

LakelandPower

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June 15, 2017

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Re: Lakeland Power/Parry Sound Power – 2018 Cost of Service Rate Application – EB-2017-0058

Dear Ms. Walli

Lakeland Power Distribution Ltd. (LPDL) is writing to seek a one-year deferral of its 2018 Cost of Service (“COS”) application. LPDL completed its most recent COS application for rates effective May 1, 2013. In 2014, LPDL merged with Parry Sound Power Corp and indicated in its Mergers, Acquisitions, Amalgamations, and Divestitures (“MAADs”) application, that it would file a COS for 2018 rates as well as a rate harmonization plan.

Over the past several months, LPDL has worked towards filing a COS application for its 2018 rates. We have continued to finalize our Distribution System Plan, monitored customer needs, load forecast trends, the reliability of our system and progress on capital spending.

LPDL believes that it is prudent to review the time and expense of a COS application and if it is to the benefit of the utility as well as its ratepayers. At this time, LPDL believes that the utility can continue one more year under the 3rd Generation Price Cap IR process, and continue to provide reliable service, appropriate capital investments and manage costs.

LPDL submits that this proposal is appropriate for the following reasons:

1. Capital spending level is consistent annually thus maintaining our investment in infrastructure. LPDL will file a Distribution System Plan in support.
2. Customer engagement to date has not garnered the attendance nor input that LPDL would like to see. A one year timeframe would allow for more

engagement and the potential of a focus group within our ratepayers to assist.

3. LPDL is actively monitoring and putting into place plans to improve system reliability as well as working on reducing line losses in order to assist in reducing future rate increases.
4. Shortly after the approval of LPDL's MAAD application, the Board decision was made in EB-2014-0138 *Rate making Associated with Distributor Consolidation*, to move from a 5 year to 10 year window for rate rebasing deferral - *Consolidating entities may also apply for an extended rate rebasing deferral period of up to 10 years. For the extended period (i.e. – the period between year 5 and year 10), the OEB will require the consolidating entity to implement an earnings sharing mechanism. The earnings sharing split shall be a 50:50 sharing with customers where the return on equity for the consolidated distributor is greater than 300 basis points above the allowed rate of return for the consolidated distributor.* However, a one year deferral would still be within the 5 year window from the date of merger, July 1, 2014.
5. LPDL Return on Equity is within 300 basis points of both the ROE at the time of its last rebasing (8.93) as well as the blended rate after merger (9.08). 2014 was the initial period of synergy savings.

	2012	2013	2014	2015	2016
Deemed ROE	8.01%	8.93%	9.08%	9.08%	9.08%
Achieved ROE	9.73%	10.70%	12.5%	9.9%	10.86%

6. Prior Parry Sound territory customers will be eligible to receive Rural Rate Protection until such time as the rates are harmonized.

With the Fair Hydro Plan coming into play in the near future, deferring a potential increase would allow our customers to see the effect of the plan and assure them that we are moving toward stable and predictable distribution rates.

Respectfully submitted,



Margaret Maw
CFO
Lakeland Power Distribution Ltd.