTSRs would serve to correct this, but formal reconciliation of forecast cost based on Hydro One approved RTSR Sub-transmission class rates, and revenues at the RTSRs per Lakeland application would confirm this.

Deferral and Variance Accounts

Board staff acknowledges that Lakeland is not requesting recovery of its Deferral and Variance Account balances, however some discrepancies were noticed in the Lakeland response to Board staff IR # 38a):

The December 31, 2004 principal and interest balances for account 1586 and 1525 in the 2006 EDR are not the same as the beginning balances on January 1, 2005 in this interrogatory response. The interest amounts on January 1, 2005 do not match the December 31, 2004 interest amounts. In the 2006 EDR application, the total of the transfer of Board approved amounts to 1590 (\$3,952,103) in Sheet 1 does not agree with the 2006 transfers total in account 1590 in the IR response.

It may be helpful to clarify the record if Lakeland could reconcile and explain the differences between the ending balance on December 31, 2004 and beginning balances on January 1, 2005 for both documents [2006 EDR model versus continuity schedule provided in response to Board Staff IR # 38a)], and to explain and reconcile the difference between the amount approved by Board in the 2006 EDR vs. the amount shown in the current application in the "Transfer of Board approved amounts to 1590 per 2006 EDR" column for both principal and interest in the Regulatory Assets Schedule.

Further information on these issues would be beneficial to a clear record for this proceeding.

In summary, Board staff submits that in light of the small number of issues with the IR responses, an informal discussion with Lakeland and all intervenors could result in a limited number of clarification filings to address these issues.

Yours truly,

Original signed by

Harold Thiessen
Ontario Energy Board Staff
Case Manager EB-2008-0234

cc: All parties, EB-2008-0234