



200 – 395 Centre St N, Huntsville, ON P1H 2M2
Phone (705) 789-5442 Toll Free 1-888-282-7711
Fax (705) 789-3110 service@lakelandpower.on.ca

May 26, 2009

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

RE: Lakeland Power Distribution Ltd.
EB-2008-0234
2009 Electricity Distribution Rate Application
Draft Rate Order

Lakeland Power Distribution Ltd is submitting its draft rate order for the 2009 Distribution Rate Application as per the Board's Decision and Order dated May 8, 2009.

An electronic copy of the draft rate order will be submitted through the OEB e-Filing services and two hard copies via courier. The draft rate order and the revenue requirement worksheet will be emailed to you, the intervenors and OEB staff.

If you have any further questions, please do not hesitate to contact me.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Margaret Maw".

Margaret Maw
CFO
Lakeland Holding Ltd.

EB-2008-0234

**IN THE MATTER OF the *Ontario Energy Board Act*
1998, S.O. 1998, c. 15, (Schedule B);**

**AND IN THE MATTER OF an Application by
Lakeland Power Distribution Ltd. for an Order or
Orders approving or fixing just and reasonable
rates and other charges for the distribution of
electricity commencing May 1, 2009.**

**BEFORE: Cathy Spoel
Presiding Member**

**Pamela Nowina
Member and Vice Chair**

DRAFT RATE ORDER

May 20, 2009

Lakeland Power Distribution Ltd (LPDL) submits the following Draft Rate Order including a proposed 2009 Schedule of Rates and Charges as directed by the Ontario Energy Board (the "Board") in its Decision dated May 8, 2009.

Upon completion of the interrogatory and submission requirements in this proceeding, the Board addressed the following issues:

- Load Forecast
- Operating Costs
- Payments in Lieu of Taxes
- Rate Base, Working Capital and Capital Expenditures
- Depreciation and Smart Meters
- Capital Structure and Cost of Capital
- Revenue Offsets and Line Losses
- Cost Allocation and Rate Design
- Deferral and Variance Accounts

LOAD FORECAST

The Board has accepted LPDL's load forecast for the purpose of setting rates in this application

OPERATING COSTS

Lakeland Holding Ltd. Costs

The Board approved these costs and in future applications, LPDL will ensure that the allocation of labour costs includes all costs for benefits related to the allocation of hours.

Regulatory Costs, Electrical Safety Authority Fees, Office Supplies & Expenses and Bad Debt

The Board approved the costs of the above items as submitted in the original application with the following exceptions as agreed to by LPDL in its reply submission ;

\$15,333 decrease in the amount applied for in Regulatory Costs related to the 2009 Rate Application,

\$22,700 decrease in the amount applied for in ESA fees.

International Financial Reporting Standards

The Board approved the request for the requested \$120,000 for accounting changes and higher audit fees to be spread over four years at \$30,000 per year. This change has been included in the Draft Rate Order.

Summary of OM&A Changes

Application September 15, 2008	\$2,854,046
Reduction in Regulatory costs (\$41,333-\$26,000)	(15,333)
Reduction in ESA fees (\$47,129-24,429)	(22,700)
Addition of IFRS conversion costs	30,000
 Draft Rate Order May 22, 2009	 \$2,846,013

PAYMENT IN LIEU OF TAXES

The Board directed LPDL to calculate the PILs expense using the appropriate starting point and gross-up methodology found in the Board's 2006 application model and Handbook. LPDL has done this utilizing the Board's model (Revenue Requirement Work form), an excerpt of which is below. The full model will be submitted to all parties and posted in RESS.

Taxes/PILs		
Particulars	Application	Per Board Decision
<u>Determination of Taxable Income</u>		
Utility net income	\$574,966	\$553,243
Adjustments required to arrive at taxable utility income	\$195,808	\$60,562
Taxable income	<u>\$770,774</u>	<u>\$613,805</u>
<u>Calculation of Utility income Taxes</u>		
Income taxes	\$254,354	\$164,892
Capital taxes	\$10,499	\$11,515
Total taxes	<u>\$264,853</u>	<u>\$176,407</u>
Gross-up of Income Taxes	<u>\$125,279</u>	<u>\$60,567</u>
Grossed-up Income Taxes	<u>\$379,633</u>	<u>\$225,460</u>
PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$390,132</u>	<u>\$236,975</u>
Other tax Credits	\$ -	\$ -
<u>Tax Rates</u>		
Federal tax (%)	19.00%	19.00%
Provincial tax (%)	14.00%	7.86%
Total tax rate (%)	<u>33.00%</u>	<u>26.86%</u>

Capital Tax

The Board accepted LPDL's position on the allocation of the capital tax exemption limit as filed in the application. This is reflected in the results in the table above.

Capital Cost Allowance

The Board directed LPDL to make the appropriate changes in revenue requirement and allowance deductions as a result of the 2009 Federal Budget. There are two changes to be made in this regard, correcting Class 1 additions to Class 47 for 2005, 2006 and 2007 as well as a change in Computers and System Software additions acquired after January 27, 2009, to Class 50 with a increase in CCA to 100% with the elimination of the half-year rule. The effect of these changes is summarized below:

Class 1 to Class 47 (evidence in interrogatories)increase CCA \$46,865
Class 50 from 55% to 100% and no half year rule-increase CCA \$18,381

This effectively reduced the tax adjustments to Accounting Income by
\$65,246.

RATE BASE AND CAPITAL EXPENDITURES

Capital Expenditures

The Board accepted LPDL's proposed capital expenditures for the 2008 and 2009 Test Year of \$974,788 and \$1,685,160 respectively.

Working Capital

15% Factor

The Board found that LPDL's use of a 15% factor to derive its working capital allowance is reasonable and did not require any changes.

Cost of Power

The Board directed LPDL to update the cost of power used in calculating its working capital allowance from \$.0545/kWh to \$.0672/kWh forecast released by the Board April 15, 2009.

Original Submission at \$.0545/kWh	\$12,666,268
Updated to \$.0672/kWh	\$15,617,857

Impact on Cost of Power increase	\$ 2,951,589
Impact on Working Capital at 15%	\$ 442,738

The Board did not require LPDL to reflect the forecast of network and connection transmission services as these amounts have not yet been approved by the Board.

Low Voltage Charges

The Board directed LPDL to ensure that the updated LV cost is included in the forecast of working capital. Using the approved Hydro One rates from EB-2007-0681 proceeding including the effect of Hydro One's Rider #4 at one half of its annual value, LPDL's LV charges are reduced from \$656,843 in the original application to \$490,440 in its draft rate order as shown below.

Lakeland Power Distribution Ltd.
Low Voltage Costs

Application	kW or number	Rate	Total
Service Charge	17	188.00	\$ 38,352
Meter charge	17	553.00	\$ 112,812
Common ST Line	519362	0.58	\$ 301,230
LVDS	164878	1.24	\$ 204,449
Original Submission			\$ 656,843

Draft Rate Order	kW or number	Rate	Total
Service Charge	14	181.79	\$ 30,541
Rider #4 (1/2 effect)	7 -	65.78	-\$ 5,526
Meter charge	14	531.97	\$ 89,371
Rider #4 (1/2 effect)	7 -	192.48	-\$ 16,168
Common ST Line	519362	0.54	\$ 280,455
Rider #4 (1/2 effect)	259681 -	0.20	-\$ 50,638
LVDS	164878	1.20	\$ 197,854
Rider #4 (1/2 effect)	82439 -	0.43	-\$ 35,449
Revised amount			\$ 490,440
Difference			-\$ 166,402
Working Capital reduction @ 15%			-\$ 24,960

Accumulative effect on Cost of Power	\$ 2,785,186
Accumulative effect on Working Capital	\$ 417,778
Effect of OM&A changes on working capital	\$ (1,205)
Net Working capital impact	\$ 416,573

Line No.	Particulars		Rate Base		
			Application	Adjustments	Per Board Decision
1	Gross Fixed Assets (average)	(3)	\$20,596,093	\$ -	\$20,596,093
2	Accumulated Depreciation (average)	(3)	(\$8,053,213)	\$35,000	(\$8,018,213)
3	Net Fixed Assets (average)	(3)	\$12,542,880	\$35,000	\$12,577,880
4	Allowance for Working Capital	(1)	\$2,956,830	\$416,573	\$3,373,403
5	Total Rate Base		\$15,499,710	\$451,573	\$15,951,283

(1) Allowance for Working Capital - Derivation					
6	Controllable Expenses		\$2,865,019	(\$8,033)	\$2,856,986
7	Cost of Power		\$16,847,184	\$2,785,186	\$19,632,370
8	Working Capital Base		\$19,712,203	\$2,777,153	\$22,489,356
9	Working Capital Rate %	(2)	15.00%		15.00%
10	Working Capital Allowance		\$2,956,830	\$416,573	\$3,373,403

DEPRECIATION

LPDL respectfully submits that it does use the years of service lives/standard depreciation rates for all additions since 2000 as indicated in the Accounting Procedures Handbook and as identified in the response to supplementary IRs. The \$970,000 applied for only relates to assets in Accounts 1800 through 1899 and that the total depreciation expense in the application was \$ 1,110,213. The Board deemed that \$900,000 was a reasonable estimate of depreciation expense related to the \$970,000 of applied for depreciation expense for the 2009 Test Year. As such, LPDL has reduced its depreciation expense for the Draft Rate Order by \$70,000 and has reduced the average Accumulated Depreciation by \$35,000 (\$70,000/2). This reduction has also had an effect on the Tax adjustments to accounting income by reducing the difference by \$70,000. The resulting adjustment to accounting income has been reduced from \$195,808 to \$60,562, \$70,000 from the reduction in depreciation expense allowed and \$65,246 from the changes in CCA rates as indicated previously.

SMART METERS

Although at the time of the application, LPDL requested approval to continue the smart meter rate adder of \$0.25 per metered customer per month, it has since applied for an increase to \$1.00 per metered customer per month (EB-2009-0160). This change has been reflected in this Draft Rate Order.

CAPITAL STRUCTURE AND COST OF CAPITAL

The Board accepted LPDL's proposed capital structure and cost of capital.

LPDL's draft rate order has reflected the updated cost rates established by the Board, specifically Short-term debt at 1.33% from 4.47% in the application and Equity at 8.01% from 8.57% in the application.

The following table shows the changes reflected in the Draft Rate Order:

Capitalization/Cost of Capital				
Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Application				
Debt				
Long-term Debt	52.70%	\$8,168,347	5.16%	\$421,213
Short-term Debt	4.00%	\$619,988	4.47%	\$27,713
Total Debt	56.70%	\$8,788,336	5.11%	\$448,927
Equity				
Common Equity	43.30%	\$6,711,375	8.57%	\$574,966
Preferred Shares	0.00%	\$ -	0.00%	\$ -
Total Equity	43.30%	\$6,711,375	8.57%	\$574,966
Total	100%	\$15,499,710	6.61%	\$1,023,893
Per Board Decision				
	(%)	(\$)	(%)	
Debt				
Long-term Debt	52.70%	\$8,406,326	5.16%	\$433,766
Short-term Debt	4.00%	\$638,051	1.33%	\$8,486
Total Debt	56.70%	\$9,044,378	4.89%	\$442,253
Equity				
Common Equity	43.3%	\$6,906,906	8.01%	\$553,243
Preferred Shares	0.0%	\$ -	0.00%	\$ -
Total Equity	43.3%	\$6,906,906	8.01%	\$553,243
Total	100%	\$15,951,283	6.24%	\$995,496

REVENUE OFFSETS AND LINE LOSSES

Interest Revenue

The Board directed LPDL to update its 2009 Revenue Offset forecast to include interest income not derived from DVA at a rate of 1.33%. LPDL has used the table below to calculate Interest Revenue of \$27,740.

Lakeland Power Distribution Ltd. Revenue Offset Interest Revenue

	2008 Rate	Actual Interest	Average Balance	Rate	
Jan	4.25%	\$ 3,225.61	\$ 910,760.47	1.33%	\$ 1,009.43
Feb	4.25%	\$ 4,948.06	\$ 1,397,099.29	1.33%	\$ 1,548.45
Mar	3.75%	\$ 6,650.61	\$ 2,128,195.20	1.33%	\$ 2,358.75
April	3.25%	\$ 6,476.60	\$ 2,391,360.00	1.33%	\$ 2,650.42
May	3.25%	\$ 8,263.55	\$ 3,051,156.92	1.33%	\$ 3,381.70
June	3.25%	\$ 7,506.53	\$ 2,771,641.85	1.33%	\$ 3,071.90
July	3.25%	\$ 5,208.47	\$ 1,923,127.38	1.33%	\$ 2,131.47
Aug	3.25%	\$ 5,548.82	\$ 2,048,795.08	1.33%	\$ 2,270.75
Sept	3.25%	\$ 5,053.36	\$ 1,865,856.00	1.33%	\$ 2,067.99
Oct	2.50%	\$ 4,372.89	\$ 2,098,987.20	1.33%	\$ 2,326.38
Nov	2.50%	\$ 3,949.86	\$ 1,895,932.80	1.33%	\$ 2,101.33
Dec	1.75%	\$ 3,712.44	\$ 2,545,673.14	1.33%	\$ 2,821.45
Total		\$ 64,916.80	\$ 25,028,585.34		\$ 27,740.02

LPDL has included this amount in the Revenue Offsets, increasing them from the application position of \$407,336 to \$435,076 in the Draft Rate Order.

Line Losses

The Board finds that LPDL should use the four-year average Distribution Loss Factor to remove the influence of the high value in the first year and use the five-year average Supply Facility Loss Factor. The resulting table below shows the effect of the change, reducing the Total Loss Factor from 1.0614 to 1.0585.

Total Loss Factor Calculations

Calculation for distribution loss adjustment factors - adjusted to only look at 4 years for Distribution Loss as per Board decision							
	Description	2003	2004	2005	2006	2007	Total
A	"Wholesale" kWh IESO plus Embedded Generation		227,066,706	228,690,633	221,541,481	223,882,210	901,181,030
B	"Wholesale" kWh for Large Use customer(s)						0
C	Net "Wholesale" kWh (A)-(B)		227,066,706	228,690,633	221,541,481	223,882,210	901,181,030
D	"Retail" kWh (Distributor)	217,560,236	220,249,273	221,884,709	215,997,396	217,874,248	876,005,627
E	"Retail" kWh for Large Use Customer(s)						0
F	Net "Retail" kWh (D)-(E)	217,560,236	220,249,273	221,884,709	215,997,396	217,874,248	876,005,627
G	Loss Factor [(C)/(F)]	0.00%	103.10%	103.07%	102.57%	102.76%	102.87%
H	Distribution Loss Adjustment Factor (4 year avg.)						102.87%
	Supply Facility Loss Factor	102.97%	102.00%	103.18%	103.56%	102.78%	102.90%
	Supply Facility Loss Adjustment Factor (5 year avg.)						102.90%
	Total Loss Factor						105.85%

COST ALLOCATION AND RATE DESIGN**Low Voltage Costs**

Please refer to the section relating to Cost of Power changes

Revenue to Cost Ratios

LPDL has used the starting point for adjusting R/C ratios to be the ratios calculated in the response to VECC's Supplementary Interrogatory #7, and using a revenue requirement that does not include Transformer Ownership Allowance as an element of cost. In addition, the USL ratio has been adjusted to increase from the currently approved rates by the same percentage as the corresponding General Service <50 kW rates.

Recalculation of Base Revenue % by Class using Cost Allocation data net of Transformer Allowance:

Base Revenues by Class for 2009 Based on Cost Allocation Ratios

FOR 2009	Total Revenue Requirement			Miscellaneous Revenue Requirement			Base Revenue Requirement	
Class	Revenue Requirement - Cost Allocation Net of TX Allow.	Service Revenue Requirement % - Cost Allocation	2009 Total Revenue Requirement	2006 EDR Miscellaneous Rev Allocation - Cost Allocation	Miscellaneous Revenue %	Current Miscellaneous Revenue	Base Rev Requirement	Base Revenue Per Class %
Residential	\$2,297,255	55.57%	\$2,837,003	\$186,821	57.46%	\$249,988	\$2,587,015	55.39%
GS <50 kW	\$966,213	23.37%	\$1,193,228	\$80,104	24.64%	\$107,188	\$1,086,040	23.25%
GS ≥ 50 kW	\$610,078	14.76%	\$753,418	\$48,549	14.93%	\$64,964	\$688,454	14.74%
Street Light	\$239,107	5.78%	\$295,286	\$7,832	2.41%	\$10,480	\$284,806	6.10%
Sentinel	\$5,369	0.13%	\$6,630	\$205	0.06%	\$274	\$6,356	0.14%
Unmetered Scattered Load	\$16,316	0.39%	\$20,149	\$1,630	0.50%	\$2,181	\$17,968	0.38%
Back-up/Standby Power								
TOTALS	\$4,134,338	100.00%	\$5,105,714	\$325,141	100.00%	\$435,076	\$4,670,638	100.00%

The results from above were then compared to existing rate structure and adjustments made to come closer to the results from the cost allocation results (Draft Rate Order column)

FOR 2009	Outstanding Base Revenue Requirement %		
Customer Class	Cost Allocation Revised	Existing Rates	Draft Rate Order
Residential	55.39%	55.59%	55.39%
GS <50 kW	23.25%	22.40%	23.25%
GS ≥50 kW	14.74%	20.86%	18.08%
Street Light	6.10%	0.87%	2.95%
Sentinel	0.14%	0.03%	0.07%
Unmetered Scattered Load	0.38%	0.24%	0.25%
Back-up/Standby Power			
TOTALS	100.00%	100.00%	100.00%

Resulting allocation of Revenue by Class and Revenue to Cost ratios

Customer Class	Revenue to Cost Ratios Per VECC Sppl IR 6	Net Revenue Per 2009 Test Year	2009 Miscellaneous Revenue Allocation	Total Revenue Per 2009 Test Year	Revenue to Cost Ratios Per Draft Rate Order
Residential	99.85%	2,587,067	249,988	2,837,003	100.00%
GS <50 kW	96.90%	1,085,923	107,188	1,193,228	99.99%
GS ≥50 kW	139.76%	844,666	64,964	753,418	120.73%
Street Light	17.29%	137,901	10,480	295,286	50.25%
Sentinel	24.99%	3,218	274	6,630	52.67%
Unmetered Scattered Load	67.02%	11,863	2,181	20,149	69.70%
Back-up/Standby Power					
TOTALS		4,670,638	435,076	5,105,714	

DEFERRAL AND VARIANCE ACCOUNTS

The Board ordered LPDL to submit in its Draft Rate Order a set a rate riders designed to recover the total amount of \$152,151 over two years. The results are in the tables below.

Billing Determinants and Allocators:

2009	Load Forecast - Billing Determinants For 2009				
Class	kWh	kw	Annualized Customers (Average)	Annualized Connections (Average)	Distribution Revenue
Residential	87,027,546	0	90,744	0	2,587,067
GS <50 kW	49,211,450	0	18,588	0	1,085,923
GS ≥50 kW	87,383,887	209,041	1,164	0	844,666
Street Light	2,007,912	5,336	7	24,696	137,901
Sentinel	41,511	115	0	504	3,218
Unmetered Scatter	249,040	0	45	540	11,863
Back-up/Standby P	0	0	0	0	0
TOTALS	225,921,346	214,492	110,548	25,740	4,670,638

2009	Allocator				
Class	kWh	kw	Customer Number	Connections	Revenue
Residential	38.52%	0.00%	82.09%		55.39%
GS <50 kW	21.78%	0.00%	16.81%		23.25%
GS ≥50 kW	38.68%	97.46%	1.05%		18.08%
Street Light	0.89%	2.49%	0.01%		2.95%
Sentinel	0.02%	0.05%	0.00%		0.07%
Unmetered Scatter	0.11%	0.00%	0.04%		0.25%
TOTALS	100.0%	100.0%	100.0%	0.0%	100.0%

Regulatory Asset Accounts:	Amount	ALLOCATOR	Residential	GS <50 kW	GS>=50 kW	Street Light	Sentinel	Unmetered Scattered Load	Total
WMSC - Account 1580	\$ (193,208)	kWh	\$ (74,426)	\$ (42,086)	\$ (74,731)	\$ (1,717)	\$ (36)	\$ (213)	\$ (193,208)
One-Time WMSC - Account 1582	\$ 2	kWh	\$ 1	\$ 0	\$ 1	\$ 0	\$ 0	\$ 0	\$ 2
Network - Account 1584	\$ (557,052)	kWh	\$ (214,583)	\$ (121,340)	\$ (215,462)	\$ (4,951)	\$ (102)	\$ (614)	\$ (557,052)
Connection - Account 1586	\$ (606,411)	kWh	\$ (233,596)	\$ (132,092)	\$ (234,553)	\$ (5,390)	\$ (111)	\$ (668)	\$ (606,411)
Power - Account 1588	\$ 1,367,162	kWh	\$ 526,647	\$ 297,803	\$ 528,803	\$ 12,151	\$ 251	\$ 1,507	\$ 1,367,162
Subtotal - RSVA	\$ 10,493		\$ 4,042	\$ 2,286	\$ 4,058	\$ 93	\$ 2	\$ 12	\$ 10,493
Other Regulatory Assets - Account 1508	\$ 145,083	Dx Revenue	\$ 80,362	\$ 33,732	\$ 26,238	\$ 4,284	\$ 100	\$ 368	\$ 145,083
Retail Cost Variance Account - Acct 1518	\$ (50,419)	# of Customers	\$ (41,386)	\$ (8,478)	\$ (531)	\$ (3)	\$ -	\$ (21)	\$ (50,419)
Retail Cost Variance Account (STR) Acct 1548	\$ 77,924	# of Customers	\$ 63,965	\$ 13,103	\$ 820	\$ 5	\$ -	\$ 32	\$ 77,924
Rebate Cheques - Acct 1525	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LV Variance Account - Acct 1550	\$ (30,931)	Dx Revenue	\$ (17,133)	\$ (7,191)	\$ (5,594)	\$ (913)	\$ (21)	\$ (79)	\$ (30,931)
Smart Meter Account - Acct 1555/1556		deferred							\$ -
CDM - Acct 1565/1566	\$ 0								
Transition Costs - Acct 1570	\$ (0)								
Pre-Market Opening - Acct 1571	\$ 0								
Extraordinary Event Losses - Acct 1572	\$ -								\$ -
Deferred Rate Impact Amounts - Acct 1574	\$ -								\$ -
Other Deferred Credits - Acct 2425	\$ -								\$ -
Subtotal - Non RSVA	\$ 141,658		\$ 85,807	\$ 31,165	\$ 20,934	\$ 3,372	\$ 79	\$ 301	\$ 141,658
Total to be Recovered	\$ 152,151		\$ 89,849	\$ 33,451	\$ 24,992	\$ 3,465	\$ 81	\$ 313	\$ 152,151

Class	
Regulatory Asset Rate Riders-ALL	\$ 152,151
Billing Determinants	

Residential	GS <50 kW	GS>=50 kW	Street Light	Sentinel	Unmetered Scattered Load
\$ 0.0010	\$ 0.0007	\$ 0.1196	\$ 0.0017	\$ 0.7007	\$ 0.0013
kWh	kWh	kW	kWh	kW	kWh

RAR Rate Riders	Over One Year		Over Two Years	
Class	per kWh	per kW	per kWh	per kW
Residential	0.0010		0.0005	
GS <50 kW	0.0007		0.0003	
GS>=50 kW		0.1196		0.0598
Street Light	0.0017		0.0009	
Sentinel		0.7007		0.3503
Unmetered Scatt	0.0013		0.0006	

SUMMARY OF CHANGES TO REVENUE REQUIREMENT

All of the changes directed by the Board in its decision discussed above and the subsequent impact on revenue requirement are summarized in the Table below:

Particulars	Revenue Requirement	
	Application	Per Board Decision
OM&A Expenses	\$2,854,046	\$2,846,013
Amortization/Depreciation	\$1,086,259	\$1,016,259
Property Taxes	\$10,972	\$10,972
Capital Taxes	\$10,499	\$11,515
Income Taxes (Grossed up)	\$379,633	\$225,460
Other Expenses	\$ -	\$ -
Return		
Deemed Interest Expense	\$448,927	\$442,253
Return on Deemed Equity	\$574,966	\$553,243
Distribution Revenue Requirement before Revenues	<u>\$5,365,301</u>	<u>\$5,105,714</u>
Distribution revenue	\$4,957,965	\$4,670,638
Other revenue	<u>\$407,336</u>	<u>\$435,076</u>
Total revenue	<u>\$5,365,301</u>	<u>\$5,105,714</u>
Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	<u>(\$0) (1)</u>	<u>(\$0)</u>

With the revised 2009 total distribution revenue requirement of \$5,105,714, the revenue deficiency resulting from the current approved rates would be \$704,563, as follows:

Revenue Sufficiency/Deficiency				
Particulars	Per Application		Per Board Decision	
	At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
Revenue Deficiency from Below		\$991,893		\$704,563
Distribution Revenue	\$3,966,075	\$3,966,072	\$3,966,075	\$3,966,075
Other Operating Revenue Offsets - net	\$407,336	\$407,336	\$435,076	\$435,076
Total Revenue	\$4,373,411	\$5,365,301	\$4,401,151	\$5,105,714
Operating Expenses	\$3,961,776	\$3,961,776	\$3,884,759	\$3,884,759
Deemed Interest Expense	\$448,927	\$448,927	\$442,253	\$442,253
Total Cost and Expenses	\$4,410,702	\$4,410,702	\$4,327,011	\$4,327,011
Utility Income Before Income Taxes	(\$37,291)	\$954,599	\$74,140	\$778,703
Tax Adjustments to Accounting				
Income per 2009 PILs	\$195,808	\$195,808	\$60,562	\$60,562
Taxable Income	\$158,516	\$1,150,406	\$134,702	\$839,265
Income Tax Rate	33.00%	33.00%	26.86%	26.86%
Income Tax on Taxable Income	\$52,310	\$379,634	\$36,186	\$225,460
Income Tax Credits	\$ -	\$ -	\$ -	\$ -
Utility Net Income	(\$89,602)	\$574,966	\$37,953	\$553,243
Utility Rate Base	\$15,499,710	\$15,499,710	\$15,951,283	\$15,951,283
Deemed Equity Portion of Rate Base	\$6,711,375	\$6,711,375	\$6,906,906	\$6,906,906
Income/Equity Rate Base (%)	-1.34%	8.57%	0.55%	8.01%
Target Return - Equity on Rate Base	8.57%	8.57%	8.01%	8.01%
Sufficiency/Deficiency in Return on Equity	-9.90%	0.00%	-7.46%	0.00%
Indicated Rate of Return	2.32%	6.61%	3.01%	6.24%
Requested Rate of Return on Rate Base	6.61%	6.61%	6.24%	6.24%
Sufficiency/Deficiency in Rate of Return	-4.29%	0.00%	-3.23%	0.00%
Target Return on Equity	\$574,966	\$574,966	\$553,243	\$553,243
Revenue Sufficiency/Deficiency	\$664,568	(\$0)	\$515,290	(\$0)
Gross Revenue Sufficiency/Deficiency	\$991,893 (1)		\$704,563 (1)	

With the proposed rates, LPDL would meet the target return on equity of \$553,243, as shown below:

Utility income			
Particulars	Application	Adjustments	Per Board Decision
<u>Operating Revenues:</u>			
Distribution Revenue (at Proposed Rates)	\$4,957,965	(\$287,327)	\$4,670,638
Other Revenue	(1) \$407,336	\$27,740	\$435,076
Total Operating Revenues	\$5,365,301	(\$259,587)	\$5,105,714
<u>Operating Expenses:</u>			
OM+A Expenses	\$2,854,046	(\$8,033)	\$2,846,013
Depreciation/Amortization	\$1,086,259	(\$70,000)	\$1,016,259
Property taxes	\$10,972	\$ -	\$10,972
Capital taxes	\$10,499	\$1,016	\$11,515
Other expense	\$ -	\$ -	\$ -
Subtotal	\$3,961,776	(\$77,017)	\$3,884,759
Deemed Interest Expense	\$448,927	(\$6,674)	\$442,253
Total Expenses (lines 4 to 10)	\$4,410,702	(\$83,691)	\$4,327,011
Utility income before income taxes	\$954,599	(\$175,896)	\$778,703
Income taxes (grossed-up)	\$379,633	(\$154,173)	\$225,460
Utility net income	\$574,966	(\$21,723)	\$553,243

CONCLUSION

The Board Decision made findings which changed the LPDL proposed 2009 distribution rates. LPDL has produced this Draft Rate Order based on the reconciliation of new distribution rates with the Board's findings along with supporting material in the previous sections.

A draft Tariff of Rates and Charges based on the changes in this Draft Rate Order and to be effective May 1, 2009 is included in Appendix A. The bill impacts of the proposed draft rates for representative levels of consumption are shown in Appendix B.

Appendix A

Draft 2009 Tariff of Rates and Charges

May 21, 2009

Lakeland Power Distribution Ltd.

Tariff OF RATES AND CHARGES

Effective May 1, 2009

This schedule supersedes and replaces all previously approved schedules of Rates, Charges, and Loss Factors

EB-2008-0234

MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	15.26
Distribution Volumetric Rate	\$/kWh	0.0162
Regulatory Asset Recovery Rider	\$/kWh	0.0005
Smart Meter Rate Rider	\$	1.00
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0044
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0039
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service Less Than 50 kW

Service Charge	\$	36.42
Distribution Volumetric Rate	\$/kWh	0.0104
Regulatory Asset Recovery Rider	\$/kWh	0.0003
Smart Meter Rate Rider	\$	1.00
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0041
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0036
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service 50 to 4,999 kW

Service Charge	\$	509.65
Distribution Volumetric Rate	\$/kW	2.3175
Regulatory Asset Recovery Rider	\$/kW	0.0598
Retail Transmission Rate – Network Service Rate	\$/kW	1.7390
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.5184
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Unmetered Scattered Load

Service Charge (per connection)	\$	18.19
Distribution Volumetric Rate	\$/kWh	0.0103
Regulatory Asset Recovery Rider	\$/kWh	0.0006
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0041
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0036
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Sentinel Lighting

Service Charge (per connection)	\$	3.57
Distribution Volumetric Rate	\$/kW	12.9997
Regulatory Asset Recovery Rider	\$/kW	0.3503
Retail Transmission Rate – Network Service Rate	\$/kW	1.2995
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.1190
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Street Lighting

Service Charge (per connection)	\$	3.36
Distribution Volumetric Rate	\$/kW	10.9416
Regulatory Asset Recovery Rider	\$/kW	0.3387
Retail Transmission Rate – Network Service Rate	\$/kW	1.2667
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.1083
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Specific Service Charges**Customer Administration**

Arrears certificate	\$	15.00
Statement of account	\$	15.00
Request for other billing information	\$	15.00
Income tax letter	\$	15.00
Returned cheque charge (plus bank charges)	\$	15.00
Legal letter charge	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Special meter reads	\$	30.00

Non-Payment of Account

Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge - no disconnection	\$	30.00
Collection of account charge - no disconnection - after regular hours	\$	165.00
Disconnect/Reconnect at meter - during regular hours	\$	65.00
Disconnect/Reconnect at meter - after regular hours	\$	185.00
Disconnect/Reconnect at pole - during regular hours	\$	185.00
Disconnect/Reconnect at pole - after regular hours	\$	415.00

Temporary service install & remove - overhead - no transformer	\$	500.00
Install/Remove load control device - during regular hours	\$	65.00
Install/Remove load control device - after regular hours	\$	185.00
Specific Charge for Access to the Power Poles \$/pole/year	\$	22.35

Allowances

Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)
	\$/kW	0.00
	\$/kW	0.00

LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0585
Total Loss Factor – Secondary Metered Customer > 5,000 kW	0.0000
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0480
Total Loss Factor – Primary Metered Customer > 5,000 kW	0.0000

Appendix B

Draft 2009 Bill Impacts

May 21, 2009

Residential Consumption	2008 BILL			2009 BILL			RATE CHANGE IMPACTS		
1,000 kWh	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Rate Change Impact \$	Change %	As a % of 2008 Total Bill
Monthly Service Charge			\$14.61			\$15.26	\$0.65	4.45%	0.60%
Distribution (kWh)	1,000	\$0.0131	\$13.10	1,000	\$0.0162	\$16.19	\$3.09	23.59%	2.87%
Smart Meter Rider (per month)			\$0.25			\$1.00	\$0.75	300.00%	0.70%
SSS Administration (per month)			\$0.25			\$0.25			
Regulatory Assets (kWh)	1,000			1,000	\$0.0005	\$0.50	\$0.50	#DIV/0!	0.46%
Distribution Sub-Total			\$28.21			\$33.20	\$4.99	17.69%	4.63%
Cost of Power Commodity (kWh)	600	\$0.0500	\$30.00	600	\$0.0500	\$30.00			
Cost of Power Commodity (kWh)	443	0.0590	\$26.14	459	0.0590	\$27.08	\$0.94	3.60%	0.87%
Transmission (kWh)	1,043	0.0095	\$9.91	1,059	0.0083	\$8.79	(\$1.12)	(11.30%)	(1.04%)
Wholesale Market Service (kWh)	1,043	0.0062	\$6.47	1,059	0.0062	\$6.57	\$0.10	1.55%	0.09%
Debt retirement charge (kWh)	1,000	0.0070	\$7.00	1,000	0.0070	\$7.00			
Cost of Power Sub-Total			\$79.52			\$79.44	(\$0.08)	(0.10%)	(0.07%)
Total Bill before GST			\$107.73			\$112.64	\$4.91	4.56%	4.56%

GS <50 kW Consumption	2008 BILL			2009 BILL			RATE CHANGE IMPACTS		
2,000 kWh	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Rate Change Impact \$	Change %	As a % of 2008 Total Bill
Monthly Service Charge			\$29.80			\$36.42	\$6.62	22.21%	3.14%
Distribution (kWh)	2,000	\$0.0097	\$19.40	2,000	\$0.0104	\$20.87	\$1.47	7.58%	0.70%
Smart Meter Rider (per month)			\$0.25			\$1.00	\$0.75	300.00%	0.36%
SSS Administration (per month)			\$0.25			\$0.25			
Regulatory Assets (kWh)	2,000			2,000	\$0.0003	\$0.60	\$0.60	#DIV/0!	0.28%
Distribution Sub-Total			\$49.70			\$59.14	\$9.44	18.99%	4.48%
Cost of Power Commodity (kWh)	750	\$0.0500	\$37.50	750	\$0.0500	\$37.50			
Cost of Power Commodity (kWh)	1,336	0.0590	\$78.82	1,367	0.0590	\$80.65	\$1.83	2.32%	0.87%
Transmission (kWh)	2,086	0.0086	\$17.94	2,117	0.0077	\$16.30	(\$1.64)	(9.14%)	(0.78%)
Wholesale Market Service (kWh)	2,086	0.0062	\$12.93	2,117	0.0062	\$13.13	\$0.20	1.55%	0.09%
Debt retirement charge (kWh)	2,000	0.0070	\$14.00	2,000	0.0070	\$14.00			
Cost of Power Sub-Total			\$161.19			\$161.58	\$0.39	0.24%	0.18%
Total Bill before GST			\$210.89			\$220.72	\$9.83	4.66%	4.66%

GS >50 kW Consumption kWh & kW		2008 BILL			2009 BILL			RATE CHANGE IMPACTS		
400,000	1,050	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Rate Change Impact \$	Change %	As a % of 2008 Total Bill
Monthly Service Charge				\$499.25			\$509.65	\$10.40	2.08%	0.03%
Distribution (kW)		1,050	\$2.6507	\$2,783.24	1,050	\$2.3175	\$2,433.35	(\$349.89)	(12.57%)	(1.00%)
Smart Meter Rider (per month)				\$0.25			\$1.00	\$0.75	300.00%	0.00%
SSS Administration (per month)				\$0.25			\$0.25			
Regulatory Assets (kW)		1,050			1,050	\$0.0598	\$62.79	\$62.79	#DIV/0!	0.18%
Distribution Sub-Total				\$3,282.99			\$3,007.04	(\$275.95)	(8.41%)	(0.79%)
Cost of Power Commodity (kWh)		417,120	0.0545	\$22,733.04	423,400	0.0545	\$23,075.30	\$342.26	1.51%	0.98%
Transmission (kW)		1,050	3.4387	\$3,610.64	1,050	3.2574	\$3,420.27	(\$190.37)	(5.27%)	(0.54%)
Wholesale Market Service (kWh)		417,120	0.0062	\$2,586.14	423,400	0.0062	\$2,625.08	\$38.94	1.51%	0.11%
Debt retirement charge (kWh)		400,000	0.0070	\$2,800.00	400,000	0.0070	\$2,800.00			
Cost of Power Sub-Total				\$31,729.82			\$31,920.65	\$190.83	0.60%	0.55%
Total Bill before GST				\$35,012.81			\$34,927.69	(\$85.12)	(0.24%)	(0.24%)

USL Consumption kWh & Connections		2008 BILL			2009 BILL			RATE CHANGE IMPACTS		
5,534	1	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Rate Change Impact \$	Change %	As a % of 2008 Total Bill
Monthly Connection Charge		1	\$14.8900	\$14.89	1	\$18.1900	\$18.19	\$3.30	22.16%	0.62%
Distribution (kWh)		5,534	\$0.0097	\$53.68	5,534	\$0.0103	\$57.11	\$3.43	6.39%	0.64%
Regulatory Assets (kWh)		5,534	\$0.0000	\$0.00	5,534	\$0.0009	\$4.98	\$4.98	#DIV/0!	0.93%
Distribution Sub-Total				\$68.57			\$80.28	\$11.71	17.08%	2.20%
Cost of Power Commodity (kWh)		5,771	0.0590	\$340.49	5,858	0.0590	\$345.62	\$5.13	1.51%	0.96%
Transmission (kWh)		5,771	0.0086	\$49.63	5,858	0.0077	\$45.11	(\$4.52)	(9.11%)	(0.85%)
Wholesale Market Service (kWh)		5,771	0.0062	\$35.78	5,858	0.0062	\$36.32	\$0.54	1.51%	0.10%
Debt retirement charge (kWh)		5,534	0.0070	\$38.74	5,534	0.0070	\$38.74	\$0.00	0.00%	0.00%
Cost of Power Sub-Total				\$464.64			\$465.79	\$1.15	0.25%	0.22%
Total Bill before GST				\$533.21			\$546.07	\$12.86	2.41%	2.41%