



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

February 15, 2012

VIA 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-2011-0180
2012 IRM3 – Reply to Board Staff and VECC Submissions**

Lakeland Power Distribution Ltd is submitting its reply to Board staff and VECC submission for its application for the 2012 Distribution Rates utilizing the 2012 IRM3 methodology.

A copy of the reply will be filed on RESS and sent to any intervenors of record and Board secretary by email.

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.

ACCOUNT 1521 – SPECIAL PURPOSE CHARGE (“SPC”)

Lakeland Power Distribution Ltd (Lakeland) agrees with Board staff that the disposition of account 1521 should be on a final basis and account 1521 should be closed.

LRAM CLAIM

Lakeland submits that it does not agree with Board staff nor VECC that the LRAM amount should only include lost revenues from 2006-2008 CDM programs and 2010 CDM programs, including the persisting lost revenues, in the years 2006, 2007, 2008, and 2010.

Submission:

In response to Board staff interrogatory 6d) Lakeland provided the rationale for not including CDM impacts in its 2009 load forecast. In that response, Lakeland outlined that its last cost of service application was for 2009 rates which was prepared during the first eight months of 2008. Lakeland's load forecast for 2009 rates was also prepared at the same time. Lakeland's was one of the first medium to smaller size distributors to use a regression analysis to support its load forecast which is commonly used today by a number of distributors in their cost of service rate applications. The process of using the regression analysis to determine Lakeland's 2009 load forecast was very much a learning exercise for all parties involved. The issue of adjusting the load forecast for CDM was raised by Board staff but at that time CDM had only recently had an influence on Lakeland's consumption and Lakeland's assessment was the influence would be minimal. In addition, Lakeland believed it did not have enough evidence in the first eight months of 2008 to make a reasonable adjustment to its 2009 load forecast that would be acceptable to all parties. As a result, Lakeland did not make an adjustment to its 2009 load forecast for CDM impacts.

Lakeland's 2009 load forecast was supported by a regression analysis that reviewed the actual monthly power purchased data from 2001 to 2007 to arrive at a prediction formula to forecast the load for 2009. From 2001 to 2007, only 2006 and 2007 would have any CDM savings that might influence the results of the regression analysis. However, in the regression analysis each year from 2001 to 2007 influences the prediction formula in a similar manner. In other words, one year does not influence the prediction formula more than any other. As a result, the CDM savings from the 2006 and 2007 programs will have minimal impact on the resulting prediction formula since these two years do not hold any more weight in the regression analysis than any other actual year. At best 2/7ths (i.e. 2 actual years out of 7 total actual years) of the CDM savings from 2006 and 2007 programs would influence the prediction formula and the resulting 2009 load forecast. In addition, CDM savings from 2008 and 2009 programs were not even

considered in the prediction formula that supported the 2009 load forecast since information on 2008 and 2009 programs was not available at the time the 2009 load forecast was prepared.

The table below was taken from Lakeland's 2009 Cost of Service application. It indicates that the regression model predicted 2007 to be higher than the actual results by almost 1.9 GWH. This suggests that the results of the prediction model for 2007 did not take into consideration any CDM savings in 2007. Since this same model was used to then forecast 2008 and 2009, it could be assumed that any CDM savings achieved in 2007 was not reflected on a forward basis.

Table 4

	<u>Actual</u>	<u>Predicted</u>	% Difference
2001	225.5	226.1	0.26%
2002	230.5	229.9	-0.27%
2003	233.6	233.1	-0.19%
2004	231.6	234.9	1.43%
2005	236.0	231.3	-1.98%
2006	229.4	229.4	-0.03%
2007	230.1	232.0	0.83%
2008 (WN)		232.3	
2009 (WN)		232.0	

Billing Determinants Forecast Data For 2009 Test Year Projection

Billing Determinants - 2009 Load Forecast						
Class	Unit of Measure	2006 Actual Data	2007 Actual Data	2008 Bridge Year Normalized	2009 Test Year Normalized	Annualized Customers / Connections 2009
Residential	# of Customers	7,403	7,434	7,498	7,562	90,744
	kW					=7562*12
	kWh	80,863,556	82,783,542	84,753,044	87,027,546	
GS <50 kW	# of Customers	1,488	1,527	1,538	1,549	18,588
	kW					=1549*12
	kWh	47,084,579	47,892,487	48,475,435	49,211,450	
GS >=50 kW	# of Customers	93	97	97	97	1,164
	kW	228,997	234,298	217,485	209,041	=97*12
	kWh	95,002,346	94,253,571	90,677,864	87,383,887	
Street Light	# of Connections	2,058	2,058	2,058	2,058	24,696
	kW	5,153	5,152	5,280	5,336	=2058*12
	kWh	1,965,944	1,965,588	1,986,637	2,007,912	
Sentinel	# of Connections	45	44	43	42	504
	kW	119	116	116	115	=42*12
	kWh	43,004	41,771	41,641	41,511	
Unmetered Scattered Load	# of Customers	66	51	48	45	540
	kW					=45*12
	kWh	282,656	262,307	255,587	249,040	
Back-up/Standby Power	# of Customers					
	kW					
	kWh					
Summary Totals	# of	11,153	11,211	11,282	11,353	136,236
	kW	234,269	239,566	222,881	214,492	#VALUE!
	kWh	225,242,085	227,199,266	226,190,208	225,921,346	

Regarding actual results for 2009 and 2010, the table below shows the 2009 kWh/kW forecast by class compared to the actual results for 2009 and 2010. This clearly shows that the actual results for 2009 and 2010 are significantly lower than the 2009 load forecast. In Lakeland's view, the magnitude of the difference strongly supports the position that the 2009 load forecast did not assume any CDM savings since the actual 2009 and 2010 results, which does include actual CDM savings, are significantly lower than the 2009 load forecast.

		2009 Cost of	2009 RRR	Variance	2010 RRR	Variance
		Service -	Filing	to Load	Filing	to Load
		Load	Actuals	Forecast	Actuals	Forecast
Consumption Data (kWh)		Forecast				
Residential	kWh	87,027,546	82,722,597	-4.9%	77,894,336	-10.5%
General Service Less Than 50 kW	kWh	49,211,450	44,672,868	-9.2%	41,668,843	-15.3%
General Service 50 to 4,999 kW	kWh	87,383,887	84,181,833	-3.7%	82,034,432	-6.1%
Unmetered Scattered Load	kWh	249,040	165,657	-33.5%	141,050	-43.4%
Sentinel Lighting	kWh	41,511	41,068	-1.1%	40,155	-3.3%
Street Lighting	kWh	2,007,912	1,872,584	-6.7%	1,874,279	-6.7%
Total		225,921,346	213,656,607	-5.4%	203,653,095	-9.9%

Since the 2009 load forecast did not include any CDM savings, Lakeland submits the total LRAM claim of \$108,225 should be approved.