EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

2019 Cost of Service

Lakeland Power Distribution Ltd.
EB-2018-0050

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1.1 APPLICATION

a) The Applicant is Lakeland Power Distribution Ltd. ("LPDL") which is a corporation incorporated pursuant to the *Ontario Business Corporations* Act with its head office in the Town of Huntsville. The Applicant carries on the business of distributing electricity within the Town of Bracebridge, Town of Huntsville, Town of Parry Sound, Village of Burk's Falls, Village of Sundridge and Municipality of Magnetawan.

b) The Applicant hereby applies to the Ontario Energy Board ("OEB" or "Board") pursuant to Section 78 of the *Ontario Energy Board Act,* 1998 for approval of its proposed distribution rates and other charges, effective May 1, 2019. A list of requested approvals is set out in Exhibit 1, Section 1.4.19.

c) The Application has been prepared pursuant to the OEB's Renewed Regulatory Framework for Electricity Distributors as detailed in the Report of The Board dated October 18, 2013 ("RRFE").

d) Except where specifically indentified in the Application, the Applicant followed the OEB's *Handbook for Utility Rate Applications* dated October 13, 2016 and Chapter 2 of the OEB's *Filing Requirements for Electricity Distribution Rate Applications* dated July 12, 2018 ("Filing Requirements") in preparing the Application. LPDL has utilized the OEB's 2019 Cost of Service Models in preparing this Application.

e) The Applicant has prepared a Consolidated Distribution System Plan ("DSP") in accordance with the OEB's *Chapter 5 Filing Requirements for Electricity Distribution Rate Applications,* dated July 12, 2018.

f) The Applicant acknowledges that the OEB will publish an update to the Return on Equity and Short Term Debt Rate and that these matters will affect the Revenue Requirement that the Applicant has requested in this Application.

1.2 EXECUTIVE SUMMARY

1.2.1 INTRODUCTION

Lakeland Power Distribution Ltd. ("LPDL") has a service area of 147 square kilometers that provides electricity distribution to approximately 13,500 residential, commercial and industrial customers. LPDL is incorporated under the Ontario Business Corporations Act and is 100% municipally owned by the Town of Bracebridge, Town of Huntsville, Town of Parry Sound, Village of Burk's Falls, Village of Sundridge and Municipality of Magnetawan.

Effective July 1, 2014 the former Lakeland Power Distribution Ltd. (LPDL) and Parry Sound Power (PSP) amalgamated, in accordance to the provisions of the Ontario Business Corporation Act, to continue as one corporation under the name of Lakeland Power Distribution Ltd. At the time of amalgamation, the former LPDL had approximately 9,800 customers and added approximately 3,500 customers with the merge of PSP.

In pursuant with the Ontario's Energy Boards' Decision and Order in EB-2013-0427/0428, the electricity distribution license was amended to LPDL and incorporated the service territories described above. Each of the service territories have continued to have separate Tariffs of Rates and Charges. This application includes a proposal to harmonize the rates for both service territories.

LPDL's vision:

- Provides a safe environment for our employees;
- Provides safe, reliable and economic services for our customers;
- Continues to prosper and be a good place to work; and

- Provides a safe environment for and maintains good relations with the general public and suppliers; all with consideration of the Environment

Respecting the Natural Environment, Be one of Ontario's top performing distribution companies in customer service and reliability

LPDL's mission: To distribute electricity safely and reliably. LDC is committed to meeting the needs of customers through effective customer engagement and ensuring the safe and reliable delivery of electricity through efficient operations, strong fiscal management, ongoing system renewal, and conservation initiatives.

LPDL has identified five key areas of focus that support the utility's mission:

- To provide safe, efficient, and reliable delivery of electricity to customers
- To maintain costs at a reasonable level, find cost efficiencies wherever possible and to make prudent investments on behalf of its customers
- To provide a safe and engaging work environment for its employees
- To improve engagement with customers and the community
- To plan and deliver system improvements required to ensure future supply

LPDL's strategies for 2018 onwards:

- **Environmental Health & Safety**
    - Decommissioning stations
    - Closing PCB storage sites
    - Conduct Customer Health & Safety Survey
- **Team**
    - Technical training
    - Innovation Advancement Training

- **Customers/Investments**
  - Improve Customer Service: Communications
  - Smart Meter Change Outs
  - Conduct Annual Customer Satisfaction Surveys
  - Decrease Annual Number of Outages Per Customer
  - Decrease Annual Number of Outage Hours per Customer
  - Meet/Exceed Approved Conservation Reduction Targets
  - OEB Cost of Service Application – Rate Harmonization
- **Financial**
  - Manage to Lowest Controllable Costs per Customer
  - Increase number of Customers on Paperless billing
  - Decrease System Line Losses

Since the amalgamation of the former PSP with the former LPDL in mid-2014, LPDL has been focused on achieving synergy savings that were outlined in its MADD application EB-2013-0427/0428 while also focusing on strategies that were in align with Environmental Health & Safety, Team, Customers, and Financial. LPDL has achieved the following during the past four years:

- Successfully integrated the two former entities in regards to staff, systems, and locations including SCADA, GIS, Work Management and Customer Billing
- Implemented Compliance Science, cloud based best practice and compliance system for training, education, health & safety
- Renegotiated new lower debt rates to lower interest expense
- Improved overall staff skill set through training and improved hire screening

- Reduced overall costs to move from Cohort 3 to Cohort 2
- Customer engagement through increased social media presence, improved website and enhanced online experience
- Launched, first in the industry, Facebook Live session to connect with customers, industry and regulatory bodies
- Achieved CDM targets well in excess of expectation
- Embarked on research into new innovation programs such as enabling electrification, increased renewable energy generation and Smart Grid
- Connected large REG asset, designing and implementing reverse flow protection scheme and economical transfer trip on distribution system
- Invited and involved in stakeholder groups including; Regional Planning and Ministry of Energy Smart Grid consultations
- Connected all sites, stations and offices on robust fibre optic network to enhance real time information, SCADA and seamless communication
- Maintained business focused, cost effective, successful, driven Board of Directors

1.2.2 BUSINESS PLAN[1]

In compliance with the Rates Handbook issued on October 13, 2016, LPDL has filed its 2019 Business Plan in this application. The highlights are below and the full document can be found at Appendix A.

[1] MFR - Plain language description of objectives and business plan and how they relate to the application and the RRFE objectives. Description should aid the OEB in understanding the impacts of the business plan on key areas such as customer service, system reliability, costs and bill impacts. Description of how customer feedback is reflected

Annually, senior management meet to brainstorm and prepare a 3 year strategic plan. The strategies discussed are to meet the four scorecard indicators of;

- Environmental, Health & Safety,
- Team,
- Customers, and
- Financial

The key indicators are a tool to determine the effectiveness of the goal and how it was implemented. During the process, a review is done of current accomplishments and potential improvements to achieve success. This allows the team to assess if previously established strategies continue to be relevant and important areas of focus. Any information derived from various forms of customer and employee engagement, are incorporated into the strategies. The following pictorials are the results of the 2018-2020 process.

LakelandPower

Mission: Distribute electricity safely and reliably

Objective: Respecting the Natural Environment, Be one of Ontario's top performing distribution companies in customer service and reliability

Balance	Strategies to Obtain Objective
Environmental Health & Safety	1) Decommission Stations 4) Close PCB Storage Site 5) Conduct Customer Health & Safety Survey
Team	1) Technical Training 2) Innovation Advancement Training
Customers/Investments	1) Improve Customer Service: Communications 2) Smart Meter Change Outs 2) Conduct Annual Customer Satisfaction Surveys 3) Decrease Annual Number of Outages per Customer 4) Decrease Annual Number of Outage Hours per Customer 5) Meet/Exceed Approved Conservation Reduction Targets 6) OEB Cost of Service Application
Financial	1) Manage to Lowest Controllable Costs per Customer 2) EPower – Increase number of Customers on Paperless billing 3) Decrease System Lines Losses

1

LakelandPower

2017 F = Forecast

Balancing	Strategies to Obtain Objective & Goals		Key Performance Indicators
Environmental Health & Safety			
	Environmental	2018 - 2021	Decommission older MS 1 & 2 stations in PSound - end of life & potential environmental hazard near water
	PCB Storage Site	2019	Close
	Customer H&S	2018 & 2020	Conduct mandated Customer H&S Survey
Team			
	Training & Succession	2018 & 2021	Technician Training
		2018 - 2021	Training on Innovation Advancements
Customers			
	Improve Customer Service	2018	Upgrade Online Portal
		2018 - 2021	Website, Twitter, etc. Improvements
		2018-2021	Customer Engagement Committee
	Smart Meter Change Outs	2018	Meter Change Sampling
		2019	Meter Test
	Customer Satisfaction	2017 & 2019	Conduct Survey Mandated by OEB
		2017F	*0.27 (16 minutes)*
	Decrease annual number of outages per customer Top Quartile Baseline = 1 or <	2018 - 2021	1 or <
		2017F	*0.34*
	Decrease annual number of outage hours per customer Top Quartile Baseline = 1 or <	2018 - 2021	1 or <

1

Balancing	Objective & Goals		Key Performance Indicators
Customers			
	Approved Conservation Reduction Targets	2017F	7%
		2018	13%
		2019	13%
		2020	13%
	Ontario Energy Board's Cost of Service Application	2018	Application
		2019	New Rate Implementation
Financial			
	Manage to Lowest Controllable Costs per Customer	2017F	$289
		2017	$300
		2018	$305
		2019	$309
	EPower - Increase number of customers on paperless billing	2017F	18%
		2018	20%
		2019	22%
		2020	25%
	Decrease system line losses	2017F	5.0%
		2018	4.8%
		2019	4.6%
		2020	4.4%

The results of the strategic planning sessions, become the foundation for the upcoming year's budget.

1.2.3 HISTORICAL COMPARISONS

LPDL has developed a 2013 Board Approved Proxy in order to provide meaningful year over year comparisons when looking at the fully merged entity as each of the former entities had different rate rebasing years.

The last Board Approved amounts were established for each of the entities in the Decisions for the following Applications:

- Former LPDL – 2013 Rate Rebasing, EB-2012-0145
- Former PSP – 2011 Rate Rebasing, EB-2010-0140

The 2013 Board Approved Proxy was calculated as the sum of:

- Former LPDL Board Approved figures, as approved in EB-2012-0145; and
- Former PSP Board Approved figures for 2011, as approved in EB-2010-0140, inflated for 2012 and 2013 using the Board Incentive Rate-Making Mechanism ("IRM") inflation factors for each of those years for the former PSP – 0.58% and 1.08% respectively.
- For purposes of the Load Forecast kWh and Customers/Connections, the Proxy was based on the sum of the 2014 LPDL Board Approved and the 2011 PSP Board Approved.

The computation of the 2013 Board Approved Proxy figure is provided at the beginning of each of the respective Exhibits in this Application, where applicable. LPDL believes that the 2013 Board Approved Proxy best reflects the amounts previously approved in the last rebasing applications.

1.2.4 APPLICATION EXHIBITS AND EXCEL MODELS FILED

LPDL is pleased to present its Cost of Service application for harmonized rates effective May 1, 2019. This application consists of the following Exhibits, and Excel live models in support of the evidence presented in this application.

- ✓ Exhibit 1: Administrative Documents
- ✓ Exhibit 2: Rate Base and DSP
- ✓ Exhibit 3: Revenues
- ✓ Exhibit 4: Operation, Maintenance and Administrative Costs
- ✓ Exhibit 5: Cost of Capital
- ✓ Exhibit 6: Revenue Requirement
- ✓ Exhibit 7: Cost Allocation
- ✓ Exhibit 8: Rate Design
- ✓ Exhibit 9: Deferral and Variance Accounts
- ✓ LPDL 2019 Benchmarking Forecast Model
- ✓ LPDL 2019 Cost Allocation
- ✓ LPDL 2019 LRAMVA Workform – former LPDL
- ✓ LPDL 2019 LRAMVA Workform – former PSP
- ✓ LPDL 2019 PILs Workform
- ✓ LPDL 2019 Rev Req Workform
- ✓ LPDL 2019 RTSR Workform
- ✓ LPDL 2019 Load Forecast Model
- ✓ LPDL 2019 COS Checklist
- ✓ LPDL 2019 DVA Continuity Schedule
- ✓ LPDL 2019 Account 1595 Workform
- ✓ LPDL 2019 Tariff Schedule and Bill Impact – former LPDL
- ✓ LPDL 2019 Tariff Schedule and Bill Impact – former PSP
- ✓ LPDL 2019 Chapter 5 Appendix
- ✓ LPDL 2019 Chapter 2 Appendices [2]

[2] MFR - Chapter 2 appendices in live Microsoft Excel format

All documents have been submitted to the OEB via their website. The completed checklist can be found at Appendix K.

The application along with all supporting evidence will also be posted on the utility's website and customers informed of the filing via Twitter once the application is accepted by the Ontario Energy Board (OEB).

1.3 CUSTOMER SUMMARY

1.3.1 CUSTOMER SUMMARY

Lakeland Power Distribution Ltd.(“LPDL”) has applied to the Ontario Energy Board for a change in the distribution rates that it charges its customers. The distribution rates are based on the amount of capital investment made in the distribution system as well as the cost to operate and maintain that same system, along with a percentage for a return on equity.

LPDL has a service area of 147 square kilometers that provides electricity distribution to approximately 13,500 residential, commercial and industrial customers. LPDL is incorporated under the Ontario Business Corporations Act and is 100% municipally owned by the Town of Bracebridge, Town of Huntsville, Town of Parry Sound, Village of Burk’s Falls, Town of Sundridge and Municipality of Magnetawan.

Effective July 1, 2014 the former Lakeland Power Distribution Ltd. (LPDL) and Parry Sound Power (PSP) amalgamated, in accordance to the provisions of the Ontario Business Corporation Act, to continue as one corporation under the name of Lakeland Power Distribution Ltd. At the time of amalgamation, the former LPDL had approximately 9,800 customers and added approximately 3,500 customers with the amalgamation of PSP.

The full Application includes information on the amount and location of capital investments being made in the service territory along with the costs to maintain the system, produce bills, provide customer support and employs 20 local staff. (the full document can be found on our website www.lakelandpower.on.ca)

Over the past few years, LPDL has achieved the following:

- Successfully integrated LDPL and PSP staff, systems, and locations
- Maintained local offices to provide face-to-face, personal interaction with customers
- Renegotiated new lower debt rates to lower interest expense

- Improved overall staff skill set through training and improved hire screening
- Reduced overall costs to move to 18th of 65 lowest cost electricity distribution companies in the province
- Improved customer engagement through increased social media presence, improved website and enhanced online experience
- Launched, first in the industry, Facebook Live session to connect with customers, industry and regulatory bodies
- Achieved Conservation saving targets well in excess of expectation
- Embarked on research into new innovation programs such as enabling electrification, increased renewable energy generation and Smart Grid
- Invited and involved in stakeholder groups including; Regional Planning and Ministry of Energy Smart Grid consultations
- Connected all sites, stations and offices on robust fibre optic network to enhance real time information, remote control and seamless communication
- Maintained business focused, cost effective, successful, driven Board of Directors

LPDL is proud of the local position it holds in the community and strives to provide its customers with the best service and reliability at the lowest cost.

On an overall global level, LPDL is requesting a **rate decrease** for all rate classes at varying levels. As a result of the amalgamation, LPDL was able to find synergy savings between LPDL and PSP that allowed for a reduction in rates for all customers.

The rates between the former LPDL customers and the former PSP customers will be harmonized in this application to set one rate per type of customer in order to reduce administration costs of managing multiple rates. The chart below outlines the bill impact on common classes and respective consumption:

Service Area	Customer Class	Consumption	Previous Total Monthly Bill	Proposed Total Monthly Bill	Savings per month	Savings Percentage per month
former LPDL	Residential	750 kWh	$ 152.77	$ 152.42	$ 0.35	0.23%
former LPDL	General Service <50 kW	2000 kWh	$ 375.25	$ 371.74	$ 3.51	0.93%
former PSP	Residential	750 kWh	$ 160.34	$ 152.42	$ 7.92	4.94%
former PSP	General Service <50 kW	2000 kWh	$ 382.65	$ 371.74	$ 10.91	2.85%

1.4 ADMINISTRATION

1.4.1 CONTACT INFORMATIONAND IDENTIFICATION OF LEGAL REPRESENTATION[3]

Application contact information is as follows:

Applicants Name: Lakeland Power Distribution Ltd

Applicants Address: 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

LPDL's Contact Info. Margaret Maw
Chief Financial Officer
705-789-5442
mmaw@lakelandholding.com

Chris Litschko
President and Chief Executive Officer
705-789-5442
chris@lakelandholding.com

[3] MFR - Primary contact information (name, address, phone, fax, email)

LPDLs Counsel:	Borden Ladner Gervais
	John Vellone – Partner
	416-367-6730
	JVellone@blg.com

1.4.2 CONFIRMATION OF INTERNET ADDRESS[4]

The application is posted on LPDL's website address at www.lakelandpower.on.ca, and a message to that effect was posted on the utility's website and Twitter site.

1.4.3 STATEMENT AS TO WHO IS AFFECTED BY THIS APPLICATION

LPDL has identified that all the customers of LPDL will be affected by this Application.

[4] MFR - Applicant's internet address for viewing of application and any social media accounts used by the applicant to communicate with customers

1.4.4 STATEMENT OF PUBLICATION[5]

Upon receiving the Letter of Direction and the Notice of Application and Hearing from the Board, the OEB will arrange to have the Notice of Application and Hearing for this proceeding published in the following local community not-paid-for newspaper which has the highest circulation in its service area.

> Bracebridge Examiner/Huntsville Forester/Parry Sound Beacon Star, all Metroland Media Group-owned. These publications cover 85% of our customer base.

Once the Notice of Application and Hearing has been published in the above listed newspapers, LPDL will file an Affidavit of Publication.

1.4.5 COMMUNITY BASED VENUES[6]

LPDL has been in discussion with Lynn Ramsay, Senior Advisor at the Ontario Energy Board, to provide information needed for the upcoming community meetings. LPDL has listed the Town Halls or Community Centers as accessible locations for customers to attend.

LPDL has not disclosed potential dates at this time as there are no forms of local transportation between municipalities. LPDL has identified this issue due to the distance between municipalities and have discussed alternatives with Ms Ramsay. Once the OEB gives LPDL direction as to how many meetings will be required, and location, LPDL will provide the information to its customers along with the date of occurrence.

OEB staff have been notified with the following information:

[5] MFR - Statement identifying where notice should be published and why.
[6] MFR – List of accessible locations for community based venue.

- Billing cycle is 20th of the month and bill inserts need to be available by 16th with 1.5 to 2 week lead time for insert production and shipping
- Newspaper information:
  - https://www.muskokaregion.com/ (for Bracebridge & Huntsville)
  - https://www.parrysound.com/ (for Parry Sound)
  - https://www.northbaynipissing.com/almaguinhighlands-on/ (for Burk's Falls, Sundridge, Magnetawan)
- Customers by town:
  - Bracebridge 5747
  - Huntsville 1490
  - Parry Sound 2959
  - Sundridge 479
  - Burk's Falls 459
  - Magnetawan 156

- One meeting will not likely suffice, may be perceived as preferential. Suggestion is at least 3 but 4 would be better. There is no form of local transportation so that inhibits having a central location.
- Locations – Bracebridge, Huntsville, Parry Sound, Burk's Falls
- Each town has a central community centre/arena/hall
  - https://www.huntsville.ca/en/
  - https://www.bracebridge.ca/en/
  - http://www.parrysound.ca/en/

1.4.6 LEGAL APPLICATION

In the matter of; the Ontario Energy Board Act, 1998; S.O. 1998, c.15, Schedule B, as amended; and in the matter of; an Application by Lakeland Power Distribution Ltd. for an Order or Orders approving or fixing just and reasonable distribution rates effective May 1, 2019.[7]

LPDL is a fully licensed distributor of electricity under distribution license ED-2002-0540 issued by the Ontario Energy Board (the "OEB" or the "Board") under the Ontario Energy Board Act, 1998 (the "Act").

LPDL hereby applies to the Board pursuant to section 78 of the Act for an Order or Orders approving or fixing just and reasonable distribution rates effective May 1, 2019.[8]

This Application is made in accordance with the Board's Chapter 2 of the Board's Filing Requirements for Transmission and Distribution Applications dated July 12, 2018. LPDL accordingly applies to the Board for the following Order or Orders:

[7] MFR - Statement identifying all deviations from Filing Requirements; identify concerns with models or changes to models
[8] MFR - Requested effective date

1.4.7 CERTIFICATION OF ACCURACY AND COMPLETENESS OF APPLICATION

LPDL hereby certifies that the application has been reviewed and approved by the President & CEO. LPDL confirms that its Board of Directors have been kept informed throughout the preparation of the budget and application. LPDL and confirms that the information and evidence presented herein is accurate to the best of LPDL’s knowledge. [9]

I, Chris Litschko, President and CEO of Lakeland Power Distribution Ltd., certify that the evidence filed is accurate, consistent, and complete to the best of my knowledge.

Chris Litschko, President & CEO

1.4.8 CONFIDENTIAL INFORMATION

LPDL confirms that the application does not include any confidential information.[10]

1.4.9 ALIGN RATE YEAR WITH FISCAL YEAR

LPDL is not proposing to align its rate year with its fiscal year in this proceeding. Therefore, no further adjustments are required in that respect.[11]

LPDL notes that it has no special conditions in its license.

[9] MFR - Certification by a senior officer that the evidence filed is accurate, consistent and complete
[10] MFR - Confidential Information - Practice Direction has been followed
[11] MFR - Aligning rate year with fiscal year - request for proposed alignment
MFR - List of approvals requested (and relevant section of legislation), including accounting orders - a PDF copy of Appendix 2-A should be provided in this section

1.4.10 BILL IMPACTS FOR NOTICE OF APPLICATION[12]

The 2019 distribution rates proposed by LPDL will result in overall bill impacts;

Former LPDL customers

- Residential at 750kWh of (0.7)% (RPP) and
- GS<50 at 2000kWh customer classes of (1.4)% (RPP),

Former PSP customers

- Residential at 750kWh of (5.8)% (RPP) and
- GS<50 at 2000kWh customer classes of (3.3)% (RPP),

Customer Class Name	Previous Distribution Bill - A	Proposed Distribution Bill - A
former LPDL		
Residential - 750 kWh	$33.48	$33.55
General Service <50 kW - 2000 kWh	$64.73	$62.22
former PSP		
Residential - 750 kWh	$40.54	$33.55
General Service <50 kW - 2000 kWh	$72.48	$62.22

and as detailed in Table 1 below.

A full list of the bill impacts applicable to all customer classes is found in Exhibit 8, Section 8.1.15 of this application. All LPDL's customers will be affected by this application.[13]

[12] MFR - Bill impacts - distribution only impacts for 750 kWh residential and 2000 kWh GS<50 (sub-total A of Tariff Schedule and Bill Impact Spreadsheet Model) to be used for notice

[13] MFR - Statement identifying customers materially affected by the application including any change to any rate or charge and specific statement of what individual customer or customer groups would be affected by the proposed change

Table 1- Total Bill Impacts

Former LPDL Service Area

RATE CLASSES / CATEGORIES (e.g.: Residential TOU, Residential Retailer)	Units	Usage	Sub-Total							
			A		B		C		A + B + C	
			$	%	$	%	$	%	$	%
RESIDENTIAL SERVICE CLASSIFICATION – RPP - Low Volume	kWh	215	$ 2.10	6.7%	$ 2.02	5.9%	$ 2.00	5.5%	$ 2.10	3.6%
RESIDENTIAL SERVICE CLASSIFICATION – Non-RPP - Low Volume	kWh	215	$ 2.10	6.7%	$ 2.06	6.0%	$ 2.03	5.5%	$ 2.29	3.3%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kWh	750	$ 0.07	0.2%	$ (0.20)	-0.5%	$ (0.30)	-0.6%	$ (0.32)	-0.3%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP	kWh	750	$ 0.07	0.2%	$ (0.10)	-0.2%	$ (0.19)	-0.4%	$ (0.22)	-0.1%
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - RPP	kWh	2000	$ (2.51)	-3.9%	$ (2.84)	-3.4%	$ (3.09)	-3.0%	$ (3.26)	-1.1%
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - Non-RPP	kWh	2000	$ (2.51)	-3.9%	$ (2.55)	-2.9%	$ (2.80)	-2.6%	$ (3.18)	-0.8%
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION - Non-RPP (Other)	kW	100	$ (63.59)	-10.4%	$(64.69)	-8.6%	$(58.04)	-5.1%	$ (75.89)	-1.1%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP	kWh	250	$ (1.50)	-95.2%	$ (1.54)	-40.0%	$ (1.57)	-24.9%	$ (1.78)	-5.6%
SENTINEL LIGHTING CLASSIFICATION - RPP)	kW	0.25	$ (5.77)	-100.6%	$ (5.80)	-88.0%	$ (5.82)	-79.6%	$ (6.57)	-36.0%
STREET LIGHTING SERVICE CLASSIFICATION - RPP	kW	0.25	$ (4.27)	-100.2%	$ (4.30)	-84.2%	$ (4.31)	-74.1%	$ (4.87)	-29.4%

Former PSP Service Area

RATE CLASSES / CATEGORIES (e.g.: Residential TOU, Residential Retailer)	Units	Usage	Sub-Total							
			A		B		C		A + B + C	
			$	%	$	%	$	%	$	%
RESIDENTIAL SERVICE CLASSIFICATION – RPP - Low Volume	kWh	230	$ (6.99)	-17.2%	$ (6.67)	-15.6%	$ (6.99)	-15.3%	$ (7.34)	-10.6%
RESIDENTIAL SERVICE CLASSIFICATION – Non-RPP - Low Volume	kWh	230	$ (6.99)	-17.2%	$ (6.68)	-15.4%	$ (7.00)	-15.2%	$ (7.91)	-9.7%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kWh	750	$ (6.99)	-17.2%	$ (5.94)	-12.7%	$ (6.98)	-12.5%	$ (7.36)	-5.8%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP	kWh	750	$ (6.99)	-17.2%	$ (5.98)	-12.3%	$ (7.01)	-12.2%	$ (7.95)	-4.9%
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - RPP	kWh	2000	$ (10.26)	-14.2%	$ (7.27)	-8.3%	$ (9.59)	-8.7%	$ (10.14)	-3.4%
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - Non-RPP	kWh	2000	$ (10.26)	-14.2%	$ (7.35)	-8.0%	$ (9.67)	-8.5%	$ (11.01)	-2.8%
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION - Non-RPP (Other)	kW	100	$ (58.99)	-9.7%	$ 37.90	5.8%	$ 34.13	3.2%	$ (5.75)	-0.1%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP	kWh	250	$ (35.45)	-99.8%	$(35.13)	-93.8%	$(35.42)	-88.2%	$ (40.03)	-57.2%
SENTINEL LIGHTING CLASSIFICATION - RPP)	kW	0.25	$ (4.44)	-100.7%	$ (4.38)	-84.8%	$ (4.45)	-74.8%	$ (5.03)	-30.0%
STREET LIGHTING SERVICE CLASSIFICATION - RPP	kW	0.25	$ (7.26)	-100.1%	$ (7.20)	-89.9%	$ (7.26)	-82.8%	$ (8.21)	-41.2%

1.4.11 STATEMENT AS TO THE FORM OF HEARING REQUESTED[14]

Written evidence supports this Application. The written evidence will be pre-filed and may be amended from time to time, prior to the Board's final decision on the Application.

LPDL requests that pursuant to Section 34.01 of the Board's Rules of Practice and Procedure, this proceeding be conducted by way of written hearing in an effort to minimize costs but understands that if certain issues remain unsettled post-settlement, the utility may be asked to participate in an oral hearing.

1.4.12 REQUESTED EFFECTIVE DATE

LPDL hereby applies to the Board pursuant to section 78 of the Act for an Order or Orders approving or fixing just and reasonable distribution rates effective May 1, 2019.[15]

LPDL requests that the current rates for former PSP remain in effect until April 30, 2019.

In the event that the OEB is unable to provide a Decision and Order in this application for implementation by the Applicant as of May 1, 2019, the Applicant requests that the OEB declare its current rates interim, effective May 1, 2019.

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[14] MFR - Form of hearing requested and why
[15] MFR - Requested effective date

1.4.13 STATEMENT OF DEVIATION OF FILING REQUIREMENTS[16]

Except where specifically identified in the Application, LPDL followed Chapter 2 of the OEB's "*Filing Requirements for Electricity Transmission and Distribution Applications*," dated July 12, 2018 (the "Filing Requirements") in order to prepare this application. The Excel version of the complete 2018/2019 (where feasible) Cost of Service checklist is being filed in conjunction with this application.

1.4.14 CHANGES IN METHODOLOGIES[17]

The projections for the 2019 Test Year were prepared in accordance with LPDL's budget process as described in Section 1.5 of this Exhibit. All processes are in compliance with policies, directives and rules and guidelines from the Ontario Energy Board and other regulators.

1.4.15 BOARD DIRECTIVE FROM PREVIOUS DECISIONS

At the date of this submission, LPDL is not aware of any Board Directives from any previous Board Decisions and/or Orders that require addressing in this Application. [18]

1.4.16 CONDITIONS OF SERVICE

LPDL's conditions of service are updated on a regular basis and were last updated on March 15, 2017. The utility's most recent Conditions of Service are accessible on the utility's website at http://www.lakelandpower.on.ca/policies-regulatory/. LPDL confirms that the conditions of

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[16] MFR - Statement identifying all deviations from Filing Requirements; identify concerns with models or changes to models
[17] MFR - Statement identifying and describing any changes to methodologies used vs previous applications
[18] MFR - Identification of OEB directions from any previous OEB Decisions and/or Orders. The applicant must clearly indicate how these are being addressed in the current application (e.g., filing of a study as directed in a previous decision)

service do not purport to establish any charges that are not approved as part of the posted tariff sheet Conditions of Service but that the tariff sheet is posted on the utility's website.[19]

1.4.17 CORPORATE OVERVIEW AND GOVERNANCE

LPDL is a subsidiary of Lakeland Holding Ltd. and is an affiliate of Bracebridge Generation Ltd. and Lakeland Energy Ltd. Lakeland Holding Ltd. provides the executive/senior management, finance and accounting, payroll and HR functions for LPDL. LPDL however, has its own Board of Directors. By utilizing a corporate allocation model, the synergies of sharing costs between the subsidiaries lends itself to cost reductions versus having the executive, HR, and financial functions as stand-alone functions in each company. Lakeland Holding in turn, is owned by the Town of Bracebridge (54.97%), Town of Huntsville (21.22%), Town of Parry Sound (15.57%), Town of Sundridge (3.66%), Village of Burk's Falls (3.34%) and Municipality of Magnetawan (1.24%).

The Board of Directors, for all of Lakeland's respective companies, are elected on a skills base.

LPDL's Board of Directors consists of three members, one of which is independent, the other two members also serve on the board of Lakeland Holding Ltd.

The President and CEO of Lakeland Holding Ltd. is also the President and CEO of LPDL, the CFO and COO also have dual roles.

Lakeland Holding Ltd. provides Executive, Senior Management, Human Resources, Health & Safety, Training, Payroll, and Finance functions.

Bracebridge Generation Ltd. provides support for on-call coverage and trouble call support during storms and emergencies. Lakeland Energy Ltd. provides IT support, fibre optic internet,

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[19] MFR - Reference to Conditions of Service - LDC does not need to file Conditions of Service, but must provide reference to website and confirm version is current; identify if there are changes to Conditions of Service (a) since last CoS application or (b) as a result of the current application. Confirmation that there are no rates and charges linked in the Conditions of Service that are not in the distributor's Tariff of Rates and Charges must be provided

telephone and communications, GIS support and SCADA support. Due to the more rural area that LPDL operates in, many of the more technologically advanced expertise and support would not be readily available locally. Details of the Shares Services/Corporate Cost Allocations are provided in Exhibit 4.

In addition to the in-house support, LPDL utilizes the co-operative efforts of Cornerstone Hydro Electric Co-operative (CHEC) in order to leverage expertise, knowledge base, training forums and a collective voice with regulatory bodies, all in an effort to control costs.

While LPDL employs a workforce of 20 people specifically, it has access to 50 other staff in the combination of the three other entities that lend support and expertise. Within LPDL specifically, the following positions are directly attributable to the LDC;

- Operations Manager
- Customer Service Manager
- 3 Billing Staff and 1 Collections
- 1 CDM Administrator – not included for cost recovery
- 1 Regulatory Analyst
- 1 Lines Supervisor
- 1 Lead Hand Linesman
- 5 Linemen
- 1 Meter Technician
- 3 Engineering Technologists
- Facilities Co-ordinator

The above relationships are shown in the Utility Organization Chart at the next page.

The Operations Manager is responsible for the following activities.

- Ensure the Utility operates in a responsible corporate environment with due regard to the environmental footprint and public and employee safety

- Oversee operations to ensure compliance, production efficiency, accuracy, quality, service and the cost-effective management of resources
- Develop a comprehensive, inclusive, and transparent process of operational planning designed to meet strategic priorities established by the Senior Management/Board/changing needs in the electricity sector
- Manage and motivate a team of staff to support and further the Utility's mission and to provide staff members with the opportunity to develop their skills and competencies further.
- Responsible for metering and investigation of metering issues
- Participate in emergency planning and implementation
- Control and order inventory
- Responsible for building and substation maintenance

The Customer Service Manager is responsible for the following activities

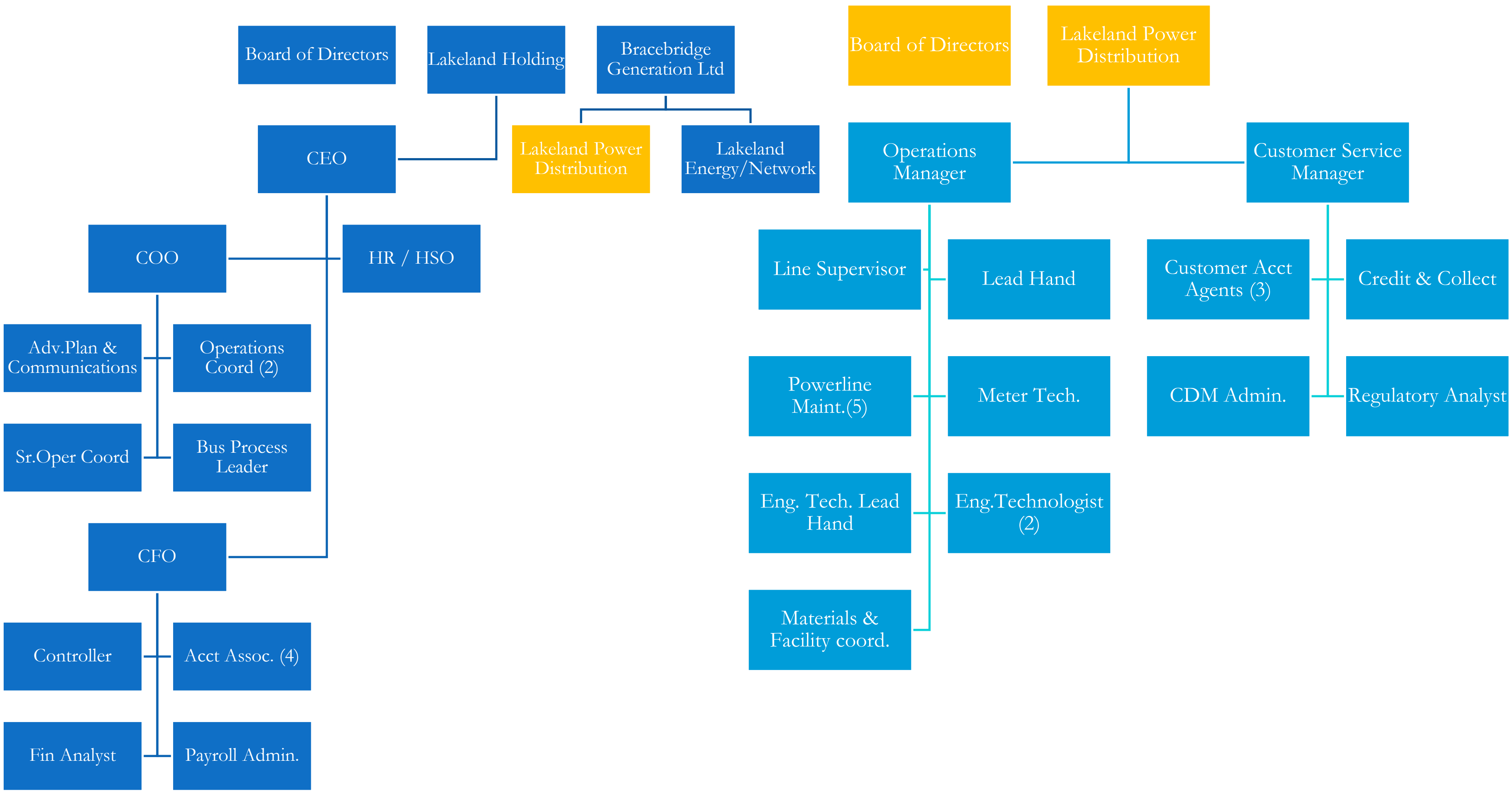
- Deal with customer bill complaints, meter consumption review, correcting errors
- Perform processes related to delinquent accounts and/or bankruptcies, including discussing payment arrangements with customers or with outside agencies such as Social Services
- Stay current with regulatory and corporate policies/practices
- Compile and prepare statistical data for Monthly/Quarterly/Yearly regulatory reporting
- Ensure that the required attention and coverage is maintained to attain Ontario Energy Board targets related to customer service indices
- Lead the business, its services, and its employees to remain successful in offering customers a high level of service quality

The Regulatory Analyst reports to Controller in Lakeland Holding and the CDM Administrator reports to the COO in Lakeland Holding.

LPDL is not planning any changes in corporate or organization structure nor any changes in legal organization and control.

1 **Table 2 - Organizational and Corporate Structure Chart**

2



1.4.18 BOARD OF DIRECTORS

LPDL recognizes the importance of corporate governance and has ensured that the appropriate structure, mandates, processes and controls are in place.

On June 22, 2016, the OEB initiated a consultation to develop guidance on corporate governance for OEB rate-regulated utilities (EB-2014-0255). LPDL was specifically asked to join the consultation and provide input on its structure and practices. LPDL continues to follow the progress in this consultation.

LPDL's corporate governance practices pre-date the consultation, initially signed in 2007. The charter for Corporate Governance is provided in Appendix B.

The charter outlines;

- Governance Committee
- Nominating Committee
- Human Resources Committee
- Finance Committee
- Environmental, Health & Safety Committee
- Mergers and Acquisitions Committee
- Board of Director's Mandate and Responsibilities
- CEO Mandate and Responsibilities
- Code of Ethics

The Shareholder Agreement stipulates that the duties of the Board of Directors include but not be limited to:

1. *Management of the business and affairs of all Holdco;*
2. *The establishment of appropriate reserves and a dividend policy consistent with sound financial principals, all with the intention of providing the shareholders with a reasonable rate of return on their investment while maintaining reasonable rates for customers; and*
3. *Declaration of any dividend or distribution of capital in respect of the Shares.*

4. *The shareholders agreement is also indicated The Board consider the implementation of the following committees - Executive, Finance and Human Resources and Nominating.*
5. *The Directors are required to adhere to and operate under the articles set out in The Shareholders Agreement.*

Board meetings are held 10 times a year with additional meetings of the various committees as required.

In accordance with the terms of the Shareholders Agreement, the Board of Directors are elected by the Shareholders based on the information provided by the Nominating Committee as below;

In carrying out its mandate, the Committee shall consider the following:

- *The minimum requirements for selecting potential candidates to the board is to encompass those as stipulated in the Shareholders Agreement. Additional requirements to rate individual characteristics will be utilized as agreed to by the Board.*
- *The Nominating Committee will interview and recommend board candidates for election to all Boards encompassing Lakeland Holdings Ltd.*
- *The Chair of the Nominating Committee will keep track of the expiring of the current board members 3 year term, successive 3 year terms, 6 year consecutive terms and any extensions approved by the Board and submitted and approved by the shareholders. The Chair of the Nominating Committee will inform the Board of these expirations.*
- *All new nominees and term extensions once approved by the Board must be submitted to the Shareholders for their approval.*
- *The Board will agree to the number of board members elected based on their recommendations and approval of the shareholders.*
- *The process for interviewing candidates and the time and location for the interview will be decided by the Board.*
- *The Nominating Committee Chair is historically the Vice Chair of the Board. The Board may revise this responsibility from time to time.*
- *All board members are to participate in the interviewing of candidates.*
- *Once the nominee has been approved by both the Board and shareholders, arrange for a comprehensive orientation program for the candidate.*

1.4.19 LIST OF APPROVALS

In this proceeding, LPDL is requesting the following approvals:

1. Approval to charge distribution rates effective May 1, 2019 to recover a service revenue requirement of $8,340,985 which includes a revenue sufficiency of $344,504 as detailed in Exhibit 6. The schedule of proposed rates is set out in Exhibit 8.
2. Approval to charge the currently approved rates for former Parry Sound Service Area ("PSP")from EB-2017-0058 that commenced January 1, 2018 until April 30, 2019 in order to facilitate rate harmonization on the same rate year (May 1).
3. Approval to harmonize distribution rates and Specific Service Charges for the former LPDL and former PSP service areas as set out in Exhibit 8.
4. Approval to adjust the Retail Transmission Rates – Network and Connection as detailed in Exhibit 8.
5. Approval of the proposed loss factors as detailed in Exhibit 8.
6. Approval of the Specific Service Charges, including additional charges, as outlined in Exhibit 8.
7. Approval to charge the Board's updated Pole Attachment Charge, effective January 1, 2019.
8. Approval of the rate riders for disposition of the Group 1 and Group 2 and Other Deferral and Variance Accounts as detailed in Exhibit 9.
9. Approval of the rate rider for a one year disposition of the Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA") for lost revenue as set out in Exhibits 4 and 9.
10. Approval of the Distribution System Plan as outlined in Exhibit 2, Section 2.5.2
11. Approval of a revised MicroFit monthly service charge as outlined in Exhibit 3 and 8

LPDL has completed OEB Appendix 2-A List of Requested Approvals, which has been uploaded in live Excel format and as pdf in Appendix J.

1.5 DISTRIBUTION SYSTEM OVERVIEW

1.5.1 APPLICANT OVERVIEW[20]

LPDL is a for-profit private corporation carrying on the business of distributing electricity within the municipalities of Bracebridge, Huntsville, Sundridge, Burk's Falls and Magnetawan, and as of July 1, 2014, within the municipality of Parry Sound. LPDL is a licensed distributor with approximately 13,500 customers. Over 83% are residential, and 17% are small businesses or industrial based.

LPDL owns, maintains and operates the distribution system covering a 147 sq. Km service territory of which 128 sq. Km. is rural.

Service Area

LPDL owns, maintains and operates the distribution system covering a 147 sq. km. service territory of which 128 sq. km. is rural. LPDL distributes electricity within the municipalities of Bracebridge, Burk's Falls, Huntsville, Magnetawan and Sundridge. On July 1, 2014, LPDL merged with Parry Sound Power, responsible for service in the Municipality of Parry Sound. Figures 1-6 at the next page shows a map of each area.

[20] MFR - Description of whether the distributor is a host distributor and/or embedded distributor. Identification of embedded and/or host distributors; if partially embedded provide %load from host distributor. If the distributor is a host, the applicant should identify whether there is a separate Embedded Distributor customer class or if any embedded distributors are included in other customer classes such as GS > 50 kW

Table 3 – High Level map of service area

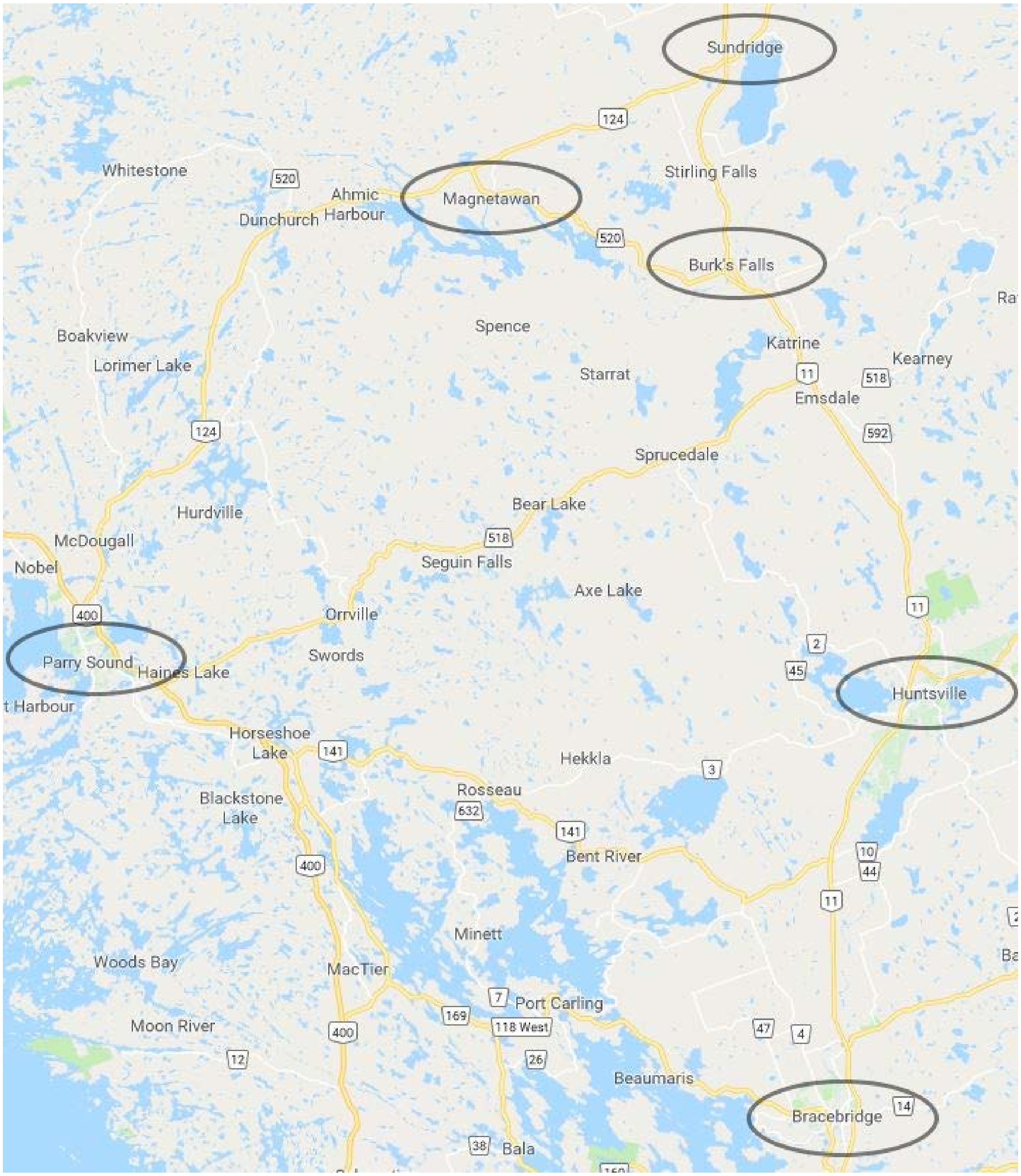


Fig 1. Huntsville

Fig 2. Bracebridge

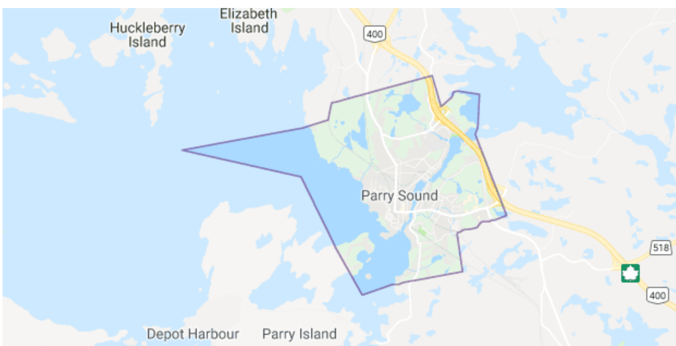


Fig 3. Parry Sound

Fig 4. Sundridge

Fig 3. Magnetawan

Fig 4. Burk's Falls

A detailed description of the distribution service area can be found at the following link: https://www.oeb.ca/sites/default/files/uploads/documents/SA_Lakeland%20Power%20Distribution%20Ltd..pdf

Description of Municipal Stations in Service.

LPDL owns a total of eleven municipal substations ("MS"). Four of the substations (Bracebridge MS3, Centennial MS, Douglas MS and Golden Beach MS) are in the territory of Bracebridge, 2 of them (Huntsville MS1 and Huntsville MS2) are in the territory of Huntsville, and the remaining five (Parry Sound MS1, Parry Sound MS2, Parry Sound MS3, Parry Sound MS4 and Parry Sound MS5) are in the territory of Parry Sound.

Table 4 - Utility Description

Service Area	Description of Applicant (as of the end of 2017)
Community Served	Bracebridge, Huntsville, Parry Sound, Burk's Falls, Magnetawan and Sundridge
# of Metered Customers	11,169 Residential
	2,144 General Service
	138 GS 50-4999
	51 USL
	46 Sentinel
	2848 Streetlights
Total Service Area	163 Sq. km
Rural Service Area	144 Sq. km
Total Energy	278,833,243 kWh
Total Demand	283,282 kW

Economic Overview

LPDL's economic overview is also presented in section 2.1 of the Business Plan.

Introduction

On September 1, 2000, Lakeland Holding and its subsidiaries became incorporated companies by merging the hydro assets of the following municipalities: Bracebridge, Huntsville, Burk's Falls, Sundridge, and Magnetawan. On July 1, 2014, Lakeland Power Distribution Ltd (LPDL) and Parry Sound Power Corporation (PSPC) amalgamated to form a new distribution company under the name of Lakeland Power Distribution Ltd.

Location

The major centres serviced by LPDL are Bracebridge, Huntsville and Parry Sound. LPDL also serves Burk's Falls, Sundridge, and Magnetawan.

Bracebridge is just two hours north of Toronto and is located immediately adjacent to provincial Highway 11 that is a four lane divided highway connected to the 400 series of highways at Barrie (90 kilometres to the South) and the Trans-Canada Highway (200 kilometres to the North).

Huntsville (Canada 2016 Census population 19,816) is the largest town in the Muskoka Region of Ontario, Canada. It is located 215 kilometres (134 mi) north of Toronto and 130 kilometres (81 mi) south of North Bay.

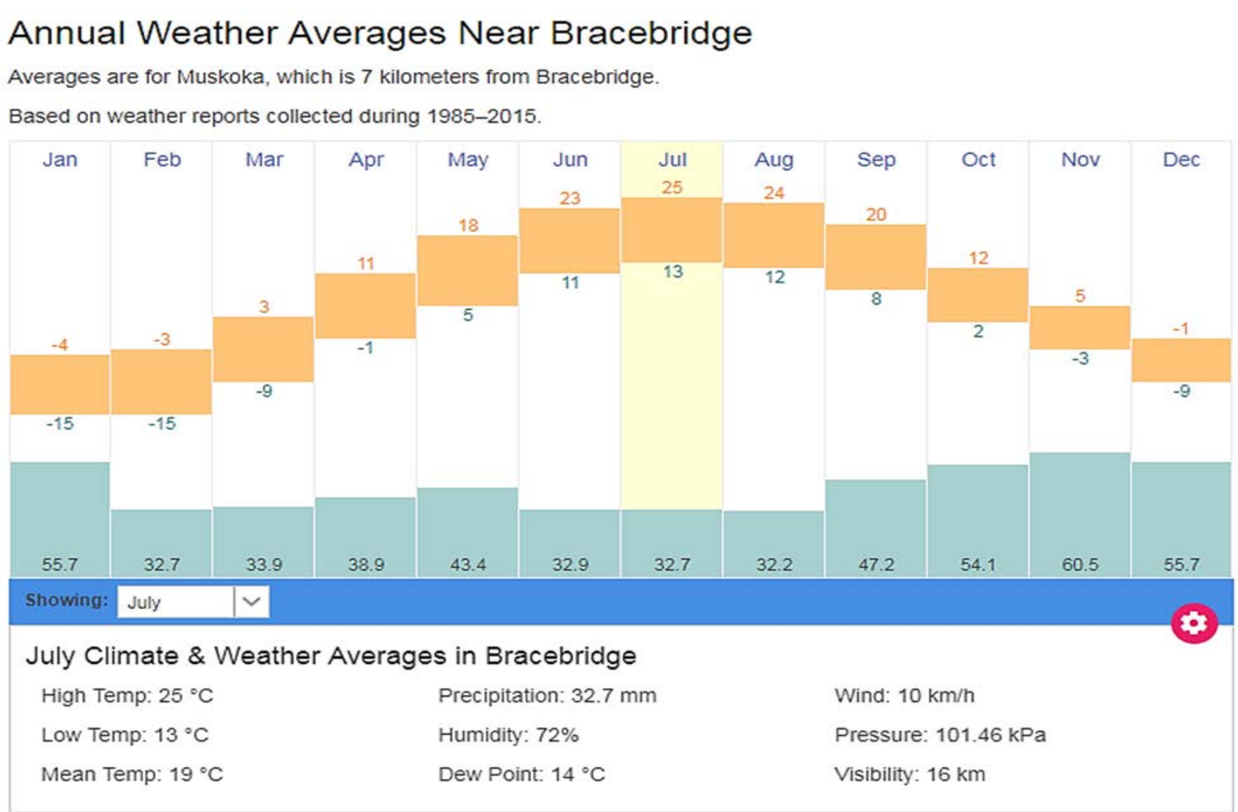
Parry Sound is a town in Ontario, Canada, located on the eastern shore of the sound after which it is named. Parry Sound is located 160 km (99 mi) south of Sudbury and 225 km (140 mi) north of Toronto. It is a single tier government located in the territorial District of Parry Sound which has no second tier County, Regional or District level of government. Parry Sound is a popular cottage country region for Southern Ontario residents. It also has the world's deepest natural freshwater port

Climate

Based on weather reports collected during 1985–2015, the average temperature fluctuates from an average low of -15 degree Celsius in January to a high of 25 degree Celsius in July.

2017 was particularly unpredictable. Huntsville saw three separate tornadoes touch down, experienced multiple road washouts in unexpected areas and saw a number of usually stout beaver dams blow out.

Huntsville was notably bad, but each section of the region — Muskoka, Almaguin, and Georgian Bay had their own varied experiences with unpredictable weather.



For the one year period of November 2018 to October 2019, the expected weather pattern is as follows; winter temperatures are expected to be close to normal, on average, with above-normal precipitation and snowfall. The coldest periods will be in mid- and late December, early and late January, and early February. The snowiest periods will be in early December, mid-February, and early to mid-March. April and May will be cooler than normal, with above-normal precipitation. Summer will be cooler and rainier than normal. The hottest periods will be from late June into early July and in early to mid-July and mid-August. September and October will be cooler and rainier than normal.

Demographics and Labour Force of the largest centres (Bracebridge and Huntsville)

- Bracebridge encompasses an area of 628.22 square kilometers
- The population of Bracebridge is 16,010 Permanent (2016 Census) and, 7,045 Seasonal. The population density is 25.5 people per square Kilometer.

- Huntsville encompasses an area of 68,716 hectares
- Huntsville is the largest of the six municipalities within the District of Muskoka
- Current (2011) population is approximately 20,000 full-time residents
- Average household income, $73,578 which is 10% below the national average
- Retail sales are 52% above the national average

Labour Force By Industry, Bracebridge & District Of Muskoka 2006

	Bracebridge
Total in Labour Force 15 years and over	8,530
Agriculture/ Resource Related	140 (1.64%)
Construction	1130 (13.24 %)
Manufacturing	780 (9.14 %)
Wholesale Trade	150 (1.75 %)
Retail Trade	1195 (14.00 %)
Finance and Real Estate	385 (4.51 %)
Health Care and Social Services	775 (9.08 %)
Educational Services	585 (6.85 %)
Business Services	1340 (15.70%)
Other Services	1980 (23.21 %)

For more information about statistics and demographics in this area visit the Statistics Canada website page on Bracebridge.

http://www12.statcan.gc.ca/census-recensement/2011/dp-pd/prof/details/page.cfm?Lang=E&Geo1=POPC&Code1=0383&Geo2=PR&Code2=01&Data=Count&SearchText=&SearchType=Begins&SearchPR=01&B1=All&Custom=&TABID=1

1.5.2 HOST /EMBEDDED DISTRIBUTOR

LPDL is an embedded distributor who receives electricity at distribution level voltages from Hydro One Networks Inc.

LPDL does not have any embedded distributors within its territory. [21]

1.5.3 TRANSMISSION OR HIGH VOLTAGE ASSETS

Per ANSI standard C84.1-1989, "Low" voltage is described as 600V and below. "Medium" voltage is 2.4kV through 69kV. "High" voltage is 115kV through 230kV and "Extra-High" voltage is 345kV to 765kV, while "Ultra-high" voltage is 1.1MV. The higher voltage of the transformer (primary or secondary) is the voltage on which the transformer is designated.

LPDL's service territory is surrounded by Hydro One Networks, and adjacent to Veridian Connections. LPDL is directly connected to Hydro One's transmission system at 44 KV and in one of its territories at 12.5 kV. LPDL is an embedded LDC that takes delivery of electricity from HONI.

[21] MFR - Identification of embedded and/or host distributors; if partially embedded provide %load from host distributor. If the distributor is a host, the applicant should identify whether there is a separate Embedded Distributor customer class or if any embedded distributors are included in other customer classes such as GS > 50 kW

1.6 APPLICATION SUMMARY

This section is devoted to defining each element of LPDL's 2019 cost-of-service, explaining how each element is determined and explaining the relationship between the various components. The major components covered in this application summary are as follows:

- ✓ Budgeting and Accounting Assumptions
- ✓ Revenue Requirement
- ✓ Load Forecast Summary
- ✓ Overview of Rate Base and Distribution System Plan
- ✓ Overview of Operation Maintenance and Administrative Costs
- ✓ Cost of Capital Parameters
- ✓ Overview of Cost Allocation and Rate Design
- ✓ Overview of Deferral and Variance Account Disposition
- ✓ Overview of Bill Impacts

1.6.1 BUDGETING AND ACCOUNTING ASSUMPTIONS[22]

CHANGES IN CAPITALIZATION POLICIES AND DEPRECIATION

In accordance with the Board's letter dated July 12, 2012, each of the former LPDL and PSP adopted capitalization and depreciation policies under CGAAP that were compliant with International Financial Reporting Standards. The former LPDL adopted the required accounting changes for depreciation and capitalization policies on January 1, 2012 and were included in the 2013 Cost of Service. As a result, there were no additional impacts to the expensing of overheads or amortization expense for this service territory.

[22] MFR - Budgeting and Accounting Assumptions - economic overview and identification of accounting standard used for test year and brief explanation of impacts arising from any change in standards

The former PSP adopted the required accounting changes for depreciation and capitalization on January 1, 2013. The impact of the capitalization and depreciation changes, related to the former PSP, is detailed in Exhibit 9, Deferral and Variance Accounts (Account 1576).

Upon amalgamation in 2014, there were no further changes as both former entities utilized the same depreciation and capitalization policies.

TRANSITION TO MODIFIED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("MIFRS")

Both the former LPDL and PSP followed CGAAP in 2013 and 2014. Each of the entities adopted IFRS effective January 1, 2015 with restatement to January 1, 2014 ("transition date"). LPDL adopted MIFRS for rate making purposes effective January 1, 2015 and follows the OEB's Accounting Procedures Handbook.

BUDGETING ASUUMPTIONS

LPDL prepares an annual budget that is reviewed by Senior Management, followed by a presentation to Board of Directors for final approval. A 3-year business plan is also prepared at a higher overview to develop longer term goals and objectives including cashflow analysis to anticipate the future financial position.

In early fall, each manager is asked to prepare an overview strategic objective for their specific areas focusing on the 4 pillars of

- Environmental, Health & Safety
- Team
- Customers/Investment
- Financial

The strategies developed to obtain the overall objective of the company form the basis of the annual budget as well as the annual internal scorecard. The 2018 results from this process are provided in Section 1.2.2 of this Exhibit.

LPDL's capital budget process is an essential planning tool to ensure proper resources are available to maintain and growth its capital infrastructure. Each department has a key role and responsibility for the preparation of the operating and capital budget, as shown below:

- Engineering staff and Operations Manager discuss current projects planned for the upcoming year and long-range forecast. Project prioritization is then performed, and values associated to the upcoming projects are estimated.
- Operations Manager presents a Preliminary Capital Budget and long-range forecast to Finance Management for feedback or revisions.
- Executive Team (CEO, CFO and COO) presents and recommends the Preliminary Capital Budget and long-range forecast to the Board of Directors for approval, feedback, or possible revisions if necessary.
- It is the responsibility of the Board of Directors, on behalf of the stakeholders, to approve the final Capital Budget and ensure LPDL abides to it.
- Once final approval is achieved, Board of Directors and Executive present the final financial package to all shareholders.

Once the Board of Directors approves the annual budget, the budget amounts typically do not change but provides a plan against which actual results may be evaluated.

LPDL performs a monthly Actual-to-Budget Review Process. This monthly review process involves the following activities:

- Finance management presents the variances to the Operations Manager for validation.
- Significant variances in capital and operating expenditures based on YTD results are reviewed along with work plans to identify any changes that may have an impact on actual expenditures.

- A revised forecast is produced each month to account for major changes in operational assumptions or new customer demand projects.
- All significant variances are reported to the Board of Directors on a monthly basis by the CFO
- If LPDL anticipates exceeding the Capital Budget by $50,000 during the fiscal year, a Capital Expenditure Report must be prepared and presented to the Board of Directors for approval.

In addition to the needs of the capital infrastructure, LPDL also plans for the required operations and maintenance of its assets considering both performance and safety.

LPDL compiles budget information for the three major components of the budgeting process:

- Revenue forecast
- Operating, Maintenance, and Administration ("OM&A") expense forecast
- Capital Budget forecast

Revenue Forecast

The revenue forecasts are based on estimated throughput volume and existing rates for the 2018 Bridge Year and LPDL's proposed rates for the 2019 Test Year at the 2019 Test Year Load forecast. The forecasted volumes have been weather normalized and consider such factors as new customer additions and load for all classes of customers. Details are presented in Section 3.1.3. of Exhibit 3. The forecast has been adjusted to reflect the CDM initiatives currently undertaken by the applicant.

OM&A Costs

OM&A costs presented in Exhibit 4 show LPDL's maintenance and customer focused activity needed to meet public and employee objectives. These costs are essential in order to comply with the Distribution System Code, environmental requirements, and government direction, and to maintain distribution service quality and reliability at targeted performance levels. OM&A costs also include providing services to customers connected to LPDL's distribution system and meeting the requirements of the OEB's Standard Supply Code and Retail Settlement Code.

The proposed OM&A cost expenditures for the 2019 Test Year are the result of planning and work prioritization process that ensures that the most appropriate, cost-effective solutions are put in place.

Capital Costs

LPDL's DSP identifies the capital projects that are planned to be completed over a five year period, based on the best information available at this time. Using GIS and Operational software, LPDL has completed a high level review of current assets and their age and has reviewed strategies in dealing with maintenance and capital improvements. From this review and system inspection results, LPDL has identified various aged assets that require replacement to ensure safe and reliable delivery of electricity. The capital budget forecast is significantly influenced by growth, customer requests, reliability, support systems, and the conversion of a significantly aging infrastructure. LPDL acknowledges that, where priority of projects change, or outside factors influence change, LPDL may be required to re-evaluate its capital forecast.

Capital costs in Exhibit 2 have been developed with the key strategies above in mind.

Overall Budgeting Process

The capital and operating budgets are prepared annually by management and reviewed and approved by the Board of Directors. Once approved, the budget is only revised if a material change in plan is required. In such cases, the revised budget is once again approved by the Board of Directors.

LPDL continues to deliver its operating and capital plans on target and on budget.

1.6.2 REVENUE REQUIREMENT[23]

LPDL's requested Service Revenue Requirement for the 2019 Test Year is $8,340,986 which provides for recovery of the following;

- Operations, Maintenance and Administration Expenses,
- Depreciation/Amortization Expense,
- Property Taxes,
- Payments in Lieu of Taxes ("PILs"), and
- Return on Rate Base (Debt Interest Expense plus Return on Equity).

The table below shows LPDL's revenue requirement from 2013 Board Approved Proxy up to the proposed 2019 revenue requirement.

[23] MFR - Revenue Requirement - service RR, increase ($ and %) from change from previously approved, main drivers

Table 5 - 2019 Proposed Revenue Requirements

Particular	2013 Board Approved Proxy	2013	2014	2015	2016	2017	2018	2019
OM&A Expenses	$4,745,006	$5,173,226	$5,132,366	$5,093,346	$4,841,637	$4,589,904	$4,934,268	$5,071,718
Depreciation Expense	$1,427,448	$1,444,565	$1,240,988	$1,200,180	$1,175,693	$1,229,291	$1,268,931	$1,337,805
Property Taxes	$10,702	$36,687	$40,544	$46,245	$49,780	$54,642	$54,000	$56,828
Total Distribution Expenses	$6,183,156	$6,654,478	$6,413,898	$6,339,771	$6,067,110	$5,873,837	$6,257,198	$6,466,351
Regulated Return On Capital	$1,679,410	$1,707,565	$1,810,749	$1,915,687	$2,003,223	$1,998,172	$2,037,653	$1,633,257
Grossed up PILs	$195,532	$169,653	$186,078	$510,401	$564,013	$659,601	$230,845	$241,378
Service Revenue Requirement	**$8,058,099**	**$8,531,696**	**$8,410,724**	**$8,765,860**	**$8,634,346**	**$8,531,611**	**$8,525,696**	**$8,340,986**
Less: Revenue Offsets	-$388,650	-$619,838	-$695,250	-$688,575	-$585,592	-$633,571	-$509,944	-$682,214
Base Revenue Requirement	**$7,669,449**	**$7,911,857**	**$7,715,473**	**$8,077,285**	**$8,048,755**	**$7,898,040**	**$8,015,752**	**$7,658,772**

The proposed Revenue Requirement for the 2019 test year of $8,340,986 reflects an increase of $282,887, 3.5% higher than the 2013 Board Approved Proxy. The revenue requirement between 2013 and 2018 remained relatively stable representing a deliberate pace of capital and operational investment. The decrease in 2019 from 2018 is predominately due to the change in working capital allowance from 13.59% to 7.5% as well as the decrease in long term debt rate from 4.93% to 3.11%.

In comparison to 2013 Board Approved Proxy, 2019 Service Revenue Requirement variance of $282,887 can be broken down as follows:

- Return on Equity as rate base has increased with new capital additions offset by change in WCA, $141,092
- Decrease in deemed interest expense due to a significant lowering of long term debt, $(187,246)
- Increase in OM&A costs by 6.9% over 6 years, less than general inflation due to synergy savings, $326,711
- Decline in depreciation expense due to type of capital investment and contributed capital, $(89,643)
- Increase in Property Tax due to revaluations on buildings and properties through MPAC, $46,126
- PILs increase due to increased net income, $45,846

Table 6 below, shows the derivation of the variances described above.

Table 6 – 2019 Parameters vs 2013 Board Approved Proxy Parameters

Particular	2013 Board Approved Proxy	2019 Proposed	Diff
Long Term Debt	4.93%	3.11%	-1.82%
Short Term Debt	2.17%	2.29%	0.12%
Return on Equity	9.08%	9.00%	-0.08%
Weighted Debt Rate	4.75%	3.06%	-1.69%
Regulated Rate of Return	**6.48%**	**5.43%**	**-1.05%**
Controlable Expenses	$4,755,708	$5,128,546	$372,837
Power Supply Expense	$30,061,947	$33,127,471	$3,065,523
Total Eligible Distribution Expenses	$34,817,656	$38,256,016	$3,438,361
Working Capital Allowance Rate	13.59%	7.50%	-6.09%
Total Working Capital Allowance ("WCA")	**$4,731,139**	**$2,869,201**	**-$1,861,938**
Fixed Asset Opening Bal Bridge Year	$20,409,400	$26,686,509	$6,277,109
Fixed Asset Opening Bal Test Year	$21,962,856	$27,696,423	$5,733,567
Average Fixed Asset	$21,186,128	$27,191,466	$6,005,338
Working Capital Allowance	$4,731,139	$2,869,201	-$1,861,938
Rate Base	**$25,917,267**	**$30,060,667**	**$4,143,400**
Regulated Rate of Return	6.48%	5.43%	-1.05%
Regulated Return on Capital	**$1,679,410**	**$1,633,256**	**-$46,154**
Deemed Interest Expense	$738,318	$551,072	-$187,246
Deemed Return on Equity	$941,092	$1,082,184	$141,092
OM&A	$4,745,006	$5,071,718	$326,711
Depreciation Expense	$1,427,448	$1,337,805	-$89,643
Property Tax	$10,702	$56,828	$46,126
PILs	$195,532	$241,378	$45,846
Revenue Offset	-$388,650	-$682,214	-$293,564
Base Revenue Requirement	**$7,669,449**	**$7,658,771**	**-$10,677**
Service Revenue Requirement	**$8,058,099**	**$8,340,985**	**$282,887**

Based on the projected load forecast for the 2019 Test Year, as provided for in Exhibit 3, LPDL has estimated a revenue sufficiency of $344,504 or 4.0% decrease based on its current rates. Table 7, below, outlines the contributors to the revenue sufficiency by revenue requirement component. The first column is the 2013 Board Approved Proxy amounts (Refer to Exhibit 5 for the computation of the 2013 Board Approved Proxy). The second column is the 2019 revenue at existing rates allocated in the same proportion as the 2013 Board Approved Proxy in order to represent the breakout in current rates. The third column lists the proposed components. The difference between the 2019 existing rates column and the 2019 proposed column gives rise to the revenue sufficiency by component.

The revenue sufficiency of $344,504 for the 2019 Test Year is primarily due to the effect of;

(i) a reduced interest rate, $244,730. Reduction to the long term debt rate (4.93% down to 3.11%) as LPDL has endeavoured to find debt instruments with favourable interest rates to reduce pressure from increasing costs in a service territory that has little to no growth.
(ii) Slightly decrease OM&A costs, $42,727, and
(iii) Reduction in depreciation expense of $200,782 is due to the level of relative capital spending as well as an increase in contributed capital all of which are contributors to the calculated sufficiency.

Property Taxes have increased significantly from 2013 Board Approved Proxy to 2019 Proposed the reason being that there was a misclassification in PSP’s 2011 COS that included Property taxes in a general G&A account. 2013 Board Approved Proxy compared to 2019 Test Year variances in OM&A expenses are explained in detail at Exhibit 4.

The return on rate base has increased as a result of an increase in total Rate Base of $4,143,400 over 2013 Board Approved Proxy. This includes a reduction in the working capital allowance (“WCA”) of $1,861,938. The WCA has decreased due to the reduction in the working capital allowance percentage from 13.59% (weighted average of former entities) to 7.5% based on the

Board approved working capital allowance. Included in the working capital is the Cost of Power, which has dropped significantly due to the implementation of the Fair Hydro Plan which reduced commodity prices (Exhibit 2, Table 2-23).

PILs has increased as a result of a higher Regulatory Taxable income through decreased CCA.

Table 7 : Revenue Sufficiency by Revenue Requirement Component

Particular	2013 Board Approved Proxy	2019 Revenue at Existing Rates Allocated in Proportion	2019 Proposed	Revenue Sufficiency
OM&A	$4,745,006	$5,114,445	$5,071,718	-$42,727
Depreciation Expense	$1,427,448	$1,538,587	$1,337,805	-$200,782
Property Tax	$10,702	$11,535	$56,828	$45,293
Return on Rate Base	$941,092	$1,014,364	$1,082,184	$67,820
PILs	$195,532	$210,756	$241,378	$30,623
Deemed Interest	$738,318	$795,802	$551,072	-$244,730
Service Revenue Requirement	**$8,058,099**	**$8,685,489**	**$8,340,985**	**-$344,504**
Rate base	$25,917,267		$30,060,667	$4,143,400

1.6.3 LOAD FORECAST SUMMARY

The load forecast for 2019 is based on a methodology which predicts class specific consumption using a multiple regression analysis that relates historical monthly wholesale kWh usage to monthly historical heating degree days and cooling degree days. This is the same methodology that was used in the 2013 Cost of Service application (EB-2012-145) for the former LPDL. The updated regression analysis has been updated to include actual data to the end of 2017. The regression analysis was done on historical electricity purchases to produce an equation to predict future purchases. LPDL believes that the equation is appropriate as it provided better statistical results.

LPDL has the data for the amount of electricity (in kWh) purchased from Hydro One, the IESO and embedded generation for use by the customers in the former LPDL service area and the former PSP service area. With a regression analysis, the combined historical purchases can be related to other monthly explanatory variables such as heating degree days and cooling degree days which occur in the same month. The results of the regression analysis produce an equation that predicts the purchases based on the explanatory variables. This prediction model is then used as the basis to forecast the total level of weather-normalized purchases for the Bridge Year and the Test Year, which is converted to billed kWh by rate class. A detailed explanation of the process is provided in Exhibit 3.

Based on the load forecast methodology, the 2019 Test Year kWh forecast is 276,721,675 or a 6.6% decrease from the 2013 Board Approved Proxy and 2013 Actuals, as shown in Table 8. The limited load growth is primarily due to conservation and demand management ("CDM") and low customer growth.

Table 8 – Summary of Load Forecast kWh Change

Customer Class Name	2013 Board Approved Proxy	2013 Actual kWh	2013 Actual vs. 2013 Board Approved Proxy	% Difference kWh - 2013 Actual vs 2013 Board Aproved Proxy	2019 Load Forecast kWh	2019 Test Year kWh vs 2013 Board Approved Proxy	% Difference kWh - 2019 Test Year vs 2013 Board Aproved Proxy
Residential	112,237,276	113,520,550	1,283,274	1.1%	103,566,100	-8,671,176	-7.7%
General Service < 50 kW	59,340,060	57,852,244	-1,487,816	-2.5%	58,157,023	-1,183,037	-2.0%
General Service > 50 to 4999 kW	121,624,534	119,216,710	-2,407,824	-2.0%	113,634,985	-7,989,549	-6.6%
Unmetered Scattered Load	165,969	181,680	15,711	9.5%	166,068	99	0.1%
Sentinel Lighting	52,279	51,382	-897	-1.7%	42,775	-9,504	-18.2%
Street Lighting	2,726,338	2,441,056	-285,282	-10.5%	1,154,724	-1,571,614	-57.6%
TOTAL	**296,146,456**	**293,263,622**	**-2,882,834**	-1.0%	**276,721,675**	**-19,424,781**	-6.6%

Based upon the geometric mean analysis, the expected number of customers/connections for the 2019 Test Year is 16,436, or a .3% increase over the 2013 Board Approved Proxy. LPDL is at its service territory borders in all municipalities and coupled with economic challenges in a tourist area, leads to slow customer growth. Table 9 below summarizes the customers/connections by rate class for the 2019 Test Year compared to the 2013 Board Approved Proxy.

Table 9 – Summary of Customer Growth

Customer Class Name	2013 Board Approved Proxy	2013 Actual kWh	2013 Actual vs. 2013 Board Approved Proxy	% Difference kWh - 2013 Actual vs 2013 Board Aproved Proxy	2019 Load Forecast kWh	2019 Test Year kWh vs 2013 Board Approved Proxy	% Difference kWh - 2019 Test Year vs 2013 Board Aproved Proxy
Residential	10,875	10,890	15	0.1%	11,208	333	3.1%
General Service < 50 kW	2,084	2,075	-9	-0.4%	2,148	64	3.1%
General Service > 50 to 4999 kW	171	171	0	0.0%	136	-35	-20.5%
Unmetered Scattered Load	56	56	0	0.0%	51	-5	-8.9%
Sentinel Lighting	53	59	6	11.3%	44	-9	-17.0%
Street Lighting	3,151	2,843	-308	-9.8%	2,849	-302	-9.6%
TOTAL	**16,390**	**16,094**	**-296**	-1.8%	**16,436**	**46**	0.3%

A summary of the 2019 Load Forecast vs 2013 Board Approved Proxy is presented below, and detailed explanations of the load forecast can be found in Exhibit 3.

Table 10 - Load Forecast

	2013 Board Approved	2013 Board Approved	2013 Board Approved	2019	2019	2019
Customer Class Name	**Customer**	**kWh**	**Kw**	**Customers**	**kWh**	**Kw**
Residential	10,875	112,237,276	0	11,208	103,566,100	0
General Service < 50 kW	2,084	59,340,060	0	2,148	58,157,023	0
General Service > 50 to 4999 kW	171	121,624,534	304,866	136	113,634,985	276,220
Unmetered Scattered Load	56	165,969	0	51	166,068	0
Sentinel Lighting	53	52,279	146	44	42,775	119
Street Lighting	3,151	2,726,338	7,508	2,849	1,154,724	3,183
TOTAL	**16,390**	**296,146,456**	**312,520**	**16,436**	**276,721,676**	**279,523**

1.6.4 RATE BASE AND DISTRIBUTION SYSTEM PLAN[24]

The proposed Rate Base for the 2019 test year of $30,060,667 reflects an increase of $4,143,400, or 16%, from the 2013 Board Approved Proxy.

Table 11 below, provides a trend for rate base for the period 2013 through 2019 Test Year.

Table 11 - Rate Base

Particulars	2013 Board Approved Proxy - Total	2013	2014	2015	2016	2017	2018	2019
Net Capital Assets in Service:								
Opening Balance	20,409,400	20,650,292	22,369,907	23,178,644	24,680,657	25,253,678	25,711,338	26,686,509
Ending Balance	21,962,856	22,369,907	23,178,644	24,680,657	25,253,678	25,711,338	26,686,509	27,696,423
Average Balance	21,186,128	21,510,099	22,774,276	23,929,651	24,967,168	25,482,508	26,198,923	27,191,466
Working Capital Allowance	4,731,139	4,842,539	5,170,781	5,634,913	5,948,328	5,355,032	5,247,917	2,869,201
Total Rate Base	**25,917,267**	**26,352,639**	**27,945,056**	**29,564,563**	**30,915,495**	**30,837,540**	**31,446,841**	**30,060,667**

The increase from 2013 Board Approved Proxy to 2019 Test Year is attributable to capital investments made in the distribution system and general plant over six years. This was offset by a change in the working capital allowance rate as well as a reduction in the cost of power.

The increase in the average net capital assets of $6,005,338 or 28.3% was due to the net capital investment in the distribution system, including general plant. The details surrounding the various investments can be found in detail in LPDL's Distribution System Plan ("DSP") found in Exhibit 2, Appendix A and in summary later in this Exhibit.

[24] MFR - Rate Base and DSP - major drivers of DSP, rate base for test year, change from last approved ($ and %), capital expenditures requested for the test year, change in capital expenditures from last approved ($ and %), summary of costs requested for renewable energy connections/expansions, any O.Reg 339/09 planned recovery, capex for test year, change from last approved, costs for any REG-related, smart grid, regional planning projects

The offset from Working Capital Allowance for 2019 Test Year is a decrease of $1,861,938, or 39.4%, from the 2013 Board Approved Proxy. The 2019 Test Year Working Capital is $2,869,201 versus 2013 Board Approved Proxy of $4,731,139. The reduction in working capital allowance is predominately due to the change in the working capital allowance percentage to 7.5% from an average of 13.59% from the 2013 Board Approved Proxy (blended average between former LPDL 13% and former PSP 15%). This was offset by an increase in Power Supply Expenses of $3,065,523 from $30,061,947 to $33,127,471 or 10.2% and a slight increase in OM&A costs of $372,837 from $4,755,708 to $5,128,546 or 7.8%.

Table 12 - Working Capital Allowance

Expenses for Working Capital	2013 Board Approved Proxy - Total	2013	2014	2015	2016	2017	2018	2019	2019 Test Year vs 2013 Board Approved	% Difference 2019 Test vs 2013 Board
Eligible Distribution Expenses:										
5000-Distribution Expenses - Ope	275,081	357,710	359,120	320,991	340,160	322,743	338,084	365,081	90,001	
5100-Distribution Expenses - Mai	1,244,017	1,174,647	1,329,762	1,334,895	1,292,351	1,348,677	1,445,494	1,473,726	229,709	
5300-Billing and Collecting	1,121,803	1,277,154	1,350,644	1,200,405	1,031,347	884,800	955,489	976,160	- 145,643	
5400-Community Relations	34,647	42,577	44,176	28,900	67,785	61,722	80,977	80,000	45,353	
5600-Administrative and General I	2,060,355	2,315,011	2,039,371	2,196,058	2,100,820	1,962,788	2,104,224	2,166,750	106,395	
6105-Taxes other than Income Ta	10,702	36,687	40,544	46,245	49,780	54,642	54,000	56,828	46,126	
6205-Sub-account LEAP Funding	9,104	6,127	9,293	12,097	9,175	9,175	10,000	10,000	896	
Total Eligible Distribution Expen	4,755,708	5,209,913	5,172,910	5,139,591	4,891,417	4,644,546	4,988,268	5,128,546	372,837	7.8%
4700-Power Supply Expenses	30,061,947	30,427,567	32,880,182	36,329,166	38,883,839	34,764,496	33,632,491	33,127,471	3,065,523	10.2%
Total Expenses for Working Capi	34,817,656	35,637,480	38,053,092	41,468,757	43,775,256	39,409,042	38,620,759	38,256,016	3,438,361	9.9%
Working Capital factor	13.588%	13.6%	13.6%	13.6%	13.6%	13.6%	13.6%	7.5%	-6.1%	-44.8%
Total Working Capital	**4,731,139**	**4,842,539**	**5,170,781**	**5,634,913**	**5,948,328**	**5,355,032**	**5,247,917**	**2,869,201**	**- 1,861,938**	-39.4%

LPDL has developed a DSP in accordance with Chapter 5 of the OEB's *Filing Requirements for Electricity Distribution Applications, Consolidated Distribution System Plan Filing Requirements* dated July 12, 2018. The DSP incorporates matters pertaining to asset condition, asset management, renewable energy generation, and regional planning. The DSP has been prepared by LPDL and retained METSCO Energy Solutions Inc ("METSCO") to advise on and assist with the preparation of the DSP. The DSP can be found in Exhibit 2, Appendix A.

Capital projects are attributable to a prudent and reasonable investment in the distribution assets in order to meet safety, regulatory requirements such as "obligation to connect" ,new growth and the need to maintain the highest electrical safety standards in service and reliability.

The tables below summarizes the planned capital expenditures for the period 2019-2023 as well as the historical expenditures over the 2013 through 2018 Bridge period.

Table 13 – Future Capital Expenditure Summary

	2019	2020	2021	2022	2023
	Forecast	Forecast	Forecast	Forecast	Forecast
System Access	$130,000	$100,000	$100,000	$100,000	$100,000
System Renewal	$1,210,000	$830,000	$1,570,000	$1,200,000	$1,125,000
System Service	$485,000	$1,265,000	$560,000	$1,000,000	$1,360,000
General Plant	$650,000	$375,000	$425,000	$515,000	$503,500
Total Expenditures	**$2,475,000**	**$2,570,000**	**$2,655,000**	**$2,815,000**	**$3,088,500**

Table 14 – Historical Capital Expenditure Summary

	2013 Proxy	2013	2014	2015	2016	2017	2018
		Actual	Actual	Actual	Actual	Actual	Bridge
System Access		$54,158	$238,204	$184,859	$185,253	$57,420	$150,000
System Renewal		$1,109,735	$1,132,930	$1,618,491	$1,480,003	$1,596,023	$1,245,551
System Service		$481,294	$370,531	$493,604	$255,820	$141,563	$713,370
General Plant		$564,369	$485,296	$597,916	$29,468	$248,297	$301,000
Total Expenditures	**$3,189,632**	**$2,209,556**	**$2,226,961**	**$2,894,871**	**$1,950,543**	**$2,043,303**	**$2,409,921**

For the 2019 Test Year, LPDL's projected capital expenditures is $2,475,000 compared to the 2013 Board Approved Proxy of $3,189,632 representing a reduction of $714,632 or 22.4%. The table below shows the comparison of the average annual capital expenditures over the historical period (2013-2018 Bridge), compared to the planned capital expenditures over the forecast period 2019-2023.

Table 15 – Historical Capital Expenditure Summary

	Average 2013-2018 Bridge	Average 2019-2023
System Access	$144,982	$106,000
System Renewal	$1,363,789	$1,187,000
System Service	$409,364	$934,000
General Plant	$371,058	$493,700
Total Expenditures	**$2,289,192**	**$2,720,700**

LPDL's annual capital expenditures for the historical period averaged $2,289,192 per year while the plan for the 2019-2023 period is $2,720,700, an increase of $431,508 or 18.8%. The increase in average net capital expenditures in the forecast is predominately driven by an increase in System Service as well as a smaller increase in General Plant, mostly in the years past 2021.

LPDL has, for many years, followed the best practices of the electricity distribution industry. This has included adhering to the Ontario Energy Board's (OEB) Distribution System Code that sets out, among others, good utility practice and performance standards for the industry in Ontario, and minimum inspection requirements for distribution equipment. Consistent with best practices, over the years LPDL has replaced or upgraded equipment when economically viable. The net result has been that while the average age of the system has increased slightly, the reliability of the system has steadily improved to meet the expectations of LPDL's customers. This has been achieved with only a moderate long-term increase in customers' bills.

2019 Test Year Project Drivers:

System Access

Historically, customer service requests for residential connections/extensions, new commercial and industrial service upgrades, and subdivisions have fluctuated between years. LPDL has forecast its required investments based on the expected number of customer service requests in each of these categories. These projects will be fully paid by the customers/developers.

LPDL is mandated to meter customers to ensure accurate billing. Meter replacements are made due to failure, technology limitations requiring upgrades, or seal expiry. The forecast budget is based on the expected number of smart meters approaching seal expiry date.

System Renewal

Reactive replacements of underground and overhead equipment are driven by asset failures. LPDL has also forecast budget for asset replacements based on the inspection results.

Over the historical period, LPDL had several programs to replace assets at the end of their service life due to failure risk. Some programs were focused on complete overhead rebuild where required. Over the forecast period, the assets that need to be replaced due to age and condition are upgraded to 12.5 kV or 27.6 kV where applicable since LPDL is aiming to eliminate its 4.2 kV substations in the future to reduce costs.

System Service

Historically, LPDL has been removing load from HONI owned substations to reduce shared distribution charges through various projects including system access, system renewal, and system service. Over the forecast period, projects have been planned with the primary driver of removing load from HONI owned substations. These projects are planned such that they mainly target aged sections.

LPDL is continuing with voltage conversion projects such that the 4.2 kV substations in Bracebridge and Parry Sound can be decommissioned in future reducing overall maintenance costs. These projects will reduce distribution losses, improve system operability and efficiency. With the completion of voltage conversions in Bracebridge, MS3 is planned for decommissioning in 2023.

The site of Bracebridge MS3 will be used as the new Golden Beach Substation. This project is planned so that LPDL will have the ability to run several feeders from the new substation. Currently, Golden Beach substation is at the end of LPDL's service area and only one feeder comes out of it. This new location will also be connected to the Muskoka M3 sub transmission feed which will give LPDL the ability to switch loads between sub transmission feeders if there are outages. This will improve reliability and reduce outage times.

LPDL has been replacing overhead structure reclosers with Viper reclosers and relays to improve reliability. Over the forecast period, similar projects have been planned. In addition, investment has been planned for development of self-healing components to improve reliability, reduce cost and improve system efficiency.

LPDL has 13 Primary meter points that are controlled by HONI for billing LPDL for their usage. Over the forecast period, LPDL has budgeted for installation of new IESO registered meter points on LPDL feeders that supply customers in Burk's Falls and Sundridge. This will eliminate HONI charges to these meter points, associated kWh charges from HONI and reduce administrative costs.

LPDL has seen load constraints with #2 ACSR on a 12.5 kV section in Parry Sound and has planned to upgrade to 336 AAC along with other old pole replacements in the year of 2022.

General Plant

Investment into non-system physical plant (i.e. buildings and fixtures) was high for the year of 2015 and additional investments have been planned based on the condition of buildings and are spread out evenly over the forecast period to reduce cost impact on the customers. Prior to the merger, PSP had a leasehold improvement GL account for all the building expenses they incurred as the building was legally owned by Parry Sound Hydro. In 2015, legal ownership of the Parry Sound building was transferred to LPDL. Under IFRS, the Leasehold improvement account was then reclassified to buildings account and is now being depreciated over the remaining useful life. The leasehold improvement reclassification and the building purchase is the reason for high building expense in 2015.

LPDL's IT strategy will continue to focus on business operational efficiency improvements to meet its goal of delivering a modern, SmartGrid at inflation-aligned prices. In 2019, greater budget is allocated to computer software and computer hardware program to enhance cyber security.

LPDL invests in vehicles according to its Fleet Management Policy, which reviews maintenance records and assesses options between repair and replacement. Other investments into non-system physical equipment at the end of their service life include tools, office furniture, and stores equipment. Tools and equipment are budgeted as $25 K per year over the forecast period based on the historical spending and expected rate of replacement. The following table outlines the major projects for 2019 Test Year by category.

Table 16 – 2019 Test Year Projects by Category

Year -2019					
Category	Project/Program	Priority Rank	Capital Cost	Contributed Capital	Net Capital Cost
System Access	Customer paid specific capital projects	0.1	$ 250,000.00	$ 250,000.00	$ -
	Meter changes, single phase/ three phase,	6	$ 130,000.00		$ 130,000.00
System Renewal	Young St and Milton St. - Bracebridge voltage conversion replace poles, wires and transformers	1	$ 181,000.00		$ 181,000.00
	Brofoco Dr- Bracebridge replace U/G primary cables and transformers	2	$ 280,000.00		$ 280,000.00
	Forest St. Parry Sound- Parry Sound Rd to Bowes St. - replace poles/wire/transformers	3	$ 265,000.00		$ 265,000.00
	York St/Bird Lane/Toronto St./ Richard St - Bracebridge	5	$ 225,000.00		$ 225,000.00
	Menominee St - Huntsville Primary underground / pole/ transformer	7	$ 64,000.00		$ 64,000.00
	All locations - Reactive Maintenance Based Replacement	9	$ 195,000.00		$ 195,000.00
System Service	Hydro One Networks (HONI) Primary meter point conversion to IESO	4	$ 120,000.00		$ 120,000.00
	Muskoka Rd - Bracebridge Manitoba St. to Shire St	8	$ 290,000.00		$ 290,000.00
	Self-healing components - SCADA	10	$ 75,000.00		$ 75,000.00
General Plant	Computer Software Upgrades	11	$ 325,000.00		$ 325,000.00
	New vehicles -as per fleet plan	12	$ 200,000.00		$ 200,000.00
	Buildings and Fixtures	13	$ 50,000.00		$ 50,000.00
	Computer Hardware Upgrades	14	$ 50,000.00		$ 50,000.00
	Tools and Equipment	15	$ 25,000.00		$ 25,000.00
Total:			$ 2,725,000.00	$ (250,000.00)	$ 2,475,000.00

LPDL is not requesting any capital expenditure costs in this Application related to renewable energy/connections/expansions ("REG"), smart grid and/or regional planning initiatives. LPDL will file any costs related to REG under a separate filing.

1.6.5 OVERVIEW OF OPERATION, MAINTENANCE, AND ADMINISTRATIVE COSTS[25]

LPDL is proposing recovery through distribution rates of $5,016,718 in Operating, Maintenance and Administration costs ("OM&A") for the 2019 Test Year.

The increase of $326,711 in OM&A spending (including LEAP) from its 2013 Cost of Service to the 2019 Test Year is only 6.9% higher than the 2013 Board Approved Proxy of $4,745,006 after six years and $101,508 lower or 2.0% lower than the 2013 Actuals.

Actuals for 2013 were significantly higher than 2013 Board Approved Proxy as the former PSP had incurred incremental costs through the 2011-2013 period for outside service cost increases in finance/administration and large bad debt expense while LPDL experienced increased costs for IFRS conversion and costs spent on 2013 CoS process. The 2014-2016 period incurred costs surrounding the amalgamation such as legal, regulatory and severance costs offset by synergy savings from headcount reductions and streamlining processes. 2017-2019 period costs reflect the persistent synergy savings, union and wage increases, increase in technology costs, and improved skill set through new hires as well as training. The table below outlines the year over year movement in OM&A costs.

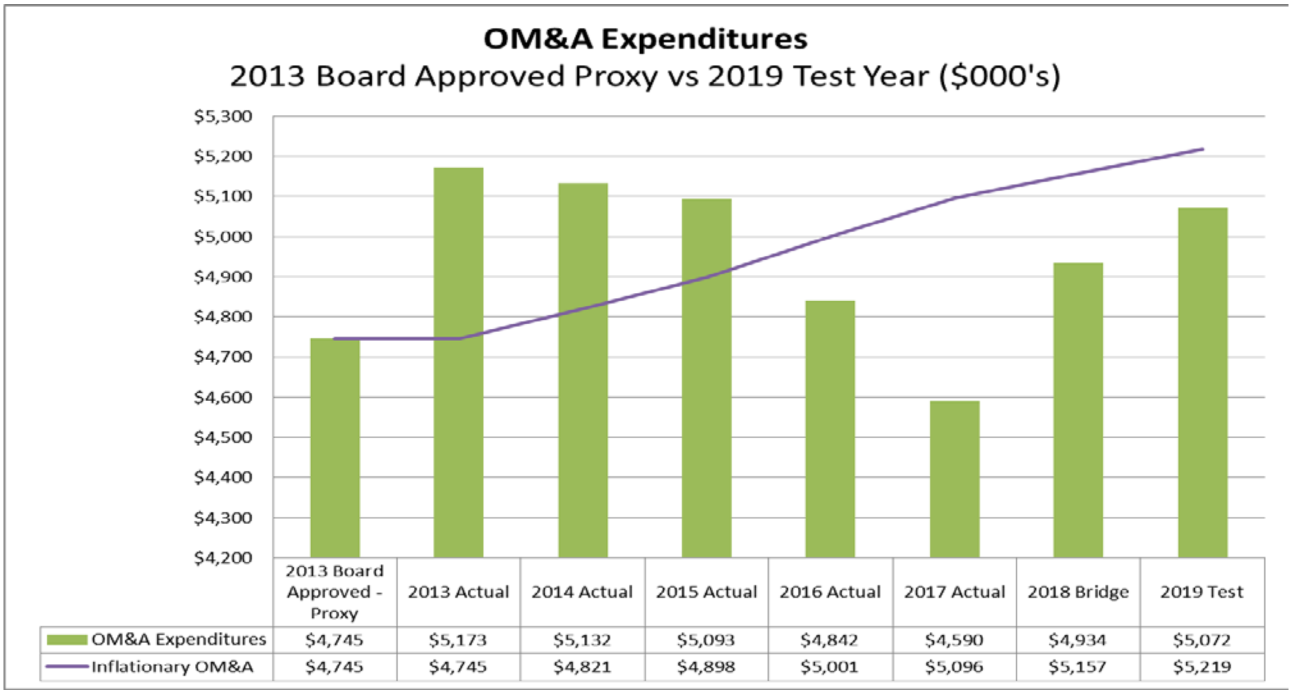
[25] MFR - OM&A Expense - OM&A for test year and change from last approved ($ and %), summary of drivers, inflation assumed, total compensation for test year and change from last approved ($ and %).

Table 17 - Summary of Recoverable OM&A Expenses

	2013 Board Approved Proxy	2013	2014	2015	2016	2017	2018	2019
Operations	$275,081	$357,710	$359,120	$320,991	$340,160	$322,743	$338,084	$365,081
Maintenance	$1,244,017	$1,174,647	$1,329,762	$1,334,895	$1,292,351	$1,348,677	$1,445,494	$1,473,726
SubTotal	**$1,519,098**	**$1,532,357**	**$1,688,882**	**$1,655,887**	**$1,632,510**	**$1,671,420**	**$1,783,578**	**$1,838,807**
%Change (year over year)		0.9%	10.2%	-2.0%	-1.4%	2.4%	6.7%	3.1%
%Change (Test Year vs Last Rebasing Year - Actual)								21.0%
Billing and Collecting	$1,121,803	$1,277,154	$1,350,644	$1,200,405	$1,031,347	$884,800	$955,489	$976,160
Community Relations	$34,647	$42,577	$44,176	$28,900	$67,785	$61,722	$80,977	$80,000
Administrative and General	$2,060,355	$2,315,011	$2,039,371	$2,196,058	$2,100,820	$1,962,788	$2,104,224	$2,166,750
LEAP Funding	$9,104	$6,127	$9,293	$12,097	$9,175	$9,175	$10,000	$10,000
SubTotal	**$3,225,909**	**$3,640,869**	**$3,443,483**	**$3,437,459**	**$3,209,127**	**$2,918,484**	**$3,150,690**	**$3,232,910**
%Change (year over year)		12.9%	-5.4%	-0.2%	-6.6%	-9.1%	8.0%	2.6%
%Change (Test Year vs Last Rebasing Year - Actual)								0.2%
Total	**$4,745,006**	**$5,173,226**	**$5,132,366**	**$5,093,346**	**$4,841,637**	**$4,589,904**	**$4,934,268**	**$5,071,718**
%Change (year over year)		9.0%	-0.8%	-0.8%	-4.9%	-5.2%	7.5%	2.8%
%Change (Test Year vs Last Rebasing Year - Actual)								6.9%

Figure 1, presented below, illustrates the trend in OM&A expenditures using the OEB's inflation factors for each year from 2013 to 2019 on the 2013 Board Approved Proxy.

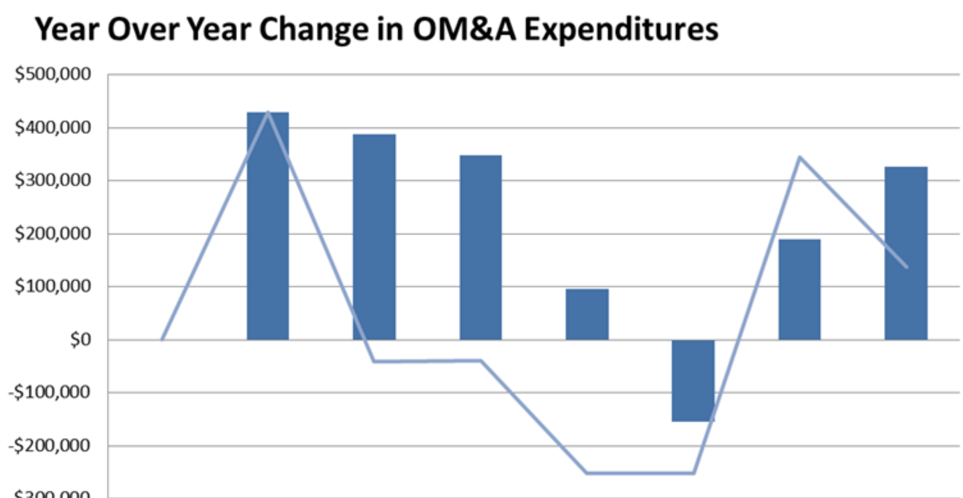
Figure 1: OM&A Expenditures – 2013 Board Approved Proxy Inflation Trend vs 2019 Test Year



As shown above, LPDL's actual OM&A expenditures are approximately $147 K less than a simplistic inflationary benchmark used by LPDL to assess its own cost control efforts, which indicates the operating efficiencies that LPDL has achieved through the amalgamation. The initial OM&A synergy savings indicated in the MADD application, EB-2013-0427 & EB-2013-0428, were estimated at $275 K ($354 K net of interest expense changes of $79 K). LPDL was able to achieve these savings and continue those through 2016 and 2017. Residual effects of the initial synergy savings remain within the OM&A expenses with the increase in 2018 onwards being the cumulative impact of inflationary pressures as well as changes to regulatory requirements surrounding items such as cybersecurity and headcount increases due to the complexity of the industry and innovation..

The year over year changes in OM&A expenditures is illustrated in Figure 2 below.

Figure 2: OM&A Expenditures – Year over Year Change and Cumulative Change



	2013 Board Approved - Proxy	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Bridge	2019 Test
Cummulative change in OM&A	0	$428,220	$387,359	$348,340	$96,631	-$155,102	$189,261	$326,711
Change in OM&A	$0	$428,220	-$40,861	-$39,020	-$251,709	-$251,733	$344,364	$137,450

2013 Actual is the combination of the two former entities prior to amalgamation. Actuals for 2013 were significantly higher than 2013 Board Approved Proxy as the former PSP had incurred incremental costs through the 2011-2013 period for outside service cost increases in finance/administration and large bad debt expense while LPDL experienced increased costs for IFRS conversion and costs spent on 2013 CoS process. The amalgamation took place half way through 2014 where the synergies began. 2015 through 2017, LPDL experienced the highest level of synergy savings through consolidation of programs, workforce reduction and efficiency improvements. The increase in 2018 is primarily due to the increased costs associated with the preparation of the 2019 CoS, the introduction of cybersecurity training program, increasing staffing skill set through improved hiring practices and training. The 2018 values are based on 6 months of actual data plus 6 months of forecasted data.

The increase in 2019 is primarily due to the new rate for pole line attachments from Hydro One, as well as staffing and wage increases which are outlined in Section 4.4 Compensation.

Table 18 below, summarizes the primary drivers that have impacted the OM&A movement from 2013 Board Approved Proxy to 2019 Test Year. Each driver is summarized by its net change between 2013 and 2019. Detailed explanations of the material cost drivers are provided in Exhibit 4.

Table 18 – Overall OM&A Cost Drivers

OM&A	2013
2013 Board Approved Proxy	$4,745,006
Amalgamation savings	-$267,630
Headcount changes and vacant positions	-$366,190
Wage & merit increase	$206,136
Vacant positions Offset - outside services - Corp Allocation	$72,801
Bad debt	$4,713
OH/UG Maintenance and Trouble Calls - PSP in disrepair	$147,488
Information Systems Technology (Support/Licenses/IT security/GIS)	$284,072
Increased utility bills for buildings	$19,595
Tree trimming better contract pricing - larger area in 2015 (PS behind)	-$23,901
SCADA system - maintenance contract/licenses	$53,282
Joint Use Pole rental charge	$36,685
Regulatory charges - intervenor charges/rate applications/OEB assessm	$16,243
Transformer testing in Parry Sound & transformer disposal	$23,492
Property insurance increase with full identification of assets	$40,180
Innovation - Smart Grid/ EV research/MaRS	$20,000
Collection of account charges removed - EB-2017-0183	$55,000
Other	$4,745
Closing Balance - 2019 Test Year	$5,071,718

As outlined in Exhibit 4, a significant amount of this savings was due to the restructure of the company and subsequent reduction of full time positions. In total, approximately 7 positions were eliminated through retirements, attribution, elimination of duplicate/vacant position through reassignment of workload, offset by wage increases to match skill set and responsibility.

Table 19 – Total Compensation and Headcount

	Board Approved PROXY	MIFRS
	2013	2019
	Merged	Merged
Number of Employees (FTEs including Part-Time)[1]		
Management (including executive)	6.0	3.0
Non-Management (union and non-union)	23.2	19.4
Total	29.2	22.4
Total Salary and Wages including ovetime and incentive pay		
Management (including executive)	$498,528	$358,394
Non-Management (union and non-union)	$1,540,506	$1,502,549
Total	$2,039,034	$1,860,943
Total Benefits (Current + Accrued)		
Management (including executive)	$143,406	$89,599
Non-Management (union and non-union)	$438,158	$387,055
Total	$581,564	$476,653
Total Compensation (Salary, Wages, & Benefits)		
Management (including executive)	$641,934	$447,993
Non-Management (union and non-union)	$1,978,664	$1,889,603
Total	$2,620,598	$2,337,596

Through the transition, LPDL engaged the services of an HR professional to smooth the transition and merge the cultures. Subsequently, it was identified that succession planning was becoming more critical and as such, LPDL took on the process to implement a succession plan for key positions/personnel as well as a change in recruiting and training practices in order to elevate the skill set of the employee base in order to meet changing technology and innovation. Each change in staffing allows LPDL to assess the replacement needs, skill set and justification. All positions are approved by President & CEO. Annually, the Board of Directors reviews the changes in full time employees.

1.6.6 COST OF CAPITAL

In this application, LPDL seeks to recover a weighted average cost of capital of 5.43% through rates in the 2019 Test Year. LPDL has followed the "*Report of the Board on Cost of Capital for Ontario's Regulated Utilities*", December 11, 2009, as well as *the "Review of the Existing Methodology of the Cost of Capital for Ontario's Regulated Utilities*", January 14, 2016, in determining the applicable cost of capital.

In calculating the applicable cost of capital, LPDL has used the OEB's deemed capital structure of 56% long-term debt, 4% short-term debt, and 40% equity, and Cost of Capital parameters in the OEB's letter of November 23, 2017, for the allowed return on equity ("ROE"). LPDL is not seeking any changes in its Capital Structure from its 2012 Board Approved Structure.

The former PSP had a promissory note with the Town of Parry Sound of $2,698,887 at a rate of 7.25%. This was collapsed upon amalgamation and a term loan for the same amount was taken out with TD bank at a significantly reduced rate. All of LPDL's long term debt instruments are now held with TD Bank with a resulted weighted average rate of 3.11%.

The weighted average long term rate is 3.11% which is significantly lower than the Long Term Rate of 4.16% as identified in the "*Cost of Capital Parameter updates for 2018 Cost of Service Applications*" dated November 23, 2017.

LPDL is requesting a Short Term Debt rate of 2.29% for the 2019 Test Year in accordance with the "*Cost of Capital Parameter updates for 2018 Cost of Service Applications*" dated November 23, 2017.

LPDL is requesting a Return on Equity ("ROE") for the 2019 Test Year of 9.00% in accordance with the "*Cost of Capital Parameter updates for 2018 Cost of Service Applications*" dated November 23, 2017.

LPDL understands that the Board will provide future updates to the Cost of Capital Parameters applicable to 2019 Cost of Service Applications. LPDL commits to updating its Cost of Capital forecast in accordance with applicable OEB updates to the Board's cost of capital parameters.

Table 20 summarizes LPDL's proposed deemed capital structure for the 2019 Test Year of $30,060,667, comprised of (i) Deemed Short Term Debt, $1,202,427, (ii) Deemed Long Term Debt, $16,833,974, and (iii) Deemed Equity, $12,024,267.

Table 20 - Overview of Capital Structure

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	($)	(%)	($)
Debt				
Long-term Debt	56.00%	$16,833,974	3.11%	$523,537
Short-term Debt	4.00%	$1,202,427	2.29%	$27,536
Total Debt	60.0%	$18,036,400	3.06%	$551,072
Equity				
Common Equity	40.00%	$12,024,267	9.00%	$1,082,184
Preferred Shares		$ -		$ -
Total Equity	40.0%	$12,024,267	9.00%	$1,082,184
Total	100.0%	$30,060,667	5.43%	$1,633,256

*2019 Rate Base

1.6.7 COST ALLOCATION AND RATE DESIGN

The main objectives of a Cost Allocation study are to provide information on any apparent cross-subsidization among a distributor's rate.

LPDL has prepared and is filling a cost allocation information filing consistent with the utility's understanding of the Directions, the Guidelines, the Model and the Instructions issued by the Board back in November of 2006 and all subsequent updates.

LPDL has prepared a Cost Allocation Study for 2019 based on an allocation of the 2019 Test Year costs (i.e., the 2019 Forecast Revenue Requirement) to the various customer classes using allocators that are based on the forecast class loads (kW and kWh) by class, customer counts, etc.

In this application, LPDL has used the most up to date 2019 OEB-approved Cost Allocation Model[26] [27] Version 3.6 released by the OEB on July 12, 2018, and followed the instructions and guidelines issued by the OEB to enter the 2019 data into this model.

The three classes that fell outside of the board ranges are GS 50 to 4999kW (1.29), USL (2.28) and Street Lighting (0.58). Consequently, the classes were readjusted to bring them back into the range which adjusted Residential slightly downward to maintain revenue neutrality. Where possible, all classes were adjusted to move towards unity.

The table below shows the utility's proposed Revenue to Cost reallocation based on an analysis of the proposed results from the Cost Allocation Study vs. the Board imposed floor and ceiling ranges. Further details on Cost Allocation can be found in Exhibit 7.

[26] MFR - Completed cost allocation study using the OEB-approved methodology or a comparable model must be filed reflecting future loads and costs and be supported by appropriate explanations and live Excel spreadsheets. Sheets 11 and 12 of the RRWF must also be completed. Live Excel version of 2017 cost allocation model will be filed (updated load profiles or scaled version of HONI CAIF). Model must be consistent with test year load forecast, changes to customer classes and load profiles.
[27] MFR - Explanation provided if a distributor is unable to update its load profiles and confirm that it intends to put plans in place to update its load profiles the next time a cost allocation model is filed.

Table 21 - Proposed Allocation

Customer Class Name	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Target Range Floor	Target Range Celiling	Shortfall Reconciliation
Residential	0.99	0.98	0.01	0.85	1.15	36,013
General Service < 50 kW	0.96	0.96	-0.00	0.80	1.20	-0
General Service 50 to 4999 kW	1.29	1.20	0.09	0.80	1.20	94,316
Unmetered Scattered Load	2.28	1.20	1.08	0.80	1.20	9,024
Sentinel Lighting	0.92	0.92	0.00	0.80	1.20	6
Street Lighting	0.58	0.92	-0.34	0.80	1.20	-139,358

In mid-year 2015, OEB introduced a new policy for all-fixed distribution rates for residential customers. Until now, distribution rates for the residential class have been a blend of fixed and variable rates as shown below. LPDL's current Fixed/Variable is 89.44/10.56. LPDL has implemented the fixed rate design policy in this application. In accordance with the OEB's policy on Rate Design, 2019 marks the fourth and final year of the transition to a fully fixed monthly service charge. To that end, LPDL is requesting that the movement to a fully fixed rate be completed in one year with a proposed change of $3.51 which does not exceed the $4.00 threshold.

- Former LPDL Residential Fixed Rate $30.51
- Former PSP Residential Fixed Rate $34.69
- Blended Existing Residential Fixed Rate $31.61
- Test Year at Current F/V split $30.04
- Proposed 100% Fixed Rate $33.55

For all other classes, distribution revenues are derived from a combination of fixed monthly charges and volumetric charges based either on consumption (kWh) or demand (kW). Commodity Charges and deferral and variance rate riders, along with LPDL specific other adders are added to the distribution rates to arrive at a final all-encompassing bill.

Table 22 below presents the proposed rates after the utility adjusted it's fixed to variable split to meet a variety of parameters. For classes GS <50 kW and GS>50kW, the current fixed rate was maintained despite the fixed rate being higher than the ceiling. This decision is in compliance with the requirements which stated that "If a distributor's current fixed charge is higher than the calculated ceiling, there is no requirement to lower the fixed charge to the ceiling, nor are distributors expected to raise the fixed charge further above the ceiling." For USL, Sentinel and Street Lighting, the fixed rate percentage was moved to 100% as the resulting fixed rate was below the current fixed rate or it was below the maximum fixed rate resulting from the Cost Allocation Model.

The table below shows LPDLs existing rates in comparison to the 2019 proposed rates. Details can be found in Exhibit 8.

Table 22 - Proposed Rates

Customer Class Name	Current Fixed Rate	Current Variable Rate	Current Fixed %	Current Variable %
Residential	$31.61	0.0048	89.44%	10.56%
General Service < 50 kW	$43.03	0.0108	63.82%	36.18%
General Service 50 to 4999 kW	$284.85	3.1967	36.60%	63.40%
Unmetered Scattered Load	$16.84	0.0520	54.41%	45.59%
Sentinel Lighting	$6.29	21.9542	55.97%	44.03%
Street Lighting	$4.46	20.4675	70.07%	29.93%

	Proposed Fixed Charge			Resulting Variable		
Customer Class Name	Fixed Rate	Fixed %	Variable %	Variable (h)	Rate (i)	per
Residential	$33.55	100.00%	0.00%	2	0.0000	kWh
General Service < 50 kW	$43.02	66.67%	33.33%	554,304	0.0095	kWh
General Service 50 to 4999 kW	$284.85	41.46%	58.54%	734,003	2.6573	kW
Unmetered Scattered Load	$14.86	100.00%	0.00%	0	0.0000	kWh
Sentinel Lighting	$10.75	100.00%	0.00%	0	0.0000	kW
Street Lighting	$10.17	100.00%	0.00%	0	0.0000	kW

1.6.8 DEFERRAL AND VARIANCE ACCOUNT DISPOSITION

LPDL proposes to dispose of a credit of $678,744 related to Group 1 and a debit of $167,423 for Group 2 Variance/Deferral Accounts. The balances in Group 1 and Group 2 balances are as of December 1, 2017 and are consistent with the utility's audited financial statements, adjusted for carrying charges to April 30, 2019.

A net debit balance of $116,724 recorded in account 1568 being the Lost Revenue Adjustment Mechanism Variance Account and a debit of $168,646 in account "PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account)" and "PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)"

LPDL is also proposing to dispose of a credit balance of $364,916 that is to be recorded in Account 1576 regarding Accounting Changes Under CGAAP as described in Exhibit 9.

All rate riders are proposed to be disposed of over one year.

LPDL is proposing to transfer the entire OEB-approved CBR Class B amount from Account 1580 to Account 1595 for disposition at a later date as the amount does not produce a rate rider in one or more classes.

LPDL confirms that it has followed the OEB's guidance as provided in the OEB's Electricity Distributor's Disposition of Variance Accounts Reporting Requirements Report.

Table 23 - Account and Balances sought for disposition/recovery

		Amounts from Sheet 2
LV Variance Account	1550	437,877
Smart Metering Entity Charge Variance Account	1551	(3,705)
RSVA - Wholesale Market Service Charge	1580	(707,799)
RSVA - Retail Transmission Network Charge	1584	22,449
RSVA - Retail Transmission Connection Charge	1586	162,697
RSVA - Power (excluding Global Adjustment)	1588	(534,146)
RSVA - Global Adjustment	1589	237,873
Disposition and Recovery/Refund of Regulatory Balances (2012)	1595	0
Disposition and Recovery/Refund of Regulatory Balances (2013)	1595	0
Disposition and Recovery/Refund of Regulatory Balances (2014)	1595	0
Disposition and Recovery/Refund of Regulatory Balances (2015)	1595	0
Disposition and Recovery/Refund of Regulatory Balances (2016)	1595	(56,117)
Disposition and Recovery/Refund of Regulatory Balances (2017)	1595	0
Total of Group 1 Accounts (excluding 1589)		**(678,744)**
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	66,758
Other Regulatory Assets - Sub-Account - Incremental Capital Charges	1508	3,295
Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act	1508	0
Other Regulatory Assets - Sub-Account - Other - Late Payment Penalty Litig	1508	(909)
Other Regulatory Assets - Sub-Account - Other - OEB Assessment	1508	46,216
Other Regulatory Assets - Sub-Account - Other - TransCanada	1508	3,060
Retail Cost Variance Account - Retail	1518	37,004
Misc. Deferred Debits	1525	0
Retail Cost Variance Account - STR	1548	(1,108)
Board-Approved CDM Variance Account	1567	0
Extra-Ordinary Event Costs	1572	0
Deferred Rate Impact Amounts	1574	16,499
RSVA - One-time	1582	(3,392)
Other Deferred Credits	2425	0
Total of Group 2 Accounts		**167,423**
PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account)	1592	174,184
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)	1592	(5,538)
Total of Account 1592		**168,646**
LRAM Variance Account **(Enter dollar amount for each class)**	1568	**116,724**
(Account 1568 - total amount allocated to classes)		116,724
Variance		**(0)**
Renewable Generation Connection OM&A Deferral Account	1532	**0**
Variance WMS - Sub-account CBR Class B (separate rate rider if no Class A Customers)	**1580**	**(15,270)**
Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)		**566,905**
Total of Account 1580 and 1588 (not allocated to WMPs)		**(1,241,944)**
Balance of Account 1589 Allocated to Non-WMPs		**237,873**
Group 2 Accounts (including 1592, 1532)		**336,069**
IFRS-CGAAP Transition PP&E Amounts Balance + Return Component	1575	0
Accounting Changes Under CGAAP Balance + Return Component	1576	(364,916)
Total Balance Allocated to each class for Accounts 1575 and 1576		**(364,916)**

Account 1589 reference calculation by customer and consumption	
Account 1589 / Number of Customers	$19.69
1589/total kwh	$0.0012

1.6.9 BILL IMPACTS

A summary of the bill impacts by class is presented below. Detailed explanations of the bill impacts are presented in Exhibit 8.

For the former LPDL customers, the Total Bill Impacts for Residential customers is an increase of 3.6% for low volume (10^{th} percentile) customers and a decrease of (0.3)% for Residential customers using 750 kWh per month. In regards to GS<50 kW customers, the Total Bill Impact is a decrease of 1.1% for former LPDL customers. The balance of the bill impacts for other rate classes can be seen in Table 24, all experiencing a rate decrease.

For the former PSP customers, the Total Bill Impacts for Residential customers is a decrease of 10.6% for low volume (10^{th} percentile) customers and a decrease of 5.8% for Residential customers using 750 kWh per month. In regards to GS<50 kW customers, the Total Bill Impact is a decrease of 3.4% for former PSP customers. The balance of the bill impacts for other rate classes can be seen in Table 25, all experiencing a rate decrease.

No bill impacts for any classes increase by more than 10%, therefore, no rate mitigation plan is required.

Although the overall bill impacts have decreased for most, LPDL's proposed 2019 revenue requirement is expected to meet compliance with its regulators and meet its mandate and commitment to providing safe, reliable, cost-effective services and products achieving sustainable growth while respecting the community and the environment.

Table 24 - Bill Impacts for the former LPDL customers.

Former LPDL Service Area

RATE CLASSES / CATEGORIES (e.g.: Residential TOU, Residential Retailer)	Units	Usage	Sub-Total							
			A		B		C		A + B + C	
			$	%	$	%	$	%	$	%
RESIDENTIAL SERVICE CLASSIFICATION – RPP - Low Volume	kWh	215	$ 2.10	6.7%	$ 2.02	5.9%	$ 2.00	5.5%	$ 2.10	3.6%
RESIDENTIAL SERVICE CLASSIFICATION – Non-RPP - Low Volume	kWh	215	$ 2.10	6.7%	$ 2.06	6.0%	$ 2.03	5.5%	$ 2.29	3.3%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kWh	750	$ 0.07	0.2%	$ (0.20)	-0.5%	$ (0.30)	-0.6%	$ (0.32)	-0.3%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP	kWh	750	$ 0.07	0.2%	$ (0.10)	-0.2%	$ (0.19)	-0.4%	$ (0.22)	-0.1%
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - RPP	kWh	2000	$ (2.51)	-3.9%	$ (2.84)	-3.4%	$ (3.09)	-3.0%	$ (3.26)	-1.1%
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - Non-RPP	kWh	2000	$ (2.51)	-3.9%	$ (2.55)	-2.9%	$ (2.80)	-2.6%	$ (3.18)	-0.8%
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION - Non-RPP (Other)	kW	100	$ (63.59)	-10.4%	$(64.69)	-8.6%	$(58.04)	-5.1%	$ (75.89)	-1.1%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP	kWh	250	$ (1.50)	-95.2%	$ (1.54)	-40.0%	$ (1.57)	-24.9%	$ (1.78)	-5.6%
SENTINEL LIGHTING CLASSIFICATION - RPP)	kW	0.25	$ (5.77)	-100.6%	$ (5.80)	-88.0%	$ (5.82)	-79.6%	$ (6.57)	-36.0%
STREET LIGHTING SERVICE CLASSIFICATION - RPP	kW	0.25	$ (4.27)	-100.2%	$ (4.30)	-84.2%	$ (4.31)	-74.1%	$ (4.87)	-29.4%

Table 25 - Bill Impacts for the former PSP customers.

Former PSP Service Area

RATE CLASSES / CATEGORIES (e.g.: Residential TOU, Residential Retailer)	Units	Usage	Sub-Total							
			A		B		C		A + B + C	
			$	%	$	%	$	%	$	%
RESIDENTIAL SERVICE CLASSIFICATION – RPP - Low Volume	kWh	230	$ (6.99)	-17.2%	$ (6.67)	-15.6%	$ (6.99)	-15.3%	$ (7.34)	-10.6%
RESIDENTIAL SERVICE CLASSIFICATION – Non-RPP - Low Volume	kWh	230	$ (6.99)	-17.2%	$ (6.68)	-15.4%	$ (7.00)	-15.2%	$ (7.91)	-9.7%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kWh	750	$ (6.99)	-17.2%	$ (5.94)	-12.7%	$ (6.98)	-12.5%	$ (7.36)	-5.8%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP	kWh	750	$ (6.99)	-17.2%	$ (5.98)	-12.3%	$ (7.01)	-12.2%	$ (7.95)	-4.9%
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - RPP	kWh	2000	$ (10.26)	-14.2%	$ (7.27)	-8.3%	$ (9.59)	-8.7%	$ (10.14)	-3.4%
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - Non-RPP	kWh	2000	$ (10.26)	-14.2%	$ (7.35)	-8.0%	$ (9.67)	-8.5%	$ (11.01)	-2.8%
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION - Non-RPP (Other)	kW	100	$ (58.99)	-9.7%	$ 37.90	5.8%	$ 34.13	3.2%	$ (5.75)	-0.1%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP	kWh	250	$ (35.45)	-99.8%	$(35.13)	-93.8%	$(35.42)	-88.2%	$ (40.03)	-57.2%
SENTINEL LIGHTING CLASSIFICATION - RPP)	kW	0.25	$ (4.44)	-100.7%	$ (4.38)	-84.8%	$ (4.45)	-74.8%	$ (5.03)	-30.0%
STREET LIGHTING SERVICE CLASSIFICATION - RPP	kW	0.25	$ (7.26)	-100.1%	$ (7.20)	-89.9%	$ (7.26)	-82.8%	$ (8.21)	-41.2%

1.7 CUSTOMER ENGAGEMENT

1.7.1 OVERVIEW OF CUSTOMER ENGAGEMENT

The Report of the Board, Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach (the "RRFE Report") contemplates enhanced engagement between distributors and their customers to provide better alignment between distributor operational plans and customer needs and expectations.

LPDL values understanding its customers' needs and expectations, ensuring they receive reliable and safe electrical connections through prudent capital and maintenance spending, with high-quality customer service. Now more than ever, with new technology and enhanced means of communication, customers expect more; better customer service and self-serve options, along with quick and accurate billing, usage, and outage information. As the government and utilities become more customer-centric, its customers have come to realize that LPDL values their input. LPDL seeks their thoughts and opinions on what value the utility can bring to them through its capital spending and regional planning initiatives.

MODES OF CUSTOMER ENGAGEMENT

LPDL engages with customers in many ways, some of which include;

- Community information sessions
- Large user information session
- Facebook Live Event
- Class A information session
- Customer satisfaction surveys
- ESA surveys

- Customer care calls & walk-ins
- Emails
- Letters of commendation or complaint
- Community events
- School safety and conservation visits
- In-person meetings with business customers
- In-person meetings with municipal shareholders
- Bill inserts
- Local papers
- Local radio
- Website
- Social media
- Automated calls and e-blasts

COMMUNITY MEETINGS

Community Information Sessions

In 2016, LPDL ran four customer information sessions in four of its municipalities to provide an opportunity for customers to learn about LPDL's capital expenditure plans and the rate impact, and to provide feedback on the plans presented. LPDL's CEO, CFO, COO, Human Resources Officer, Financial Controller, Customer Service Manager, and CDM Officer all attended to ensure all customer questions and suggestions could be addressed.

The sessions were advertised through bill inserts, on its website, on its digital billboard, in the local papers, and through its local Chambers. LPDL's Operation's Manager presented the five-year capital plan, explaining the cause of power interruption; defective equipment, adverse weather, foreign interference, and loss of supply. The floor was then opened for discussion on capital projects and attendees were asked for questions and input on the proposed capital plan. LPDL provided customer education on bill breakdown, rates, e-billing, tree trimming, financial assistance, provincial supply mix, and electricity retailers. The CDM presentation highlighted program offerings and other local business that benefited from the CDM programs. Safety was also discussed with reference to ESA and Ontario 1 Call.

LakelandPower

CUSTOMER INFORMATION SESSIONS

Electricity Safety | Conservation Programs | E-Billing
Capital & Maintenance Planning

You are invited to attend Lakeland Power's Customer Information Sessions, taking place in Burk's Falls, Huntsville, Bracebridge and Parry Sound. All sessions are open to Lakeland Power customers

HELP US PLAN THE NEXT 5 YEARS OF CAPITAL INVESTMENT

EVENT LOCATION & DATES

November 15th
Bracebridge Arena
169 James Street
7:00 – 8:30pm

November 17th
Huntsville Active Living Centre
20 Park Drive
7:00 – 8:30pm

November 29th
Burk's Falls Arena
220 Centre Street
3:00pm – 5:00pm

November 30th
Parry Sound
Bobby Orr Community Centre
7-17 Mary Street
3:00pm – 5:00pm

SAVE ON ENERGY
POWER WHAT'S NEXT

WE HOPE TO SEE YOU THERE!

Lakeland Power Distribution Limited
Suite 200 – 395 Centre Street North, Huntsville • 1-888-282-7711
www.lakelandpower.on.ca

Facebook Live Event

As a different way to reach out to and engage its customers in conversation on its proposed five year capital plan, as well as to provide education on billing and conservation, LPDL produced a Facebook Live event on March 13th, 2018, the first for an Ontario LDC. In this event, the presentations used at our customer information sessions of 2016 were presented live to its customers on Facebook. Customers were able to join the conversation through an online chat during the presentations, with direction to use its Contact us form on its website for further follow-up questions after the event was over. LPDL advertised the event through a bill insert, on social media, on its website, as well as with posters at its local libraries where there is internet service for local residents. Although there were only twelve views at the time of the event, there were 155 views by April 8th. An although feedback and questions were very limited during and after the event, knowing these were 155 views of the event after two weeks was a good indication to us that this avenue has potential as a way to engage its customers and LPDL will be using it again in the future.

Large User Information Session

The Large User information Session in December 2015 was very well attended and received. Discussions included many of the same topics as the Community Information Sessions, as well as a presentation from the IESO. This presentation discussed regional planning in the Muskoka area, reviewed system reliability and performance, and examined and identified potential mitigation measures. This presentation was instrumental in providing an open dialogue with the IESO allowing a clearer understanding on the energy sector; regulatory, distribution, and regional Lakeland Power constraints with the transfer station between Parry Sound and Waubaushene. This served to exemplify potential infrastructure costs and rate impacts.

Class A Information Session

In order to assist its newly eligible Class A customers better understand what the new expanded Industrial Conservation Initiative (ICI) was all about and how it could impact their bill in a positive way, LPDL, in conjunction with the IESO, held an information session in May 2017.

Feedback

Although the community sessions were very poorly attended as a whole, there were some attendees who engaged in a discussion of its capital plans. With regards to the replacement of poles lines and transformers, attendees suggested if LPDL was replacing poles and lines, it should run the new infrastructure underground. They felt this would be more aesthetically pleasing and reduce power outages due to line contact. LPDL discussed with them how in new subdivisions, underground infrastructure could sometimes be employed. However, for existing infrastructure, only very specific poles and lines are replaced as they deteriorate or reach the end of their useful life, not kilometers at a time. Simply decommissioning assets still within their useful life and replacing with underground would be cost prohibitive, not be considered prudent spending, and would increase their rates and their bill in an excessive way.

Attendees also addressed outages in the northern communities of Burks Falls, Sundridge, and Magnetawan, with questions about how its capital plan initiatives addressed the situation. LPDL discussed that the northern outages are mainly due to loss of supply from Hydro One. LPDL outlined plans for the replacement of primary underground cables and transformers with a subdivision conversion to 27.6kv in Burks Fall, removing this subdivision from the Hydro One 12.5kv system, reducing Lakeland Power's shared DS charges and improving reliability to Lakeland customers.

Attendees also asked about municipal involvement when construction is being done. They suggested there would cost savings for all tax payers if hydro and municipal infrastructure projects were coordinated; for example not digging up the same road twice for cable replacement and water pie replacement. LPDL agreed this was an important facet of capital plans, and that LPDL works closely with all municipal shareholders to ensure project synergies were considered.

There were also many questions regarding conservation programs, regulations, funding, and access. LPDL was able to assist customers with many questions, providing clarity for which programs were offered through the utility, and which through the government directly. The need for assistance with the CDM process, accessing information, and funding applications were evident, which has led to direct contact initiatives such as in-person phone calls to walk customers through funding applications, and accessing a Roving Energy Manager (REM) with the CHEC group of utilities.

Other Engagement Opportunities

Biennial Customer Satisfaction Survey

In 2014, LPDL contracted RedHead Media to run its first Customer Satisfaction Survey (CSS). LPDL also contracted RedHead Media, in conjunction with the CHEC group, for its 2015 and 2017 satisfaction surveys. The utility's Customer Engagement Executive Summary, also produced by RedHead Media, reviews and compares the CSS surveys the utility has done. It is noted in the report that overall, customers are satisfied with LPDL's service.

Customer Care & Community Involvement

Interacting with customers is one of the most effective ways of understanding their needs and preferences. Through phone calls, emails, and walk-in visits, customers provide valuable information which LPDL is then able to use to improve business processes. LPDL plans to continue its front desk operations as the utility strives to provide the best customer service.

LPDL engages with customers in many ways, including on a personal level within its small, close-knit communities; in the grocery store, at the kid's soccer game, and social gatherings, as well as community events. Through its customer care, in-person community, business, and municipal involvement, LPDL is always communicating engaging in meaningful conversation about how LPDL can better plan its expenditures and to better meet their expectations. LPDL is involved in many different community events from Canada day celebrations to soapbox derbies, and also is a large sponsor for many community events and organizations .

Online Communication

The LPDL Website, Facebook, Twitter and email blasts are online forms of communication LPDL uses with its customers. With outage details and education on billing and conservation programs requested by its customers through its assorted engagement activities, online communication has proven to be a valuable resource to quickly and effectively disseminate information such as up to date outage information, protection bulletins regarding scams, conservation information.

Conservation Initiatives

Conservation is a topic of interest for customers because of how conservation can be used to impact their bill, lowering their monthly amount owed. LPDL has used a number of initiatives and avenues to help educate the customers on this important subject.

From all of these engagement activities LPDL has learned that (1) price, (2) reliability, (3) customer service, (4) system upgrades, (5) customer education and (6) community involvement are the key areas where customers have certain expectations for investment and improvement. LPDL has therefore tailored investment plans to include investments and improvements in these key areas.

(1) Price;

Customers expressed through assorted engagement activities that price is a main area of interest. They want to better understand and relate to their bill and understand how they can have some impact on the amount billed. They want to have more readily available information with regards to their bill, and usage, as well as conservation information, programs, and opportunities. To address this main area of interest, LPDL began using annual bill inserts to provide customer education on billing and conservation information, assisting customers in better understanding and learning how to have some impact on their bills. To date, the inserts contain information on; 2014 Efficiency Tips and Tools - Saving on Energy at Home, 2015 Info on E-Billing - giving customers increased information to help them budget better, pay bills sooner, avoid collections fees, 2016 Rates breakdown and reference to newly developed website, and 2017/18 Billing information and notice of the upcoming Facebook Live event.

In 2014 LPDL made a capital investment to improve their online portal, so customers can more readily access their information, billing history and usage. This allows for better understanding and management of usage and control over bill impact.

In 2016 LPDL made a capital investment in redeveloping the website. Information including bill breakdown, outage maps, conservation information, and financial assistance options is now available to customers. There is also a self-serve area, a 'How are we doing' chat function, as well as safety information. The website has given the customers an additional resource for information allowing them to better understand their bill.

In 2017, a capital investment was made to upgrade the online portal, further enhancing customer education and customer control over usage. This upgrade also allows for Green Button functionality, which will not only make us compliant with the required mandates but will provide customers further control over their usage data, and therefore further control over their bill.

In listening to and working with municipal shareholder customers, the customer paid specific projects are also budgeted for, as there could be municipal capital investment requests during the forecast period. LPDL coordinates its planning and construction activities directly with customers and developers, which can help find synergies and cost savings for us and municipal shareholders.

Cost mitigation allows LPDL to keep rates low, meeting customer's expectation in this regard. Capital has been budgeted over the forecast period to complete voltage conversion projects;

decommissioning 4kv substations will achieve system reliability, system efficiency, and reduced maintenance costs. The capital project planned to remove load from the HONI owned Beaumaris DS substation will eliminate the shared distribution charges on this station reducing costs and enabling LPDL to reduce expenses. Also, implementation of IESO registered meter points at select locations will eliminate HONI charges and reduce administrative costs.

Lowering costs for customers will also be achieved through capital investments in reclosers and upgrades to existing SCADA technology and communication infrastructure. These devices will reduce both outage restoration times and the number of customers affected by outages. The result will be increased reliability and minimizing resources required to restore power thereby reducing costs, results customers are expecting from capital expenditures.

(2) Reliability;

LPDL is continuing to invest in projects that focus on customer's expectations for improving reliability. In 2014 there was an investment in tree trimming cycles. After the 2014 merger with Parry Sound Power, LPDL increased tree the trimming cycle in Parry Sound and our northern municipalities from 7ys to 6yrs, to help reduce outages due to trees on lines. The voltage conversion projects scheduled for 2019 through 2023 will eliminate the 4kv substation in Bracebridge reducing maintenance costs. New connections will provide alternate ties for the feeders at the Parry Sound substations, allowing LPDL the ability to balance loads on these feeders and improve reliability. The capital investments for 2019 through 2013 targeting the upgrade of gatekeepers will help LPDL to maintain a healthy network. Along with the gatekeeper upgrade, LPDL developed its metering replacement program driven by Measurement Canada regulations for meter sampling, seal extension or meter replacement to take place in the 2019 test year. These network upgrades will provide customers with the enhanced connectivity, reliability of data, and security for which they are looking.

In 2016 LPDL began investing in SCADA system; looking into smart remotely operable switches to maintain system reliability and system switching for planned and unplanned events, allowing for quicker identification of impacted outage areas and resulting in quicker restoration times and increased reliability. This investment will also assist in real-time monitoring of load levels within the electrical system allowing for real-time outage map upgrades, something customers have been wanting. Investments in line sensor technology over the forecast period will allow for better monitoring of phase imbalances that could be corrected thereby reducing losses and stabilizing voltage. Sensor technology will also assist with enhanced outage management and improve grid efficiency. All of these efficiencies will result in faster response time for trouble calls, reduced outage time, and reduced financial loss for industrial customers. Innovation enabling technologies have the potential to increase reliability through consumer control. Possible projects such as the Achievable Potential Study based on the recommendations of the Integrated Regional Resource Plan (IRRP) to address solutions to constraint issues identified in Parry Sound at the Parry Sound TS could potentially result in the deferral of costly upgrades to local distribution and transmission infrastructure. There is also the potential to reduce costs and price through adaptive infrastructure, reduced line loss, increased consumer control of demand, ability to shift load, positively impacting consumers' bills.

Knowing customer's expectation for increased reliability and price, capital has been budgeted annually for asset replacement identified through reactive preventative and proactive replacement programs. These programs allow for the replacement of deteriorated poles and transformers and those at the end of their useful life, preventing them from becoming a safety hazard to the public, causing plant failures, or power outages, and mitigating failure costs.

Replacement of aging infrastructure increases system reliability and reduces outage costs, both important preferences for all customers. The majority of the outages in LPDL territory are due to loss of supply events from HONI which is beyond the control of LPDL. Over the forecast period, projects to remove load from HONI stations, circuit redundancy, and voltage conversion projects will to help meet customers' expectations for improved reliability. Also, new substation connection along with SCADA projects will create a self-healing system which will help in reduction of outage times and occurrences

Over the forecast period, capital investments in general plant will enable meeting customer's preference for a current, reliable outage management system, intuitive online self-serve portal software, and data safety and security. These customer expectations are met through hardware upgrades to support day-to-day business activities and non-distribution system equipment reaching its functional obsolescence.

(3) Customer Service;

Our customers are used to the personal touch offered through a small community and small local businesses, so LPDL continue to offer customers walk-in hours at LPDL offices. The expectation for in-person access was particularly strong in Parry Sound territory. Keeping Parry Sound office open as requested by the Town of Parry Sound and its ratepayers required building renovations. Therefore, through 2017 and 2018, capital investment in the Parry Sound office was made. To increase productivity and efficiencies in office procedures, LPDL scaled back hours open to the public, but have remained open once a week to accommodate those who prefer coming in person.

In 2016 LPDL invested capital in developing the Lakeland Power website. A more robust billing section including bill breakdown, outage maps, conservation information, and financial assistance options is now available to customers. There is also a self-serve area, a 'How are we doing' chat function, as well as safety information. This more robust site offers customers more opportunities to find the answers they want at their convenience.

Customer service training has also been and continues to be invested in to ensure all staff is able to assist customers in as many ways as possible. Training in Customer Service, Dealing with Strong Customers, 2017 Leadership training, and ongoing mentorship and cross-training creates an effective team across the utility.

The ability to access current outage information is an expectation from all of our customers. LPDL`s capital investment in the forecast period for upgrades to the SCADA system will allow for quicker identification of impacted outage areas and the ability to communicate this information more quickly and effectively via an outage map loaded onto the LPDL website.

2015 and 2016 investment in social media development has assisted with improved customer education as requested by our customers. LPDL has employed a social media specialist who can focus media posts on highlighting customer events, CDM programs, outage notices, regulatory notices, safety, community events, office hours, and Time of Use holiday times and rates; scam notices any other relevant news.

(4) System upgrades and renewal;

Our customers have expressed a preference for the availability of current technology to assist them with managing their account and usage, giving them greater control over their bill, and ensuring the privacy and security of their information.

LPDL has planned capital Investment for 2019 to 2023 in Advanced Metering Infrastructure (AMI) through upgrading gatekeepers and the Elster head-end software, EnergyAxis Management System (EA_MS) to the next version, which has significant improvements in functionality as well as better data encryption and security. LPDL will also be upgrading NorthStar CIS in 2023 to keep CIS current with improved functionality and security. These upgrades will allow us to serve customers through quicker responses to inquiries better, more intuitive CIS functionality, better-integrated access for customers accessing their accounts online, and improved data security. Investment in cyber security from 2018 through 2023 will allow LPDL to comply with OEB cyber security guidelines.

LPDL made a capital investment in both 2014 and 2017 to improve the online customer portal. Customers can now more readily access their information; billing history and usage, and it allows for a better understanding and management of usage. The 2017 upgrades also allow for Green Button functionality.

Previously mentioned capital investments in SCADA system are also part of customer expectation for system upgrades and renewal allowing for increased reliability and quicker identification of impacted outage areas and the ability to communicate this information via an outage map loaded onto the Lakeland Power website.

(5) Customer Education;

Through all of communication with customers, LPDL has recognized that better education for customers is an important preference they have expressed. Therefore, since 2014, after the first customer satisfaction survey, LPDL has invested in annual bill inserts. These inserts contain info on e-billing; giving customers increased real-time information to help them budget better, pay bills sooner, and avoid collections fees. The inserts also provide some rates breakdown and reference the newly developed website, as well as community events and other engagement activities such as Facebook Live. The inserts also contain conservation info to help reduce bills. Other conservation print media has been inserted into bills and posted to the website to assist all in educating all customer classes on how to have some control over their bills. This push in conservation education has resulted in Lakeland Power reaching 74% of its CDM target at midterm (@2018).

LPDL`s 2014 and 2017 capital investment for an improved online portal was also directed at increased customer education allowing for a better understanding and management of usage and potentially lower bills.

Our 2015 Large User information session educated commercial customers on the IESO regional planning re-electricity costs, and the CDM presentation on High-Performance New construction as a way to reduce bills. LPDL`s 2016 Residential Customer information session provided customer education on bill breakdown, rates, e-billing, tree trimming, financial assistance, provincial supply mix, and electricity retailers. Also included were CDM program offerings, information on ESA and Ontario 1 Call. Explanations on the cause of power interruption were also provided; defective equipment, adverse weather, foreign interference, and loss of supply. LPDL discussed possible capital projects at both the Large user and Residential sessions and asked for input from customers on expectations. The expectations expressed at the sessions were the same as other engagement activities, with price and increased reliability being at the forefront.

(6) Community Involvement;)

LPDL customers also have expressed an expectation that LPDL to be involved in the communities it serves, to better understand their needs and the needs of the communities. LPDL has engaged with its customers to understand their key preferences discussed in this overview, and LPDL continues to be involved in the communities LPDL serve as an ongoing form of engagement. As such, LPDL has invested in its communities in various ways. LPDL has always sponsored different community events. LPDL also invests time and resources in local school visits with safety talks and touch-a-truck events to engage the kids.

In conversation with contractors, they suggested LPDL be part of local networking events to keep in touch with community plans which could enable synergies in capital work being planned. LPDL, therefore, became a member of the local Chambers.

Our 2015 Large User and 2016 Residential Customer Information Sessions were well received by those in attendance, allowing for an open conversation about capital investment initiatives, customer education, and conservation. LPDL also invested time and resources to proactively going out to the newly eligible Class A customers and engaging them in Class A peak shaving opportunities.

Table 26 below, is a summary of the Customer Engagement activities to date. The full OEB Appendix 2-AC can be found at Appendix I at the end of this Exhibit.

1 **Table 26 - OEB Appendix 2-AC – Customer Engagement Activities**[28]

Customer Engagement Activities Summary

Provide a list of customer engagement activities	Provide a list of customer needs and preferences identified through each engagement activity	Actions taken to respond to identified needs and preferences. If no action was taken, explain why.
DIRECT CUSTOMER COMMUNICATION - in person, calls, emails	local presence, better understanding of the bill, self-serve options, speak to a person, outage information, information on support for payments	reopened PSP office, annual bill explanation, enhanced e-Billing, reception for calls, improved SCADA, direct line/text to collections, directory of social agencies, information on energy saving programs
Large User Information session	enhanced IVR for faster communication, outage duration communication, improved reliability, shorter duration, data breaches/privacy, funding sources for reducing costs	Enhanced IVR system, updated outage communication, SCADA enhancements, robust tree trimming, load balancing, voltage conversions, cybersecurity enhancements, connect with CDM programs, information/involvement in regional planning
INFORMATION SESSIONS	Bill understanding, community investment, how to reduce the bill	Improve reliability, bill explanations, enhance outage information specifically time of restoration, CDM information
COMMUNITY ENGAGEMENT	Community involvement and presence, education, giving back	Local offices open to the public, person answers the phone, community sponsorships/involvement, school education programs, chamber of commerce involvement
CONSERVATION INITIATIVES	details about conservation programs, available funding, energy audits	specific personnel to address CDM options, assist with finding funding programs, communication of upcoming programs, assist with completing paperwork
ONLINE COMMUNICATION	easier access to data/bill/consumption, multiple formats as a variety of demographics	increased use of social media, improved bill portal with real time information, more electronic formats for payment/communication while still having a local office and person answering the phone
INDIRECT CUSTOMER COMMUNICATION	what we are doing in the community, understanding bill, understanding value for money	use of bill inserts, newspaper ads, surveys, safety education
INNOVATION	want to be on the leading edge of new ideas, not just a small community but a robust one to attract new businesses and people	looking into Evs, Smart Grid, reliabilty through outage mgmt, enabling new technologies

2

3

[28] MFR - Complete Appendix 2-AC Customer Engagement Activities Summary - identify how outcomes have shaped the application

1.7.2 CUSTOMER SATISFACTION SURVEY

Lakeland Power believes in the "Voice of the Customer" and has been committed to obtaining the opinions of the customer base on multiple occasions. Since 2014, Lakeland Power has been in-field annually, collecting data on matters of customer satisfaction, operational performance, and electrical safety, conducted by Redhead Media Solutions Inc., an independent third party that performs this function for many distributors in Ontario.

Between 2014 and 2016, customer satisfaction surveys were web-based. In 2016, the first Electrical Safety Awareness Survey was conducted. This survey is required by the OEB as part of Lakeland Power's Balanced Scorecard Reporting and was conducted by phone. In 2017, the Customer Satisfaction Survey transferred to the new questionnaire supplied by the Innovative Research Group and the Electricity Distributors Association and was also conducted by phone. Future surveys will alternate between even years – ESA, and odd years, Customer Satisfaction.

Complementing the mandated CSS surveys, Lakeland Power gathers customer thoughts and opinions which LPDL will continue to use as a significant source of information and to forecast and improve the customer experience with Lakeland Power. LPDL reach our residential customers through community events, information sessions, and our 'How are you doing' feature on our website. LPDL also reach our larger customers through community events as well as large user conferences, conservation, and alternative power solutions.

2017 Customer Satisfaction Survey

The most recent customer satisfaction survey, conducted in 2017, focuses on several key areas of customer satisfaction for both residential and General Service <50 kW customers:

- Core measures
- Power quality and reliability
- Billing and payment
- Customer service experience

- Communications
- Price
- Environmental controls

The survey instrument was provided by Cornerstone Hydro Electric Concepts Inc. (CHEC) and prepared by Innovative Research Group for the Electricity Distributors Association in consultation with the OEB.

The methodology was standardized, making this survey comparable to other distributors and future sampling.

Redhead Media Solutions Inc. (the vendor) was provided a sample list from Lakeland Power.

Customer lists included all basic information required such as name, telephone number, region (where applicable), customer type (residential or GS<50kW), LDC fee, Annual or Monthly consumption values.

Redhead then calculated which quartile group each resident belonged to by evenly dividing them into four groups within each region and customer type. These quartiles were calculated based on annual consumption value.

LDC	**Customer records from LDC**	**Completed surveys**	**Sample size as % of customer list**	**Margin of error @ 95% confidence level**
Lakeland Power Distribution	10643	401	3.8%	+/- 4.8%

The survey consisted of an introduction, overall satisfaction, power quality and reliability, billing and payment, customer service experience, communications, price, optional deeper dive questions, and final personal finance/sector mood measures.

Through these measures, an overall customer index score was calculated. Lakeland Power received good overall marks, despite customers being interviewed during the early part of 2017 when the public and political discussion on price was at fever-pitch. Lakeland Power continues to have an excellent relationship with those whom they serve.

Overall customer satisfaction index score

	Lakeland Power Distribution	Residential	General service business GS<50kW
	A	B	C
Base: total answering	401	348	53
Customer satisfaction index score	**74.5**	**74.5**	**74.0**

The complete satisfaction survey can be found at Appendix G in the Distribution System Plan found at the end of Exhibit 2.

1.8 LETTERS OF COMMENT

1.8.1 LETTER OF COMMENT

The utility has not received any letter of comments as a result of its pre-Cost of Service customer engagement activities. [29]

[29] MFR - All responses to matters raised in letters of comment filed with the OEB.

1.9 PERFORMANCE MEASUREMENT

1.9.1 SCORECARD RESULTS AND ANALYSIS[30]

Discussion of performance of each of LPDL's scorecard measures over the last five years is presented in Section 5.6 of the Business Plan and replicated below for ease of reference.

CUSTOMER FOCUS - SERVICE QUALITY

From the period of 2013-2017, the utility's results in all three areas have always exceeded the OEB targets and its trend is showing continuous improvements. The increase in the period 2015-2017 was the result of improved tracking and scheduling systems. LPDL continues to update its work process and management system to maintain the OEB mandated threshold. With respect to Telephone Calls Answered On Time, in 2017, LPDL's customer contact center agents received close to 15,000 calls from its customers, an average of 60 calls per working day. 88.2% of these calls were answered by an agent in 30 seconds or less, which is a slight decrease from 2016 at 90.6%. This result continues to significantly exceed the OEB-mandated target of 65%. LPDL has seen success in promoting online self-serve features, internal process improvements and increased customer preference to contact Lakeland Power via email.

[30] MFR - Discussion of performance for each of the distributor's scorecard measures over the last five years; drivers for its performance, plans for continuous improvement, identify performance improvement targets, forecast of efficiency assessment using the PEG forecasting model for the test year, discussion on how distributor's self-assessment has informed its business plan and the application

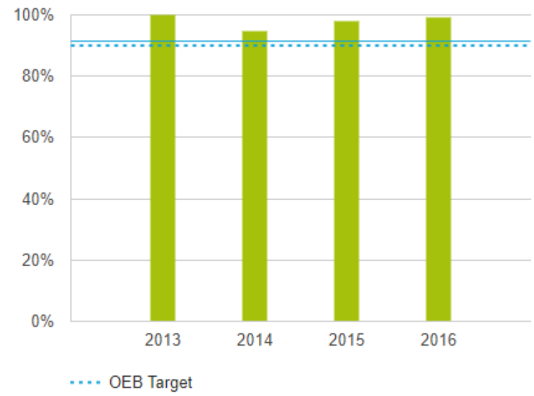
SERVICE QUALITY

New residential/small business services connected on time

99.2% (2016)

The utility must connect new service for the customer within five business days, 90 % of the time, unless the customer agrees to a later date. This timeline depends on the customer meeting specific requirements ahead of time (such as no electrical safety concerns in the building, customer's payment information complete, etc.)

✔ Target met



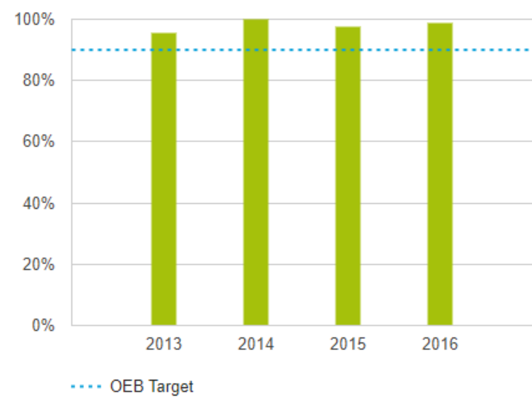
SERVICE QUALITY

Scheduled appointments met on time

98.6% (2016)

For appointments during the utility's regular business hours, the utility must offer a window of time that is not more than four hours long, and must arrive within that window, 90 % of the time.

✔ Target met



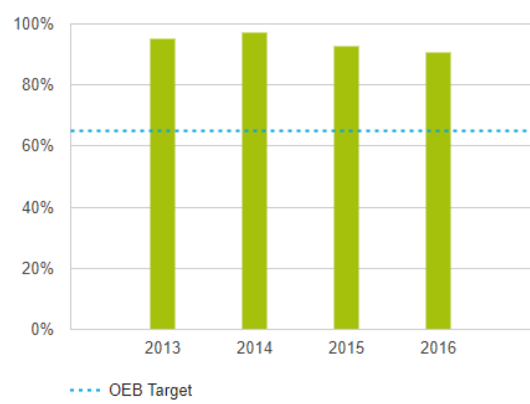
SERVICE QUALITY

Telephone calls answered on time

90.6% (2016)

During regular call centre hours, the utility's call centre staff must answer within 30 seconds of receiving the call directly or having the call transferred to them, 65 % of the time

✔ Target met



CUSTOMER FOCUS - CUSTOMER SATISFACTION

LPDL has conducted its bi-annual customer satisfaction survey which is presented at Section 1.7.2 of this Exhibit. Customers are generally satisfied with LPDL however in the most recent survey, customer dissatisfaction surrounds the costs on their electricity bill, which is consistent with previous results as opposed to service quality. For the period from January 1, 2017 – December 31, 2017 LPDL issued more than 163,000 bills and achieved a billing accuracy of 99.94% which exceeds the prescribed OEB target of 98%, and is an increase over 2016 rate of 99.86%. LPDL continues to monitor its billing accuracy results and processes to identify opportunities for improvement in order to continue to achieve a result higher than the prescribed OEB target of 98%. The total number of complaints has dropped over the period of 2014-2017.

CUSTOMER SATISFACTION

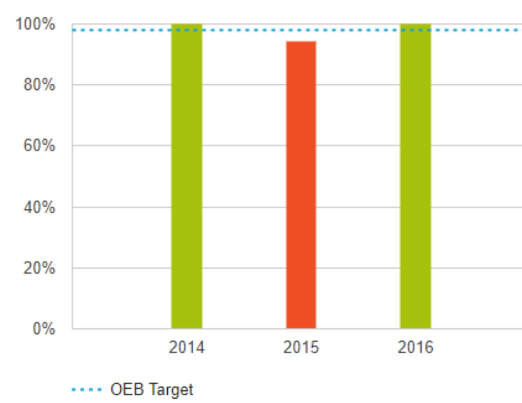
Billing accuracy

99.86% (2016)

An important part of business is ensuring that customer's bills are accurate. The utility must report on its success at issuing accurate bills to its customers.

More information about billing accuracy

✔ Target met



CUSTOMER SATISFACTION

Complaints

0.07 (2016)

This metric measures the number of complaints the Ontario Energy Board received from customers about matters within our authority. Complaints made directly to the utility are not reported here. We measure this per 1000 customers so utilities that serve much larger or smaller populations can be compared against each other.

Year	Complaints per 1000 customers	Total number of complaints
2013	0.00	0
2014	0.53	7
2015	0.22	3
2016	0.07	1

OPERATIONAL EFFECTIVENESS - SAFETY

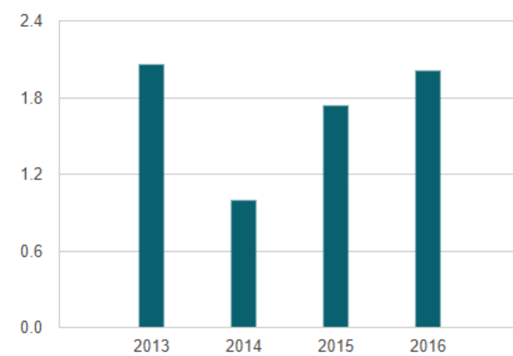
Safety remains a core attribute of LPDL's as it delivers power to its employees and customers daily. LPDL continues to strive to communicate on safety throughout our distribution system through various methods including safety orientations, on-line, outreach, and telephone. LPDL has not incurred a General Public Incident in the period 2013-2017.

SYSTEM RELIABILITY

Average number of hours power to a customer was interrupted

2.00858h (2016)

An important feature of a reliable distribution system is recovering from power outages as quickly as possible. The utility must track the average length of time, in hours, that its customers have experienced a power outage over the past year.



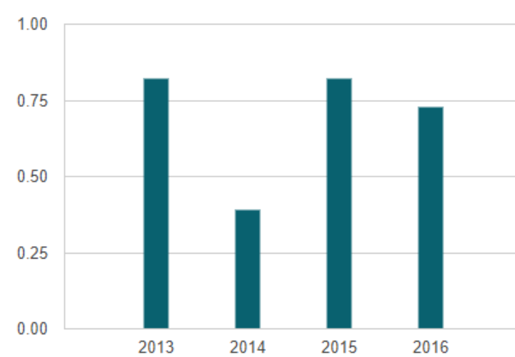
SYSTEM RELIABILITY

Average number of times power to a customer was interrupted

0.728225 (2016)

Another important feature of a reliable distribution system is reducing the frequency of power outages. Utilities must also track the number of times their customers experienced a power outage during the past year.

More information about interruption frequency



OPERATIONAL EFFECTIVENESS - SYSTEM RELIABILITY

The reliability of the system remains a cornerstone of LPDL with attention to vegetation management (mostly tree trimming), and re-investment in the distribution system infrastructure. Most interruptions continue to be because of increased storm activity. Some results over the past 5 years shoLPDL Average Number of Hours that Power to a Customer is Interrupted of 1 in 2014 was a significant improvement from the average of 2.06 recorded in 2013. This improvement can be attributed to LPDL's continued investments into new technologies such as SCADA, truck tracking, and mobile devices that will continue to maintain our response times and reporting accuracy within the set guidelines. LPDL Average of 1.74 in 2015 was a decline from the average of 1.0 recorded in 2014. This decline was attributed to severe weather conditions due to a November 2015 storm. LPDL's Average Number of Hours that Power to a Customer is Interrupted index (i.e. duration) of 2.01 in 2016 is an increase from 2015's average of 1.74. This increase can be attributed to severe winter storms in January and December. For 2017, the index has dropped to 1.46 from 2.01 as major events have been eliminated from the calculation. One of LPDL's largest costs is tree trimming and is a focus for efficient procurement, finding opportunities to lower this cost. LPDL tree trimming cycle has been enhanced to a 6 year cycle (from 7) thus maintaining or lowering outages caused by tree contact in our heavily forested service territory as well as minimizing higher costs due to heavier vegetation.

OPERATIONAL EFFECTIVENESS - ASSET MANAGEMENT

The Distribution System Plan detailing the utility's historical and projected capital plan can be found in Exhibit 2 of this application.

OPERATIONAL EFFECTIVENESS - COST CONTROL

LPDL has been assigned a Group 2 efficiency ranking for 2017. (Group 2 as per PEG 3 year average) LPDL's results show a trend moving in the right direction through striving to achieve greater efficiency through productivity improvements and cost control, without compromising safety and reliability. The utility is continuously looking for ways of finding efficiency in its Operation and Maintenance thus reducing rates.

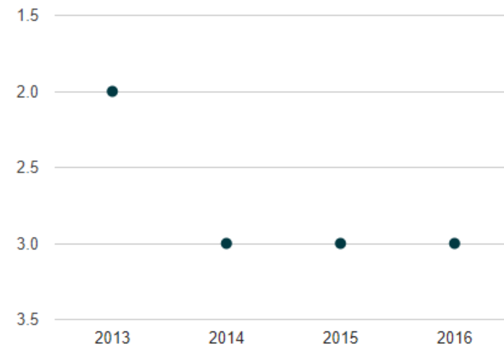
LPDL's Total Cost per Customer declined in the period 2010 through 2012 due to the efficiency gains in negotiated maintenance costs, billing improvements and lower trouble calls. 2013 saw a larger than normal increase in costs due to abnormal storm activity and multiple incidents as well as increased capital in order to purchase a bucket truck. In 2014 with the merger with Parry Sound Power, LPDL saw an increase in capital spending for a substation in Parry Sound that was a larger than normal capital item. In addition, one-time costs surrounding the merger process were incurred in 2014 and 2015. 2016 experienced a partial year of continued synergy savings and 2017 a full year of synergy savings. 2017 has normalized costs for both capital and maintenance and showed a continuing downward trend to $697, a level below that of 2013. LPDL continues to find opportunities for cost efficiencies through advanced skill sets and improved processes.

COST CONTROL

Efficiency rating

3 (2016)

The utility must manage its costs successfully in order to help assure its customers they are receiving value for the cost of the service they receive. Utilities' total costs are evaluated to produce a single efficiency ranking. This is divided into five groups based on how big the difference is between each utility's actual and predicted costs. Distributors whose actual costs are lower than their predicted costs are considered more efficient.



1 = Actual costs are 25% or more below predicted costs

2 = Actual costs are 10% to 25% below predicted costs

3 = Actual costs are within +/- 10% of predicted costs

4 = Actual costs are 10% to 25% above predicted costs

1 5 = Actual costs are 25% or more above predicted costs

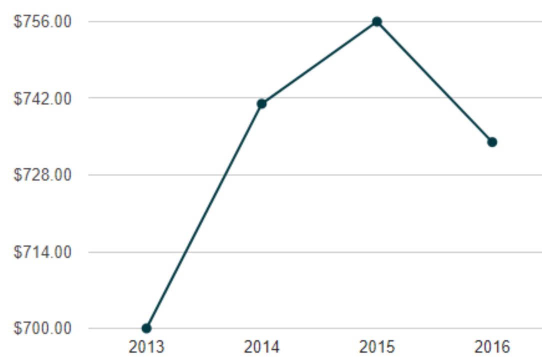
COST CONTROL

Cost per customer

$734 (2016)

A simple measure that can be used as a comparison with other utilities is the utility's total cost per customer.

Total cost is a sum of all the costs incurred by the utility to provide service to its customers. The amount is then divided by the utility's total number of customers. This amount does not represent how much customers pay for their utility services.



2 More information about Cost per Customer

3

PUBLIC RESPONSIVENESS - CONSERVATION & DEMAND MANAGEMENT

Under the new regulations, LPDL has developed a CDM plan to meet the 2015-2020 energy targets under the Conservation First Framework. LPDL has submitted and received approval from the IESO on the Conservation First Framework 2015- 2020 CDM Plan. The CDM plan has being filed in conjunction with this application.

LPDL is pleased to report that it achieved 75% of its 2015-2020 net cumulative energy savings by the end of 2017. LPDL's successful achievement was made possible by the strong and early participation by local commercial customers in our retrofit and energy efficient lighting programs.

PUBLIC RESPONSIVENESS - CONNECTION OF RENEWABLE GENERATION

LPDL has maintained 100% timely connection of renewable installations. LPDL will continue to provide the staff resources to maintain an efficient and effective methodology to connect renewable installations.

In 2017, LPDL connected all new micro-embedded generation facilities (microFIT projects of less than 10 kW) 100% of the time within the prescribed time frame of five business days. The minimum acceptable performance level for this measure is 90% of the time. LPDL's workflow to connect these projects is very streamlined and transparent with its customers. LPDL works closely with its customers and their contractors to tackle any connection issues to ensure the project is connected on time. Details on renewable installations can be found in Exhibit 2 of this application.

FINANCIAL PERFORMANCE - FINANCIAL RATIOS

LPDL achieved returns higher than the deemed rate since 2014 mainly due to higher revenue than forecast, as a result of increased energy consumption; and lower operating costs due to synergy savings from the merger with Parry Sound. LPDL's return achieved in 2017 was 12.69%.

LPDL achieved returns higher than the deemed rate mainly due to higher revenue than forecast, as a result of lower operating costs due to synergy savings from the merger with Parry Sound.

LPDL has mitigated the overall real growth in its operating cost base with productivity savings arising from related process improvement initiatives and synergy savings with a larger utility.

OVERALL

LPDL has continued to reflect a customer focused, financially sound, safe and reliable Local Distribution Company. Customer satisfaction and feedback inform and influence LPDL's operations, which are reflected in the continued low number of dissatisfied customers. LPDL continues to be a financially strong company that re-invests in technology that will bring improvements to customer interactions, system reliability, and safety.

The table below shows the current Scorecard on the OEB website.

Scorecard - Lakeland Power Distribution Ltd.

8/27/2018

Performance Outcomes	Performance Categories	Measures		2013	2014	2015	2016	2017	Trend	Target: Industry	Target: Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	**Service Quality**	New Residential/Small Business Services Connected on Time		100.00%	94.60%	98.00%	99.20%	100.00%	↑	90.00%	
		Scheduled Appointments Met On Time		95.60%	99.80%	97.60%	98.60%	100.00%	↑	90.00%	
		Telephone Calls Answered On Time		95.00%	97.30%	92.70%	90.60%	88.20%	↓	65.00%	
	Customer Satisfaction	First Contact Resolution			99.89%	99.93	99.98	99.95			
		Billing Accuracy			99.99%	94.39%	99.86%	99.94%	↑	98.00%	
		Customer Satisfaction Survey Results			Completed	86.5%	74.5%	74.5			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	**Safety**	Level of Public Awareness				82.50%	82.50%	83.80%			
		Level of Compliance with Ontario Regulation 22/04 [1]		C	C	C	C	C	→		C
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0	→		0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	→		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]		2.06	1.00	1.74	2.01	1.46	↓		1.76
		Average Number of Times that Power to a Customer is Interrupted [2]		0.82	0.39	0.82	0.73	0.83	↑		0.49
	Asset Management	Distribution System Plan Implementation Progress			In Progress	In Progress	In Progress	In Progress			
	Cost Control	Efficiency Assessment		2	3	3	3	2			
		Total Cost per Customer [3]		$700	$741	$756	$734	$697			
		Total Cost per Km of Line [3]		$22,852	$26,216	$27,506	$27,559	$26,273			
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	**Conservation & Demand Management**	Net Cumulative Energy Savings [4]				28.11%	48.42%	74.50%			15.77 GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time		100.00%	100.00%	100.00%	100.00%	100.00%			
		New Micro-embedded Generation Facilities Connected On Time		100.00%	100.00%	100.00%	100.00%	100.00%	→	90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	**Financial Ratios**	Liquidity: Current Ratio (Current Assets/Current Liabilities)		0.86	1.28	1.12	1.70	1.80			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.41	0.40	0.31	1.13	1.00			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.93%	8.93%	9.08%	9.08%	9.08%			
			Achieved	10.70%	12.50%	9.90%	10.86%	12.69%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.
3. A benchmarking analysis determines the total cost figures from the distributor's reported information.
4. The CDM measure is based on the new 2015-2020 Conservation First Framework.

Legend: 5-year trend: ↑ up ↓ down → flat
Current year: ● target met ● target not met

1

1.10 MATERIALITY THRESHOLD

The Minimum Filing Requirements state that a distributor with a distribution revenue requirement of less than $10 million must use $50,000 as a materiality threshold. With a proposed base revenue requirement of $7,658,771, LPDL has used the amount of $50,000 as a materiality threshold throughout this application.[31]

[31] MFR - Materiality threshold; additional details beyond the threshold if necessary

1.11 FINANCIAL INFORMATION

The OEB's RRFE for electricity distributors includes Financial Performance as one of the performance measurements. The four-financial metrics included are liquidity, leverage, deemed return on equity and achieved a return on equity. LPDL'S metrics for historical years 2012 to 2017, the 2018 Bridge Year and the 2019 Test Year are discussed in detail in Section 8 of the Business Plan. LPDL has replicated the information below for ease of reference.

Table 27 – Financial Ratios from Scorecards

Financial Ratios

	Liquidity: Current Ratio (Current Assets/Current Liabilities)	Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	Profitability (Approved ROE)	Regulatory Return on Equity (Achieved ROE)
2012	0.78	0.48	8.01	9.73%
2013	0.86	0.41	8.93	10.70%
2014	1.28	0.40	8.93	12.50%
2015	1.12	0.31	9.08	9.90%
2016	1.70	1.13	9.08	10.86%
2017	1.80	1.00	9.08	12.69%

LPDL uses a Balanced Scorecard approach to develop its strategic/business plan and produces a matrix of Key Performance Indicators used to determine successful achievement of objectives and goals. Table 23 below outlines LPDL's Scorecard for the 2018-2022 period.

Table 28 – 2018-2022 Balanced Scorecard (internal)

Balancing	Strategies to Obtain Objective & Goals		Key Performance Indicators
Environmental Health & Safety			
	Environmental	2018 - 2022	Decommission older MS 1 & 2 stations in PSound - end of life & potential environmental hazard near water
	PCB Storage Site	2019	Close
	Customer H&S	2018/20/22	Conduct mandated Customer H&S Survey
Team			
	Training & Succession	2018 & 2021 2018 - 2022	Technician Training Training on Innovation Advancements
Customers			
	Improve Customer Service	2018 2018 - 2022 2018 - 2022	Upgrade Online Portal Website, Twitter, etc. Improvements Customer Engagement Committee
	Smart Meter Change Outs	2018 2019	Meter Change Sampling Meter Test
	Customer Satisfaction	2019	Conduct Survey Mandated by OEB
	Decrease annual number of outages per customer Top Quartile Baseline = 1 or <	2018 - 2022	1 or <
	Decrease annual number of outage hours per customer Top Quartile Baseline = 1 or <	2018 - 2022	1 or <

Balancing	Objective & Goals		Indicators
Customers			
	Approved Conservation Reduction Targets	2018	13%
		2019	13%
		2020	13%
	Ontario Energy Board's Cost of Service Application	2018	Application
		2019	New Rate Implementation
Financial			
	Manage to Lowest Controllable Costs per Customer	2018	$300
		2019	$305
		2020	$309
		2021	$310
		2022	$311
	EPower - Increase number of customers on paperless billing	2018	20%
		2019	22%
		2020	25%
		2021	28%
		2022	31%
	Decrease system line losses	2018	4.50%
		2019	4.30%
		2020	4.10%
		2021	4.00%
		2022	4.00%

At the end of each year, LPDL updates its final key performance indicators and compares the results to expectation. Table 24 below summarizes the historical key performance indicators and results.

Table 29 – 2014-2017 Balanced Scorecard Results (internal)

Lakeland Power Distribution Ltd.

Balancing	Strategies to Obtain Objectives & Goals	Key Indicator	Target	2014	2015	2016	2017	Met	Notes
Environmental Health & Safety	Environment	Deregister PCB storage facility - LPDL	2014	Complete				Yes	
	Environment	Deregister PCB storage facility - PSP	2019					Ongoing	
	Environment	PCB Transformer Testing	2016				Complete	No	delay in testing contractor availability
	Health & Safety	Outside Contractor Safety - training	2015		Met			Yes	
	Health & Safety	Outside Contractor Safety - training	2017				Met	Yes	
	Health & Safety	Safety presentations in schools	2015-2019		Met	Met	Met	Ongoing	
	Health & Safety	Customer H&S survey	2018 & 2020					Ongoing	completed every two years
	Health & Safety	Zero lost time accidents	2014-2020	0	1	0	0	Ongoing	training & H&S compliance & reporting
	Environment	Environmental - Remove PSP MS#1	2017				Delay	No	delayed to 2018-2021 to include MS #2
Team	Continuous Improvement	At least 1 program per staff annually	2014-2017	Met	Met	Met	Met	Yes	training program in place - Compliance system
	Sucession	Retirement replacement - Customer Service	2017				Met	Yes	HR resource & improved hire screening
	Sucession	Retirement replacement - Lines Supervisor	2018					Ongoing	HR resource & improved hire screening
	Sucession	Retirement replacement - Technician	2018					Ongoing	HR resource & improved hire screening
	Sucession	Retirement replacement - Linesman	2018					Ongoing	HR resource & improved hire screening
	Sucession	Apprenticeships	2016-2020			Met	Met	Yes	Future investment due to retirements upcoming
Customers	Customer Satisfaction	Annual bill explanations to customers	2014-2017						
	Reliability	Outages per customer - to be less than 0.41	2014-2020	0.39	0.82	0.73	0.83	No	capital projects to improve reliability
	Reliability	Outage hours per customer - to be less than 1	2014-2020	1	1.74	2.01	1.46	No	capital projects to improve reliability
	Customer Satisfaction	Customer Satisfaction Survey	2014/2017/2019	Met			Met	Yes	
Financial	Productivity & efficiency	Increase number of customers on eBilling	Target	11%	10%	10%	16%		
			Actual	8%	8%	14%	18%	Yes	new customer portal, contest promotion
	Productivity & efficiency	Controllable costs per customer	Target	278	326	291	291		
			Actual	322	308	291	289	Yes	synergy savings
	Productivity & efficiency	Decrease system line losses	Target		4.87%	4.50%	4.50%		
			Actual	4.63%	4.34%	5.16%	4.47%	Yes	continue capital projects to improve line loss
	Regulatory	Cost of Service application/Rate Harmonization	2018-2019					Ongoing	streamlining admin with harmonization

The results of the key indicators assist with the direction for future plans within the entity. The results of customer surveys are used to develop new ways to communicate or educate our customers. A focus on Health, Safety and Environment helps to avoid catastrophic costs. Robust succession plans through skills assessment, employee communication and apprenticeship programs ensures a more streamlined progress without loss of knowledge. A focus on important financial drivers that directly affect the customers rates help to reduce costs and drive capital spending to appropriate areas of concern.

LPDL also utilizes the results of the OEB Scorecard to set performance targets that are to be met or exceeded. A number of these targets are also in LPDL's internal scorecard. LPDL has met or exceeded all Customer Focus, Public Policy Effectiveness and Financial indicators; and all but one in Operational Effectiveness. LPDL has moved from Cohort 3 to Cohort 2 due to Cost Control from synergy savings stemming from the amalgamation. The most recent scorecard can be found at Table 31 below.

Table 30 – 2013-2017 OEB Scorecard for LPDL

Scorecard - Lakeland Power Distribution Ltd. 8/27/2018

Performance Outcomes	Performance Categories	Measures		2013	2014	2015	2016	2017	Trend	Target: Industry	Target: Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time		100.00%	94.60%	98.00%	99.20%	100.00%		90.00%	
		Scheduled Appointments Met On Time		95.60%	99.80%	97.60%	98.60%	100.00%		90.00%	
		Telephone Calls Answered On Time		95.00%	97.30%	92.70%	90.60%	88.20%		65.00%	
	Customer Satisfaction	First Contact Resolution			99.89%	99.93	99.98	99.95			
		Billing Accuracy			99.99%	94.39%	99.86%	99.94%		98.00%	
		Customer Satisfaction Survey Results			Completed	86.5%	74.5%	74.5			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness				82.50%	82.50%	83.80%			
		Level of Compliance with Ontario Regulation 22/04 [1]		C	C	C	C	C			C
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0			0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000			0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]		2.06	1.00	1.74	2.01	1.46			1.76
		Average Number of Times that Power to a Customer is Interrupted [2]		0.82	0.39	0.82	0.73	0.83			0.49
	Asset Management	Distribution System Plan Implementation Progress			In Progress	In Progress	In Progress	In Progress			
	Cost Control	Efficiency Assessment		2	3	3	3	2			
		Total Cost per Customer [3]		$700	$741	$756	$734	$697			
		Total Cost per Km of Line [3]		$22,852	$26,216	$27,506	$27,559	$26,273			
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Cumulative Energy Savings [4]				28.11%	48.42%	74.50%			15.77 GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time		100.00%	100.00%	100.00%	100.00%	100.00%			
		New Micro-embedded Generation Facilities Connected On Time		100.00%	100.00%	100.00%	100.00%	100.00%		90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		0.86	1.28	1.12	1.70	1.80			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.41	0.40	0.31	1.13	1.00			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.93%	8.93%	9.08%	9.08%	9.08%			
			Achieved	10.70%	12.50%	9.90%	10.86%	12.69%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.
3. A benchmarking analysis determines the total cost figures from the distributor's reported information.
4. The CDM measure is based on the new 2015-2020 Conservation First Framework.

Legend: 5-year trend: up, down, flat. Current year: target met, target not met

1.11.1 FINANCIAL RESULTS

LPDL's financial performance has remained strong over the past four years with an income of;

- 2013 $1,524,161
- 2014 $1,897,258
- 2015 $1,507,311
- 2016 $1,590,718
- 2017 $1,715,644

Liquidity: Current Ratio (Current Assets/Current Liabilities)

As an indicator of financial health, a current ratio that is greater than 1 is considered good as it indicates that the company can pay its short term debts and financial obligations. Companies with a ratio of greater than 1 are often referred to as being "liquid". The higher the number, the more "liquid" and the larger the margin of safety to cover the company's short-term debts and financial obligations.

LPDL's current ratio increased from 0.78 in 2012 and again to 1.12 in 2015 and finally to 1.80 in 2017 , remaining above the "1" indicator. LPDL improved its liquidity ratio by 6% in 2017 over 2016 and expected to continue the trend. LPDL has worked to improve its current ratio through improved receivable and cash management.

Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio

The OEB uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt to equity ratio of 1.5 (60/40).

A debt to equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. A debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure.

The 2017 indicator of 1.00 is a representation of total debt in relationship to equity. This is significant improvement over 2012-2015 (0.48 – 0.41 – 0.40 – 0.31 respectively) through improved cash management, cost efficiencies and capital stability. LPDL retains a potential opportunity for borrowing funds for innovation and Smart Grid projects for the future.

Profitability: Regulatory Return on Equity – Deemed (included in current rates) vs Achieved (2017)

LPDL's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.08%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor's revenues and costs structure by the OEB.

LPDL's return achieved in 2017 was 12.69%, outside the +/-3% range allowed by the OEB. LPDL achieved returns higher than the deemed rate in mainly due to higher revenue than forecast, as a result of increased energy consumption; and lower operating costs due to synergy savings from the amalgamation with Parry Sound. LPDL has mitigated the overall real growth in its operating cost base with productivity savings arising from related process improvement initiatives and synergy savings to become a larger utility.

Table 31 - Return on Equity Table

	Profitability (Approved ROE)	Regulatory Return on Equity (Achieved ROE)
2012	8.01	9.73%
2013	8.93	10.70%
2014	8.93	12.50%
2015	9.08	9.90%
2016	9.08	10.86%
2017	9.08	12.69%

Outlined below, and in the following table, are some of the essential components of the projected profit and loss for LPDL:

- ✓ Total Operating Revenues for 2018 and 2019 are forecast to be $8,513,219 and $8,340,986.
- ✓ Cost and Expenses for 2018 and 2019 are predicted to be $6,257,198 and $6,466,351.
- ✓ Taxes for 2018 and 2019 are predicted to be $230,845 and $241,378.
- ✓ Income for 2018 and 2019 is forecast to be $1,129,394 and $1,082,185.

Table 32 – Table of Profit and Loss

Derivation of Utility Income	Board Approved Proxy	Actual						
		2013	2014	2015	2016	2017	2018	2019
Operating Revenues								
Distribution Revenues	7,669,448	8,107,084	8,092,294	7,919,164	7,986,091	8,141,006	8,003,275	7,658,772
Other Revenue	388,650	619,838	695,250	688,575	585,592	633,571	509,944	682,214
Total Operating Revenues	**8,058,098**	**8,726,923**	**8,787,544**	**8,607,739**	**8,571,682**	**8,774,576**	**8,513,219**	**8,340,986**
OM&A Expenses	4,745,006	5,173,226	5,132,366	5,093,346	4,841,637	4,589,904	4,934,268	5,071,718
Non-recoverable items		19	284	1,250	4,110	66,837	0	0
Depreciation & Amortization	1,427,448	1,444,565	1,240,988	1,200,180	1,175,693	1,229,291	1,268,931	1,337,805
Property and Taxes	10,702	36,687	40,544	46,245	49,780	54,642	54,000	56,828
Other Expenses (i.e. MIFRS)	0	0	0	0	0	0	0	0
Total Costs & Expenses	**6,183,156**	**6,654,496**	**6,414,182**	**6,341,021**	**6,071,220**	**5,940,674**	**6,257,198**	**6,466,351**
Interest Expenses (Actual and Deemed)	737,551	378,612	290,027	249,006	345,732	458,657	895,781	551,072
Total Expenses	**6,920,707**	**7,033,109**	**6,704,208**	**6,590,027**	**6,416,952**	**6,399,331**	**7,152,980**	**7,017,423**
Utility Income before Income Taxes / PILs	**1,137,390**	**1,693,814**	**2,083,336**	**2,017,712**	**2,154,731**	**2,375,245**	**1,360,240**	**1,323,563**
PILs / Income Taxes	196,298	169,653	186,078	510,401	564,013	659,601	230,845	241,378
Utility Income	**941,092**	**1,524,161**	**1,897,258**	**1,507,311**	**1,590,718**	**1,715,644**	**1,129,394**	**1,082,185**

1.11.2 RATE BASE AND REVENUE DEFICIENCY

As shown in the following table, LPDL's revenue sufficiency/deficiency has fluctuated considerably as a result of the amalgamation with Parry Sound. Although the utility is in a sufficiency position, the utility feels it important to re-align its rates with its current costs and amalgamated structure.

The revenue sufficiency or (deficiency) for 2013, 2014, 2015, 2016 and 2017 was $194,436, $375,384, $(160,522), $(67,931) and $174,964 respectively. LPDL expects a deficiency of ($12,545) in 2018, to be eliminated in 2019 with the approval of new rates.

Table 33 - Table of Rate Base and Revenue Deficiency

	Board Approved Proxy	Actual						
	2013	2013	2014	2015	2016	2017	2018	2019
Utility Income	**941,092**	**1,524,161**	**1,897,258**	**1,507,311**	**1,590,718**	**1,715,644**	**1,129,394**	**1,082,185**
Gross Fixed Assets (year end)	42,129,881	39,704,667	41,678,105	44,486,381	46,266,474	48,014,532	50,295,603	52,512,618
Capital Expenditures (additions)	**2,907,533**	**3,260,841**	**1,973,438**	**2,808,276**	**1,780,093**	**1,748,059**	**2,409,921**	**2,475,000**
Accum Depreciation (year end)	-19,489,987	-17,334,760	-18,499,460	-19,805,724	-21,012,796	-22,303,194	-23,609,094	-24,816,195
Net Fixed Assets	22,639,894	22,369,907	23,178,644	24,680,657	25,253,678	25,711,338	26,686,509	27,696,423
Average Net Fixed Assets	21,186,128	21,510,099	22,774,276	23,929,651	24,967,168	25,482,508	26,198,923	27,191,466
Utility Rate Base	25,917,267	26,363,686	27,961,915	29,581,344	30,932,324	30,854,494	31,446,841	30,060,667
Deemed Equity Portion of Rate Base	10,366,907	10,545,474	11,184,766	11,832,538	12,372,930	12,341,798	12,578,736	12,024,267
Income/(Equity Portion of Rate Base)	9.08%	5.78%	6.79%	5.10%	5.14%	5.56%	3.59%	3.60%
Indicated Rate of Return	6.48%	7.22%	7.82%	5.94%	6.26%	7.05%	6.44%	5.43%
Approved Rate of Return	6.48%	6.48%	6.48%	6.48%	6.48%	6.48%	6.48%	5.27%
Sufficiency / (Deficiency) in Return	0.00%	0.74%	1.34%	(0.54%)	(0.22%)	0.57%	(0.04%)	0.00%
Equity	*40.00%*	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*
Short Term Debt	*4.00%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*
Long Term Debt	*56.00%*	*56%*	*56%*	*56%*	*56%*	*56%*	*56%*	*56%*
Equity Return	*9.08%*	*9.08%*	*9.08%*	*9.08%*	*9.08%*	*9.08%*	*9.08%*	*9.00%*
Short Debt Return	*2.17%*	*2.17%*	*2.17%*	*2.17%*	*2.17%*	*2.17%*	*2.17%*	*2.29%*
Long Debt Return	*4.93%*	*4.93%*	*4.93%*	*4.93%*	*4.93%*	*4.93%*	*4.93%*	*2.81%*
Tax Rate	*26.50%*	*26.50%*	*26.50%*	*26.50%*	*26.50%*	*26.50%*	*26.50%*	*26.50%*
Net Revenue Sufficiency / (Deficiency)	**0**	**194,436**	**375,384**	**-160,522**	**-67,931**	**174,964**	**-12,545**	**0**

LPDL strives to be financially responsible in controlling capital and OM&A expenditures to provide a rate of return within the OEB allowed a return on equity is thereby meeting the shareholder's expectations while continuing to reinvest in its distribution system to meet customer expectations and operational efficiencies for the safe and reliable delivery of electricity.

1.11.1 HISTORICAL FINANCIAL STATEMENTS

The following attachments are presented in this next section. [32]

- ✓ Appendix C Year ended 31 December 2013 (compared to 2012) – former LPDL
- ✓ Appendix D Year ended 31 December 2013 (compared to 2012) – former PSP
- ✓ Appendix E Year ended 31 December 2015 (compared to 2014) – merged
- ✓ Appendix F Year ended 31 December 2017 (compared to 2016) – LPDL and Parent LHL

1.11.2 RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND RESULTS FIELD[33]

A detailed reconciliation between the financial results shown in LPDL's RRR filings, Audited Financial Statements and with the regulatory financial results filed in the application is presented in Appendix G of this Exhibit.

[32] MFR - Non-consolidated Audited Financial Statements for 2 most recent years (i.e. 3 years of historical actuals)
[33] MFR - Detailed reconciliation of AFS with regulatory financial results filed in the application, with identification of any deviations that are being proposed

1.11.3 ANNUAL REPORT

LPDL does publish an annual report to its shareholders and it can be found in Appendix H. [34]

1.11.4 PROSPECTUS AND RECENT DEBT/SHARE ISSUANCE UPDATE

LPDL does not issue debt or share nor do they publish any prospectus.[35]

1.11.5 CHANGE IN TAX STATUS

LPDL has not had a change in tax status.

1.11.4 EXISTING ACCOUNTING ORDERS AND DEPARTURES FROM ACCOUNTING ORDERS AND USOA

There are no existing Accounting Orders specific to LPDL.

LPDL has followed the accounting principles and main categories of accounts as stated in the OEB's Accounting Procedures Handbook ("APH") and the Uniform System of Accounts ("USoA") in the preparation of this Application.

1.11.5 CHANGE IN METHODOLOGY USED

The methodologies used in this Application are generally consistent with those used in the former LPDL's 2013 Cost of Service. The only deviation was utilizing a Board Approved Proxy approach (as discussed in each Exhibit) for historical comparative information of the former PSP's Board Approved amount as a result of differing rate basing years (2011 for former PSP and 2013 for former LPDL).

The Application has been prepared in accordance with MIFRS.

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[34] MFR - Annual Report and MD&A for most recent year of distributor and parent company, if applicable
[35] MFR - Rating Agency Reports, if available; Prospectuses, etc. for recent and planned public issuances

Both the former LPDL and the former PSP adopted IFRS for their financial statements in 2015 with 2014 restated for comparative purposes.

1.11.6 ACCOUNTING TREATMENT OF NON-UTILITY BUSINESSES

LPDL confirms that the accounting treatment it has used in this Application did not include any costs related to Non-Utility Business proposed for recovery in this Application.

Lakeland Holding Ltd. provides certain corporate services, Bracebridge Generation Ltd. provides on-call assistance, and Lakeland Energy Ltd. provides IT, GIS, Telecom and Fibre Optic services. These are further explained in Exhibit 4.

For the 2019 Test Year, Conservation and Demand Management activities have not been included in this Application.

1.12 DISTRIBUTOR CONSOLIDATION

In a March 27, 2014 Decision, the OEB approved the amalgamation of Lakeland Power Distribution Ltd. ("LPDL") with Parry Sound Power Corporation ("PSP"), (EB-2013-0427 and EB-2013-0428). Effective July 1, 2014, the former entities amalgamated pursuant to the provisions of the Business Corporations Act (Ontario), to continue as one operation under the name of Lakeland Power Distribution Ltd.

In late 2012, early 2013, the two entities started working together to look at a amalgamated entity that could provide cost savings and the streamlining of processes. Both entities had been experienced attrition due to retirements and difficulty hiring skilled staff to replace vacant positions. The use of outside support in the PSP service area to assist with regulatory requirements, capital planning and accounting functions was increasing costs in excess of the revenue to support it. LPDL started to assist PSP with these functions in mid-2013. The assessment of the opportunities for savings then began with senior management from both entities.

Net annual cost savings from the transaction were forecasted to be $354 K. The savings were expected from reductions in operations and administrative costs of $275 K and $79 K from renegotiated interest rates. The incremental transaction costs and any penalty costs would be financed through the synergy savings achieved.

Savings were forecasted to be realized through cost synergies in the following areas:

- Reduction in billing staff through retirement
- Reduction in IT costs by bringing in-house
- Reduction in billing system costs through consolidation into one platform/database
- Reduction in Regulatory costs due to one set of filing/rate applications rather than two
- Reduction in third party costs by consolidating similar functions in one including volume discounts (audit, tree trimming contract, Sync operator)
- Reduction in number of Directors
- Renegotiated interest rates

The list of expected savings is presented in the table below.

Table 34 - Table of Expected Synergy Savings

Description	Annual Cost	% Savings	Year 1 - Annual Savings	Year 2 - Annual Savings
Staff reduction - retirement	$ 100,000	100%	$ 100,000	$ 100,000
Billing System consolidation	$ 50,000	75%	$ 37,500	$ 37,500
Cancellation of 3rd party billing system - bring in house		100%	-$ 160,000	$ -
Rate application process - consolidated	$ 40,000	75%	$ 30,000	$ 30,000
RFP process for tree trimming/outside services	$ 20,000	50%	$ 10,000	$ 10,000
Reduction of audit fees	$ 15,000	75%	$ 11,250	$ 11,250
Sync operator/Smart Meter billing - bring in house	$ 10,000	100%	$ 10,000	$ 10,000
Cancellation of 3rd party sync operator/SM data		100%	-$ 10,000	$ -
IT support and computer systems - bring in house	$ 85,000	50%	$ 42,500	$ 42,500
Cancellation of current 3rd party IT support		100%	-$ 10,000	$ -
Improved purchasing rates	$ 200,000	10%	$ 20,000	$ 20,000
Renegotiate 3rd party interest rate	$ 175,000	45%	$ 78,750	$ 78,750
Combined training sessions	$ 5,000	100%	$ 5,000	$ 5,000
Reduce number of Directors	$ 15,000	60%	$ 9,000	$ 9,000
Legal/consulting for merger - one time charge		100%	-$ 100,000	$ -
Total			**$ 74,000**	**$ 354,000**

The amalgamation was expected to create additional capacity within the accounting /regulatory and operations area utilizing current complement to fulfill any vacant positions that were proving difficult to fill (Regulatory Analyst & Lines Supervisor). The proximity of the PSP operations area to the northern areas of LPDL's service area were expected to improve response time. The expertise that LPDL provided was expected to improve the distribution system in PSP service area, improving reliability.

Through the amalgamation of LPDL with PSP, the resulting annual savings are $425,630. The largest part of this represents the synergy savings from merging billing systems and outside crew efficiencies. In total, 6.8 positions were eliminated due to the realigning of job tasks, elimination of duplicate positions, and retirements. The reduction in headcount also takes into account the increase in Shared Services and Corporate Allocation to compensate for vacant positions. These positions were identified in LPDL's last CoS however they were not filled pending the amalgamation in the anticipation that incoming staff would possess the required skill set. As this was not the case, corporate support has provided the additional support for functions such as Regulatory (rate applications and RRR filings), operation administration support, engineering and human resources. The details outlining Corporate Allocation and Shared Services can be found in Section 4.5. Operational efficiencies included the reduction in tree trimming costs due to better contracting, merging of billing system reducing service contract costs, and reduction in audit fees. In LPDL`s MADD Application, EB-2013-0427 & EB-2013-0428, $354,000 of annual synergy savings were identified including interest rate reduction, leading to OM&A identified synergy savings of $275,250.

- Reduction in Headcount $(366,190)
- Offset utilizing Corporate resources $ 72,801
- Wage increase due to realignment $ 158,000
- Operational efficiencies $(290,241)

These OM&A savings represent an 8.2% reduction in the combined 2013 Actuals level of $5,173,226.

In addition to the above savings, LPDL was able to eliminate the promissory note that former PSP had with its shareholder at 7.25% and replaced it with third party bank debt at an interest rate of 3.04%, a savings of $113,000 annually. This new interest rate forms a part of the reduced long term debt rate as explained in Exhibit 5.

This amalgamation did not involve any incentives nor are there any in the revenue requirement. No commitments were made to shareholders that are to be funded through rates.

LPDL submits that it has successfully achieved the operational synergies as initially submitted in its MADD application and that this current Application reflects the sustainable savings.

LPDL submits that is does not have an approved ACM or ICM incorporated into rate base.

APPENDICES

Appendix A	Business Plan
Appendix B	Charter for Corporate Governance
Appendix C	Financial Statements 2012 / 2013 - LPDL
Appendix D	Financial Statements 2012 / 2013 - PSP
Appendix E	Financial Statements 2014 / 2015 - Merged
Appendix F	Financial Statements 2016 / 2017 – LPDL and Lakeland Holding
Appendix G	Reconciliation between Audited Financial Statements and RRR Filing – 2014-2017
Appendix H	Annual Report to Shareholders
Appendix I	Customer Engagement – Appendix 2-AC
Appendix J	List of Approvals
Appendix K	Checklist

Appendix A Business Plan

2019 BUSINESS PLAN

Lakeland Power Distribution Ltd.

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1. Executive Summary

Lakeland Power Distribution Ltd. ("LPDL" or the "Utility") is a fully licensed distributor of electricity under distribution license ED-2002-0540 issued by the Ontario Energy Board (the "OEB" or the "Board") under the Ontario Energy Board Act, 1998 (the "Act").

LPDL delivers electricity to five customer classes via its distribution system: residential, commercial (small and large general service classes), street lighting, sentinel and unmetered scattered loads. LPDL earns income based on fixed and volumetric service charges for the distribution of this electricity. The service charges are set through a periodic rate making process via applications to the OEB.

The utility currently operates with revenues of $8,003,275 and has applied for a revenue requirement of $7,545,953 for the 2019 rate year to form the base revenue requirement for rates during a 2019-2023 term of rates under the Board's Renewed Regulatory Framework for Electricity Distributors (the "RRFE").

1.1. Mission

LPDL is committed to meeting the needs of customers through effective customer engagement and ensuring the safe and reliable delivery of electricity through efficient operations, strong fiscal management, ongoing system renewal, and conservation initiatives.

- Provides a safe environment for our employees;
- Provides safe, reliable and economic services for our customers;
- Continues to prosper and be a good place to work; and
- Provides a safe environment for and maintains good relations with the general public and suppliers; all with consideration of the Environment

1.2. Strategic Goals and Initiatives (result)

LPDL has identified five key areas of focus that support the utility's mission:

- ✓ To provide safe, efficient, and reliable delivery of electricity to customers
- ✓ To maintain costs at a reasonable level, find cost efficiencies wherever possible and to make prudent investments on behalf of its customers
- ✓ To provide a safe and engaging work environment for its employees
- ✓ To improve engagement with customers and the community

- ✓ To plan and deliver system improvements required to ensure future supply

1.3. Objectives (steps to get to the result)

LPDL plans on achieving its strategic goals by setting and meeting the following objectives:

- ✓ Improve reliability.
- ✓ Create a service-based utility whose primary goal is to exceed customers' expectations at a reasonable cost.
- ✓ Promote the long-term, efficient provision of utility services consistent with OEB policy.
- ✓ Work with other utilities in the promotion of both efficient and sustainable environment.
- ✓ Operate effectively with the staff currently in place and hire effectively for succession.
- ✓ Reduce operational costs where and when possible.
- ✓ Develop and adopt an actionable plan to improve customer experience.

For 2018, the process template from management discussions and planning were:

LakelandPower

Mission: Distribute electricity safely and reliably

Objective: Respecting the Natural Environment, Be one of Ontario's top performing distribution companies in customer service and reliability

Balance	Strategies to Obtain Objective
Environmental Health & Safety	1) Decommission Stations 4) Close PCB Storage Site 5) Conduct Customer Health & Safety Survey
Team	1) Technical Training 2) Innovation Advancement Training
Customers/Investments	1) Improve Customer Service: Communications 2) Smart Meter Change Outs 2) Conduct Annual Customer Satisfaction Surveys 3) Decrease Annual Number of Outages per Customer 4) Decrease Annual Number of Outage Hours per Customer 5) Meet/Exceed Approved Conservation Reduction Targets 6) OEB Cost of Service Application
Financial	1) Manage to Lowest Controllable Costs per Customer 2) EPower – Increase number of Customers on Paperless billing 3) Decrease System Lines Losses

1

2017 F = Forecast

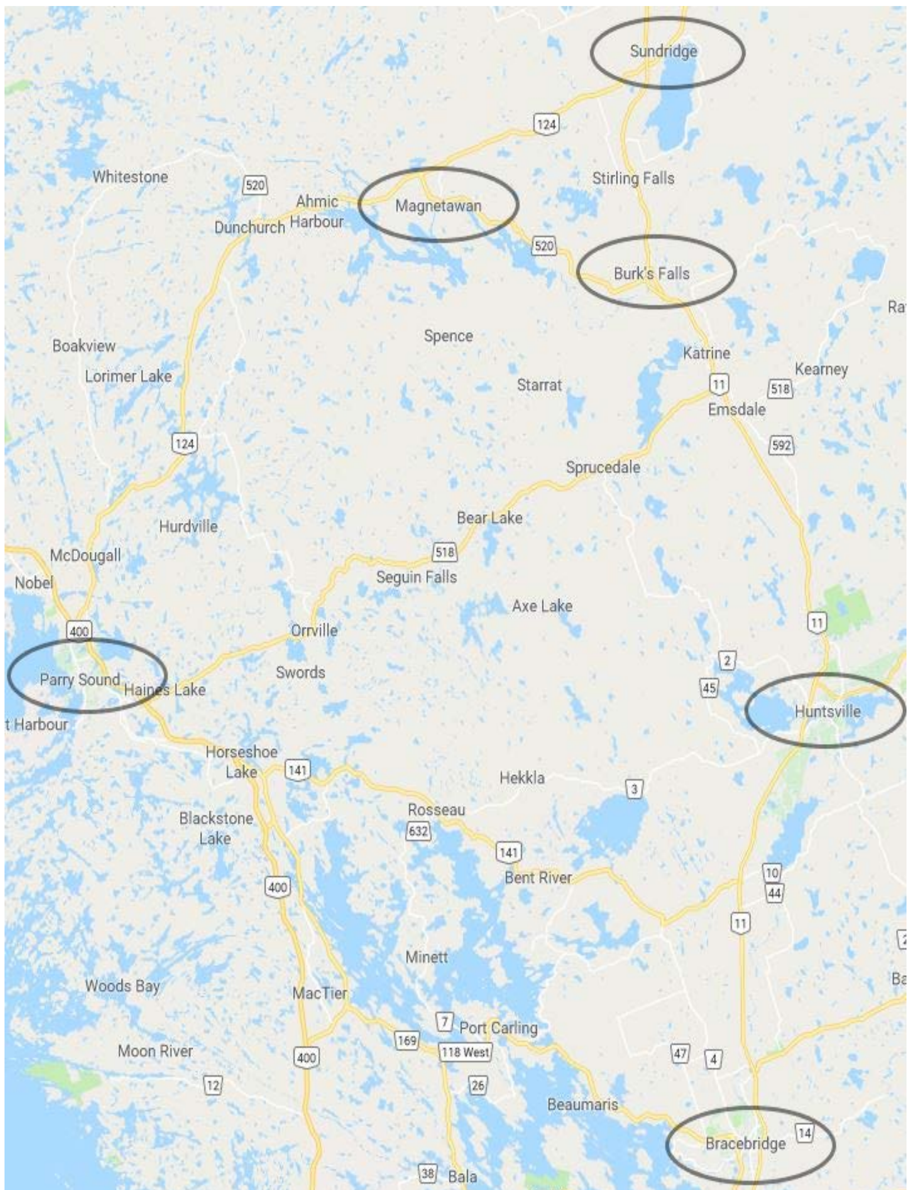
Balancing	Strategies to Obtain Objective & Goals		Key Performance Indicators
Environmental Health & Safety			
	Environmental	2018 - 2021	Decommission older MS 1 & 2 stations in PSound - end of life & potential environmental hazard near water
	PCB Storage Site	2019	Close
	Customer H&S	2018 & 2020	Conduct mandated Customer H&S Survey
Team			
	Training & Succession	2018 & 2021	Technician Training
		2018 - 2021	Training on Innovation Advancements
Customers			
	Improve Customer Service	2018	Upgrade Online Portal
		2018 - 2021	Website, Twitter, etc. Improvements
		2018-2021	Customer Engagement Committee
	Smart Meter Change Outs	2018	Meter Change Sampling
		2019	Meter Test
	Customer Satisfaction	2017 & 2019	Conduct Survey Mandated by OEB
		2017F	*0.27 (16 minutes)*
	Decrease annual number of outages per customer Top Quartile Baseline = 1 or <	2018 - 2021	1 or <
		2017F	*0.34*
	Decrease annual number of outage hours per customer Top Quartile Baseline = 1 or <	2018 - 2021	1 or <

Balancing	Objective & Goals		Key Performance Indicators
Customers			
	Approved Conservation Reduction Targets	2017F	7%
		2018	13%
		2019	13%
		2020	13%
	Ontario Energy Board's Cost of Service Application	2018	Application
		2019	New Rate Implementation
Financial			
	Manage to Lowest Controllable Costs per Customer	2017F	$289
		2017	$300
		2018	$305
		2019	$309
	EPower - Increase number of customers on paperless billing	2017F	18%
		2018	20%
		2019	22%
		2020	25%
	Decrease system line losses	2017F	5.0%
		2018	4.8%
		2019	4.6%
		2020	4.4%

1.4. Utility Description

LPDL owns, maintains and operates the distribution system delivering electricity within the municipalities of Bracebridge, Burk's Falls, Huntsville, Magnetawan and Sundridge. On July 1, 2014, LPDL amalgamated with Parry Sound Power, responsible for service in the Municipality of Parry Sound. The area is embedded within the Hydro One Networks Inc. The map below shows the utility's service area.

Table 1 – High level map of Service Area



LPDL owns, maintains and operates the distribution system covering a 147 sq. km. service territory of which 128 sq. km. is rural. LPDL distributes electricity within the municipalities of Bracebridge, Burk's Falls, Huntsville, Magnetawan and Sundridge. On July 1, 2014, LPDL amalgamated with Parry Sound Power, responsible for service in the Town of Parry Sound.

LPDL owns a total of eleven municipal substations ("MS"). Four of the substations (Bracebridge MS3, Centennial MS, Douglas MS and Golden Beach MS) are in the territory of Bracebridge, 2 of them (Huntsville MS1 and Huntsville MS2) are in the territory of Huntsville, and the remaining five (Parry Sound MS1, Parry Sound MS2, Parry Sound MS3, Parry Sound MS4 and Parry Sound MS5) are in the territory of Parry Sound.

LPDL's service territory is surrounded by HONI., and adjacent to Veridian Connections. LPDL is directly connected to Hydro One's transmission system at 44 KV in parts of the service territory and is an embedded LPDL that takes delivery of electricity from HONI in one of our territories at 12.5kv.

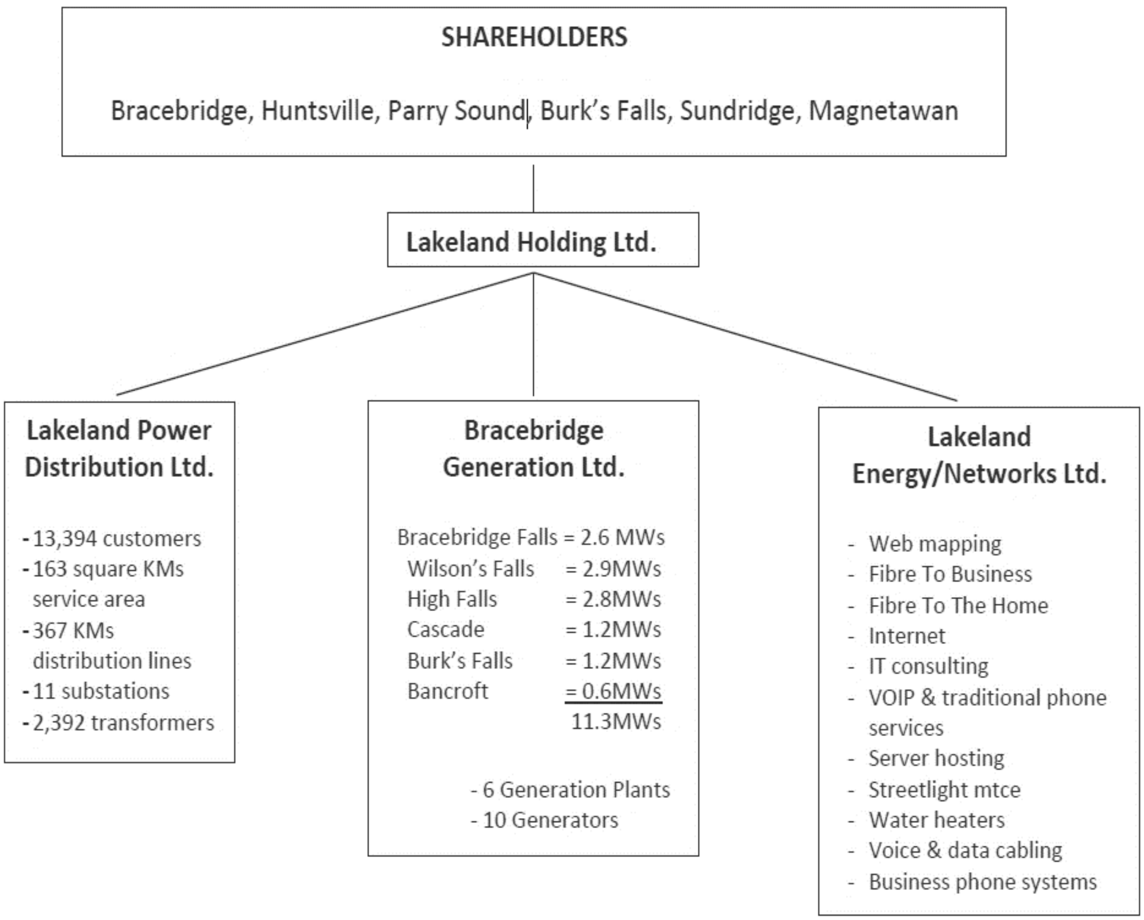
LPDL does not host any utilities within its service area, nor have any embedded utilities within its service area.

LPDL is a registered Market Participant ("MP") dealing directly with the IESO for about half of our customers and embedded within HONI for the remainder. We are working to become an IESO MP for the larger part of our service area, which will reduce costs that impact our customers. Details of the utility's capital assets are presented in the Distribution System Plan in Exhibit 2.

1.5. Utility Ownership

LPDL is a fully licensed distributor of electricity under distribution license ED-2002-0540 issued by the Ontario Energy Board (the "OEB" or the "Board") under the Ontario Energy Board Act, 1998 (the "Act"). The Shareholder of LPDL are the towns of Bracebridge, Huntsville, Parry Sound, Burk's Falls, Sundridge and Magnetawan. LPDL is a utility that is tasked with the delivery of electricity. Profits are either reinvested for infrastructure or distributed to its shareholder in the form of dividends. The figure below shows the corporate chart.

Table 2 – Corporate Chart



2. Economic Overview and Customer Description

2.1 Economic Overview of the Service Area

Introduction

On September 1, 2000, Lakeland Holding and its subsidiaries became incorporated companies by amalgamating the hydro assets of the following municipalities: Bracebridge, Huntsville, Burk's Falls, Sunridge, and Magnetawan. On July 1, 2014, Lakeland Power Distribution Ltd (LPDL) and Parry Sound Power Corporation (PSPC) amalgamated to form a new distribution company under the name of Lakeland Power.

Location

The major centres serviced by LPDL are Bracebridge, Huntsville and Parry Sound. LPDL also serves Burk's Falls, Sundridge, and Magnetawan.

Bracebridge is just two hours north of Toronto and is located immediately adjacent to provincial Highway 11 that is a four lane divided highway connected to the 400 series of highways at Barrie (90 kilometres to the South) and the Trans-Canada Highway (200 kilometres to the North). Also a part of the District of Muskoka.

Huntsville (Canada 2016 Census population 19,816) is the largest town in the Muskoka Region of Ontario, Canada. It is located 215 kilometres (134 mi) north of Toronto and 130 kilometres (81 mi) south of North Bay.

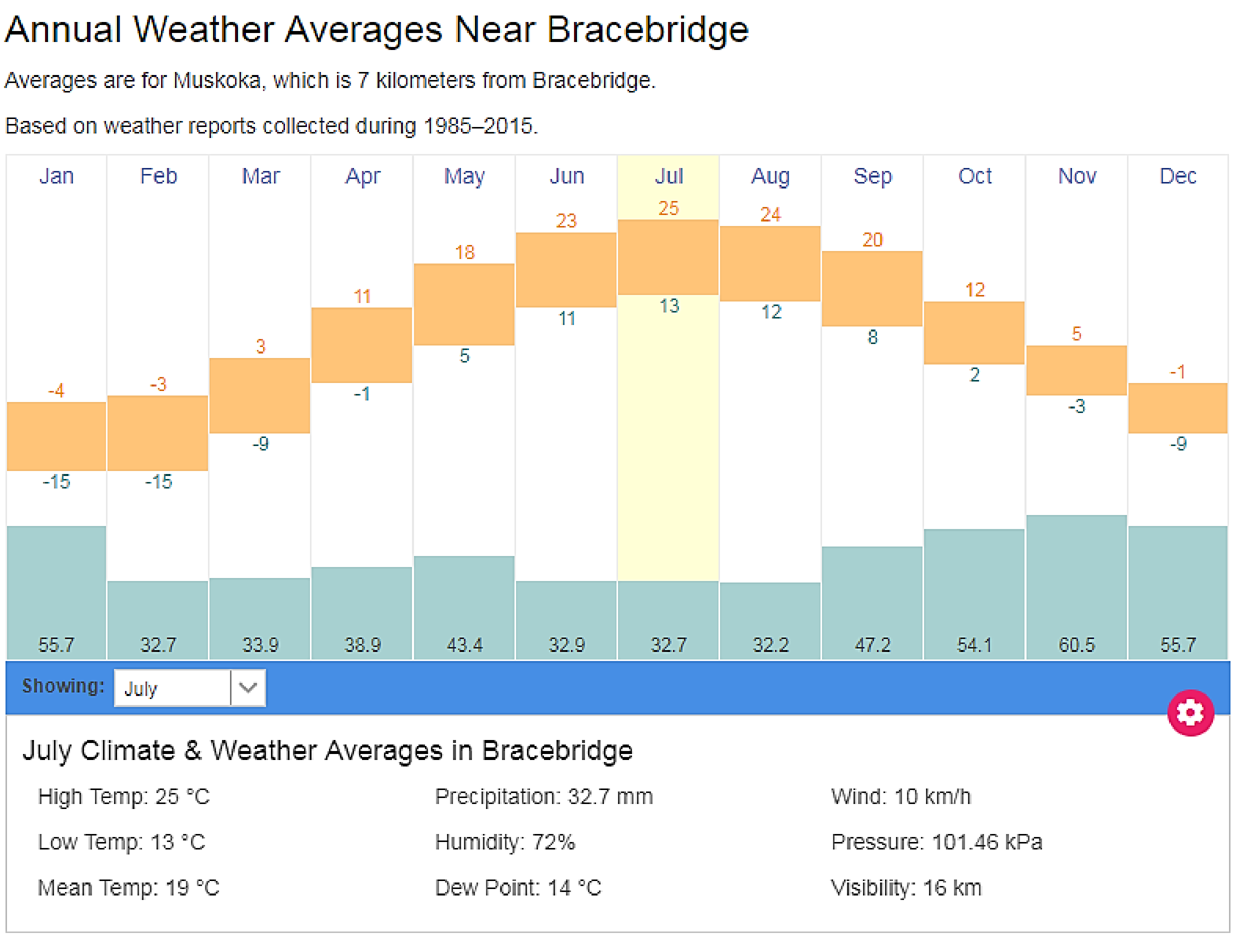
Parry Sound is a town in Ontario, Canada, located on the eastern shore of the sound after which it is named. Parry Sound is located 160 km (99 mi) south of Sudbury and 225 km (140 mi) north of Toronto. It is a single tier government located in the territorial District of Parry Sound which has no second tier County, Regional or District level of government.

This area is more than 60% forest covered (source: Ministry of Natural Resources)

Climate

Based on weather reports collected during 1985–2015. The average temperature fluctuates from a low of -15 degree Celsius in January to a high of 25 degree Celsius in July.
2017 was particularly unpredictable. Huntsville saw three separate tornadoes touch down, experienced multiple road washouts in unexpected areas and saw a number of usually stout beaver dams blow out.

Huntsville was notably bad, but each section of the region — Muskoka, Almaguin, and Georgian Bay had their own varied experiences with unpredictable weather.



For the one year period of November 2018 to October 2019, the expected weather pattern is as follows; winter temperatures are expected to be close to normal, on average, with above-normal precipitation and snowfall. The coldest periods will be in mid to late December, early and late January, and early February. The snowiest periods will be in early December, mid-February, and early to mid-March. April and May will be cooler than normal, with above-normal precipitation. Summer will be cooler and rainier than normal. The hottest periods will be from late June into early July and in early to mid-July and mid-August. September and October will be cooler and rainier than normal.

Demographics of the largest centres (Bracebridge and Huntsville)

- Bracebridge encompasses an area of 628.22 square kilometers
- The population of Bracebridge is 16,010 Permanent (2016 Census) and, 7,045 Seasonal, and the population density is 25.5 people per square Kilometer.

- Huntsville encompasses an area of 68,716 hectares
- Current (2011) population is approximately 20,000 full-time residents
- Average household income, $73,578 which is 10% below the national average

3. Outcomes of the Renewed Regulatory Framework

On October 18, 2012, the Ontario Energy Board ("The Board") issued its "*Report of the Board: A Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach*." The report set out a comprehensive performance-based approach for the Renewed Regulatory Framework which promotes the achievement of outcomes that;

- ✓ benefit existing and future customers
- ✓ align customer and distributor interests
- ✓ continue to support the achievement of important public policy objectives
- ✓ place a greater focus on delivering value for money

On March 5, 2014, the Board issued its report on "*Performance Measurement for Electricity Distributors: A Scorecard Approach*." The report set out the Board's policies on the measures that are to be used to assess a distributor's effectiveness and improvement in achieving customer focus, operational efficiencies, public policy responsiveness, and financial performance to the benefit of existing and future customers.

With the above in mind, the next section provides an account of how LPDL continues to improve in its understanding of the needs and expectations of its customers and its delivery of services.

3.1 Customer Focus

LPDL values customer input and feedback. Customers are engaged through education opportunities, surveys and directly by the utility for input on the main initiatives. Customer satisfaction is measured on the Distributor Scorecard as well as a bi-annual survey and then incorporated into goal setting and planning processes with a focus on ensuring and improving customer satisfaction.

LPDL's plan is committed to improving the lines of communication between the utility and its customers. LPDL is committed to helping customers make better choices and create healthy, sustainable results for the community it serves. LPDL has tried several customer engagement activities which resulted in little feedback from its customers.

3.2 Seeking Customer Input

Customer satisfaction largely depends on whether a utility's products or services fulfill a customer's expectations—i.e., whether it meets, exceeds, or falls short of expectations. Quantifying customer satisfaction involves accumulating customer perceptions, measured through bi-annual surveys.

Customer Satisfaction Surveys are useful tools to understand how customers perceive the service they receive. LPDL is also embracing new ways to effectively connect with its customers such as the opening of a new Twitter account to help with customer communications for outages and during conservation campaigns.

In advance of its 2019 Cost of Service, the utility opened lines of communication with its customers to get valuable feedback on the utility's proposed capital and operational budget. The utility further engaged with its customers using the following activities.

- ✓ **Website Update**

  The utility has updated its website to show it's current and upcoming capital project. This new section of the website will be updated monthly so that LPDL's customers can understand and comment on the utility's decision regarding its operational and capital planning.

- ✓ **Info newsletter sent via e-mail**

  Bill inserts are an excellent way to communicate relevant information to our customers. LPDL has created an electronic letter covering the major capital costs included in the Cost of Service application, which was sent to all clients with email addresses on file and also posted on Twitter. A bill insert was sent along with the bills to 3,800 customers. The information letter was also emailed to 750 customers registered for e-billing services. The customer service representatives also provided any customer who walked in with this information. The utility received 3 comments back which are presented in Exhibit 1 of the Cost of Service application.

  LPDL takes its responsibility of informing, educating and responding to customer needs as a top priority. Fundamental sector change in recent years, has precipitated the need for increased customer communications.

- ✓ **Facebook Live**

  As a different way to reach out to and engage our customers in conversation on our proposed 5 year capital plan, as well as to provide education on billing and conservation, LPDL produced a Facebook Live event, a first for an Ontario LDC. In this event, the presentations used at our customer information sessions of 2016 were presented live to our customers on Facebook. Customers were able to join the conversation through an online chat during the presentations, with direction to use our Contact us form on our website for further follow-up questions after the event was over.

3.3 Alignment of Goals to Needs and Preference of Customers

LPDL's customer satisfaction results and findings based on discussions with its customers supports the valid hypothesis that good service—i.e., high levels of reliability, or low SAIDI— combined with reasonable prices are essential to satisfying customers. In other words, all customers expect reliable service at the lowest prices possible.

High level of reliability requires system-wide investments - notably enhancing the distribution system to provide more reliable service can be expensive. Much like other utilities, LPDL must frequently consider trade-offs between costs and benefits; that is, to target initiatives that will provide the biggest bang—or increase in customer satisfaction.

In addition to system-wide investments, LPDL continues to focus on reducing its costs to demonstrate to customers that they are delivering as much value per dollar as possible. LPDL has found that the key is to strike the right balance in delivering initiatives, such as properly pacing upgrades to its distribution system when possible, all while improving its customer interfaces or customizing customer engagement programs.

The survey results helped to identify customer attitudes about the utility's conservation programs, smart meters and TOU rates, electricity prices and LPDL's standing and reputation in the community. The results will assist LPDL in fine tuning its programs, services and communications use direct and reliable customer feedback. LPDL's goal going forward will be to develop and communicate an actionable plan to continuously improve its communication with its customers during power outages, regardless of the cause.

In advance of its 2019 Cost of Service, LPDL has reached out to its customers seeking feedback and input on their views and preferences.

Although the utility did not receive much feedback from its customers, LPDL is confident that with the communication plan in place, the utility's capital budget, as proposed in the Distribution System Plan, supports LPDL's customer priority and preferences. In the past two years, the focus has been on holding the former PSP distribution system together. The priority going forward is to maintain LPDL's distribution assets in proper order and manage its distribution system so that the utility can provide electricity to its customers in a reliable and responsible manner. Other priorities involve maintenance of its poles and meters at a steady pace to minimize rate shock.

LPDL's reliability, safety and cost efficiency metrics are among the highest in the province and it intends on continuing this trend in future years. LPDL is committed to providing its employees, with a safe and injury-free workplace as well as delivering its services in a manner that ensures both customer and public safety. Our customers have high expectations of reliability and LPDL strives to meet and exceed those expectations on a daily basis, now and into the future, as demonstrated by LPDL's comprehensive Distribution System Plan.

LPDL also ensures both safety and reliability at a cost per customer among the lowest in the province, moving into Cohort 2. This focus is achieved through the synergy savings achieved through the amalgamation process and a continuous focus on providing value for money for our customers including innovative solutions, cost sharing, and careful selection of the initiatives that provide the best return on investment.

3.4 Public Policy Responsiveness

The Conservation and Demand Management Requirement Guidelines for Electricity Distributors (EB-2014-0278, the "2015 CDM Guidelines"), issued by the OEB on December 19, 2014, are applicable to CDM programs beginning January 1, 2015. These guidelines require distributors to continue to rely on the LRAMVA to track and dispose of lost revenues that result from approved CDM programs between 2015 and 2020. The IESO provides funding for LPDL's CDM programs. LPDL's funding portfolio for 2015 to 2020 is $4.1M of which 1M was spent so far. The 2017 verified IESO results show that LPDL has achieved 11.748 MWh of savings, which is 74% of its total.

Portfolio delivery activities in 2017 show that LPDL continues to deliver strong results, support current participants, and maintain our focused outreach efforts to engage with new participants and foster additional applications. Furthermore, we expect that the launch of new Province Wide Programs will help deliver additional savings.

Table 3 – 2017 Final Verified Annual LPDL CDM Program Summary

	Metric	**2015 Verified Results**	**2016 Verified Results**	**2017 Verified Results**	**2015-2017 Verified Results**	**Allocated Target / Budget**	**2015-2017 Progress versus Allocated Target / Budget**	**2015-2020 LPDL CDM Plan Forecast**
1	Net Verified Annual Energy Savings Persisting to 2020	5,406 MWh	2,699 MWh	3,643 MWh	11,748 MWh	15,770 MWh	74 %	15,773 MWh
2	LPDL Ranking - Net Verified Annual Energy Savings Persisting to 2020	33	40	38	35	39	23	39
3	Total Spending ($)	$ 0	$ 434,220	$ 622,637	$ 1,056,857	$ 4,142,391	26 %	$ 4,121,298
4	LPDL Ranking - Total Spending ($)	41	40	43	42	39	54	38

Summary of 2017 Activities

General CDM Update

Table 5 and 6 give an example of the program uptake and noticeable growth. The programs shown appear to have the most amount of customer up-take. The previous years indicate a steady growth in customer engagement and program participation.

Table 4 – RetroFit Program

LEAD Applications	**2016**	**Gross kWh Savings**	**2017**	**Gross kWh Savings**
Submitted	25		41	
Cancelled	3		2	
Prior Years Completed	4	171,905	5	154,447
Current Year Completed	12	1,025,823	11	365,362
MSA Applications				
Submitted	10		1	
Cancelled	0		0	
Prior Years Completed	2	328,095	4	38,255
Current Year Completed	3	2,410	0	

Table 5 – Third Party Delivered Programs

	2016	**Gross kWh Savings**	**2017**	**Gross kWh Savings**
Small Business Lighting	18	156,530	92	846,295
Home Assistance Program	0		42	110,959

2017 Long Term Energy Plan ("LTEP")

LTEP Identified the need for LDCs to continue to market CFF and GreenON funding streams to its customer base. Lakeland is actively promoting these programs via Bill Inserts, social media, website and customer information sessions.

Lakeland Power is committed to put in place any measures mandated by the OEB/IESO post CFF mid-term review

The 2017 Long Term Energy Plan specified a number of constraints, one of which was identified in Lakeland's service area (Parry Sound District). LPDL is committed to ensuring the CDM and other government programs are successfully delivered within this area to assist in reducing consumption and in turn contribute to alleviate the constraints identified. Along with local customers and the Town of Parry Sound representatives Lakeland actively participates in the Regional Planning process.

Long Term Energy Plan - extract

ROLE OF CONSERVATION

Targeted conservation initiatives can be the most cost-effective solutions for meeting local and regional electricity needs. The Independent Electricity System Operator (IESO) is working with local distribution companies (LDCs) in Ottawa, Toronto, Barrie-Innisfil and Parry Sound-Muskoka to determine whether targeted conservation initiatives can defer costly upgrades to specific local distribution and transmission infrastructure. In the mid-term reviews of the 2015–2020 Conservation First Framework and Industrial Accelerator Program, the IESO is also exploring how to further integrate conservation initiatives into the regional planning process.

CDM Program Marketing

Lakeland Power CDM Staff attended 6 Community Events in 2017 and handed out an estimated 800 information packages for the Save on Energy Programs. Target audience is Consumer and Small Business Owners. In 2018, an estimated 12 events are predicted, including in-store outreach during the Instant Discount events.

During 2018, Lakeland will also develop focused program packages for Business Customers, including current worksheets. Sessions in each community are planned to bring awareness to the availability of CDM staff in guiding businesses through the application process.

Summary

Lakeland Power will continue to offer IESO-administered CDM programs, engage in community outreach, collaborate with other LDCs, and investigate new end use programs to meet its energy conservation target and better serve its customer base.

3.5 Financial Performance

LPDL continues to record solid financial performance metrics. Key factors to this financial success are effective business planning, a continuous focus on operational efficiency, and managing capital and expense expenditures to budget. The Business Plan and Distribution System Plan will serve a major role in providing the future direction of financial investment and performance. Financial Results are discussed in detail in Section 8 of this Business Plan.

4. Performance Metrics and Benchmarking

Another development that has brought utility customer satisfaction to the forefront is the use of benchmarking studies, which compare levels of customer satisfaction across utilities.
High scores in benchmarking studies can show that utilities are recognized as being the best in class.

Perhaps the most widely-known benchmark of efficiency rating comes from the PEG report which surveys all 71 utilities in Ontario. The PEG analysis is one of the only instruments that compares utilities' cost efficiencies on a consistent basis and is publicly available.

PEG produces an annual report that provides a ranking of the utilities included in the study, summarizes the results, and provides insight into the trends in utility efficiency scoring.

As a consequence of this study, LPDL has expended considerable effort to understand the drivers of their efficiency ranking and has undertaken initiatives to improve their scores.
The following section reviews past performances and introduces future performances based on load forecast and forecasted capital and operational expenditures.

4.1 Past performances

The PEG Past Performance table below shows LPDL's rating for the last three historical years of business. The PEG report uses econometrics to determine the cost efficiency of distributors. Group 1 (of 5) is ranked as the most efficient group. As can be seen, LPDL is improving its ranking and commits to finding efficiencies to achieved the highest ranking possible.

Table 6 - PEG Past Performance (Stretch Factor)

	2014	2015	2016	2017
Stretch Factor Cohort - Annual Result	3	3	2	2

The percentage difference between actual and predicted cost is the measure of cost performance. Utilities with larger negative differences between actual and predicted costs, such as LPDL, are better cost performers and therefore eligible for lower stretch factors. This table shows LPDL's difference between its actual costs and predicted, and although total costs have increased, costs performances are improving.

Table 7 - Summary of Cost Performance Results

	2014 (History)	2015 (History)	2016 (History)	2017 (History)
Cost Benchmarking Summary				
Actual Total Cost		10,094,634	9,838,422	9,405,604
Predicted Total Cost		10,889,838	11,053,482	11,052,830
Difference		(795,205)	(1,215,059)	(1,647,226)
Percentage Difference (Cost Performance)		-7.6%	-11.6%	-16.1%
Stretch Factor Cohort - Annual Result		3	2	2

The utility's historical capital additions have also been historically stable which has been achieved using a solid well tracked budget process.

Table 8 - Historical Capital Spending

	2013	2014	2015	2016	2017
Capital Additions	$3,260,841	$1,973,438	$2,808,276	$1,780,093	$1,748,059

The utility's Rate Base has increased proportionally to its net capital investments and as such has remained historically as stable as its other financial metrics.

Table 9 - Historical Revenues

	2013 BA Proxy	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual
Residential	$4,355,180	$4,709,730	$4,723,949	$4,600,046	$4,703,088	$4,847,251
General Service <50 kW	$1,603,966	$1,756,673	$1,713,827	$1,723,114	$1,746,905	$1,783,085
General Service >50 to 4999 kW	$1,429,061	$,1343,210	$1,351,706	$1,312,310	$1,306,489	$1,268,340
Sentinel Lights	$6,735	$6,505	$7,325	$5,905	$6,781	$6,090
Street Lights	$256,149	$269,769	$273,836	$259,559	$204,295	$217,360
Unmetered Scattered Load	$18,358	$21,198	$18,651	$18,229	$18,533	$18,879
Total	$7,669,448	$8,107,084	$8,092,294	$7,919,164	$7,986,091	$8,141,006

The utility's revenues per class and overall revenues have also been historically steady.

4.2 Short and Long-Term Capital Spending

LPDL is focused on maintaining its high-performance levels in all aspects of its capital investments and planning activities to comply with its regulatory obligations and responsibilities to the Ontario Energy Board (OEB) and the Electrical Safety Authority (ESA).

At the core of LPDL's mandate, is the responsibility to deliver a trusted source of safe, efficient, and reliable power to its customers, which supports growth and accommodates economic development in the utility's service area.

LPDL strives to provide safe, reliable service while minimizing the life cycle costs of assets by doing predictive and preventative work. LPDL places a high priority on the upkeep and replacement of its aging infrastructure. Distribution equipment that was placed in-service over 40 years ago, in many cases, has reached its normal useful life. Therefore, LPDL is faced with the ongoing replacement of this aging infrastructure. Customer expectations for reliability are high and can only be met with a well-maintained distribution system. Thus, investment in replacement equipment along with its associated operational costs has become a continuous reality for LPDL as it commits to satisfying the essential community needs.

Table 10 - Table of Major Capital Projects for 2013-2017

Category	**Historical [$ '000]**				
	2013	**2014**	**2015**	**2016**	**2017**
System Access	$264	$519	$379	$737	$423
System Renewal	$1,110	$1,133	$1,618	$1,480	$1,596
System Service	$481	$371	$494	$256	$142
General Plant	$564	$485	$598	$29	$248
Total Capital Expenses	$2,419	$2,508	$3,089	$2,502	$2,409
Contributed Capital	$210	$281	$194	$552	$366
Net Capital Expenses after Contributions	$2,210	$2,227	$2,895	$1,951	$2,043
System O&M	$1,532	$1,689	$1,656	$1,633	$1,671

Table 11 - Table of Major Capital Projects for 2018-2023

	2018	2019	2020	2021	2022	2023
System Access	$400	$380	$350	$350	$350	$350
System Renewal	$1,246	$1,210	$830	$1,570	$1,200	$1,125
System Service	$713	$485	$1,265	$560	$1,000	$1,360
General Plant	$301	$650	$375	$425	$515	$504
Total Capital Expenses	$2,660	$2,725	$2,820	$2,905	$3,065	$3,339
Contributed Capital	$250	$250	$250	$250	$250	$250
Net Capital Expenses after Contributions	$2,410	$2,475	$2,570	$2,655	$2,815	$3,089
System O&M	$1,784	$1,839	$1,895	$1,965	$2,035	$2,105

2018-2019 Capital Planning

A newly developed Distribution System Plan forms the basis for the utility's capital and maintenance programs. The Distribution System Plan reflects the latest performance priorities of the distribution system and serves as a placeholder for the longer-term projects recommended from the condition (age risk ratings) assessments.

The Distribution System Plan identifies the 2019 projects that are planned to upgrade from the aged 4Kv system which totals approximately $1.5M. All voltage conversion projects and MS upgrades planned over the next 5 years are part of LPDL's strategic plan to create a self-healing system that can be managed through LPDL's continued investment in the SCADA system. These projects will improve reliability to customers and will reduce the amount length of customer outages.

5-10 Year Capital Planning to Accommodate Growth and Aging Infrastructure

Under a 5-10-year capital investment plan, the company has embarked on a prudent course to maintain the utility's equipment assets.

LPDL places a high priority on balancing its obligations to accommodate new technology while addressing the upkeep and replacement of its aging infrastructure. The following are the actions that LPDL plans to take over the next 5-10 years to bring about the desired future.

- Priority will be given to LPDL's legislated/mandatory requirements; for example:
    - System access including the obligation to connect customers – mostly Residential, but Commercial as well.
    - Accommodate Town, Region, Ministry, etc. mandatory project requirements.
    - Meet the OEB's – and other regulatory bodies' – quality, reliability, health, safety, environmental, etc. performance standards.

- To safeguard the major investments already made in its critical assets and continue to maintain and upgrade as necessary.
- Continue to invest prudently in modern information technology to provide customers with clear, meaningful bills that can assist them in managing their electricity usage.
- Optimal life extension, for example:
  - Intensify condition monitoring to minimize uncertainty regarding decisions relating to equipment maintenance, renewal, and replacement.
  - Where economically viable, refurbish cables and equipment in-situ to extend their reliable useful lives.

Over the 5 year capital plan forecast, LPDL is primarily focused on voltage conversion projects and upgrading aged assets. The main reasons that LPDL is focusing on these types of projects is preparation to upgrade:

- MS5 Parry Sound – The substation transformer is showing signs of insulation breakdown and will need to be replaced, the ground grid will need to be replaced to meet safety standards, install an electronic reclosure, and install a spill containment system for environmental protection is case of leakage or failure.
- Golden Beach and MS3 Bracebridge – LPDL plans on moving the Golden Beach substation to the old MS3 site in order to run multiple feeders and allow ties to the existing Centennial and Douglas substations and also provide a tie to the Muskoka M3 and M7 feeder. This will give LPDL the ability to switch loads between sub transmission feeders during outages.

4.3 Operational Costs

LPDL's Operations strategy is to provide safe, reliable service at an appropriate level of quality throughout the licensed service areas.

LPDL continually reviews its business and operational goals against its workforce needs, its financial strength and the impact on its customers. LPDL recognizes the importance and value of maintaining a skilled and engaged workforce, where all employees are customer focused and enjoy working for the utility. LPDL's analyzes its operation budget monthly to make sure that it does not stray far from its budgets thus ensuring that its ROE stays within range of its approved ROE. The utility is very mindful that every dollar of increase in operation costs means that a dollar more is collected from the customers. Therefore, operational planning focuses mainly on efficiency and finding reductions wherever possible. Historical and projected costs are shown in Table 12 below.

Table 12 – Operating Costs

	2013 Board Approved Proxy	2013	2014	2015	2016	2017	2018	2019
Operations	$275,081	$357,710	$359,120	$320,991	$340,160	$322,743	$338,084	$365,081
Maintenance	$1,244,017	$1,174,647	$1,329,762	$1,334,895	$1,292,351	$1,348,677	$1,445,494	$1,473,726
SubTotal	**$1,519,098**	**$1,532,357**	**$1,688,882**	**$1,655,887**	**$1,632,510**	**$1,671,420**	**$1,783,578**	**$1,838,807**
Billing and Collecting	$1,121,803	$1,277,154	$1,350,644	$1,200,405	$1,031,347	$884,800	$955,489	$976,160
Community Relations	$34,647	$42,577	$44,176	$28,900	$67,785	$61,722	$80,977	$80,000
Administrative and General	$2,060,355	$2,315,011	$2,039,371	$2,196,058	$2,100,820	$1,962,788	$2,104,224	$2,166,750
LEAP Funding	$9,104	$6,127	$9,293	$12,097	$9,175	$9,175	$10,000	$10,000
Total	**$4,745,006**	**$5,173,226**	**$5,132,366**	**$5,093,346**	**$4,841,637**	**$4,589,904**	**$4,934,268**	**$5,071,718**
%Change (year over year)		9.0%	-0.8%	-0.8%	-4.9%	-5.2%	7.5%	2.8%

4.4 Return on Equity

The actual Return on Equity for 2017 is 12.69% which indicates a slight over earning when compared to the amalgamated Board Approved rate of return of 9.08%. Further information on the topic of Return on Equity can be found in Section 7.

4.5 Target Performance

This section summarizes the projected performance of the utility taking into consideration the long-term perspective of the health and age of the distribution assets. It captures the results of LPDL's expected PEG performance, Rate Base and projected revenues based on its priorities for capital investments and operational expenditures.

Table 13 - PEG Target Performance (Stretch Factor)

	2018	2019
Stretch Factor Cohort - Annual Result	2	2

Table 14 - Target Cost Performance Results

	2018	2019
Cost Benchmarking Summary		
Actual Total Cost	9,892,048	10,210,132
Predicted Total Cost	11,448,336	11,902,520
Difference	(1,556,288)	(1,692,388)
Percentage Difference (Cost Performance)	-14.6%	-15.3%
Stretch Factor Cohort - Annual Result	2	2

Table 15 - Proposed Capital Additions for 2018-2019 before Capital Contributions

	2018	2019
Capital Additions	2,659,921	2,725,000

Table 16 - Proposed Revenues by Class

	2018	2019 at Existing Rate	2019 at Proposed Rates
Residential	$4,756,014	$4,752,553	$4,511,966
General Service <50 kW	$1,739,209	$1,737,887	$1,663,079
General Service >50 to 4999 kW	$1,360,410	$1,347,876	$1,198,880
Sentinel Lights	$5,933	$5,933	$5,678
Street Lights	$217,648	$217,648	$347,632
Unmetered Scattered Load	$18,937	$18,937	$9,096
TA	-$77,559	-$77,559	-$77,559
Total	$8,020,592	$8,003,275	$7,658,772

4.6 Scorecard Results and Analysis

LPDL's scorecard tracks and shows comprehensive performance information, over a range of 20 specific measures within the following four key areas of performance:

- Customer focus
- Operational effectiveness
- Public policy and responsiveness
- Financial performance

In addition to tracking LPDLs' performance, scorecards help:

- Encourage Ontario's electricity utilities to operate effectively and continually seek ways to improve their performance and deliver value for consumers
- Support the cost-effective planning and operation of the electricity distribution network overall
- Align the needs of a sustainable, financially viable electricity sector with the expectations of customers, who want reliable service at a reasonable price.

For utilities such as LPDL, the scorecard is a way to track performance year over year and compare to other utilities' performance.

The regulator also uses scorecards to help monitor an individual utility's performance and to compare performance across the sector.

LPDL's 2013 to 2017 scorecard is presented at the next page. Details and trend analysis of the specific measures are discussed in the section following the scorecard.

Scorecard - Lakeland Power Distribution Ltd. 8/27/2018

Performance Outcomes	Performance Categories	Measures		2013	2014	2015	2016	2017	Trend	Target: Industry	Target: Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time		100.00%	94.60%	98.00%	99.20%	100.00%	↑	90.00%	
		Scheduled Appointments Met On Time		95.60%	99.80%	97.60%	98.60%	100.00%	↑	90.00%	
		Telephone Calls Answered On Time		95.00%	97.30%	92.70%	90.60%	88.20%	↓	65.00%	
	Customer Satisfaction	First Contact Resolution			99.89%	99.93	99.98	99.95			
		Billing Accuracy			99.99%	94.39%	99.86%	99.94%	↑	98.00%	
		Customer Satisfaction Survey Results			Completed	86.5%	74.5%	74.5			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness				82.50%	82.50%	83.80%			
		Level of Compliance with Ontario Regulation 22/04 [1]		C	C	C	C	C	→		C
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0	→		0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	→		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]		2.06	1.00	1.74	2.01	1.46	↓		1.76
		Average Number of Times that Power to a Customer is Interrupted [2]		0.82	0.39	0.82	0.73	0.83	↑		0.49
	Asset Management	Distribution System Plan Implementation Progress			In Progress	In Progress	In Progress	In Progress			
	Cost Control	Efficiency Assessment		2	3	3	3	2			
		Total Cost per Customer [3]		$700	$741	$756	$734	$697			
		Total Cost per Km of Line [3]		$22,852	$26,216	$27,506	$27,559	$26,273			
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Cumulative Energy Savings [4]				28.11%	48.42%	74.50%			15.77 GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time		100.00%	100.00%	100.00%	100.00%	100.00%			
		New Micro-embedded Generation Facilities Connected On Time		100.00%	100.00%	100.00%	100.00%	100.00%	→	90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		0.86	1.28	1.12	1.70	1.80			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.41	0.40	0.31	1.13	1.00			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.93%	8.93%	9.08%	9.08%	9.08%			
			Achieved	10.70%	12.50%	9.90%	10.86%	12.69%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.
3. A benchmarking analysis determines the total cost figures from the distributor's reported information.
4. The CDM measure is based on the new 2015-2020 Conservation First Framework.

Legend: 5-year trend: ↑ up ↓ down → flat
Current year: target met; target not met

Service Quality

From the period of 2013-2017, the utility's results in all three areas have always exceeded the OEB targets and its trend is showing continuous improvements. The increase in the period 2015-2017 was the result of improved tracking and scheduling systems. LPDL continues to update its work process and management system to maintain the OEB mandated threshold. With respect to Telephone Calls Answered On Time, in 2017, LPDL's customer contact center agents received close to 15,000 calls from its customers, an average of 60 calls per working day. 88.2% of these calls were answered by an agent in 30 seconds or less, which is a slight decrease from 2016 at 90.6%. This result continues to significantly exceed the OEB-mandated target of 65%. LPDL has seen success in promoting online self-serve features, internal process improvements and increased customer preference to contact Lakeland Power via email. The pictorial at the previous page is the most current scorecard and includes 2017 data. The graphs that follow are from OEB website but have not yet been updated with 2017 data.

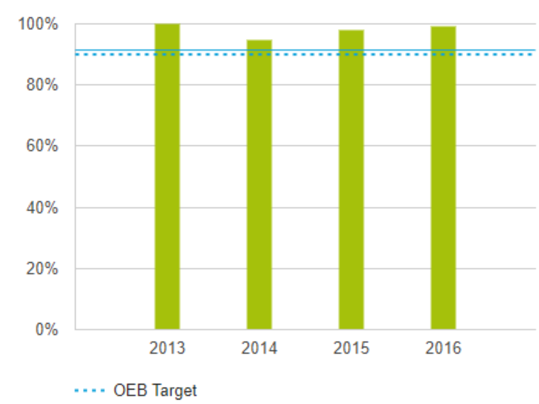
SERVICE QUALITY

New residential/small business services connected on time

99.2% (2016)

The utility must connect new service for the customer within five business days, 90 % of the time, unless the customer agrees to a later date. This timeline depends on the customer meeting specific requirements ahead of time (such as no electrical safety concerns in the building, customer's payment information complete, etc.)

Target met



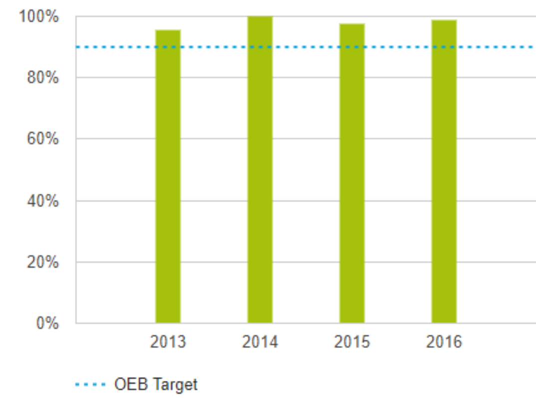
SERVICE QUALITY

Scheduled appointments met on time

98.6% (2016)

For appointments during the utility's regular business hours, the utility must offer a window of time that is not more than four hours long, and must arrive within that window, 90 % of the time.

✔ Target met



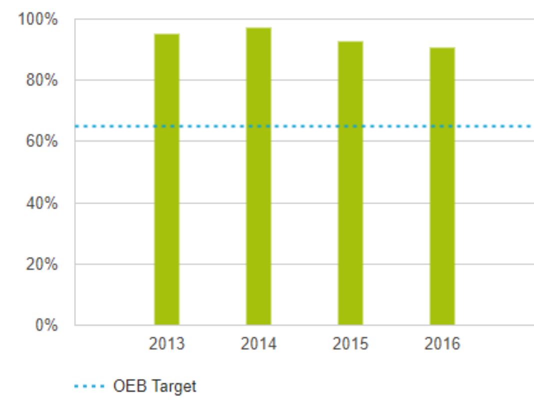
SERVICE QUALITY

Telephone calls answered on time

90.6% (2016)

During regular call centre hours, the utility's call centre staff must answer within 30 seconds of receiving the call directly or having the call transferred to them, 65 % of the time

✔ Target met



Customer Satisfaction

LPDL has conducted its bi-annual customer satisfaction survey which is presented at Section 1.7.2 of this Exhibit. Customers are generally satisfied with LPDL however in the most recent survey customers dissatisfaction surrounds the costs on their electricity bill, which is consistent with previous results as opposed to service quality. For the period from January 1, 2017 – December 31, 2017 LPDL issued more than 163,000 bills and achieved a billing accuracy of 99.94% which exceeds the prescribed OEB target of 98%, and is an increase over 2016 rate of 99.86%. LPDL continues to monitor its billing accuracy results and processes to identify opportunities for improvement in order to continue to achieve a result higher than the prescribed OEB target of 98%. The total number of complaints has dropped over the period of 2014-2017.

CUSTOMER SATISFACTION

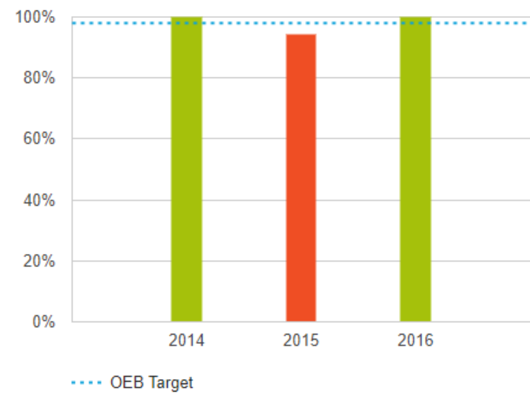
Billing accuracy

99.86% (2016)

An important part of business is ensuring that customer's bills are accurate. The utility must report on its success at issuing accurate bills to its customers.

More information about billing accuracy

Target met



CUSTOMER SATISFACTION

Complaints

0.07 (2016)

This metric measures the number of complaints the Ontario Energy Board received from customers about matters within our authority. Complaints made directly to the utility are not reported here. We measure this per 1000 customers so utilities that serve much larger or smaller populations can be compared against each other.

Year	Complaints per 1000 customers	Total number of complaints
2013	0.00	0
2014	0.53	7
2015	0.22	3
2016	0.07	1

Safety

Safety remains a core attribute of LPDL's as it delivers power to its employees and customers daily. LPDL continues to strive to communicate on safety throughout our distribution system through various methods including safety orientations, on-line, outreach, and telephone. LPDL has not incurred a General Public Incident in the period 2013-2017.

System Reliability

The reliability of the system remains a cornerstone of LPDL with attention to vegetation management (mostly tree trimming), and re-investment in the distribution system infrastructure. Most interruptions continue to be because of increased storm activity. Some results over the past 5 years showed abnormally high indicators however, other years show excellent results.

LPDL Average Number of Hours that Power to a Customer is Interrupted of 1 in 2014 was a significant improvement from the average of 2.06 recorded in 2013. This improvement can be attributed to LPDL's continued investments into new technologies such as SCADA, truck tracking, and mobile devices that will continue to maintain our response times and reporting accuracy within the set guidelines. LPDL Average of 1.74 in 2015 was a decline from the average of 1.0 recorded in 2014. This decline was attributed to severe weather conditions due to a November 2015 storm. LPDL's Average Number of Hours that Power to a Customer is Interrupted index (i.e. duration) of

2.01 in 2016 is an increase from 2015's average of 1.74. This increase can be attributed to severe winter storms in January and December. For 2017, the index has dropped to 1.46 from 2.01 as major events have been eliminated from the calculation.

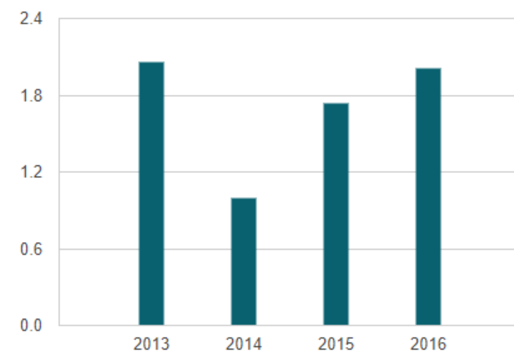
LPDL tree trimming cycle has been enhanced to a 6 year cycle thus maintaining or lowering outages caused by tree contact in our heavily forested service territory.

SYSTEM RELIABILITY

Average number of hours power to a customer was interrupted

2.00858h (2016)

An important feature of a reliable distribution system is recovering from power outages as quickly as possible. The utility must track the average length of time, in hours, that its customers have experienced a power outage over the past year.



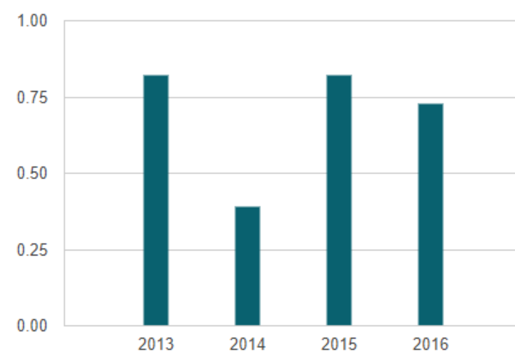
SYSTEM RELIABILITY

Average number of times power to a customer was interrupted

0.728225 (2016)

Another important feature of a reliable distribution system is reducing the frequency of power outages. Utilities must also track the number of times their customers experienced a power outage during the past year.

More information about interruption frequency



Asset Management

The Distribution System Plan detailing the utility's historical and projected capital plan can be found in Exhibit 2 of this application.

Cost Control

LPDL has been assigned a Group 2 efficiency ranking for 2017. (Group 2 as per PEG 3 year average) LPDL's results show a trend moving in the right direction, striving to achieve greater efficiency through productivity improvements and cost control, without compromising safety and reliability. The utility is continuously looking for ways of finding efficiency in its Operation and Maintenance thus reducing rates.

LPDL's Total Cost per Customer declined in the period 2010 through 2012 due to the efficiency gains in negotiated maintenance costs, billing improvements and lower trouble calls. 2013 saw a larger than normal increase in costs due to abnormal storm activity and multiple incidents as well as increased capital in order to purchase a bucket truck. In 2014 with the amalgamation with Parry Sound Power, LPDL saw an increase in capital spending for a substation in Parry Sound that was a larger than normal capital item. In addition, one-time costs surrounding the amalgamation process were incurred in 2014 and 2015. 2016 experienced a partial year of continued synergy savings. 2017 has normalized costs for both capital and maintenance and showed a continuing downward trend to $697, a level below that of 2013.

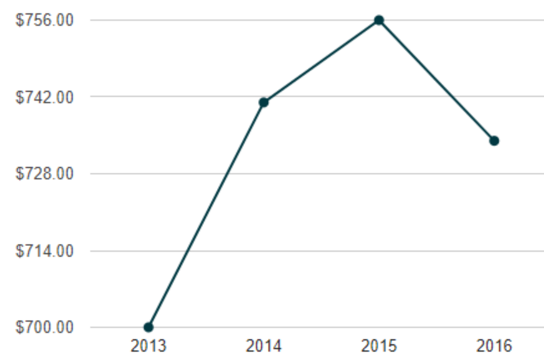
COST CONTROL

Cost per customer

$734 (2016)

A simple measure that can be used as a comparison with other utilities is the utility's total cost per customer.

Total cost is a sum of all the costs incurred by the utility to provide service to its customers. The amount is then divided by the utility's total number of customers. This amount does not represent how much customers pay for their utility services.



More information about Cost per Customer

Conservation & Demand Management

Under the new regulations, LPDL has developed a CDM plan to meet the 2015-2020 energy targets under the Conservation First Framework. LPDL has submitted and received approval from the IESO on the Conservation First Framework 2015- 2020 CDM Plan. The CDM plan has being filed in conjunction with this application.

LPDL is pleased to report that it achieved 74.5% of its 2015-2020 net cumulative energy savings by the end of 2017. LPDL's successful achievement was made possible by the strong and early participation by local commercial customers in our retrofit and energy efficient lighting programs.

Connection of Renewable Generation

LPDL has maintained 100% timely connection of renewable installations. LPDL will continue to provide the staff resources to maintain an efficient and effective methodology to connect renewable installations. Details on renewable installations can be found in Exhibit 2 of this application.

Financial Ratios

LPDL financial ratios are discussed in detail at Section 7 of this Business Plan.

4.7 Future Outlook

LPDL strives to maintain a culture of continuous improvement identifying areas where the effectiveness of the organization can be improved.

LPDL continues to place its effort on improving reliability and sustainability into all aspects of its operations – from the power supply to encouraging and helping customers incorporate green features into their homes and businesses. Even though LPDL is a small utility, planning is something it has always done well and will continue to do so in the coming years.

LPDL also set out to leverage technology to improve the customer experience. Since then, the utility has launched a series of technology enhancements to increase communication with its customers and upgrade its website to include capital projects and educational tools about the industry and regulatory processes.

LPDL will continue to monitor its business objectives to ensure that they are aligned with the OEB scorecard and actively drive cost reductions and productivity improvement.

Some of the self-assessment measures which informed LPDL's Business Plan include;

- ✓ Reviewing its mission statement to ensure that it informs the direction of the utility and serve as a guide for long-term growth/development.
- ✓ Detailing specific long-term goals and short-term objectives by developing an action plan for each goal and objective.
- ✓ Reflecting on the actions that have led to the growth of the company. It is especially important to document the direction of the utility and its shareholders.
- ✓ Reviewing its current employee structure, including the roles and responsibilities management team and employees. In doing so, LPDL reviewed areas for enhancement and higher technological skill sets as well as succession planning

- ✓ Analyzing its economic conditions to better understand its effect on business strategy – including consideration for load forecast, predicted capital and operational costs, resources.

5. Strategy and Implementation Summary

5.1 SWOT Analysis

The use of the SWOT (strengths, weaknesses, opportunities, and threats) analysis is a valuable management tool that has helped LPDL review key aspects of the utility to identify factors that will drive performance and decision making going forward. Each year LPDL performs a risk assessment in order to identify areas for attention.

Strengths and Weaknesses are associated with internal factors such as:

- ✓ Financial resources, such as funding and ability to meet its financial obligations.
- ✓ Physical resources, such as the utility's location, facilities, and equipment.
- ✓ Human resources, such as employees
- ✓ Access to natural resources, trademarks, patents and copyrights
- ✓ Current processes, such as employee programs, department hierarchies, and software systems

Opportunities and Threats are associated with external factors such as:

- ✓ Market trends such as new products and technology or shifts in customer needs
- ✓ Economic trends, such as local, national and international financial trends
- ✓ Funding, such as donations, legislature, and other sources
- ✓ Demographics, such as a target audience's age, race, gender and culture
- ✓ Political, environmental and economic regulations.

5.2 LPDL Strengths

- ✓ **Ranked #18 most cost-efficient utility in Ontario**

  The utility's most noticeable strength is that it has been ranked as one of the most cost-efficient utilities in the province. For 2016 and 2017, LPDL was placed in Cohort 2, in terms of efficiency. Cohort 2 is considered above average and is defined as having actual costs less than 10-25% of predicted costs. LPDL achieved a rate of (7.6)% for 2015, (11.6)% for 2016 and (16.1)% for 2017. LPDL achieved 7.0% less than predicted costs for the 2014-2016 period and 11.8% less than predicted costs for the 2015 to 2017 years.

- ✓ **Small LDC in a small town**

While the values of management have a significant impact on the performance of businesses of all sizes, in small businesses, social performance is more directly and personally shaped by management. A smaller town with a smaller utility such as LPDL is more socially and economically embedded within the community in which they operate than are managers of big utilities. Managers of a small utility are more likely to live in the city or town where they conduct business. They are long term residents. Their children attend local schools and play in local parks. Their families personally benefit from safe streets and vital community. The absence of an infrastructure that exists in larger cities increases the business' motivation to work for general community betterment. Long-term residence in a town is associated with knowing a greater number of other residents, interacting with them in multiple venues (as social functions, employees, neighbours, and friends), and knowing more residents beyond the acquaintanceship level. Each relationship represents a potential personal invitation to get involved in a community organization and to engage with customers. In smaller towns such as the ones that LPDL serves, customer engagement is not always done at the utility's head office; it is often done at while waiting in line at the grocery store, bank or the gas pump.

The most important feature of a small town is that they provide a sense of community. The community is much more than belonging to something. It's about doing something together that makes belonging matter. They actively participate in their community by joining a volunteer fire departments and social associations. They have small summer fairs where people can directly talk to staff and give their inputs. It is the active engagement of individuals that create a sense of belonging.

- ✓ **Employees**

LPDL cares about its employees always ensuring a safe work environment, with opportunities for personal growth and development, and fair remuneration and management practices.

LPDL's management team also strives to lead by example. What this means is that active participation by management promotes and encourages employee learning, engagement, and participation. LPDL understand that having the right team in place is critical to the success of the business and such dynamics can only be achieved when a utility invests in its employees. Studies show that high levels of employee engagement in an organization are linked to superior business performance, including increased employee retention & profitability, customer excellence, and safety performance.

Going forward, the utility will continue to identify the key gaps between the talent in place and the talent required to drive business success and provides clear expectations and feedback to manage performance.

- ✓ **Forward Looking**

LPDL analyses budgets, trends and performances monthly and makes decisions that help manage the cost, reliability, and availability of electricity supply to its customers on the long term. In addition, LPDL works on 3-5 year strategic plans at an overview level to form the future capital and resource needs. Board of Directors are all from the business community with no politicians. This lends itself to longer term planning with a focus on improvement both in cost as well as in service, innovation and expansion.

- ✓ **Value and Financial Health**

LPDL is focused on value for money for its customers and its shareholders. They strive to provide their services in the most efficient and cost-effective manner possible. LPDL's team consistently seeks opportunities to improve its service offering to deliver greater value.

5.3 LPDL Weaknesses

- ✓ **Dependency on third party assistance to meet its regulatory requirements.**

LPDL has statutory obligations and responsibilities to the Ontario Energy Board (OEB) and the Electrical Safety Authority (ESA). Both regulators issue comprehensive OEB codes and guidelines that come with compliance and reporting requirements. With a smaller complement of administration staff, it can be difficult to conform to an ever-changing regulatory environment. Hiring employees with Regulatory or advanced skill sets for this type of environment and in a more northern setting has become increasingly difficult. Planning and budgeting for the unexpected can be difficult – especially with the current five-year rate rebasing period. LPDL is also finding that much of the new requirements require expertise which goes beyond those of its current staff and as such, the utility must often turn to third-party experts (such is the case for the DSP) to bring external expertise to meet the requirements and level of standards which regulators expect. Under those circumstances, the utility will often "shop around" and negotiate rates and costs to find the best value for money.

- ✓ **Managing unexpected costs beyond the utility's control.**

As mentioned in the section above, planning and budgeting for the unexpected can be difficult – especially with the current five-year rate rebasing period. For the most part, the utility plans for significant investments well in advance, however, unexpected costs can arise as a result of a change in legislation or new regulatory requirements. Most large utilities can absorb these costs without much impact on rates or performance. However, as a smaller utility, LPDL can be materially affected when faced with cost pressures that are beyond its control or ability to plan for.

5.4 LPDL Opportunities

- ✓ To form strategic alliances with like-minded LPDLs to realize greater efficiencies and integrate new ideas that improve operations and ensure sustainability in an evolving energy sector. The membership with Cornerstone Hydro Electric (CHEC) has afforded LPDL access to resources at a fraction of the cost of hiring in house
- ✓ LPDL has a strong relationship with bank allowing for relatively easy access to funds and lower rates, assisting with driving down rates.
- ✓ To drive down operating costs as much as possible.
- ✓ To meet and monitor the utility's allocated Conservation targets as closely as possible.
- ✓ To position the utility as, reliable and customer-focused LPDL, with high levels of trust
- ✓ To disaffirm negative perceptions that prevail, particularly in respect to energy increases
- ✓ To build a stronger presence within the community.
- ✓ To engage current and prospective employees and partnerships; inspire them, build trust and position LPDL as a great place to work or as a great partner.

5.5 LPDL Threats

In addition to its many regulatory responsibilities, the business of distributing electricity has several basic risk considerations that must be managed successfully to ensure business continuity.

The following areas of exposure were identified and evaluated as part of the LPDL risk profile:

- ✓ **Reliability**

  Although the utility's reliability metrics are meeting the OEB's standards, customers have very high service expectations, and any system interruptions should be handled quickly and professionally. Reputational risks can occur when incidents and outages are not perceived to be addressed in a quick and efficient manner. Customers accept the occasional power outage, but confidence is eroded when they cannot get access to timely information on the nature of the incident and an estimate of restoration times.

  If an unplanned outage occurs within LPDL's service area, LPDL will immediately contact its operations personnel and escalate the issues. If an issue occurs where the utility suspects that it is outside of its territory, the utility will contact Hydro One to let them know that the LPDL service area is out. For planned outage, the customers affected will be contacted at least 48 hours before by phone, by either mail or newspapers.

For all outages, LPDL personnel updates its social medias and attempts to give as much details as possible to its customers regarding the location, area affected and timing of the restoration of power.

- ✓ **Succession Planning**

Within the next 5 years, LPDL may see the leave of three seasoned staff due to their eligibility to retire. The utility recognizes that finding candidates with industry specific competencies in smaller rural LPDLs is tough. As such, over the past few years, LPDL has put substantive effort into its succession planning and apprenticeship programs which involves training its employees on every aspect of the utility. Documenting processes have also become a priority.

- ✓ **Potential Mandated Consolidation**

The Drummond Report is a document commissioned by the provincial government to look at ways the province can balance its books over the next six years. It was released in early 2012. The province's Drummond Commission recommends the consolidation of Ontario's 80 local distribution companies into regional centres to create economies of scale. A sector review panel which followed the Drummond Report's recommendation stated that forced consolidation is the key that would see the existing utility companies reduced to 8-12 regional utilities under the umbrella of Hydro One. Although the Association of Municipalities of Ontario (AMO) and the Electricity Distributors Association have opposed the recommendation to consolidate the local utilities and for the time being, the report has been shelved, the utility is mindful that the proposition could be resurrected in future years. LPDL is always looking for opportunities to amalgamate with like-minded LDCs or acquire larger service territory to repeat the synergy savings created in its most recent endeavour.

- ✓ **Economic**

While the past few years have seen economic growth, there seems to be an indication of a slow down and higher interest rates. This would impact cost of borrowing as well as the local economy. Being a highly tourist area, downturns in the economy hit areas such as LPDL's very quickly. LPDL monitors the business community and offers assistance in the form of CDM programs and energy consumption information.

The pictorial below is a snapshot of the risk assessment for LPDL utilized in strategic planning with senior management and Board of Directors.

ENTERPRISE RISK MANAGEMENT

Year: 2018

Updated February 2018
by: Chris Litschko, CEO

	Risk Severity	Rating
Extreme	Hazardous - may endanger company or people	10
High	Major company disruption	8
Moderate	Minor company disruption	6
Low	Some noticeable problems	3
None	No affect	1

Risk Category	Risk Description	Risk Threat	Risk Severity Current	Previous	Trend	Current Control & Actions	Completion Date	Who
Health & Safety								
	Loss Time Accident	Dangerous jobs being performed which could result in injury/fatality	8	10		Ongoing Health & Safety training & updates with SpringBoard management improvements	Ongoing	HRO/Execs
Financial								
	Cashflow Concerns	1) Due to capital intensive nature of companies	6	3		Budgeting, monthly planning, borrowing	2020	CFO/EnMgr
		2) Lower Revenues due to conservation	6	3		New government funding programs applied for and ensuring internal costs under control	Ongoing & Annual	Execs/EnMgr
Legal								
	Insurance	Liability Coverage	1	3		Recently changed all insurance to MEARIE	Annual	CFO
	Theft etc.	Unethical/Illegal Acts	3	3		Policies & Procedures updated regularly & annual external audit	Ongoing & Annual	Execs
	Customer Contracts	Customer Complaints	1	1		Ensure contracts in place that protect company	Ongoing	COO/EnMgr
Environmental								
	PCBs	Leaking transformers in storage	3	6		Transformers being removed and site being decommissioned	2018	COO
Information Technology								
	Cyber Security	Intrusion	8	8		Current working group utilizing OEB process & procedures to rollout throughout company	Ongoing	Execs
	Redundancy	Interrupted Operations	6	6		Full offsite redundancy in affect except not enough servers to bring back data for full company operations - being investigated	2019	COO/EnMgr
Company Image								
	Customers/Relationships	Public Image	3	3		Professional conduct at all times day-to-day, media, regulators, negotiations, upset customers, updating web sites, etc.	Ongoing	Execs
						Hire Communications Person -	2018	HRO/COO
Business Interruption								
	Damage	Natural disasters - wind, flood, ice, etc. Pandemic Outbreak	8	8		Continually update and test Emergency Plans, Pandemic Plans, Business Continuity Plans.	2018 & Ongoing	HRO/Execs
						Hold Emergency Plan exercise -	2018	HRO/Compa
Asset Failures								
	Power	Aging Assets	3	3		Company completes annual inspections as per OEB requirements and maintenance including tree trimming is completed annually. Data is collected on system reliability to form approved budgeted maintenance plans	Annually	COO/OpsMg
Regulatory Uncertainty								
	Power	Upcoming provincial elections, OEB mandate currently being reviewed, Power becoming a social agency, Public opinion creates changes to Ministry of Energy mandates	6	3		Utilize EDA influence as much as possible but most changes are mandated and must be implemented	2018	Execs
Human Resources								
	Succession & New Hires	Not having competency to fill retirees and expanding company positions	8	6		Succession planning done but positions with many being subject experts. Succession Planning	Annual	Management
						Having harder time to fill technically challenging as more new staff have to move to area	Ongoing	HRO/Execs

6. Personnel Plan

LPDL is facing the same challenges the electricity industry is about its aging demographics and infrastructure. Matching the resource capability with the work demands in the electricity sector requires planning which is what LPDL is currently executing. Numerous contributing factors are impacting workforce planning, including a shortage of proficiently skilled labour, and increased work demands, therefore, LPDL has opted to invest instead in its current staff members on the various aspects of running a utility.

Labour costs represent the largest portion of OM&A costs and one of the most challenging areas for management. Increases for 2019 will be as identified under Collective Bargaining Agreements and merit increases for all other staff. Succession planning will mean the addition of a junior linesperson to plan for upcoming retirements. A Regulatory Analyst will be fully in place for support through the Cost of Service application process as well as support for asset management programs and innovation projects. Technologically more advanced staff will be fully in place for substation/engineering projects.

LPDL continually reviews its business and operational goals against; its workforce needs, its financial strength and the impact on its customers. LPDL recognizes the importance and value of maintaining a highly skilled and engaged workforce, where all employees are customer focused and proud to work for the utility.

7. Financial Results

The OEB's RRFE for electricity distributors includes Financial Performance as one of the performance measurements. The four-financial metrics included are liquidity, leverage, deemed return on equity and achieved a return on equity. LPDL'S metrics for historical years 2012 to 2017, the 2018 Bridge Year and the 2019 Test Year are discussed in detail in Section 8 of the Business Plan. LPDL has replicated the information below for ease of reference.

Table 17 – Financial Ratios from Scorecards

Financial Ratios

	Liquidity: Current Ratio (Current Assets/Current Liabilities)	Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	Profitability (Approved ROE)	Regulatory Return on Equity (Achieved ROE)
2013	0.86	0.41	8.93	10.70%
2014	1.28	0.40	8.93	12.50%
2015	1.12	0.31	9.08	9.90%
2016	1.70	1.13	9.08	10.86%
2017	1.80	1.00	9.08	12.69%

7.1 Important Assumptions

Load forecasting affects all aspects of the utility's future including supply capacity of the distribution system and revenue requirements. The load forecast also the potential to be significantly impacted by Conservation and Demand Management targets. Each LPDL has a target to reduce its annual energy supplied (kWh). LPDL's target is 15,770 MWh kWh in energy reduction 2015-2020.

Since expenses and revenues are often closely tied to the utility's customer count and load, it is important to go over the utility's historical and projected load before discussing financial results. LPDL's marginal customer growth is primarily in the Residential Class. The utility is not projecting any changes in the GS<50kV class and a marginal reduction in the GS 50-4999kW class. The utility does not anticipate any major changes in Unmetered Scattered Load, Sentinel Lighting, Street Light. Overall, the trend table shows a slow yet stable growth in customers. LPDL is at its boundaries in all its service territories and it services an area with high unemployment and limited large businesses. LPDL's load and customer projections support the Economic Outlook Summary which indicates that population growth is expected to remain modest beyond 2019. The second important assumption is the stability of operating costs. Table 18 below shows the utility historical operating costs and projected costs for 2019.

Table 18 - Load and Customer Forecast Table

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Weather Normal	2019 Weather Normal
Actual kWh Purchases	315,512,631	319,149,657	308,961,454	302,232,068	297,287,399		
Predicted kWh Purchases	312,391,340	315,053,255	308,860,040	302,931,764	297,293,859	300,830,926	300,929,259
% Difference	-1.0%	-1.3%	0.0%	0.2%	0.0%		
Billed kWh	293,263,621	297,398,397	288,752,255	280,505,070	278,833,243	279,171,361	276,721,676
Residential							
Customers	10,890	10,964	11,021	11,078	11,169	11,208	11,208
kWh	113,520,550	114,433,382	108,243,956	104,348,161	103,129,632	104,280,349	103,566,100
General Service < 50 kW							
Customers	2,075	2,106	2,133	2,138	2,144	2,148	2,148
kWh	57,852,244	58,443,482	58,492,111	58,168,701	57,585,352	58,279,267	58,157,023
General Service 50 to 4,999 kW							
Customers	171	172	156	149	138	136	136
kWh	119,216,710	121,885,729	119,763,838	116,637,109	116,753,504	115,248,177	113,634,985
kW	293,433	288,261	288,082	283,796	279,963	280,141	276,220
Sentinel Lights							
Connections	59	57	53	52	46	44	44
kWh	51,382	50,004	49,108	48,746	44,234	42,775	42,775
kW	150	139	136	135	123	119	119
Street Lights							
Connections	2,843	2,844	2,766	2,679	2,848	2,849	2,849
kWh	2,441,056	2,405,635	2,029,685	1,136,285	1,154,454	1,154,724	1,154,724
kW	6,704	6,610	5,922	3,094	3,197	3,183	3,183
Unmetered Scattered Loads							
Connections	56	55	52	51	51	51	51
kWh	181,680	180,165	173,556	166,068	166,068	166,068	166,068
Total of Above							
Customer/Connections	16,094	16,197	16,181	16,148	16,396	16,436	16,436
kWh	293,263,621	297,398,397	288,752,255	280,505,070	278,833,243	279,171,361	276,721,676
kW from applicable classes	300,287	295,010	294,141	287,026	283,282	283,444	279,523

The increase of $280,816 in OM&A spending from its 2013 Cost of Service to the 2019 Test Year can be attributed to several factors.

Operation costs are for the most part allocated to tree trimming, higher skill staffing and inflationary increases for wages. These operating costs are necessary to comply with the Distribution System Code, environmental requirements, and government direction.

Administrative Costs include inflationary increases in salaries and insurance. The overall costs have also increased as a result of technology enhancements involving increased IT support as well as increased regulatory reporting/programs required specialized skills. This has been partially offset with the savings in billing and collecting achieved through the amalgamation with former PSP.

Table 19 – Operating Expenditures Table

	2013 Board Approved Proxy	2013	2014	2015	2016	2017	2018	2019
Operations	$275,081	$357,710	$359,120	$320,991	$340,160	$322,743	$338,084	$365,081
Maintenance	$1,244,017	$1,174,647	$1,329,762	$1,334,895	$1,292,351	$1,348,677	$1,445,494	$1,473,726
SubTotal	**$1,519,098**	**$1,532,357**	**$1,688,882**	**$1,655,887**	**$1,632,510**	**$1,671,420**	**$1,783,578**	**$1,838,807**
Billing and Collecting	$1,121,803	$1,277,154	$1,350,644	$1,200,405	$1,031,347	$884,800	$955,489	$976,160
Community Relations	$34,647	$42,577	$44,176	$28,900	$67,785	$61,722	$80,977	$80,000
Administrative and General	$2,060,355	$2,315,011	$2,039,371	$2,196,058	$2,100,820	$1,962,788	$2,104,224	$2,166,750
LEAP Funding	$9,104	$6,127	$9,293	$12,097	$9,175	$9,175	$10,000	$10,000
Total	**$4,745,006**	**$5,173,226**	**$5,132,366**	**$5,093,346**	**$4,841,637**	**$4,589,904**	**$4,934,268**	**$5,071,718**
%Change (year over year)		9.0%	-0.8%	-0.8%	-4.9%	-5.2%	7.5%	2.8%

7.2 Actual Return vs. Allowed Return

LPDL's financial performance has remained strong over the past four years with an income of $1,507,311 , $1,590,718, $1,715,644, for 2015, 2016 and 2017 respectively.

Liquidity: Current Ratio (Current Assets/Current Liabilities)

As an indicator of financial health, a current ratio that is greater than 1 is considered good as it indicates that the company can pay its short term debts and financial obligations. Companies with a ratio of greater than 1 are often referred to as being "liquid". The higher the number, the more "liquid" and the larger the margin of safety to cover the company's short-term debts and financial obligations.

LPDL's current ratio increased from 0.86 in 2013 to 1.80 in 2017 (109% improvement), remaining above the "1" indicator. LPDL has worked to improve its current ratio through improved receivable and cash management.

Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio

The OEB uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt to equity ratio of 1.5 (60/40).

A debt to equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. A debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure.

LPDL's indicator of 1.00 is a representation of total debt in relationship to equity. This is a significant improvement over 2012-2015 (0.48 – 0.41 – 0.40 – 0.31 respectively) through improved cash management, cost efficiencies and capital stability.

Profitability: Regulatory Return on Equity – Deemed (included in current rates) vs Achieved (2017)

LPDL's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.08%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor's revenues and costs structure by the OEB.

LPDL's return achieved in 2017 was 12.69%, outside the +/-3% range allowed by the OEB. LPDL achieved returns higher than the deemed rate in mainly due to higher revenue than forecast, as a result of increased energy consumption; and lower operating costs due to synergy savings from the amalgamation with Parry Sound. LPDL has mitigated the overall real growth in its operating cost base with productivity savings arising from related process improvement initiatives and synergy savings to become a larger utility.

Table 20 – Return on Equity Table

	Profitability (Approved ROE)	Regulatory Return on Equity (Achieved ROE)
2012	8.01	9.73%
2013	8.93	10.70%
2014	8.93	12.50%
2015	9.08	9.90%
2016	9.08	10.86%
2017	9.08	12.69%

7.3 Profit and Loss

Outlined below, and in the following table, are some of the essential components of the projected profit and loss for LPDL:

- ✓ Total Operating Revenues for 2018 and 2019 are forecast to be $8,513,219 and $8,340,986.
- ✓ Cost and Expenses for 2018 and 2019 are predicted to be $6,257,198 and $6,466,351.
- ✓ Taxes for 2018 and 2019 are predicted to be $230,845 and $241,378 (from PILs model).
- ✓ Income for 2018 and 2019 is forecast to be $1,129,394 and $1,082,185.

Table 21 - Profit and Loss Table

	Board Approved Proxy	Actual						
Derivation of Utility Income		2013	2014	2015	2016	2017	2018	2019
Operating Revenues								
Distribution Revenues	7,669,448	8,107,084	8,092,294	7,919,164	7,986,091	8,141,006	8,003,275	7,658,772
Other Revenue	388,650	619,838	695,250	688,575	585,592	633,571	509,944	682,214
Total Operating Revenues	**8,058,098**	**8,726,923**	**8,787,544**	**8,607,739**	**8,571,682**	**8,774,576**	**8,513,219**	**8,340,986**
OM&A Expenses	4,745,006	5,173,226	5,132,366	5,093,346	4,841,637	4,589,904	4,934,268	5,071,718
Non-recoverable items		19	284	1,250	4,110	66,837	0	0
Depreciation & Amortization	1,427,448	1,444,565	1,240,988	1,200,180	1,175,693	1,229,291	1,268,931	1,337,805
Property and Taxes	10,702	36,687	40,544	46,245	49,780	54,642	54,000	56,828
Other Expenses (i.e. MIFRS)	0	0	0	0	0	0	0	0
Total Costs & Expenses	**6,183,156**	**6,654,496**	**6,414,182**	**6,341,021**	**6,071,220**	**5,940,674**	**6,257,198**	**6,466,351**
Interest Expenses (Actual and Deemed)	737,551	378,612	290,027	249,006	345,732	458,657	895,781	551,072
Total Expenses	**6,920,707**	**7,033,109**	**6,704,208**	**6,590,027**	**6,416,952**	**6,399,331**	**7,152,980**	**7,017,423**
Utility Income before Income Taxes / PILs	**1,137,390**	**1,693,814**	**2,083,336**	**2,017,712**	**2,154,731**	**2,375,245**	**1,360,240**	**1,323,563**
PILs / Income Taxes	196,298	169,653	186,078	510,401	564,013	659,601	230,845	241,378
Utility Income	**941,092**	**1,524,161**	**1,897,258**	**1,507,311**	**1,590,718**	**1,715,644**	**1,129,394**	**1,082,185**

7.4 Rate Base and Revenue Deficiency

As shown in the following table, LPDL's revenue sufficiency/deficiency has fluctuated considerably as a result of the amalgamation with Parry Sound. Although the utility is in a sufficiency position, the utility feels it important to re-align its rates with its current costs and amalgamated structure.

The revenue sufficiency or (deficiency) for 2013, 2014, 2015, 2016 and 2017 was $194,436, $375,384, $(160,522), $(67,931)and $174,964 respectively. LPDL expects a deficiency of ($12,545) in 2018, to be eliminated in 2019 with the approval of new rates.

Table 22 - Table of Rate Base and Revenue Deficiency

	Board Approved Proxy	Actual						
	2013	2013	2014	2015	2016	2017	2018	2019
Utility Income	**941,092**	**1,524,161**	**1,897,258**	**1,507,311**	**1,590,718**	**1,715,644**	**1,129,394**	**1,082,185**
Gross Fixed Assets (year end)	42,129,881	39,704,667	41,678,105	44,486,381	46,266,474	48,014,532	50,295,603	52,512,618
Capital Expenditures (additions)	**2,907,533**	**3,260,841**	**1,973,438**	**2,808,276**	**1,780,093**	**1,748,059**	**2,409,921**	**2,475,000**
Accum Depreciation (year end)	-19,489,987	-17,334,760	-18,499,460	-19,805,724	-21,012,796	-22,303,194	-23,609,094	-24,816,195
Net Fixed Assets	22,639,894	22,369,907	23,178,644	24,680,657	25,253,678	25,711,338	26,686,509	27,696,423
Average Net Fixed Assets	21,186,128	21,510,099	22,774,276	23,929,651	24,967,168	25,482,508	26,198,923	27,191,466
Utility Rate Base	25,917,267	26,363,686	27,961,915	29,581,344	30,932,324	30,854,494	31,446,841	30,060,667
Deemed Equity Portion of Rate Base	10,366,907	10,545,474	11,184,766	11,832,538	12,372,930	12,341,798	12,578,736	12,024,267
Income/(Equity Portion of Rate Base)	9.08%	5.78%	6.79%	5.10%	5.14%	5.56%	3.59%	3.60%
Indicated Rate of Return	6.48%	7.22%	7.82%	5.94%	6.26%	7.05%	6.44%	5.43%
Approved Rate of Return	6.48%	6.48%	6.48%	6.48%	6.48%	6.48%	6.48%	5.27%
Sufficiency / (Deficiency) in Return	0.00%	0.74%	1.34%	(0.54%)	(0.22%)	0.57%	(0.04%)	0.00%
Equity	*40.00%*	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*
Short Term Debt	*4.00%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*
Long Term Debt	*56.00%*	*56%*	*56%*	*56%*	*56%*	*56%*	*56%*	*56%*
Equity Return	*9.08%*	*9.08%*	*9.08%*	*9.08%*	*9.08%*	*9.08%*	*9.08%*	*9.00%*
Short Debt Return	*2.17%*	*2.17%*	*2.17%*	*2.17%*	*2.17%*	*2.17%*	*2.17%*	*2.29%*
Long Debt Return	*4.93%*	*4.93%*	*4.93%*	*4.93%*	*4.93%*	*4.93%*	*4.93%*	*2.81%*
Tax Rate	*26.50%*	*26.50%*	*26.50%*	*26.50%*	*26.50%*	*26.50%*	*26.50%*	*26.50%*
Net Revenue Sufficiency / (Deficiency)	**0**	**194,436**	**375,384**	**-160,522**	**-67,931**	**174,964**	**-12,545**	**0**

Appendix B – Charter for Corporate Governance

LAKELAND HOLDING LTD.

<u>Corporate Governance</u>

Last Revised: April 2015

LAKELAND HOLDING LTD.

Corporate Governance

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LAKELAND HOLDING LTD.
Corporate Governance

Governance Committee

MANDATE

The Governance Committee (the "Committee") is appointed by the Board of Directors (the "Board") and has the following mandate:

- To manage the corporate governance system for the Board.
- To assist the Board in fulfilling its duty to meet the applicable legal, regulatory and self–regulatory business principles and codes of best practice of corporate behaviour and conduct.

MAJOR RESPONSIBILITIES AND FUNCTIONS

In carrying out its mandate, the Committee shall:

- Act in an advisory capacity to the Board.
- Monitor the effectiveness of the corporate governance system regularly and recommend changes to the Board.
- Review on a periodic basis the mandates of the Board committees and make recommendations to the Board as deemed appropriate with respect to such mandates, including the Committee's mandate.
- Review the relationship between management and the Board and make recommendations with respect to such relationship where and when it is deemed appropriate.
- Consider on an annual basis the effectiveness of the Board as a whole and the committees of the Board (including the Committee).
- Discuss with the Board Chairman before making recommendations to the Board, except where the Committee deems it inappropriate or not in the Corporation's best interest to do so.
- Be available as a forum for addressing the concerns of individual directors.
- Prepare annually for disclosure to the shareholders, a report which describes the Corporation's corporate governance practices.
- Review, at least annually, the Corporation's policy and guidelines with respect to corporate disclosure.

Make recommendations to the Board that relate to the Board's compliance with applicable laws and regulations, noting that nothing contained in this mandate is intended to transfer to the Committee the Board's responsibility to ensure the Corporation's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Committee.

OPERATION OF COMMITTEE

Reporting
The Committee shall report to the Board.

Composition of the Committee
This is a Committee of the Whole of the Board.

Appointment of Committee Members
Members of the Committee shall be appointed by the Board at a meeting typically held immediately after the annual shareholders' meeting, providing that any member may be removed or replaced at any time by the Board and shall in any event cease to be a member of the Committee upon ceasing to be a member of the Board.

Vacancies
Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

Chairman
The Board will appoint an unrelated director as Chairman of the Committee.
If the Chairman of the Committee is not present at any meeting of the committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside. The Chairman presiding at any meeting shall not have a casting vote.

Secretary
The Board Secretary shall be the Secretary of the Committee.
The Secretary shall keep minutes of the meetings of the Committee.

Committee Meetings
Committee meetings are held during regularly scheduled board meetings.

Notice of Meeting
Notice of the time and place of every meeting may be given orally, in writing, by facsimile, or by e-mail to each member of the Committee at least 48 hours prior to the time fixed for such a meeting.

A member may in any manner waive notice of the meeting.

Quorum
A majority of Committee members, present in person, by video-conference, by telephone or by a combination thereof, shall constitute a quorum.

Minutes
Minutes of Committee meetings shall be included in the regularly scheduled Board meeting minutes sent to all Board members.

Engaging Outside Resources
The Committee is empowered to engage outside resources, as it deems advisable, at the expense of the Corporation with approval of the Board.

Approved, by the Board, the 22nd day of May, 2007.

____________________	____________________
Chair of Board	Chair of Committee

LAKELAND HOLDINGS LTD.

Corporate Governance

Nominating Committee

MANDATE

The primary functions of the Nominating Committee of the Board of Directors (the "Board") is to recommend to the Board, candidates for nomination as directors based on selection criteria and individual characteristics.

MAJOR RESPONSIBILITIES AND CONSIDERATIONS

In carrying out its mandate, the Committee shall consider the following:

- The minimum requirements for selecting potential candidates to the board is to encompass those as stipulated in the Shareholders Agreement. Additional requirements to rate individual characteristics will be utilized as agreed to by the Board.
- The Nominating Committee will interview and recommend board candidates for election to all Boards encompassing Lakeland Holdings Ltd.
- The Chair of the Nominating Committee will keep track of the expiring of the current board members 3 year term, successive 3 year terms, 6 year consecutive terms and any extensions approved by the Board and submitted and approved by the shareholders. The Chair of the Nominating Committee will inform the Board of these expirations.
- All new nominees and term extensions once approved by the Board must be submitted to the Shareholders for their approval.
- The Board will agree to the number of board members elected based on their recommendations and approval of the shareholders.
- The process for interviewing candidates and the time and location for the interview will be decided by the Board.
- The Nominating Committee Chair is historically the Vice Chair of the Board. The Board may revise this responsibility from time to time.
- All board members are to participate in the interviewing of candidates.
- Once the nominee has been approved by both the Board and shareholders, arrange for a comprehensive orientation program for the candidate.
- Annually, remuneration of the Directors.
- Annually, the compensation of the non-executive Chairman of the Board.

OPERATION OF COMMITTEE

Reporting
The Committee shall report to the Board.

Composition of Committee
The Committee shall consist of the whole Board.

Vacancies
Where a vacancy occurs at any time in the membership of the Committee, it may be filled at the discretion of Board.

Chairman
The Chairman of the Nominating Committee is historically the Vice-Chairman of the Board.
The Board is to nominate the Vice Chair of the Board soon after the Annual General Meeting of the shareholders.

If the Chairman is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside.

The Chairman presiding at any meeting shall not have a casting vote with the exception of a tie.

Secretary
The Nominating Committee Chair shall act as Secretary of the interview process and informing the Secretary of the board and the shareholders the selection of the nominee as a board member.

Committee Meetings
Committee meetings are held during regularly scheduled Board meetings.

Notice of Meeting
Notice of the time and place of every meeting may be given orally, in writing, by facsimile, or by e-mail to each member of the Committee at least 48 hours prior to the time fixed for such meeting. The agenda of a regular scheduled board meeting may be used as notification.

A member may in any manner waive notice of the meeting.

Quorum
A majority of Committee members, present in person, by video-conferencing, by telephone or by a combination thereof, shall constitute a quorum.

Minutes
The selected nominee as a new Board member shall be included in the minutes of a regularly scheduled Board meeting and the shareholders meeting minutes whether or not the candidate is approved by the shareholders.

Engaging Outside Resources
The Committee is empowered to engage outside resources, as it deems advisable, at the Expense of the Corporation with approval of the Board.

Approved, by the Board, the 22nd day of May, 2007

____________________	____________________
Chair of Board	Chair of Committee

LAKELAND HOLDING LTD.

Corporate Governance

Human Resources Committee

MANDATE

The primary functions of the Human Resources Committee of the Board of Directors (the "Board") is to assist the Board in carrying out its responsibilities by reviewing compensation and human resources issues and making recommendations to the Board as appropriate. The Committee acts in an advisory capacity to the Board.

MAJOR RESPONSIBILITIES

Review and recommend to the Board for approval:

- The Corporation's overall executive compensation strategy including competitive industry positioning, weighting of compensation elements and relationship of compensation to performance.
- At least annually, the Chief Executive Officer's compensation and benefit plans including proposed salary ranges, bonuses, and any other forms of compensation.
- Chief Executive Officer and senior manager succession.
- The terms of any employment contract or change of control agreement with the Chief Executive Officer, including termination benefits.
- Annually, the performance of the Chief Executive Officer.
- Employment and pay equity issues.
- Any amendments to the Human Resource Manual.
- Assessment of discipline to officers and employees.
- The making of a loan to any officer or employee of the Corporation for any reason whatsoever.
- Establish the company's salary change for the coming year on a macro basis.
- Set new performance objectives for the coming year.
- Approving mandate for union contract negotiations.

Prepare such reports as are necessary or required for disclosure to shareholders with respect to the Corporation's compensation policies and practices and, in particular, in regard to the Chief Executive Officer's compensation the factors used as the basis for compensation, their relative weighting and their relation to the competitive marketplace and to corporate performance.

Annually review and assess management development programs to enhance individual effectiveness and preparedness for greater responsibilities.

Ensure that processes are in place to evaluate annually the performance of the Committee and the adequacy of its mandate and to report thereon to the Board.

Nothing contained in this charter is intended to transfer to the Committee the Board's responsibility to ensure the Corporation's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Committee.

OPERATION OF COMMITTEE

Reporting
The Committee shall report in writing to the Board at the Board's instructions.

Composition of Committee
This is a committee of the whole Board.

Vacancies
Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

Chairman
The Board will appoint an unrelated director as Chairman of the Committee.
If the Chairman of the Committee is not present at any meeting of the committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside. The Chairman presiding at any meeting shall not have a casting vote.

Secretary
The Board Secretary shall act as Secretary of the committee. The Secretary shall keep minutes of the meetings of the Committee.

Committee Meetings
Committee meetings are held during regularly scheduled board meetings.

Notice of Meeting
Notice of the time and place of every meeting may be given orally, in writing, by facsimile, or by e-mail to each member of the Committee at least 48 hours prior to the time fixed for such a meeting. A member may in any manner waive notice of the meeting.

Quorum
A majority of Committee members, present in person, by video-conference, by telephone or by a combination thereof, shall constitute a quorum.

Minutes
Minutes of Committee meetings shall be included in regularly scheduled Board meeting minutes and sent to all Board members.

Engaging Outside Resources
The Committee is empowered to engage outside resources, as it deems advisable, at the expense of the Corporation with approval of the Board.

Approved, by the Board, the 1st day of September, 2009.

____________________ ____________________
Chair of Board Chair of Committee

LAKELAND HOLDING LTD.
Corporate Governance

Finance Committee

MANDATE

The Finance Committee is appointed by the Board of Directors (the "Board") of Lakeland Holding Ltd. (the "Corporation") to assist the Board in its oversight of the reliability and integrity of the accounting principles and practices, financial statements and other financial reporting, and disclosure practices followed by the Corporation and its subsidiaries.

The Committee's primary duties and responsibilities are to:

- Act in an advisory capacity to the Board.
- Review and assess management's identification of principal financial risks and monitor the process to manage such risks.
- Review and assess management's overall process to identify principal risks that could affect the achievement of the Corporation's business plans.
- Monitor and report on the integrity of the Corporation's financial statements, financial reporting processes and systems of internal controls regarding financial reporting and accounting compliance and compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts.
- Select and recommend for appointment by the shareholders, the Corporation's external auditors.
- Pre-approve all audit and non-audit services to be provided by the Corporation's external auditors consistent with all applicable laws and establish the fees and other compensation to be paid to the external audit function.
- Establish procedures for the receipt, retention, response to and treatment of complaints, including confidential anonymous submissions by the Corporation's employees, regarding accounting, internal control or auditing matters.
- Provide an avenue of communication among the external auditors, management, the internal auditing function, the Board and the shareholders.
- Monitor the Corporation's financial results on a monthly basis.
- Report to the Board.

The Committee has the authority to conduct any review or investigation appropriate to fulfilling its responsibilities. The Committee shall have unrestricted access to personnel and information, and any resources necessary to carry out its responsibility. In this regard, the Committee may direct management to particular areas of examination.

MAJOR RESPONSIBILITIES AND FUNCTIONS

Review Procedures

Review and update the Committee's Charter at least annually. Ensure the processes are in place to annually evaluate the performance of the committee and report to the Board on the results of such evaluation.

Annual Financial Statements

1. Review the Corporation's annual audited financial statements and related documents prior to their filing or distribution. Such review to include:
   a) A review with the external auditors and management of the annual financial statements related footnotes including significant issues and disclosures regarding accounting policies and practices and any changes thereto.
   b) A review with the external auditors and management of the use of off-balance sheet financing, if any, including management's risk assessment and adequacy of disclosure.
   c) A review with the external auditors of the audit plan and the results of the audit including any significant changes required in the audit plan.
   d) A review of any significant disagreements between the external auditors and management encountered during the course of the audit, including any restrictions on the scope of the external auditors' work or access to required information.
   e) A review of other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.

2. Review and formally recommend approval to the Board of the Corporation's year-end audited financial statements and disclosures.

Monthly Financial Statements

1. Review with management and the Board, the Corporation's:
   a) Monthly un-audited financial statements and accompanying management's report and analysis.
   b) Any significant changes to the Corporation's accounting principles.

Internal Control Environment

1. Ensure that management and the external auditors provide to the Committee an annual report on the Corporation's financial control environment as to pertaining to the Corporation's financial reporting process and controls.
2. Review and discuss significant financial risks or exposures and assess the steps management has taken to monitor, control, report and mitigate such risks to the Corporation.
3. Review the effectiveness of the overall process for identifying the principal risks affecting the achievement of business plans and provide the Committee's view to the Board.
4. Review in consultation with management and the external auditors the degree of coordination in management's audit plans and the internal control system. The Committee will assess the coordination of audit effort to assure completeness of

coverage and the effective use of audit resources. Any recommendations made by the auditors for strengthening of internal controls shall be reviewed and discussed with management.

5. Review legal and regulatory matters that may have a material impact on the financial statements, related Corporation compliance policies and programs and reports received from regulators.
6. Review policies and procedures with respect to officers' and director's expense accounts and prerequisites, including their use of corporate assets.
7. Review all related party transactions between the Corporation and any officers or directors.

External Auditors

1. Review and discuss with the external auditors all significant relationships that the external auditors and their affiliates have with the Corporation and its affiliates in order to determine the external auditors' independence, including, without limitation, (i) requesting, receiving and reviewing, no less than annually, a formal written statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to the Corporation and its affiliates, (ii) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors, and (iii) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditor's independence.

2. *Review*:

a) The external auditor's performance, and make a recommendation to the Board regarding the reappointment of the external auditors at the annual meeting of the Corporation's shareholders or regarding the discharge of such external auditors.
b) The terms of engagement of the external auditors together with their proposed fees.
c) External audit plans and results.
d) Any other related audit engagement matters.
e) The engagement of the external auditors to perform non-audit services, if any, together with the fees therefore, and the impact thereof, on the independence of the external auditors.

3. As required, consider with management and the external auditors the rationale for employing audit firms other than the principal external auditors, including a review of management consulting services and related fees provided by the external auditors compared to those of other audit firms.

Other matters

1. Review and concur in the appointment, replacement, reassignment, or dismissal of the Chief Financial Officer.
2. Report Committee actions to the Board with such recommendations, as the Committee may deem appropriate.

3. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent counsel, accountants, or others to assist in the conduct of any investigation.
4. Perform such other functions as required by law, the Corporation's mandate or By-laws, or the Board.
5. Consider any other matters referred to it by the Board.
6. Nothing contained in this charter is intended to transfer to the Committee the Board's responsibility to ensure the Corporation's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Committee. While the Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Committee to plan or conduct audits, to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles, or to design or implement an effective system of internal controls. Such matters are the responsibility of management and the independent external auditors, as the case may be. Members of the Committee are entitled to rely, absent knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, and (iii) representations made by management as to the non-audit services provided to the Corporation by the external auditors.
7. Provide advice and counsel on actual or potential conflicts of interest.

Reporting

The Committee shall report to the Board following each meeting of the Committee.

Composition of Committee

This committee is composed solely of unrelated directors. Each member of the committee should be financially literate and at least one member shall have accounting or related financial experience.

Appointment of Committee Members

Members of the Committee shall be appointed by the Board at a meeting, typically held immediately after the annual shareholders' meeting, provided that any member may be removed or replaced at any time by the Board and shall in any event cease to be a member of the Committee upon ceasing to be member of the Board.

Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

Chairman

The Chairman of the Board, based on the recommendation of the Corporate Governance and Nominating Committee, will recommend an unrelated director as Chairman of the Committee to the Board for approval.

If the Chairman of the Committee is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside.

The Chairman presiding at any meeting shall not have a casting vote.

Secretary
The Board Secretary shall be the Secretary of the Committee. The Secretary shall keep minutes of the meetings of the Committee.

Committee Meetings
Committee meetings are held during regularly scheduled Board meetings. The Committee shall meet at least annually at the call of the Chairman. In addition, a meeting may be called by any director or by the external auditors.

Committee meeting may be held in person, by video-conference, by means of telephone or by any combination of any of the foregoing.

Notice of Meeting
Notice of the time and place of every meeting may be given orally, in writing, by facsimile, or by e-mail to each member of the Committee at least 48 hours prior to the time fixed for such a meeting. A member may in any manner waive notice of the meeting.

Quorum
A majority of Committee members, present in person, by video-conference, by telephone or by a combination thereof, shall constitute a quorum.

Minutes
Minutes of Committee meetings shall be included in regularly schedule Board meeting minutes and sent to all Committee members and to the external auditors.

Engaging Outside Resources
The Committee is empowered to engage outside resources, as it deems advisable, at the expense of the Corporation with approval of the Board.

Approved, by the Board, the 22nd day of May, 2007.

____________________ ____________________

Chair of Board Chair of Committee

LAKELAND HOLDING LTD.
Corporate Governance

ENVIRONMENTAL, HEALTH & SAFETY COMMITTEE

MANDATE

The primary functions of the Environmental, Health & Safety Committee (Committee) of the Board of Directors (the “Board”) is to assist the Board in carrying out its responsibilities by reviewing Lakeland Holding (Lakeland) EH&S policies, practices & guidelines to ensure compliance with all current laws and legislation and to make recommendations to the Board as appropriate.
The health & safety of Lakeland Employees, the public and the preservation and protection of the environments in which Lakeland operates are of paramount importance to Lakeland. The Committee shall review Lakeland performance standards & data on a regular basis to ensure appropriate management controls are in place and targeted management objectives achieved. Results will be reported to the Board and Lakeland Management.
The Committee acts in an advisory capacity to the Board.

MAJOR RESPONSIBILITIES

Review and recommend to the Board for Board approval:

1. Results of regular meetings between the Committee Chair and the Chair of the EH&S Committee
2. Any Reports that are prepared for release to Lakeland, shareholders or outside organizations
3. An annual EH&S Status Report and a performance evaluation of the Committee
4. Delegation of the Committee’s responsibilities to subcommittees as the Committee may deem appropriate
5. Recommendations to obtain advice and assistance from outside advisors and consultants.

Review and recommend to the Board for approval (Management Responsibility):

1. Changes and updates to Lakeland’s EH&S policies, guidelines, programs and practices.
2. Mitigation of EH&S risks and variances to industry standards and best practices
3. Proposed actions re: changes in EH&S Regulations that could impact Lakeland and intended actions to ensure compliance with the law.
4. Management’s review and monitoring process of Regulatory Compliance issues

5. Any recommended changes to the Committee Charter and mandate

Nothing contained in this Charter is intended to transfer to the Committee's or the Board, Lakeland Managements responsibility to ensure Lakeland's compliance with applicable laws and regulations, nor to expand applicable standards of liability under statutory or regulatory requirements for individual Directors and members of the Committee.

OPERATION OF COMMITTEE

Reporting
The Committee shall report in writing to the Board, as per the Board's instructions.

Composition of Committee
This is a committee of the whole Board.

Vacancies
Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

Chairman
The Board will appoint an unrelated director as Chairman of the Committee.
If the Chairman of the Committee is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside. The Chairman presiding at any meeting shall not have a casting vote.

Secretary
The Board Secretary shall act as Secretary of the Committee. The Secretary shall keep minutes of the meetings of the Committee.

Committee Meetings
Committee meetings are held during regularly scheduled board meetings.

Notice of Meeting
Notice of the time and place of every meeting may be given orally, in writing, by facsimile, or by e-mail to each member of the Committee at least 48 hours prior to the time fixed for such a meeting. A member may in any manner waive notice of the meeting.

Quorum
A majority of Committee members, present in person, by video-conference, by telephone or by a combination thereof, shall constitute a quorum.

Minutes

Minutes of Committee meetings shall be included in regularly scheduled Board meeting minutes and sent to all Board members.

Engaging Outside Resources

The Committee is empowered to engage outside resources, as it deems advisable, at the expense of Lakeland with approval of the Board.

Approved, by the Board, this 23rd day of November, 2010.

Chair of Board	Chair of Committee

LAKELAND HOLDING LTD.
Corporate Governance

MERGERS AND ACQUISITIONS COMMITTEE

MANDATE

The primary purpose of the Mergers and Acquisitions Committee (the "Committee") of the Board of Directors (the "Board") shall be to (i) analyze, make recommendations to the full Board with respect to, and (subject to the limitations set forth in this charter) approve potential opportunities for strategic business combinations, acquisitions, mergers, dispositions, divestitures and similar strategic transactions involving the Company (collectively, "Strategic Transactions"), (ii) facilitate consistency in the presentation of the Company and its positions to potential acquirers, strategic partners or other similar third parties, (iii) ensure fairness of process with respect to any proposed Strategic Transaction involving the Company and (iv) expedite and facilitate the process of reviewing, negotiating and/or consummating a potential Strategic Transaction involving the Company.

The Committee acts in an advisory capacity to the Board.

MAJOR RESPONSIBILITIES

Review and recommend to the Board for Board approval:

1. To establish the strategic direction for the M&A activities as expressed annually by the shareholders.
2. To monitor the company’s adherence to the shareholder’s directives.
3. To require management to present a structured approach to researching the potential M&A market and to compile regular lists of premium targets.
4. To ensure the Board is fully informed for the attributes and risks of M&A proposals prior to Board decisions.
5. To establish parameters to effectively measure the risks and rewards of proposed M&A transactions.
6. To establish the capital and cashflow requirements to be preserved given potential M&A transactions.

OPERATION OF COMMITTEE

Reporting
The Committee shall report in writing to the Board, as per the Board's instructions.

Composition of Committee
This committee is comprised of 4 Board directors one of whom will be the CEO. Two members may rotate from the committee every 2 years.

Vacancies
Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

Chairman
The Board will appoint an unrelated director as Chairman of the Committee. This position is usually filled by the Chair of the Finance & Audit committee.
If the Chairman of the Committee is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside.

Secretary
The Board Secretary shall act as Secretary of the Committee. The Secretary shall keep minutes of the meetings of the Committee.

Committee Meetings
Committee meetings will be held at discretion of Committee Chair. This Committee will report at least once annually to the full Board. A separate report to the full Board will be provided for each contemplated M&A activity. An annual report of this committee's work will be provided to the shareholders.

Notice of Meeting
Notice of the time and place of every meeting may be given orally, in writing, by facsimile, or by e-mail to each member of the Committee at least 48 hours prior to the time fixed for such a meeting. A member may in any manner waive notice of the meeting.

Quorum
A majority of Committee members, present in person, by video-conference, by telephone or by a combination thereof, shall constitute a quorum.

Minutes

Minutes of Committee meetings shall be included in regularly scheduled Board meeting minutes and sent to all Board members.

Engaging Outside Resources
The Committee is empowered to engage outside resources, as it deems advisable, at the expense of Lakeland with approval of the Board.

Approved, by the Board, this 12 day of August, 2012.

Chair of Board	Chair of Committee

LAKELAND HOLDING LTD.

Corporate Governance

Board of Directors Mandate and Responsibilities

MANDATE

A prospective Director is recommended by the Lakeland Holding Ltd. Board of Directors (Board) by way of a transparent competitive vetting process. The Lakeland Holding Ltd. Shareholder Agreement (Shareholder Agreement) notes that directors be chosen based on business experience, time availability, financial skills, marketing skills, industry knowledge, independence of judgment, integrity, knowledge of public policy relating to corporations, knowledge and experience relating to environmental matters, labour relations and occupational health and safety issues. The selected individual is presented to the shareholders to vote on whether the individual will be accepted or not. Each individual Director has the following mandate:

- To duly inform themselves of the Lakeland business models, code of ethics and Shareholders Agreement.
- Each Director has a fiduciary duty to act with due care and with a view to the best interests of the shareholders and the company.
- To bring independent opinions based on their unique education and experience to all issues and discussion.
- To declare all conflicts of interest and to include the corporate Code of Conduct into all decision making dialogue and subsequent action orders.

Once the Director is elected by the shareholders he / she joins the Board of Directors which is given the following responsibilities and functions.

MAJOR RESPONSIBILITIES AND FUNCTIONS

(taken from Canadian Council of Chief Executives – September 2002)
In carrying out its mandate the Board shall deal with but not be limited to:

- Choosing the chief executive officer, approving other key executive appointments and ensuring a succession plan.
- Ensuring that processes are in place for the recruitment, training and development of executives who exhibit the highest standards of integrity as well as competence.
- Overseeing management in the competent and ethical operation of the corporation;

- Monitoring and assessing the performance of the chief executive officer and setting compensation accordingly, and ensuring that an appropriate portion; of compensation is tied to both the short and longer term performance of the corporation;
- Advising management on significant issues;
- Overseeing the strategic planning process;
- Reviewing and approving significant corporate actions;
- Ensuring that systems are in place to monitor the principal risks of the business;
- Ensuring a formal process for selecting and reviewing the performance of directors and to create a skills matrix to assist with Director recruitment;
- Managing potential conflicts of interest;
- Selecting independent auditors and ensuring integrity and clarity of financial reporting;
- Monitoring the effectiveness of governance practices; and
- Overseeing the process of disclosure to shareholders and to the public.
- Ensure that the majority of Directors and all chairs are independent of management.
- Provide adequate orientation and continuing education for Directors
- Periodically review Director's compensation.

The Shareholder Agreement stipulates that the duties of the Board of Directors include but not be limited to:

1. Management of the business and affairs of Holdco;
2. The establishment of appropriate reserves and a dividend policy consistent with sound financial principals, all with the intention of providing the shareholders with a reasonable rate of return on their investment while maintaining reasonable rates for customers; and
3. Declaration of any dividend or distribution of capital in respect of the Shares.
4. The shareholders agreement is also indicated The Board consider the implementation of the following committees - Executive, Finance and Human Resources and Nominating.
5. The Directors are required to adhere to and operate under the articles set out in The Shareholders Agreement.

OPERATION OF THE BOARD OF DIRECTORS

Reporting

The Board of Directors shall report to the Shareholders.

Appointment and Composition of the Board of Directors

Members of the Board shall be determined by the requirements identified in a skills matrix developed by the Nominating Committee and as described in the Shareholder Agreement Section 3.2c and d.

Vacancies

Where a vacancy occurs at any time in the in the membership of the Board, it will be filled by recommendations from the Board and election by the shareholders as described in Section 3.2g of the Shareholder Agreement.

Chairman

The Board will elect an independent director as Chairman of the Board. Traditionally this person is the sitting Vice Chair of the Board.

Secretary

The Board will choose a member to act as Secretary. The Secretary shall keep minutes of the meetings of the Board.

Board Meetings

Board meetings shall be held in accordance with the Shareholder Agreement Section 3.2i or as issues arise that require special attention by the Board.

Notice of Meeting

Notice of the time and place of every meeting may be given orally, in writing, by facsimile, or by e-mail to each member of the Board at least 5 days prior to the time fixed for the meeting. The notice must be accompanied by an agenda and supporting documentation to allow each Director to fully inform themselves of the issues to be discussed.

A Director may in any manner waive notice of the meeting.

Quorum

A majority of Board members present in person, by video-conference, by telephone or by a combination thereof, shall constitute a quorum. Quorum is described in Section 3.2h of the Shareholder Agreement.

Minutes

Minutes of Board meetings shall be taken by the Secretary, distributed to the Board members prior to and presented for motion of acceptance at the next scheduled Board meeting.

Engaging Outside Resources

The Board is empowered to engage outside resources, as it deems advisable, at the expense of the Corporation with approval of the Board.

LAKELAND HOLDING LTD.

Corporate Governance

CEO Mandate and Responsibilities

MANDATE

The Chief Executive Officer (CEO) is appointed by the Lakeland Holding Ltd Board of Directors by way of a transparent competitive hiring process and has the following mandate:

- “ to run the company well, in a manner that builds value for the shareholders who have entrusted the CEO with their confidence”
- Develop and implement high level strategies, make major corporate decisions, manage the overall operations and resources and act as the main point of contact between the board of directors and the corporate operations.
- The CEO is to be accountable for his / her performance, champion a high standard of ethical conduct by all employees, and ensure that the values of the corporation are reflected in the way the enterprise interacts with the broader community.

MAJOR RESPONSIBILITIES AND FUNCTIONS

In carrying out his/ her mandate the CEO shall:

- Develop and maintain a process to collect, assemble and generate information to prepare accurate periodic financial statements.
- Ensure skilled staff is installed in every position within the company and that they are properly trained and fairly compensated. To also develop a clear succession plan for all key positions within the corporation.
- Generate policies and operational activity that foster good working conditions to reduce employee turnover.
- Prepare strategic plans looking out one and five years, including risk assessment, opportunities, resource implications and financial statements. To develop growth strategies for all subsidiaries.
- Engage in industry Associations and advisory groups in order to have an eye on the business environment.
- Develop and maintain contacts with other industry leaders to maintain knowledge of current events.
- Be fully engaged with the market to be able to take advantage of business opportunities as they present themselves.

- Leadership in Ethical Conduct - Establish and update a meaningful Code of Ethics and ensure it is actively used within the corporation.
- Personal Certification of Corporate Reports - Ensure that the operation of the enterprise complies with all federal, provincial and municipal laws and by-laws and be prepared to sign a confirmation letter to that effect.
- Ensure there is a potent health and safety culture inculcated into every employee at all levels within the corporation.
- To manage and maintain the resources of the corporation to maximize efficiency and return.

LAKELAND HOLDING LTD.
Corporate Governance

Code Of Ethics

POLICY

It is the policy of Lakeland Holding Ltd. to conduct its business affairs in compliance with all applicable laws, statutes, rules and regulations and expects Employees acting on its behalf to do likewise. In addition, business dealings among Employees with customers, suppliers, governmental and regulatory authorities, communities and shareholders (“Stakeholders”) must be based on principles of honesty, integrity and the ethical standards outlined below.

PROCEDURE

This Code of Ethics and Business Conduct (sometimes referred to heron as the “Code”) applies to all directors, officers and employees (collectively “Employees”) of Lakeland Holding Ltd. and its subsidiaries (“Lakeland” or the “Company”) in all locations where Lakeland does its business. The principles outlined in this document are intended to:

- establish a minimum standard of conduct by which all Employees are expected to abide,
- protect the business interests of Lakeland, its Employees and customers,
- maintain Lakeland’s reputation for integrity, and
- ensure that Lakeland, through its Employees, complies with applicable legal and regulatory obligations.

The principles in the Code are the individual and collective responsibility of all Employees.

The principles in the Code are extremely important because they establish a minimum standard of conduct for all Employees at all levels and ensure a consistent and high standard of ethical conduct no matter where a customer, supplier or other person or entity may have contact with Lakeland. Employees must familiarize themselves with and carefully follow these principles in their daily activities. All Employees must act, and must also be seen by Stakeholders to be acting, in accordance with these principles. Employees are also responsible for managing risk effectively and preventing losses.

The Code is not meant to be a complete listing of business conduct and ethics covering every eventuality. Consequently, should an Employee be confronted with a situation where further guidance is required, the matter should be discussed with their immediate supervisor or senior management.

The Code is an addition to and does not detract from any other agreements, manuals, guidelines and policies that may also be applicable to Employees and which may deal with items also dealt with in the Code.

I. REPORTING VIOLATIONS OF THE CODE

Employees have a duty to report situations of non-compliance with respect to this Code of which they become aware including any violation of the laws, rules, regulations or policies that apply to the Company, to their immediate supervisor, the CEO, or to the Chairman of the Audit Committee of the Board of Directors of Lakeland (the "Board") by mail, telephone or e-mail. Aside from instances of non-compliance, Employees may also report concerns relating to business conduct and ethics in the same manner. All reports of known or suspected violations of the law or this Code will be handled sensitively and with discretion. Your supervisor, the CEO and the Company will protect your confidentiality to the extent possible, consistent with the law and the Company's need to investigate your concern. A failure to comply with the Code will result in disciplinary actions up to and including termination. All violations will be reported to the CEO.

II. POLICY AGAINST RETALIATION

Retaliation in any form against an individual who, in good faith, seeks help or reports known or suspected violations of this Code or of the law, even if the report is mistaken, or who assists in the investigation of a reported violation, is itself a serious violation of this Code. Acts of retaliation should be reported immediately and will be disciplined appropriately, including potential termination of employment. Lakeland does not tolerate retaliation on any form against Employees who honestly and accurately report a concern. At the same time, it is serious and unacceptable to make false allegations.

III. INTEGRITY OF RECORDS AND SOUND ACCOUNTING PRACTICES

Lakeland takes very seriously the accuracy of its financial records and financial statements. All Company records are to be prepared with care and honesty and in compliance with Lakeland's accounting and internal control procedures, record keeping policy and with Canadian generally accepted accounting principles and all standards, laws and regulations for accounting and financial reporting of transactions, estimates and forecasts.

All Employees involved in preparing or providing information for inclusion in any reports or documents which Lakeland is required to file with any governmental or regulatory agency or any public communications are responsible for ensuring that (i) information provided is complete, accurate and current, and (ii) reports and documents are prepared in a timely manner. If an Employee becomes aware of a materially inaccurate or misleading statement in a public communication, the Employee must report it immediately to the Chief Executive Officer of Lakeland or the chairman of the Audit Committee of the Board. Making false or misleading statements to external auditors can be a criminal act that can result in severe penalties. No Employee may directly or indirectly take any action to fraudulently influence, coerce, manipulate or mislead Lakeland's independent public auditors for the purpose of rendering Lakeland's financial statements misleading.

IV. MAINTENANCE OF ASSETS

All Employees have a responsibility to protect Lakeland's assets against loss, theft, abuse and unauthorized use or disposal. Lakeland's assets include all property whether tangible, intangible or electronic in form, which includes the Company's products, equipment, vehicles, computers, and software and telephone systems. All Lakeland's assets must only be used for legitimate business purposes.

Employees should report any suspected incident of fraud or theft to their immediate supervisor for investigation. Company assets should not be used for non-Company business, though incidental personal use is permitted, provided that such use is not in violation of applicable law or in advancement of any illegal purpose, personal or financial gain. There should be no expectation of personal privacy in respect of the use of any of the Company's assets.

V. CONFIDENTIALITY

Employees must preserve and protect the confidentiality of information entrusted to them by the Company, Stakeholders and third parties, except when disclosing information is approved or legally mandated. Confidential information encompasses proprietary information which is not in the public domain that could be of use to investors or competitors, or that could harm the Company, its employees, its customers or suppliers if disclosed. Employees must be aware that the responsibility to protect confidential information continues outside the workplace. Employees should not discuss confidential information in public places, such as elevators, public transportation or restaurants.

Employees must also not use or disclose to the Company any proprietary information or trade secrets of any former employer or other person or entity with whom obligations of confidentiality exist.

VI. CONFLICT OF INTEREST

The Company requires that each Employee disclose any situations that reasonably would be expected to give rise to a conflict of interest. If you suspect that you have a conflict of interest, or something that others could reasonably perceive as a conflict of interest, you must report it to your supervisor, the CEO, or Chairman of the Finance Committee who will work with you to determine where you have a conflict of interest and, if so, how best to address it. Employees must take care to ensure that they identify and avoid any situation of actual or apparent conflict of interest, whether the situation involves the Employee directly or a member of the Employee's immediate family.

A "conflict of interest" occurs when an Employee's personal interests interfere, or appear to interfere, in any way with the interests of the Company. Business decisions and actions must be made in the best interests of the Company and should not be influenced by personal considerations or relationships. A conflict situation can arise when an Employee of Lakeland takes actions or has interest that may make it difficult to perform his or her Company work objectively and effectively. Conflicts of interests may also arise when an Employee, or members of his or her family, receives improper gifts, entertainment or personal benefits as a result of his or her position in the Company. Improper gifts, entertainment or personal benefits of greater than nominal value or that are material to the Employee. One item on its own may not be material but a series from the same person or company may be material and therefore, improper.

Giving gifts and entertainment to customers, suppliers and other business associates is also prohibited by Lakeland when the gifts or entertainment are of greater than nominal value or are intended to bribe or influence the recipient, or when the law prohibits them. An employee may not give or receive a gift, benefit or entertainment when they know that doing so will violate the business practices of the other party.

It is almost always a conflict of interest for an Employee to be a director of, obtain loans or guarantees of personal obligations from, work simultaneously for, provide services to or have a personal or family financial interest (ownership or otherwise) in a competitor, customer or supplier. Employees are not permitted to work for a consultant or Board member. The best policy is for Employees to avoid any direct or indirect business contact with Lakeland's customers, suppliers or competitors, except on behalf of Lakeland. This guideline does not prohibit arms-length transactions with banks, brokerage firms or other financial institutions.

No Employee should serve on a board of directors or trustees or on a committee of any entity (whether for profit or not) whose interests reasonably would be expected to conflict with those of Lakeland's.

Conflicts of interest are prohibited as a matter of Company policy, unless waived by the Board.

VII. COMPETITION AND FAIR DEALING

Lakeland seeks to outperform its competition fairly and honestly and to obtain competitive advantages through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was wrongfully obtained, or inducing such disclosures by past or present employees of other companies, is prohibited. Each Employee should respect the rights of and deal fairly with Lakeland's customers, suppliers, competitors and other Employees. No Employee should take improper advantage of anyone through manipulation, concealment, abuse of proprietary information, misrepresentation of material facts, or any other intentional improper-dealing practice.

VIII. CORPORATE OPPORTUNITIES

Employees owe a duty to Lakeland to advance its legitimate interests when the opportunity to do so arises. Employees are prohibited from taking for themselves personal opportunities that properly belong to Lakeland or that are discovered through the use of Lakeland property, information or position. Employees must not use corporate property, information or position for personal gain or to compete with Lakeland.

IX. LAWS, STATUTES AND REGULATIONS

It is the policy of Lakeland to comply, not merely with the letter, but also with the spirit of the law. Violation of the law can affect Lakeland's reputation and ability to carry on business. Each employee is responsible for knowing and understanding the laws, rules and regulations applicable to the performance of his or her duties at Lakeland and complying with both the letter and spirit of these laws, rules and regulations. Ignorance of the law is not a valid defense if the law has been contravened. Employees must not knowingly or actively assist in activity that is criminal in the jurisdictions in which Lakeland Holding conducts business. Employees who encounter situations where the requirements of the Code appear to conflict with local requirements must advise their supervisor.

X. WAIVERS AND INTERPRETATION OF THE CODE

Any waiver of this Code may be only by the Board of Directors of Lakeland Holding Ltd. and will be promptly disclosed as required by law or regulation. The Board has the exclusive responsibility for the final interpretation of this Code. This Code may be revised, changed or amended at any time by the Board.

XI. RELATIONSHIP TO OTHER POLICIES

If you are an Employee of Lakeland, all Company policies apply to you. If you are a director, the guidelines of the Board of Directors will guide you procedurally in your position as a director.

XII. COMPLIANCE PROCEDURES

All employees have a responsibility to understand and follow this Code of Ethics and Business Conduct. In addition, all Employees are expected to perform their work with honesty and integrity in any areas not specifically addressed by the Code. A violation of this Code may result in appropriate disciplinary action including the possible termination from employment with the Company, without additional warning. This determination will be based upon the facts and circumstances of each particular situation. An Employee accused of violating this Code will be given an opportunity to present his or her version of the events at issue prior to any determination of appropriate discipline. Employees who violate the law or this Code may expose themselves to substantial civil damages, criminal fines and prison terms. The Company may also face substantial fines and penalties and may incur damage to its reputation and standing in the community. Your conduct as a representative of the Company, if it does not comply with the law or with this Code, can result in serious consequences for both you and the Company. The Company may be required to report certain types of breaches of the Code to regulatory authorities in which case the Employee may be subject to criminal or civil penalties. Nothing in this Code prohibits or restricts the Company from taking any disciplinary action on any matters pertaining to employee conduct, whether or not they are expressly discussed in this Code.

Failure to read the Code does not exempt an Employee from his or her responsibility to comply with the Code, applicable laws, rules, regulations, and all Lakeland policies and guidelines.

Questions concerning this Code should be referred to an Employee's immediate supervisor, the CEO, or Chairman of the Finance Committee. In the case of directors, questions should be directed to the Chairman of the Board.

Approved, by the Board, the 22nd day of May, 2007.

____________________	____________________
Chair of Board	CEO

Appendix C Financial Statements 2012 / 2013 - LPDL

Financial Statements

Lakeland Power Distribution Ltd.

December 31, 2013

Contents

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
Suite 300
6 West Street N
Orillia, ON
L3V 5B8

T (705) 326-7605
F (705) 326-0837
www.GrantThornton.ca

To the Directors of Lakeland Power Distribution Ltd.:

We have audited the accompanying financial statements of Lakeland Power Distribution Ltd., which comprise the balance sheet as at December 31, 2013, and the statement of earnings and retained earnings and cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lakeland Power Distribution Ltd. as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Orillia, Canada
April 29, 2014

Chartered Accountants
Licensed Public Accountants

Lakeland Power Distribution Ltd.
Statements of Earnings and Retained Earnings

Year Ended December 31		**2013**		2012
Power Revenue	**$**	**27,875,834**	$	25,888,572
Power Purchased		**22,539,317**		20,179,772
		5,336,517		5,708,800
Other revenues				
Investment income		**22,040**		36,573
Gain on disposal of property and equipment		**-**		13,600
Other revenues		**408,659**		315,991
		5,767,216		6,074,964
Expenses				
Administration and general		**1,624,935**		1,422,977
Amortization (Note 11)		**870,933**		1,331,242
Billing and collecting		**704,190**		719,848
Operations and maintenance		**1,116,751**		1,039,609
Interest		**163,641**		315,196
Taxes other than income taxes		**36,687**		11,587
		4,517,137		4,840,459
Earnings before payments in lieu of income taxes		**1,250,079**		1,234,505
Payments in lieu of income taxes (Note 7)				
Current-Payments In Lieu of income taxes (PILs)		**47,513**		269,476
Future-Payments In Lieu of income taxes (PILs)		**58,150**		(31,000)
		105,663		238,476
Net earnings	**$**	**1,144,416**	$	996,029

Retained earnings, beginning of year	**$**	**4,323,425**	$	3,327,396
Net earnings		**1,144,416**		996,029
Retained earnings, end of year	**$**	**5,467,841**	$	4,323,425

See accompanying notes to the financial statements.

Lakeland Power Distribution Ltd.
Balance Sheet

December 31		2013		2012
Assets				
Current				
Receivables	**$**	**3,162,558**	$	2,817,846
Intercompany receivables (Note 12)		**93,800**		183,216
Unbilled revenue		**3,047,521**		2,384,301
Inventory		**223,908**		213,401
Prepaids		**184,323**		163,700
Payments in lieu of income taxes (PILs) recoverable		**191,462**		-
		6,903,572		5,762,464
Property and equipment (Note 4)		**16,714,039**		15,953,440
Intangible assets (Note 5)		**669,369**		704,736
Regulatory assets (Note 6)		**1,119,010**		1,258,457
Future income tax assets (Note 7)		**940,450**		998,600
	$	**26,346,440**	$	24,677,697

Liabilities				
Current				
Bank indebtedness (Note 8)	**$**	**2,514,361**	$	2,956,791
Payables and accruals		**4,589,911**		3,882,600
Intercompany payables (Note 12)		**869,284**		503,270
Payments in lieu of income taxes (PILs) payable		**-**		83,027
		7,973,556		7,425,688
Long-term debt (Note 9)		**3,487,500**		3,487,500
Customer deposits		**167,656**		191,197
Other non-current liabilities		**23,100**		23,100
		11,651,812		11,127,485
Shareholder's equity				
Share capital (Note 10)		**9,226,787**		9,226,787
Retained earnings		**5,467,841**		4,323,425
		14,694,628		13,550,212
	$	**26,346,440**	$	24,677,697

On behalf of the Board

____________________________ Director   ____________________________ Director

See accompanying notes to the financial statements

Lakeland Power Distribution Ltd.
Consolidated Statement of Cash Flows

Year Ended December 31		2013		2012
Increase (decrease) in cash and cash equivalents				
Operating activities				
Net earnings	**$**	**1,144,416**	$	996,029
Amortization (Note 11)		**967,594**		1,415,487
Future recovery of payments in lieu of income taxes (Note 7)		**58,150**		(31,000)
Gain on disposal of property and equipment		**-**		(13,600)
		2,170,160		2,366,916
Change in non-cash working capital				
Receivables		**(255,296)**		(233,089)
Unbilled revenue		**(663,220)**		(122,144)
Inventory		**(10,507)**		(29,201)
Prepaids		**(20,623)**		9,937
Payables and accruals		**1,073,325**		(1,827,055)
Payments in lieu of income taxes (PILs) recoverable		**(274,489)**		115,642
		2,019,350		281,006
Customer deposits		**(23,541)**		(14,612)
Regulatory assets and liabilities		**139,447**		1,196,227
		2,135,256		1,462,621
Investing activities				
Proceeds from sale of property and equipment		**-**		24,136
Purchase of property and equipment		**(1,806,718)**		(3,990,446)
Contributions received in aid of construction		**156,275**		1,120,478
Acquisition of intangible assets		**(42,383)**		(235,221)
		(1,692,826)		(3,081,053)
Increase (decrease) in cash and cash equivalents		**442,430**		(1,618,432)
Cash and cash equivalents, beginning of year		**(2,956,791)**		(1,338,359)
Cash and cash equivalents, end of year	**$**	**(2,514,361)**	$	(2,956,791)

See accompanying notes to the financial statements.

1. Nature of operations

The Company is incorporated under the laws of Ontario and operates as a local distribution company distributing hydro electric power to users in Bracebridge, Huntsville, Sundridge, Burk's Falls and Magnetawan, Ontario. The Company distributes electricity under license from the Ontario Energy Board (OEB).

2. Summary of significant accounting policies

a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and bank indebtedness.

b) Inventory

Inventory consists of repair parts, supplies and materials and is stated at the lower of average cost and net realizable value. Costs include all direct costs plus any related shipping and freight costs. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. The Company classifies rebates received from vendors as a reduction to the cost of inventory. Amount of inventory expensed during the year was $ 50,425 (2012- $43,845)

c) Property and equipment

Property and equipment are recorded at cost less accumulated amortization, which includes internal labour and allocated overhead. Amortization is provided on the straight line basis over the estimated useful life of the assets as follows:

<u>Distribution plant</u>	
Buildings and fixtures	50 years
Conductors and devices	60 years
Distribution station equipment	40 years
Line transformers	40 years
Meters	15 years
New services distribution	45 years
Poles, towers and fixtures	45 years
Underground conduits	40 to 45 years
<u>General plant</u>	
Building and fixtures	50 years
Communication equipment	5-10 years
Computer hardware	5 years
Office furniture and equipment	10 years

2. Summary of significant accounting policies (continued)

c) Property and equipment (continued)

General plant (continued)

Stores equipment	10 years
Tools and garage equipment	10 years
Transportation equipment	5 & 8 years

d) Contributions in aid of construction

Certain property and equipment may be acquired or constructed with financial assistance in the form of non-refundable contributions from customers. These contributions are netted against property and equipment and amortized on the same basis as the property and equipment to which they relate.

e) Impairment of long-lived assets

The Company tests for impairment loss of long-lived assets whenever events or changes in circumstances occur, which may cause their carrying value to exceed the total undiscounted cash flows expected from their use and eventual disposition. An impairment loss, if any, is determined as the excess of the carrying value of the asset over its fair value. No impairments have been recognized to date.

f) Property and equipment retirement obligations

Canadian generally accepted accounting principles require the Company to determine the fair value of the future expenditures required to settle legal obligations to remove property and equipment on retirement. If reasonably estimable, a liability is recognized equal to the present value of the estimated future removal expenditures. An equivalent amount is capitalized as an inherent cost of the associated property and equipment.

Some of the Company's assets may have asset retirement obligations. As the Company expects to use the majority of its property and equipment for an indefinite period, no removal date can be determined and, consequently, a reasonable estimate of the fair value of any asset retirement obligations has not been made at this time.

2. Summary of significant accounting policies (continued)

g) Intangible assets

Intangible assets consists of land rights and computer software, which are recorded at cost less accumulated amortization and are amortized over the useful life of the asset. Computer software is amortized on a straight line basis over 5 years and land rights have an indefinite life. Land rights are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of the intangible asset with its carrying amount and no impairment has been recorded to date.

h) Regulatory assets and liabilities

The rates of the Company's electricity transmission and distribution businesses are subject to regulation by the Ontario Energy Board (OEB). The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. Such change in timing gives rise to the recognition of regulatory assets and liabilities that management believes will be settled in future rates to customers.

Specific regulatory assets are described below and disclosed in Note 6.

Smart meters/Stranded meters

This amount consists of the net balance of capital and operating expenditures for smart meters, less recoveries received from the rate adder charged to customers. In 2012 this amount was transferred to property and equipment with the approval of recovery as per OEB guidelines.

The net book value of stranded meters related to the deployment of smart meters was transferred to regulatory assets from property and equipment.

Retail settlement variance accounts

These accounts reflect the difference between the cost of electricity and the amounts billed to consumers that have not yet been approved for recovery.

Renewable generation

These assets relate to the Green Energy Act with the distributor being responsible for the cost of expansion up to the value of the generators renewable energy expansion cost of $90,000 per MW generation capacity. These amounts have not yet been submitted for recovery.

Regulatory assets approved for recovery

These assets have been approved for recovery by the OEB and are currently included in rates being charged to the customers.

2. Summary of significant accounting policies (continued)

i) Income taxes

Under the Electricity Act, 1998, the Company is required to make payments in lieu of income taxes (PILs) to Ontario Electricity Financial Corporation (OEFC). These payments are calculated in accordance with rules contained in the Income Tax Act, as modified by the electricity Act, 1998, and related regulations.

The Company follows the asset and liability method of accounting for payments in lieu of income taxes (PILs). Under this method, current PILs are recognized for the estimated PILs payable (receivable) for the current year. Future PILs assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. Future PILs are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled.

j) Revenue recognition

Power revenue is recognized, as power is transmitted and delivered to customers. Revenue is recognized on the accrual basis, which includes an estimate of electricity consumed by customers in the year, but billed subsequent to year end. This revenue is recorded as unbilled revenue.

Utility service revenue on customer owned property is recognized under the completed contract method, whereby contract revenue billed and the related contract expenses are deferred until substantial completion of the contract. If losses are anticipated on contracts prior to substantial completion, full provision is made for such losses

Gain/Loss on disposal of property and equipment is recognized when property and equipment is sold for proceeds that differ from the asset's corresponding net book value.

Investment, late payment and other income are recognized as revenue when they are earned. Carrying charges on Regulatory Assets, at prescribed interest rates by the Ontario Energy Board, are also included in investment income.

2. Summary of significant accounting policies (continued)

k) Pension plan

The Company is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The OMERS Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Company has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The Company recognizes the expense related to this plan as contributions are made. The required contributions made by the Company to OMERS was $113,461(2012 - $99,689).

l) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Company may undertake in the future. Significant accounting estimates include allowance for doubtful accounts, unbilled revenue, inventory obsolescence, estimated useful lives of property and equipment and remaining recovery (settlement) period for regulated assets (liabilities). Actual results could differ from those estimates.

m) Financial instruments

i) Financial instrument categories

The Company classifies its financial instruments into one of the following categories, based on the purpose for which the asset was acquired. The fair value of these financial instruments approximates their carrying values, unless otherwise noted. The Company's accounting policy for each category is as follows:

Assets or liabilities held-for-trading
Cash and cash equivalents have been classified as "held-for-trading". They are reported at fair value at each balance sheet date, and any change in fair value is recognized in net income in the period during which the change occurs. Transaction costs are expensed when incurred.

Loans and receivables
Receivables, unbilled revenue and intercompany receivables are classified under "loans and receivables". They are recorded at cost, which, upon their initial measurement, is equal to their fair value. Subsequent measurements of receivables are recorded at amortized cost which usually corresponds to the amount initially recorded less any allowance for doubtful accounts.

2. Summary of significant accounting policies (continued)

m) Financial instruments (continued)

Other financial liabilities

Bank indebtedness, payables and accruals, intercompany payables and long term debt are classified as "other financial liabilities". They are initially measured at fair value and the gains and losses resulting from their subsequent measurement at amortized cost, at the end of each period, are recognized in net income.

3. New accounting pronouncements

International financial reporting standards (IFRS)

In 2008, the Canadian Accounting Standards Board (AcSB) confirmed that the adoption of IFRS would be effective for interim and annual periods beginning on or after January 1, 2012 for Canadian publicly accountable profit-oriented enterprises. In February 2013, the AcSB decided to permit rate regulated entities to defer their IFRS implementation date to January 1, 2015. IFRS will replace Canada's current Generally Accepted Accounting Principles (GAAP) for these enterprises upon adoption. Comparative IFRS information for the previous fiscal year will also have to be reported. As such, the Company will apply IFRS to its financial statements ending December 31, 2014.

The Company is currently in the process of evaluating the potential impact of IFRS on the future financial statements. This will be an ongoing process. The financial statements as disclosed under current GAAP are expected to be slightly different when presented in accordance with IFRS.

4. Property and equipment

	2013		2012	
	Asset Cost	**Accumulated Amortization**	Asset Cost	Accumulated Amortization
Distribution Plant				
Buildings and fixtures	**$ 1,841,808**	**$ 309,911**	$ 1,838,810	$ 242,965
Conductors and devices	**6,375,609**	**1,833,936**	5,939,399	1,691,219
Distribution station equipment	**3,355,291**	**1,028,611**	3,268,437	958,600
Line transformers	**7,011,978**	**2,553,355**	6,717,845	2,402,830
Meters	**1,950,401**	**466,559**	1,905,681	340,334
New services distribution	**782,925**	**149,884**	702,569	134,757
Poles, towers and fixtures	**6,492,955**	**3,114,057**	6,184,783	2,986,297
Underground conduits	**3,431,898**	**1,622,345**	3,345,311	1,554,217
	31,242,865	**11,078,658**	29,902,835	10,311,219

4. Property and equipment (continued)

General Plant				
Land	**278,455**	**-**	278,455	-
Buildings and fixtures	**179,606**	**70,483**	179,606	60,817
Communication equipment	**775,982**	**449,463**	599,304	346,283
Computer hardware	**427,220**	**395,617**	418,859	376,386
Office furniture and equipment	**232,043**	**154,554**	232,043	140,358
Store equipment	**10,960**	**10,216**	10,960	9,396
Tools and garage equipment	**261,628**	**200,804**	261,628	188,134
Transportation equipment	**1,491,912**	**879,985**	1,210,262	783,322
	3,657,806	**2,161,122**	3,191,117	1,904,696
	34,900,671	**13,239,780**	33,093,952	12,215,915
Less contributions in aid of construction	**6,273,991**	**1,327,139**	6,117,716	1,193,119
	$ 28,626,680	**$ 11,912,641**	$ 26,976,236	$ 11,022,796
		$ 16,714,039		$ 15,953,440

5. Intangible assets

	2013		2012	
	Asset Cost	**Accumulated Amortization**	Asset Cost	Accumulated Amortization
Land rights	**$ 520,036**	**$ 15,148**	$ 516,004	$ 15,147
Computer software	**542,282**	**377,801**	503,929	300,050
	$ 1,062,318	**$ 392,949**	$ 1,019,933	$ 315,197
		$ 669,369		$ 704,736

6. Regulatory assets and liabilities

	2013	2012
Regulatory assets		
Smart meters/stranded meters	**$ 318,614**	$ 446,409
Other	**20,116**	34,281
Renewable generation	**241,867**	243,380
Retail settlement variances	**225,592**	419,137
Regulatory assets approved for recovery	**312,821**	115,250
	$ 1,119,010	$ 1,258,457

7. Future income tax assets

Future income tax assets, which arise from differences between the carrying amounts and tax bases of the Company's assets, are as follows:

		2013		2012
Future income tax assets				
Difference of tax basis of property and equipment and intangibles from the carrying value	**$**	**940,450**	$	998,600
Payments in lieu of income taxes:				
Current payments in lieu of income taxes	**$**	**47,513**	$	269,476
Future recovery of payments in lieu of income taxes		**58,150**		(31,000)
	$	**105,663**	$	238,476

8. Bank indebtedness

The revolving facility available to the Company is with TD Bank to assist with working capital requirements. Funds available on the facility are up to $4,000,000 and interest is at the bank's prime lending rate.

Security for the revolving facility is provided by a General Security Agreement with the TD bank, a floating and fixed charge over all assets and evidence of adequate liability insurance.

The agreement covering the above facility contains certain restrictions regarding service coverage ratio and debt capitalization tests, which have been met.

9. Long-term debt

		2013		2012
TD Bank term loan, payments of interest only only, payable monthly at 2.94% due March 2018	**$**	**1,162,500**	$	1,162,500
TD bank term loan, payments of interest only, payable monthly at 2.9268%, due October 2017		**2,325,000**		2,325,000
	$	**3,487,500**	$	3,487,500

Security for chartered bank term loans is provided by a General Security Agreement with the TD Bank, conveying a first floating and fixed charge over all assets and evidence of adequate liability insurance.

The agreement covering the above facility contains certain restrictions regarding service coverage ratio and debt capitalization tests, which have been met.

10. Share capital

			2013		2012
Authorized					
Unlimited	Common shares				
Issued					
7,428	Common shares	**$**	**9,226,787**	$	9,226,787

11. Amortization of property and equipment

The amortization of property and equipment for the year was $967,594 (2012 - $1,415,487). The line item *Amortization* on the statement of earnings reflects $870,933 (2012 - $1,331,242) because the transportation and communication equipment amortization of $96,661 (2012 - $84,245) has been allocated to operating lines where the equipment was used. $33,393 (2012 - $29,401) was capitalized in property in equipment and $63,268 (2012 - $54,844) was expensed.

12. Related party transactions

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties) which approximates the arm's length equivalent value. Bracebridge Generation Ltd. (BGL), Lakeland Energy Ltd. (LEL) and Lakeland Power Distribution Ltd. (LPDL) are all wholly-owned subsidiaries of Lakeland Holding Ltd. (LHL) and are therefore, related by common control.

The following table summarizes the Company's related party transactions for the year:

		2013		2012
Lakeland Energy Ltd.				
Other operating revenue received	**$**	**8,614**	$	13,102
Information technology expenses, in adminstration and general		**247,833**		226,007
Pole rental revenue		**13,410**		12,024
Communication expenses, in adminstration and general		**13,860**		13,860
Other operating and maintenance		**56,414**		36,819
Building rent revenue		**31,500**		31,500
Cash proceeds on disposal of property and equipment		**-**		20,536

12. Related party transactions (continued)

		2013		2012
Bracebridge Generation Ltd				
Other operating revenue	**$**	**48,952**	$	28,901
Hydro Sales		**29,954**		34,685
Power purchased		**6,204,693**		2,537,426
Other operating and maintenance expenses		**280**		1,200
Building rent revenue		**16,500**		16,500
Lakeland Holding Limited				
Management fees paid, in adminstration and general	**$**	**748,958**	$	678,135
Shareholders of Lakeland Holding Ltd, the parent company				
Purchases				
Town of Bracebridge	**$**	**30,090**	$	7,240
Town of Huntsville		**5,828**		4,517
Sales				
Town of Bracebridge	**$**	**890,784**	$	890,318
Town of Huntsville		**424,972**		393,191
Village of Burk's Falls		**160,872**		138,669
Village of Sundridge		**102,213**		105,150
Municipality of Magnetawan		**38,200**		33,819

At the end of the year, amounts due from/to related parties are as follows and are included in receivables and payables and accruals:

		2013		2012
Accounts receivable from BGL	**$**	**45,079**	$	9,005
Accounts receivable from LEL		**14,485**		11,605
Accounts receivable from LHL		**34,236**		162,606
	$	**93,800**	$	183,216
Account payable to BGL	**$**	**781,129**	$	414,569
Accounts payable to LEL		**13,664**		9,222
Accounts payable to LHL		**74,491**		79,479
	$	**869,284**	$	503,270

13. Statement of cash flows supplementary information

During the year, the Company paid (received) the following amounts in cash:

		2013		2012
Interest received	**$**	**590**	$	173
Interest paid	**$**	**146,049**	$	232,237
Payments in lieu of income taxes	**$**	**282,728**	$	186,449
Refunds received in lieu of income taxes	**$**	**(43,753)**	$	(32,615)

14. Risk arising from financial instruments

Credit risk
The Company's cash is all held at The Toronto-Dominion Bank (TD Bank). The Company's credit risk associated with accounts receivable is related to payments from LDC customers. The Company collects security deposits from customers in accordance with directions provided by the Ontario Energy Board. Current customer deposits total $167,656 (2012 - $191,197). In addition, the Company holds credit risk insurance on all its commercial and industrial customers thereby minimizing its overall credit risk. The carrying amount of receivables is reduced through the use of an allowance for doubtful accounts and the amount of the related impairment loss is recognized in the statement of operations. Subsequent recoveries of receivables previously provisioned are credited to the statement of operations.

Interest rate risk
The long-term debt bears fixed interest rates. Consequently, the long-term interest rate risk exposure is minimal. The bank indebtedness bear interest at floating rates which gives rise to a risk that the Company's future income (loss) and cash flows may be adversely impacted by fluctuations in interest rates.

Liquidity risk
The Company manages its liquidity risk to ensure access to sufficient funds to meet operational needs. Liquidity risks are comprised of liabilities totaling $7,973,556 which are due within one year and long-term debt of $1,162,500 due by March 2018 and $2,325,000 due by October 2017.

15. Capital disclosures

The Company defines its capital to be its long-term debt, share capital and retained earnings. The Company's objectives when managing its capital are:

- To safeguard its ability to continue as a going concern which will allow it to continue to service its customers
- To provide adequate returns to its shareholder
- To ensure ongoing access to funding to maintain and improve the electricity distribution system
- To ensure compliance with covenants related to its credit facilities.

Annual budgets are developed along with three year business plans and actual results are reviewed on a regular basis to monitor the Company's capital and ensure it is maintained at an appropriate level. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company will adjust the amount of dividends paid to its shareholders. The Company's externally imposed capital requirements consist of banking covenants related to its long-term debt and bank indebtedness (Notes 8 and 9). One of the covenants limits the debt to 60% of the Company's total capitalization.

There have been no changes in the Company's capital management strategy in relation to the prior year.

Appendix D Financial Statements 2012 / 2013 - PSP

Financial Statements

Parry Sound Power Corporation

December 31, 2013

Contents

Independent Auditor's Report

Grant Thornton LLP
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To the Shareholder of Parry Sound Power Corporation:

We have audited the accompanying financial statements of Parry Sound Power Corporation, which comprise the balance sheet as at December 31, 2013, and the statement of earnings, retained earnings and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Parry Sound Power Corporation as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other matters

The financial statements of Parry Sound Power Corporation for the year ended December 31, 2012, were audited by another auditor who expressed an unmodified opinion on those statements.

Grant Thornton LLP

Orillia, Canada
April 2, 2014

Chartered Accountants
Licensed Public Accountants

Parry Sound Power Corporation
Statements of Earnings and Retained Earnings

Year Ended December 31		2013		2012
Energy revenue	$	**10,795,543**	$	9,948,214
Cost of power		**7,971,182**		7,597,953
Net distribution revenue		**2,824,361**		2,350,261
Other revenues (expenses)				
Regulatory asset interest		**(36,046)**		6,845
Pole rental		**71,024**		49,994
Service charges		**86,244**		50,459
Interest earned		**6,353**		2,495
		127,575		109,793
		2,951,936		2,460,054
Expenses				
Amortization		**573,632**		427,864
Billing and collecting		**598,373**		392,666
Community relations		**22,183**		24,670
Distribution maintenance and operations		**489,595**		424,815
General and administrative		**647,974**		537,614
Interest on long-term debt		**176,444**		176,444
		2,508,201		1,984,073
Earnings before payments in lieu of income taxes		**443,735**		475,981
Payments in lieu of income taxes (Note 13)		**63,990**		67,250
Net earnings	$	**379,745**	$	408,731

Retained earnings, beginning of year	$	**574,630**	$	165,899
Net earnings		**379,745**		408,731
Retained earnings, end of year	$	**954,375**	$	574,630

See accompanying notes to the financial statements.

Parry Sound Power Corporation
Balance Sheet

December 31		2013		2012
Assets				
Current				
Cash	**$**	**-**	$	276,559
Receivables		**2,421,176**		2,327,120
Inventory		**124,513**		85,068
Prepaids		**31,656**		38,764
		2,577,345		2,727,511
Future income tax assets (Note 13)		**208,000**		318,553
Long-term investments (Note 4)		**100**		100
Property, plant and equipment (Note 5)		**4,986,498**		3,992,115
Regulatory assets net of regulatory liabilities (Note 6)		**-**		493,027
Other assets (Note 7)		**48,495**		96,975
	$	**7,820,438**	$	7,628,281
Liabilities				
Current				
Bank indebtedness (Note 8)	**$**	**37,055**	$	-
Payables and accruals		**1,590,032**		1,798,587
Payments in lieu of income taxes (PILs)		**32,948**		81,251
Customer deposits		**48,090**		84,378
		1,708,125		1,964,216
Regulatory liabilities net of regulatory assets (Note 6)		**105,969**		-
Customer deposits		**94,349**		128,229
Due to Town of Parry Sound (Note 9)		**2,433,728**		2,433,728
Employee future benefits (Note 10)		**90,165**		93,751
		4,432,336		4,619,924
Shareholder's Equity				
Share capital (Note 12)		**2,433,727**		2,433,727
Retained earnings		**954,375**		574,630
		3,388,102		3,008,357
	$	**7,820,438**	$	7,628,281

On behalf of the Board

_______________________________ Director _______________________________ Director

See accompanying notes to the financial statements

Parry Sound Power Corporation
Statement of Cash Flows

Year Ended December 31		**2013**		2012
(Decrease) increase in cash and cash equivalents				
Operating activities				
Net earnings	**$**	**379,745**	$	408,731
Amortization of property, plant and equipment		**573,632**		427,864
Amortization of other assets		**48,480**		48,457
		1,001,857		885,052
Change in non-cash working capital				
Receivables		**(94,056)**		(158,193)
Inventory		**(39,445)**		4,172
Prepaid expenses		**7,108**		(14,717)
Accounts payable and accrued liabilities		**(208,555)**		302,698
Payments in lieu of corporate taxes payable		**(48,303)**		71,632
Future income taxes		**110,553**		3,102
Customer deposits		**(70,168)**		(21,635)
Employee future benefits		**(3,586)**		37,970
		(346,452)		225,029
		655,405		1,110,081
Investing activities				
Purchase of property and equipment		**(1,621,443)**		(452,656)
Contributions received in aid of construction		**53,428**		32,413
Net increase (decrease) in regulatory liabilities		**598,996**		(155,444)
		(969,019)		(575,687)
Financing activities				
Repayments of line of credit		**-**		(250,000)
		-		(250,000)
(Decrease) increase in cash and cash equivalents		**(313,614)**		284,394
Cash and cash equivalents, beginning of year		**276,559**		(7,835)
Cash and cash equivalents, end of year	**$**	**(37,055)**	$	276,559

Supplementary cash flow information (Note 14)

See accompanying notes to the financial statements.

1. Nature of operations

The Company was incorporated under the laws of the Province of Ontario on October 31, 2000 in accordance with the provincial government's Electricity Act, 1998. The Company is licensed by the Ontario Energy Board ("OEB") as an electricity distributor. The principal activity of the Company is to distribute electricity to the Town of Parry Sound. The rates of the Company's electricity distribution business are subject to regulation by the OEB.

2. Summary of significant accounting policies

Basis of Accounting

The financial statements are prepared by management in accordance with Canadian generally accepted accounting principles (GAAP) and accounting policies provided by its regulator, the Ontario Energy Board, as contained in the Accounting Procedures Handbook for Electric Distribution Utilities (AP Handbook), issued under the authority of the Ontario Energy Board Act, 1998.

Due to the regulatory framework, the timing of recognition of revenues and expenses and the measurement of certain assets and liabilities may differ from that otherwise expected under Canadian generally accepted accounting principles (GAAP) for non-rate regulated enterprises. Please refer to accounting policies for Regulation and Rate Setting, Regulatory Assets and Liabilities, Contributed Capital, Spare Transformers and Meters, and Payments in lieu of corporate income taxes.

The financial statements reflect the significant accounting policies summarized below.

Regulation and Rate Setting

The Company is required to follow regulations as set by the OEB. The OEB approves and sets rates for the transmission and distribution of electricity, ensures distribution companies fulfill their obligations to connect and service customers, and has the authority to provide rate protection for certain electricity customers.

The OEB sets rates on an annual basis with rates becoming effective on January 1st through December 31st. The regulation and monitoring of Ontario's Energy Sector is completed by the OEB through application of codes, rules and guidelines, the licensing of market participants, assisting firms with the management of regulatory requirements, monitoring and enforcing compliance and adjudication.

Regulatory Assets and Liabilities

The Company has adopted the CICA's Accounting Guideline 19 "Disclosures by Entities Subject to Rate Regulation". Based on OEB regulations, certain costs and variance account balances are recorded as regulatory assets or regulatory liabilities and are reflected in the balance sheet until the OEB determines the manner and timing of their disposition.

2. Summary of significant accounting policies (continued)

Regulatory assets represent future revenues associated with certain costs, incurred in current or prior period(s) that are expected to be recovered through the rate setting process.

Regulatory liabilities represent future reductions or limitations of revenue increases associated with amounts that are expected to be refunded to customers.

Regulatory assets and liabilities can arise from differences in amounts billed to customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by the Company in the wholesale market administered by the Independent Electricity System Operator "IESO" after May 1, 2002. These amounts have been accumulated pursuant to regulation underlying the Electricity Act and deferred in anticipation of their future recovery in electricity distribution service charges.

In the absence of regulation the regulatory assets and liabilities would be recognized in income in the period to which they relate.

Other Assets

Parry Sound Power Corporation must file a cost of service rate application with the OEB every four years. The costs incurred in this filing are written off over the four years of the OEB rate order. The last cost of service application occurred in 2011.

Inventory

Inventories consist primarily of small consumable materials mainly related to the maintenance of the electricity distribution infrastructure. The Company classifies all major construction related components of its electricity distribution system infrastructure to property, plant and equipment. Once capitalized, these items are not amortized until they are put into service. Inventories are carried at the lower of cost and net realizable value, with cost determined on an average cost basis.

Spare Transformers and Meters

Spare transformers and meters are held to back up plant in service and are expected to substitute for original distribution plant transformers and meters when these original plant assets are being repaired. Spare transformers and meters are recorded as inventory.

Customer Deposits

Customer deposits represent amounts collected from customers to guarantee the payment of energy bills. The customer deposits liability includes interest credited to customers' deposit accounts, with interest expense recorded to offset this amount.

2. Summary of significant accounting policies (continued)

Revenue Recognition

Revenue from the sale and distribution of electricity is recognized on the accrual basis. The revenue includes cycles billed during the year plus an estimate for unbilled revenue. The unbilled revenue is calculated using real time consumption from the last billing date to December 31, 2013. Actual results could differ from estimates made of electricity usage.

Other revenues, which include revenues from pole attachment, customer demand work, and other miscellaneous revenues are recognized at the time the service is provided.

Interest income is recorded on the accrual basis as earned.

Long-term Investments

The Company records its long-term investments using the cost method.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost less accumulated amortization. Costs may include material, labour, contracted services, engineering costs, and interest on funds used during construction when applicable. Also included in property, plant and equipment are the costs of capital assets constructed by developers or customers and contributed to the Company.

Upon disposal the cost and accumulated amortization related to the asset are removed and any gains or losses on disposal are credited or charged to other operating revenue on the statement of operations.

Property and equipment are amortized using the straight-line method over periods approximating their estimated useful lives as follows:

	Revised	Prior Year
Land rights	50 years	25 years
Distribution system	15 - 60 years	15 - 30 years
Transportation equipment	8 years	8 years
Office equipment and tools	10 years	10 years
Computer equip/software	5 years	3 - 5 years
Leasehold improvements	5 years	5 years

These useful lives are a change in accounting estimate based on the experience of assets currently in service and a third party evaluation of the condition of assets. The amortization was calculated using the net book value over the remaining revised useful life. The change has resulted in a decrease in amortization of $129,461 for the year compared to what it would have been at the old rates. The effect on future periods is not practical to estimate.

Construction in progress is included in property, plant and equipment and not amortized until the project is complete.

2. Summary of significant accounting policies (continued)

Contributions in aid of construction

Certain property and equipment may be acquired or constructed with financial assistance in the form of non-refundable contributions from customers. These contributions are netted against property and equipment and amortized on the same basis as the property and equipment to which they relate.

Pension Plan

The Company is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The OMERS Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Company has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The Company recognizes the expense related to this plan as contributions are made.

Post-employment Benefits

Employee future benefits other than pension provided by the Company include life insurance premiums paid by the Company and 50% of the cost of health and dental benefits until age 65.

Standards issued by The Canadian Institute of Chartered Accountants with respect to accounting for employee future benefits require the Company to accrue for its obligations under other employee benefit plans and related costs, net of plan assets.

The cost of post-employment benefits offered to retirees is determined using the projected method and based on assumptions that reflect management's best estimate.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management’s historical experience, best knowledge of current events and actions that the Company may undertake in the future. Significant accounting estimates include allowance for doubtful accounts, unbilled revenue, inventory obsolescence, estimated useful lives of property and equipment and remaining recovery (settlement) period for regulated assets (liabilities). Actual results could differ from those estimates.

2. Summary of significant accounting policies (continued)

Income Taxes

Under the Electricity Act, 1998, the Company is required to make payments in lieu of income taxes (PILs) to Ontario Electricity Financial Corporation (OEFC). These payments are calculated in accordance with rules contained in the Income Tax Act, as modified by the electricity Act, 1998, and related regulations.

The Company follows the asset and liability method of accounting for payments in lieu of income taxes (PILs). Under this method, current PILs are recognized for the estimated PILs payable (receivable) for the current year. Future PILs assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. Future PILs are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled.

Financial Instruments

The Company classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Assets held-for-trading

Financial instruments classified as assets held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in net income in the period during which the change occurs. Transaction costs are expensed when incurred.

Cash, bank indebtedness and long-term investments have been classified as held-for-trading.

Loans and receivables and other financial liabilities

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Interest income or expense is included in net income over the expected life of the instrument. Transaction costs are expensed when incurred.

Accounts receivable have been classified as loans and receivables.

Line of credit, accounts payable and accrued liabilities, amounts due to Town of Parry Sound and employee future benefits have been classified as other financial liabilities.

3. New accounting pronouncements

International financial reporting standards (IFRS)

The CICA has announced that Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), effective January 1, 2011. The Canadian Accounting Standards Board (AcSB) subsequently released a ruling that qualifying entities with rate-regulated activities have the option to defer their adoption of IFRS until annual periods beginning on or after January 1, 2015. The Company has elected to adopt IFRS effective January 1, 2015.

IFRS will require increased financial statement disclosure. Although IFRS uses a conceptual framework similar to Canadian generally accepted accounting principles, there will be some differences in accounting policies that will need to be addressed. The Company is currently in the process of implementing its plan for the adoption of IFRS.

4. Long-term investments

		2013		2012
Cornerstone Hydro Electric Concepts Association Inc., Incorporated without share capital, Nil Cost	**$**	**-**	$	-
Utility Collaborative Services Inc., recorded using the Cost method, 100 common shares, 10% interest (2012 - 10% interest)		**100**		100
	$	**100**	$	100

Cornerstone Hydro Electric Concepts Association Inc. is an association of twelve electricity distribution utilities modeled after a cooperative share resources and proficiencies (Note 9).

Utility Collaborative Services Inc. offers standards-based back office services. The collaboration allows leverage in the reduction of costs for items such as information technology hosting and software licensing (Note 9).

Parry Sound Power Corporation
Notes to the Financial Statements
December 31, 2013

5. Property, plant and equipment

	2013 Asset Cost	2013 Accumulated Amortization	2012 Asset Cost	2012 Accumulated Amortization
Land	**$ 74,305**	**$ -**	$ 74,305	$ -
Land rights	**35,048**	**34,748**	35,048	34,728
Distribution system	**9,722,413**	**4,804,585**	8,542,920	4,401,468
Transportation equipment	**383,502**	**148,691**	292,909	108,582
Office equipment and tools	**17,434**	**9,747**	17,434	6,801
Computer equip/software	**513,660**	**291,610**	261,833	144,062
Leasehold improvements	**116,598**	**-**	47,252	-
Spare and replacement parts	**-**	**-**	32,751	-
Construction in progress	**147,654**	**-**	84,719	-
	11,010,614	**5,289,381**	9,389,171	4,695,641
Less contributions in aid of construction	**994,944**	**260,209**	941,516	240,101
	$ 10,015,670	**$ 5,029,172**	$ 8,447,655	$ 4,455,540
		$ 4,986,498		$ 3,992,115

6. Regulatory liabilities and assets

	2013	2012
Smart meters initiatives	**$ 3,016**	$ 974,015
Other regulatory assets – OEB assessment	**8,173**	8,173
Other regulatory assets – Hydro One incremental costs	**3,063**	3,063
Other regulatory assets – IFRS transition costs	**71,058**	71,058
RSVA – Retail settlement variance accounts	**(215,443)**	(471,273)
RCVA – Retail cost variance account	**13,613**	(13,412)
Net future income tax regulatory liability	**(208,000)**	(318,553)
Carrying charges calculated using OEB specified rate	**91,799**	87,307
Regulatory assets/liabilities approved for recovery/repayment	**126,752**	152,649
	$ (105,969)	$ 493,027

6. Regulatory assets and liabilities (continued)

Smart meters/Stranded meters

This amount consists of the net balance of capital and operating expenditures for smart and stranded meters, less recoveries received from the rate adder charged to customers. In 2013 this amount was transferred to property and equipment with the approval of recovery as per OEB guidelines.

In line with OEB guidance, $1,004,275 that was listed on the balance sheet under regulatory assets as at December 31, 2012 has been disbursed as follows:

Moved to property and equipment	$	861,088
Moved to statement of earnings distribution revenue		(117,940)
Moved to statement of earnings Other (expenses) revenue		29,798
Moved to statement of earnings Distribution, billing and collecting and administration		231,329
	$	1,004,275

Other Regulatory Assets - IFRS transition costs

The Company is required to adopt International Financial Reporting Standards (IFRS) in place of Canadian GAAP effective January 1, 2015. The transition costs related to the implementation of IFRS have been recorded as a regulatory asset as the Company expects to obtain recovery in the future. Under Canadian GAAP for unregulated businesses, these costs would have been recorded to operating expenses. In the absence of rate regulation, expenses would have been higher by $Nil (2012 - $9,790).

RSVA - Retail Settlement Variance Accounts

Retail settlement variance accounts represent the differences between amounts charged by the Company to its customers based on regulated rates and the corresponding cost incurred by the Company in the wholesale market administered by the IESO since May 1, 2002. Accordingly, the Company has deferred the variances between the costs incurred and the related recoveries in accordance with the criteria set out in the accounting principles prescribed by the OEB in the AP Handbook.

Under such regulation, the variances are allowed to be deferred which would be recorded as revenue under Canadian GAAP for unregulated businesses. In the absence of rate regulation, revenues in 2013 would have been lower by $255,830 (2012 – higher by $101,309). The deferred balance for unapproved settlement variances continues to be calculated and attract carrying charges in accordance with the OEB's direction. The manner and timing of disposition of the remaining variance has not been determined by the OEB.

6. Regulatory assets and liabilities (continued)

RCVA - Retail Cost Variance Accounts

Providing retail services to customers arising from the deregulated electricity market gives rise to certain retail service costs which have to be recovered by the distributor. The rates and charges used in determining these costs are set by the OEB, which recognizes that the actual costs may be different in practice. In accordance with Chapter 11 of the Distribution Rate Handbook, distributors are required to establish variance accounts to record the differences in costs and revenues for future disposition. In the absence of rate regulation, revenues in 2013 would have been lower by $27,025 (2012 – higher by $2,907).

Net Future Income Tax Regulatory Liability

This regulatory liability account relates to the expected future electricity distribution rate adjustments for customers arising from timing differences in the recognition of future taxes. The Company accounts for the differences between its financial statement carrying value and tax basis of assets and liabilities following the liability method in accordance with CICA Handbook Section 3465 (Note 2).

Carrying Charges

Carrying charges are calculated monthly on the opening balance of the applicable variance account using the quarterly prescribed interest rate as outlined by the OEB.

Regulatory assets/liabilities approved for recovery/repayment

These regulatory assets/liabilities have been approved for recovery/repayment to customers by the OEB in previous rate applications/submissions. Most of the balance relates to the approval received for the Group 1 disposition in the 2013 IRM indicating a disposition over a one year period. This is combined with the disposition of the Deferred PILS balance over the 2013 year through rates as per the OEB Accounting Procedure Handbook.

7. Other assets

		2013		2012
2011 Cost of Service Application				
- cost	**$**	**193,920**	$	193,920
- accumulated amortization		**(145,425)**		(96,945)
	$	**48,495**	$	96,975

Amortization of $48,480 (2012 - $48,457) for the 2011 cost of service application is included in general and administrative expenses.

8. Bank indebtedness

The Company has a line of credit with an authorized limit of $1,500,000 available under a credit facility agreement with a Canadian chartered bank. Interest on advances is calculated using the bank's prime rate and is payable monthly. The security provided is a general security agreement representing a first charge on all the Company's assets, adequate liability insurance and assignment of fire insurance.

The Company's line of credit has been pledged as security for the letter of credit provided to the Independent Electricity Systems Operation (IESO) (Note 11). As a result, the Company's access to the line of credit mentioned above is limited to $1,047,695 (2012 - $1,047,695). Interest on the letter of guarantee is 0.5% per annum. At the end of the year, the Company had approximately $997,695 (2012 - $1,047,695) available on its line of credit.

The agreement governing the line of credit facilities contains certain covenants as described in Note 15.

9. Related party transactions

Parry Sound Hydro Corporation is a wholly owned subsidiary of the Town of Parry Sound.

Parry Sound Power Corporation, Parry Sound Energy Services Corporation, and Parry Sound Powergen Corporation are wholly owned subsidiaries of Parry Sound Hydro Corporation. As of January 1, 2013 Parry Sound Powergen Corporation amalgamated with Parry Sound Energy Services Corporation.

The following summarizes the company’s related party transactions for the year:

		2013		2012
Revenue				
Town of Parry Sound				
Electricity charges	**$**	**715,056**	$	717,458
Parry Sound Energy Services Corporation				
General and administrative – Admin charges		**-**		5,024
Various categories – Payroll and burden		**-**		37,931
General and administrative – Rent		**-**		9,695
Parry Sound Powergen Corporation				
General and administrative – Admin charges		**12,096**		-
Various categories – Payroll and burden		**27,355**		-
General and administrative – Rent		**9,889**		6,463

9. Related party transactions (continued)

Expenses				
Town of Parry Sound				
Various categories – Municipal taxes	$	**16,503**	$	10,119
Interest on long-term debt		**176,444**		176,444
Parry Sound Powergen Corporation				
Cost of power		**518,831**		418,626
Parry Sound Hydro Corporation				
General and administrative – Rent		**65,924**		64,631
General and administrative – Admin charge		**38,722**		6,041

The Board of Directors received compensation and were reimbursed for certain administrative costs for the year in the amount of $7,520 (2012 - $4,321).

The Company paid $32,986 (2012 - $31,738) in fees and training, included in general and administrative expense, to Cornerstone Hydro Electric Concepts Association Inc. (CHEC) (Note 4).

The Company paid $94,344 (2012 - $68,032) in fees, included in billing and collecting and general and administrative expense, to Utility Collaborative Services Inc. (UCS) for items such as information technology hosting and software licensing (Note 4).

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for sales of product or provision of service.

At the end of the year, the amounts due from/to related parties are as follows:

		2013		2012
Trade accounts receivable:				
Town of Parry Sound	**$**	**530**	$	71,140
Parry Sound Hydro Corporation		**1,057**		283
Parry Sound Energy Services Corporation		**-**		32,674
Parry Sound Powergen Corporation		**92,757**		49,325
	$	**94,344**	$	153,422
Trade accounts payable:				
Town of Parry Sound	**$**	**-**	$	131
Parry Sound Hydro Corporation		**57,248**		6,420
Parry Sound Energy Services Corporation		**-**		630
Parry Sound Powergen Corporation		**116,588**		61,588
Utility Collaborative Services		**525**		7,226
Cornerstone Hydro Electric Concepts Inc.		**2,581**		1,993
	$	**176,942**	$	77,988

9. Related party transactions (continued)

		2013		2012
Due to Town of Parry Sound:				
Promissory note payable – 7.25% per annum on outstanding principal, interest payable quarterly with option of repaying principal amount at any time, unsecured with no specific terms of repayment	**$**	**2,433,728**	$	2,433,728

The Town of Parry Sound has waived the right to demand repayment until after the OEB approval of the merger with Lakeland Holding Ltd.

10. Employee future benefits

Pension plan

The Company makes contributions to Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer plan, on behalf of its staff. The plan is a contributory defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions were made at rates ranging from 9% to 14.6% of employee contributory earnings, depending upon the level of earnings. As a result, the Company made contributions in 2013 totalling $69,960 for the current service (2012 - $63,389).

Post-retirement benefits

The Company pays certain benefits on behalf of its retired employees. The Company recognizes these post-retirement costs in the period in which the employees rendered the services.

Information about the post-retirement life insurance, health and dental benefit plan is as follows:

		2013		2012
Accured benefit liability, beginning of year	**$**	**93,751**	$	55,781
Actuarial (loss) gain for the year		**(13,873)**		30,431
Benefits paid for the year		**10,287**		7,539
Projected accrued benefit obligation at December 31	**$**	**90,165**	$	93,751

10. Employee future benefits (continued)

The last actuarial valuation was performed on the post-retirement obligations sponsored by Parry Sound Power Corporation as at December 31, 2012. Below represents managements best estimates based on all data available. The next actuarial valuation should be performed by December 31, 2014.

The main assumptions employed for the valuations are as follows:

(a) General inflation
Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), were assumed at 2.0% per annum.

(b) Interest (discount) rate
The rate used to discount future benefits is assumed to be 4.60% per annum. This rate reflects the assumed mid-term yield on high quality bonds.

(c) Salary levels
The rate used to increase salaries is assumed to be 3.3% per annum. This rate reflects the expected Consumer Price Index adjusted for productivity, merit and promotion.

(d) Claims cost trend rates
The rate used to project benefit costs into the future are 7.25% for health and 5% for dental.

11. Commitments and contingencies

The Company has entered into a lease agreement with its parent company, Parry Sound Hydro Corporation for the rental of its building. This agreement commenced January 1, 2011 and will continue indefinitely until termination by either Parry Sound Hydro Corporation or Parry Sound Power Corporation. The annual rental payments are $62,000 adjusted yearly by an inflationary rate set by the most recent Stats Canada - Consumer Price Index for Ontario.

The Company is contingently liable as a guarantor for a letter of credit for $452,305 with its bank provided to the Independent Electricity Systems Operator (IESO) to secure the Company's hydro purchase obligations. (Note 8)

General Liability Insurance

The Company belongs to the Municipal Electrical Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of property, casualty, and vehicle risks of many of the electrical utilities in Ontario. All members of the pool could potentially be subjected to an assessment for losses experienced by the pool for the years in which they were members on a pro-rata basis based on the total of their respective service revenues.

12. Share capital

Authorized

Unlimited Common shares
Unlimited Preference shares

			2013		2012
Issued					
1,000	Common shares	**$**	**2,433,727**	$	2,433,727

13. Payments in lieu of taxes

The Company is required to compute and remit to the OEFC payments in lieu of income taxes (PILS). PILS are computed in accordance with rules for computing income, capital and other taxes provided for in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by The Electricity Act, 1998 and related regulations.

Future taxes

Future income taxes are provided for temporary differences. The significant components of the Company's deductible (taxable) timing differences at year end are as follows:

		2013		2012
Employee future benefits	**$**	**13,976**	$	14,531
Property, plant and equipment		**151,935**		258,814
Organizational costs and land rights		**42,089**		45,208
Long-term future income tax asset	**$**	**208,000**	$	318,553
Provision for PILS:				
Current	**$**	**63,990**	$	67,250

14. Statement of cash flows supplementary information

During the year, the Company paid (received) the following amounts in cash:

Interest paid	**$**	**176,444**	$	176,444
Interest received	**$**	**6,353**	$	2,495
Payments in lieu of income taxes	**$**	**114,050**	$	35,400
Refunds received in lieu of income taxes	**$**	**-**	$	39,782

15. Capital disclosures

The Company considers its capital to be its promissory note due to The Town of Parry Sound and shareholder's equity. The Company's main objectives when managing capital are to: i) ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans; ii) minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions; iii) maintain an optimal capital structure that provides necessary financial flexibility while also ensuring compliance with any financial covenants; and iv) provide an adequate return to its shareholder.

The Company relies predominately on its cash flow from operations to fund its dividend and interest distributions to its shareholder. This cash flow can be supplemented, when necessary, through the borrowing of additional debt.

As part of existing debt agreements, financial covenants are monitored and communicated, as required by the terms of credit agreements, on a quarterly basis by management to ensure compliance with the agreements.

The bank indebtedness covenants require the Company to maintain a minimum Interest Coverage Ratio of 1.5:1 and to maintain a maximum Total Debt to Capitalization of 0.60:1. The Company was in compliance with these covenants as at December 31, 2013.

Management monitors the following key ratios to effectively manage capital:

	2013	2012
a) Interest Coverage Ratio:	**2.77:1**	3.24:1
b) Debt to Capitalization Ratio:	**0.42:1**	0.78:1
c) Current Ratio:	**1.50:1**	1.30:1

There have been no changes in the Company's capital management strategy in relation to the prior year.

16. Risks arising from financial instruments

Credit risk
The Company's cash is all held at The Toronto-Dominion Bank (TD Bank). The Company's credit risk associated with accounts receivable is related to payments from Company customers. The Company collects security deposits from customers in accordance with directions provided by the Ontario Energy Board. Currently customer deposits total $142,439 (2012 - $212,607). The carrying amount of receivables is reduced through the use of an allowance for doubtful accounts and the amount of the related impairment loss is recognized in the statement of operations. Subsequent recoveries of receivables previously provisioned are credited to the statement of operations.

Interest rate risk
The long-term debt bears fixed interest rates. Consequently, the long-term interest rate risk exposure is minimal. The bank indebtedness bear interest at floating rates which gives rise to a risk that the Company's future income (loss) and cash flows may be adversely impacted by fluctuations in interest rates.

Liquidity risk
The Company manages its liquidity risk to ensure access to sufficient funds to meet operational needs. Liquidity risks are comprised of current liabilities totaling $1,769,531 (2012 - $1,964,216) which are due within one year, long-term debt of $2,433,728 (2012 - $2,433,728) and Employee Future Benefits of $90,165 (2012 - $93,751).

The Company carries various forms of financial instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant currency risk arising from these financial instruments.

17. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

Appendix E Financial Statements 2014 / 2015 Merged

LakelandPower

IFRS Financial Statements

Lakeland Power Distribution Ltd.

December 31, 2015

Contents

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Independent Auditor's Report

To the Directors of Lakeland Power Distribution Ltd.,

We have audited the accompanying financial statements of Lakeland Power Distribution Ltd., which comprise the statements of financial position as at December 31, 2015, December 31, 2014 and January 1, 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2015 and December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lakeland Power Distribution Ltd. as at December 31, 2015, December 31, 2014 and January 1, 2014, and its financial performance and its cash flows for the years ended December 31, 2015 and December 31, 2014 in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Orillia, Canada
April 29, 2016

Chartered Professional Accountants
Licensed Public Accountants

Lakeland Power Distribution Ltd.
Statements of Comprehensive Income

(Expressed in 000's Canadian Dollars)

Year Ended	2015	2014
Revenue		
Electricity revenue	$ 37,036	$ 29,442
Distribution revenue	7,974	6,742
Other revenue	730	712
Gain on disposal of property, plant and equipment	25	12
Total Revenue	45,765	36,908
Expenses		
Purchased power	37,167	28,605
Operating expenses (Note 21)	5,108	4,230
Depreciation and amortization (Note 11)	1,366	1,233
Taxes other than payments in lieu of taxes	46	41
Total Expenses	43,687	34,109
Income from operating activities	2,078	2,799
Other Income		
Finance income	7	6
Finance costs	(181)	(158)
Income before provision for payments in lieu of taxes	1,904	2,647
Provision for payments in lieu of taxes		
Current (Note 10)	381	351
Deferred (Note 10)	100	235
Total provision for payments in lieu of taxes	481	586
Profit for the year before net movements in regulatory deferral account balances	1,423	2,061
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement (Notes 10 & 12)	80	(615)
Profit for the year and net movements in regulatory deferral account balances	1,503	1,446
Other comprehensive loss: items that will not be reclassified to profit or loss, net of income tax		
Remeasurements of defined benefit plan (Note 16), net of tax of $Nil (2014 - $2)	-	(6)
Other comprehensive loss for the year, net of tax	-	(6)
Total comprehensive income for the year	$ 1,503	$ 1,440

See accompanying notes to the financial statements.

Lakeland Power Distribution Ltd.
Statements of Financial Position

(Expressed in 000's Canadian Dollars)

As at	December 31 2015	December 31 2014	January 1 2014
Assets			
Current Assets			
Receivables (Note 5 & 20)	**$ 4,851**	$ 5,255	$ 3,163
Unbilled revenue	**4,215**	4,098	3,048
Intercompany receivables (Note 5)	**71**	155	94
Inventory (Note 6)	**364**	370	224
Prepaid expenses	**238**	236	184
Payments in lieu of taxes recoverable (Note 10)	**94**	163	191
Total Current Assets	**9,833**	10,277	6,904
Non-Current Assets			
Property, plant and equipment (Note 7)	**29,831**	28,256	21,661
Intangible assets (Note 8)	**681**	726	669
Goodwill (Note 9)	**1,150**	1,150	-
Deferred payments in lieu of taxes (Note 10)	**1,002**	1,131	940
Total Non-Current Assets	**32,664**	31,263	23,270
Total Assets	**42,497**	41,540	30,174
Regulatory Deferral Account Debit Balances and Related Deferred Taxes (Notes 10 & 12)	**836**	1,132	1,119
Total Assets and Regulatory Deferral Account Balances	**$ 43,333**	$ 42,672	$ 31,293

Lakeland Power Distribution Ltd.
Statements of Financial Position

(Expressed in 000's Canadian Dollars)

Year Ended	December 31 2015	December 31 2014	January 1 2014
Liabilities			
Current Liabilities			
Bank indebtedness (Note 17)	**$ 713**	$ 2,217	$ 2,514
Accounts payable and accrued liabilities (Notes 13)	**6,776**	6,297	4,590
Contributions in aid of construction (Note 14)	**137**	137	116
Intercompany payables (Note 13 & 20)	**1,150**	964	869
Total Current Liabilities	**8,776**	9,615	8,089
Non-Current Liabilities			
Contributions in aid of construction (Note 14)	**5,694**	5,666	4,831
Customer deposits (Note 15)	**221**	257	168
Employee future benefits (Note 16)	**97**	92	23
Long term debt (Note 18)	**6,186**	6,186	3,487
Total Non-Current Liabilites	**12,198**	12,201	8,509
Total Liabilites	**$ 20,974**	$ 21,816	$ 16,598
Shareholder's Equity			
Share capital (Note 19)	**$ 9,227**	$ 9,227	$ 9,227
Retained earnings	**8,152**	6,649	5,468
Contributed surplus (Note 9)	**4,986**	4,986	-
Accumulated other comprehensive loss	**(6)**	(6)	-
Total Shareholder's Equity	**22,359**	20,856	14,695
Total Liabilities and Shareholder's Equity	**43,333**	42,672	31,293
Regulatory Deferral Account Credit Balances and Related Deferred Tax (Notes 10 & 12)	**-**	-	-
Total Shareholder's Equity, Liabilities and Regulatory Deferral Account Credit Balances	**$ 43,333**	$ 42,672	$ 31,293

Contingency (Note 24)

On Behalf of the Board

PB Matthews Director Director

See accompanying notes to the financial statements

Lakeland Power Distribution Ltd.
Statements of Changes in Equity

(Expressed in 000's Canadian Dollars)
Year Ended December 31, 2015

	Share capital	Retained earnings	Accumulated other comprehensive loss	Contributed surplus	**Total**
January 1, 2014	$ 9,227	$ 5,468	$ -	$ -	**$ 14,695**
Profit for the year and net movements in regulatory deferral account balances	-	1,446	-	-	**1,446**
Dividends	-	(265)	-	-	**(265)**
Contributed surplus (Note 9)	-	-	-	4,986	**4,986**
Other comprehensive loss, net of tax:					
Remeasurements of defined benefit plan	-	-	(6)	-	**(6)**
December 31, 2014	9,227	6,649	(6)	4,986	**20,856**
Profit for the year and net movements in regulatory deferral account balances	-	1,503	-	-	**1,503**
December 31, 2015	**$ 9,227**	**$ 8,152**	**$ (6)**	**$ 4,986**	**$ 22,359**

See accompanying notes to the financial statements

Lakeland Power Distribution Ltd.
Statements of Cash Flows

(Expressed in 000's Canadian Dollars)

Year Ended December 31		**2015**		2014
Cash flows from operating activities				
Comprehensive income for the year	**$**	**1,503**	$	1,440
Adjustments				
Depreciation and amortization of property, plant and equipment and intangible assets (Note 11)		**1,558**		1,372
Gain on disposal of property, plant and equipment		**(25)**		(12)
Employee future benefits		**5**		(21)
Provision for payments in lieu of taxes		**510**		365
Finance income		**(7)**		(6)
Finance costs		**181**		158
Change in non-cash operating working capital				
Receivables		**490**		(1,010)
Unbilled service revenue		**(117)**		(208)
Inventory		**6**		(1)
Prepaid expenses		**(2)**		(27)
Accounts payables and accrued liabilities		**665**		476
Customer deposits		**(36)**		(36)
Contributions in aid of construction		**28**		117
Regulatory deferral account balances		**296**		(78)
		5,055		2,529
Payments in lieu of taxes paid		**(313)**		(337)
Net cash flows from operating activities		**4,742**		2,192
Cash flows from investing activities				
Opening cash from amalgamation		**-**		428
Finance income received		**7**		6
Proceeds on disposal of property, plant and equipment		**25**		12
Purchase of property, plant and equipment		**(3,048)**		(2,041)
Purchase of intangible assets		**(41)**		(142)
Net cash used in investing activities		**(3,057)**		(1,737)
Cash flows from financing activities				
Bank indebtedness		**(1,504)**		(297)
Advances of long term debt		**-**		265
Finance costs paid		**(181)**		(158)
Dividends paid		**-**		(265)
Net cash used in financing activities		**(1,685)**		(455)
Net increase in cash during the year		**-**		-
Cash and cash equivalents, beginning of year		**-**		-
Cash and cash equivalents, end of year	**$**	**-**	$	-

See accompanying notes to the financial statements.

1. Corporate information

Lakeland Power Distribution Ltd.'s (the "Company") main business activity is the distribution of electricity. The Company owns and operates an electricity distribution system. The address of the Company's corporate office and principal place of business is 200-395 Centre St N, Huntsville, Ontario, Canada, P1H 2M2.

The sole shareholder of the Company is Lakeland Holding Ltd.

The Company was incorporated under the Canada Business Corporations Act in 2000, and has continued as a Company under the Business Corporations Act of Ontario. The Company distributes electricity to residents and businesses in the towns of Bracebridge, Huntsville, Parry Sound, Sundridge, Burk's Falls and Magnetawan under a license issued by the Ontario Energy Board ("OEB"). The Company is regulated by the OEB and adjustments to the Company's distribution and power rates require OEB approval.

On July 1, 2014, the Company amalgamated with Parry Sound Power Corporation. These financial statements have been prepared to report on the results of the Company's operations for the full 2014 year including the new operation from the date of amalgamation.

2. Basis of preparation

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

These are the Company's first financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. In this context, the term "Canadian GAAP" refers to generally accepted accounting principles before the adoption of IFRS. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 26.

The financial statements were authorized for issue by the Board of Directors on April 29, 2016.

b) Basis of measurement

The financial statements have been prepared on a historical cost basis. The financial statements are presented in thousands of Canadian dollars (CDN$), which is also the Company's functional currency, and all values are rounded to the nearest thousand, unless when otherwise indicated.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It is also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2. Basis of preparation (continued)

c) Explanation of Activities subject to Rate Regulation

The Company, as an electricity distributor, is both licensed and regulated by the Ontario Energy Board "OEB" which has a legislative mandate to oversee various aspects of the electricity industry. The OEB exercises statutory authority through setting or approving all rates charged by the Company and establishing standards of service for the Company's customers.

The OEB has broad powers relating to licensing, standards of conduct and service and the regulation of rates charged by the Company and other electricity distributors in Ontario. The Ontario government enacted the Energy Competition Act, 1998, to introduce competition to the Ontario energy market. Rates are set by the OEB on an annual basis.

Regulatory risk

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the electricity distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations including the recovery of expenses incurred for the benefit of other market participants in the electricity industry such as transition costs and other regulatory assets. All requests for changes in electricity distribution charges require the approval of the OEB.

Recovery risk

Regulatory developments in Ontario's electricity industry, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. The Company is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS Statement of Financial Position at January 1, 2014 for the purposes of the transition to IFRS, unless otherwise indicated.

a) Regulatory Deferral Accounts

The Company has early adopted IFRS 14 Regulatory Deferral Accounts. In accordance with IFRS 14, the Company has continued to apply the accounting policies it applied in accordance the pre-changeover Canadian GAAP for the recognition, measurement and impairment of assets and liabilities arising from rate regulation. These are referred to as regulatory deferral account balances.

3. Summary of significant accounting policies (continued)

Regulatory deferral account debit balances represent future revenues associated with certain costs incurred in the current period or in prior period(s) that are expected to be recovered from consumers in future periods through the rate-setting process. Regulatory deferral account credit balances are associated with the collection of certain revenues earned in the current period or in prior period(s) that are expected to be returned to consumers in future periods through the rate-setting process. Regulatory deferral account balances can arise from differences in amounts collected from customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by the Company in the wholesale market administered by the Independent Electricity System Operator (the "IESO") after May 1, 2002. These amounts have been accumulated pursuant to regulation underlying the Electricity Act (the "EA") and deferred in anticipation of their future recovery or expense in electricity distribution service charges.

Explanation of recognized amounts

Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other non-financial assets as described below.

Management continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

b) Revenue

Revenue is recognized to the extent that it is probable those economic benefits will flow to the Company and that the revenue can be reliably measured. Revenue comprises of sales and distribution of energy, pole use rental, collection charges, investment income and other miscellaneous revenues.

Sale and distribution of energy

The Company is licensed by the OEB to distribute electricity. As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers. The Company has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

Revenues from the sale and distribution of electricity are recognized upon delivery and provision of services over the period in which the delivery and service is performed and collectability is reasonably assured and includes unbilled revenues accrued in respect of electricity delivered but not yet billed in the reporting period. Sale and distribution of energy revenue is comprised of customer billings for distribution service charges. Customer billings for distribution service charges are recorded based on meter readings.

3. Summary of significant accounting policies (continued)

Other

Other revenues, which include revenues from pole use rental, collection charges and other miscellaneous revenues are recognized at the time services are provided.

Where the Company has an ongoing obligation to provide services, revenues are recognized as the service is performed and amounts billed in advance are recognized as deferred revenue.

Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements. Since the contributions will provide customers with ongoing access to the supply of electricity, these contributions are classified as contributions in aid of construction and are recorded as revenue on a straight-line basis over the useful life of the constructed or contributed asset.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

d) Financial instruments

Recognition, initial measurement and derecognition

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets, they are classified into the following categories upon initial recognition, loans and receivables.

3. Summary of significant accounting policies (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, accounts receivables and unbilled service revenue fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Classification and subsequent measurement of financial liabilities

All of the Company's financial liabilities are classified as other financial liabilities, and include bank indebtedness, accounts payables and accrued liabilities, customer deposits, and term loans. Other financial liabilities are measured subsequently at amortized cost using the effective interest method.
All interest-related charges are reported in profit or loss is included within finance costs or finance income.

Term loans are initially measured at fair value. Debt issuance costs incurred are capitalized as part of the carrying value and amortized over the term of the related financial liability, using the effective interest method, and are included in finance costs.

e) Fair value measurements

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following levels:

- Level 1 -quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 -inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 -inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. Summary of significant accounting policies (continued)

f) Property, plant and equipment

Recognition and measurement

Property, plant and equipment (PP&E) are recognized at cost or deemed cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including eligible borrowing costs.

Depreciation of PP&E is recorded in the Statements of Comprehensive Income on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives are as follows:

Distribution plant	
Buildings and fixtures	50 years
Conductors and devices	60 years
Distribution station equipment	40 years
Line transformers	40 years
Meters	15 years
New services distribution	45 years
Poles, towers and fixtures	45 years
Underground conduits	40 to 45 years
General plant	
Building and fixtures	50 years
Communication equipment	5-10 years
Computer hardware	5 years
Office furniture and equipment	10 years
Stores equipment	10 years
Tools and garage equipment	10 years
Transportation equipment	5 & 8 years

Major spare parts

Major spare parts such as spare transformers and other items kept as standby/back up equipment are accounted for as PP&E since they support the Company's distribution system reliability.

Contributions in aid of construction

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction.

3. Summary of significant accounting policies (continued)

Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are included in the Statement of Comprehensive Income when the asset is disposed of. When an item of property, plant and equipment with related contributions in aid of construction is disposed, the remaining amount is recognized in full in the Statement of Comprehensive Income.

g) Borrowing costs

The Company capitalizes interest expenses and other finance charges directly relating to the acquisition, construction or production of assets that take a substantial period of time to get ready for its intended use. Capitalization commences when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization will be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

h) Intangible assets

Computer software

Computer software that is acquired or developed by the Company, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

Land rights

Land rights include payments made for easements, right of access and right of use over land for which the Company does not hold title and are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date. The estimated useful lives for the current and comparative years are:

Land rights	indefinite
Computer software	5 years

3. Summary of significant accounting policies (continued)

i) Impairment of non-financial assets

Non-financial assets are tested for impairment when facts and circumstances indicate that the carrying amount of non-financial assets may not be recoverable. Where the carrying value exceeds its recoverable amount, which is the higher of value in use and fair value less costs of disposal, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit ('CGU'), which is the lowest group of assets to which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed. An impairment loss is charged to the Statement of Comprehensive Income, except to the extent it reverses gains previously recognized in other comprehensive income.

j) Employee future benefits

Defined contribution plan

The employees of the Company participate in the Ontario Municipal Employees Retirement System ("OMERS"). The Company also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. The Company is only one of a number of employers that participates in the plan and the financial information provided to the Company on the basis of the contractual agreements is usually insufficient to measure the Company's proportionate share in the plan assets and liabilities on defined benefit accounting requirements. Therefore, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation on behalf of its retired employees unfunded extended medical and dental benefits as well as life insurance and is calculated by estimating the amount of future benefits that are expected to be paid out discounted to determine its present value. Any unrecognized past service costs are deducted.

The calculation is performed by a qualified actuary using the projected unit credit method every three years or when there are significant changes to workforce. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

3. Summary of significant accounting policies (continued)

Defined benefit obligations are measured using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities.

Remeasurements of the defined benefit obligation are recognized directly within equity in other comprehensive income. The remeasurements include actuarial gains and losses.

Service costs are recognized in the Statement of Comprehensive Income in operating expenses, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense is recognized the Statement of Comprehensive Income in finance expense, and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of benefit payments during the period. Gains or losses arising from changes to defined benefits or plan curtailment are recognized immediately in the Statement of Comprehensive Income. Settlements of defined benefit plans are recognized in the period in which the settlement occurs.

k) Payments in lieu of taxes

Tax status

The Company is a Municipal Electricity Utility (“MEU”) for purposes of the payments in lieu of taxes (“PILs”) regime contained in the Electricity Act, 1998. As an MEU, the Company is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the Company is required to make, for each taxation year, PILs to Ontario Electricity Financial Corporation ("OEFC"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

Current and deferred tax

Provision for payments in lieu of taxes comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances (See Note 10). Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities/(assets) are settled/(recovered).

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

3. Summary of significant accounting policies (continued)

At the end of each reporting period, the Company reassesses both recognized and unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

l) Inventories

Cost of inventories comprise of direct materials, which typically consists of distribution assets not deemed as major spares, unless purchased for specific capital projects in process or as spare units. Costs, after deducting rebates and discounts, are assigned to individual items of inventory on the basis of weighted average cost. Decommissioned assets that are transferred to inventory are tested for impairment once they are removed from service and placed in inventory. Inventory is recognized at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

m) Standards, amendments and interpretations not yet effective

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement

IFRS 9 amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss, and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The effective date for IFRS 9 is January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 is based on the core principle to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 focuses on the transfer of control. IFRS 15 replaces all of the revenue guidance that previously existed in IFRSs. The effective date for IFRS 15 is January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

3. Summary of significant accounting policies (continued)

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 Leases, which replaces IAS 17 Leases. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. Lessor accounting remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. The standard is effective for annual periods beginning on or after January 1, 2019, and will be applied retrospectively with some exceptions. Early adoption is permitted if IFRS 15 has been adopted. The Company is in the process of evaluating the impact of the new standard.

4. Use of estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment

The Company relies on a third party independent study to componentize and determine the estimated useful lives of its distribution system assets. The useful life values from the study were derived from industrial statistics, research studies, reports and past utility experience. Actual lives of assets may vary from estimated useful lives.

Employee future benefits

The costs of post-employment medical and insurance benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions. Due to the complexity of the valuation, the underlying assumptions and its long term nature, post-employment medical and insurance benefits are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. See Note 16 Employee Future Benefits.

Payments in lieu of taxes

The Company is required to make payments in lieu of tax calculated on the same basis as income taxes on taxable income earned and capital taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for payments in lieu of taxes based on its understanding of the current tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

4. Use of estimates and judgements (continued)

Receivables impairment

In determining the allowance for doubtful accounts, the Company considers historical loss experience of account balances based on the aging and arrears status of accounts receivable balances.

5. Receivables

	December 31 2015	December 31 2014	January 1 2014
Intercompany receivables	**$ 71**	$ 155	$ 94
Receivables	**4,851**	5,255	3,163
	$ 4,922	$ 5,410	$ 3,257

The intercompany receivables are unsecured and have no specific interest or repayment terms.

6. Inventory

The amount of spare parts inventory consumed by the Company and recognized as an expense during 2015 was $52 (2014 - $27)

7. Property, plant and equipment

Property, plant and equipment consist of the following:

	Land and Buildings	Distribution equipment	Other fixed assets	Construction in progress	Total
Cost					
Balance at January 1, 2014	$ 458	$ 31,243	$ 3,200	$ -	**$ 34,901**
Additions	33	1,841	57	93	**2,024**
Balance acquired on amalgamation (Note 9)	204	10,174	705	-	**11,083**
Disposals	-	-	239	-	**239**
Balance at December 31, 2014	695	43,258	3,723	93	**47,769**
Balance at January 1, 2015	695	43,258	3,723	93	**47,769**
Additions	248	2,465	428	(93)	**3,048**
Disposals	-	-	87	-	**87**
Balance at December 31, 2015	$ 943	$ 45,723	$ 4,064	$ -	**$ 50,730**
Depreciation					
Balance at January 1, 2014	$ 70	$ 11,079	$ 2,091	$ -	**$ 13,240**
Depreciation for the year (Note 11)	17	943	307	-	**1,267**
Balance acquired on amalgamation (Note 9)	7	5,007	231	-	**5,245**
Disposals	-	-	239	-	**239**
Balance at December 31, 2014	94	17,029	2,390	-	**19,513**
Balance at January 1, 2015	94	17,029	2,390	-	**19,513**
Depreciation for the year (Note 11)	22	1,121	329	-	**1,472**
Disposals	-	-	86	-	**86**
Balance at December 31, 2015	$ 116	$ 18,150	$ 2,633	$ -	**$ 20,899**
Carrying amounts					
At January 1, 2014	**$ 388**	**$ 20,164**	**$ 1,109**	**$ -**	**$ 21,661**
At December 31, 2014	**$ 601**	**$ 26,229**	**$ 1,333**	**$ 93**	**$ 28,256**
At December 31, 2015	**$ 827**	**$ 27,573**	**$ 1,431**	**$ -**	**$ 29,831**

8. Intangible assets

Intangible assets consist of the following:

	Computer software	Land rights	Total
Cost			
Balance at January 1, 2014	$ 542	$ 520	**$ 1,062**
Additions	140	-	**140**
Balance acquired on amalgamation (Note 9)	220	37	**257**
Balance at December 31, 2014	902	557	**1,459**
Balance at January 1, 2015	902	557	**1,459**
Additions	23	18	**41**
Balance at December 31, 2015	$ 925	$ 575	**$ 1,500**
Depreciation			
Balance at January 1, 2014	$ 378	$ 15	**$ 393**
Depreciation for the year (Note 11)	105	-	**105**
Balance acquired on amalgamation (Note 9)	200	35	**235**
Balance at December 31, 2014	$ 683	$ 50	**$ 733**
Balance at January 1, 2015	$ 683	$ 50	**$ 733**
Depreciation for the year (Note 11)	86	-	**86**
Balance at December 31, 2015	$ 769	$ 50	**$ 819**
Carrying amounts			
At January 1, 2014	**$ 164**	**$ 505**	**$ 669**
At December 31, 2014	**$ 219**	**$ 507**	**$ 726**
At December 31, 2015	**$ 156**	**$ 525**	**$ 681**

9. Goodwill (business combinations)

Amalgamation with Parry Sound Power Corporation

On July 1, 2014, the Company amalgamated with Parry Sound Power Corporation, a local utility company that distributes electric power.

In a series of amalgamations on the same date, the parent companies of both the Company (Lakeland Holding Ltd.) and Parry Sound Power Corporation (Parry Sound Hydro Corporation) amalgamated, with Lakeland Holding Ltd. being recognized as the acquiring company due to its relative size, in terms of both revenues and total assets, in relation to Parry Sound Hydro Corporation.

In similar circumstances, the Company is being recognized as the acquiring company due to its relative size, in terms of both revenues and total assets, in relation to Parry Sound Power Corporation.

The amalgamation was made to enhance the group's position in the utility market.

The details of the business combination are as follows:

Identifiable assets and liabilities recognized at fair value

Current assets		
Cash and cash equivalents	$	**428**
Receivables		**2,138**
Inventory		**145**
Prepaid expenses		**73**
Total current assets		**2,784**
Non-current assets		
Property, plant and equipment		**5,838**
Intangible assets		**22**
Deferred payments in lieu of taxes		**203**
Total non-current assets		**6,063**
Current liabilities		
Payables and accruals		**1,462**
Payments in lieu of income taxes		**62**
Total current liabilities		**1,524**
Non-current liabilities		
Customer deposits		**194**
Regulatory liabilities		**64**
Contributions in aid of construction		**739**
Due to Town of Parry Sound		**2,434**
Post-retirement non-pension benefit		**56**
Total non-current liabilities		**3,487**
Identifiable net assets recognized on acquisition	$	**3,836**
Goodwill recognized on acquisition	$	**1,150**
Fair value of consideration transferred	$	**4,986**

9. Goodwill (business combinations) (continued)

Consideration transferred

The consideration transferred is $4,986 which is the fair value of the assets acquired in excess of the fair value of the liabilities assumed and has been recorded as contributed surplus.

Goodwill

Goodwill of $1,150 is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of Parry Sound Power Corporation's workforce and expected costs. Goodwill has been allocated to the power segment and is not expected to be deductible for income tax purposes.

10. Payments in lieu of taxes

The significant components of the provision for payments in lieu of taxes expense are as follows:

	2015	2014
Current tax		
Based on current year taxable income	**$ 381**	$ 351
Total current tax	**$ 381**	$ 351
Deferred tax		
Origination and reversal of temporary differences	**$ 100**	$ 235
Total deferred tax	**$ 100**	$ 235
Total provision for payments of lieu of taxes	**$ 481**	$ 586

The payments in lieu of taxes varies from amounts which would be computed by applying the Company's combined statutory federal and provincial income tax rate. Reconciliation of the payments in lieu of taxes at the statutory income tax rate to the provision for payments in lieu of taxes is as follows:

Rate reconciliation before net movements in regulatory balances and OCI

	2015	2014
Profit for the year before net movements in regulatory deferral account balances and OCI	**$ 1,904**	$ 2,647
Statutory tax rate	**26.5%**	26.5%
Expected payments in lieu of taxes	**504**	701
Increase (decrease) resulting from:		
Rate variances	**-**	(105)
Items not deductible for tax purposes	**1**	-
Other	**(24)**	(10)
Provision for payments in lieu of taxes	**$ 481**	$ 586

10. Payments in lieu of taxes (continued)

Rate reconciliation after net movements in regulatory balances

	2015	2014
Profit for the year before OCI	**$ 2,013**	$ 1,811
Statutory tax rate	**26.5%**	26.5%
Expected payments in lieu of taxes	**533**	480
Increase (decrease) resulting from:		
Rate variances	**-**	(105)
Items not deductible for tax purposes	**1**	-
Other	**(24)**	(10)
Provision for payments in lieu of taxes	**$ 510**	$ 365

	2015	2014
Provision for payments in lieu of taxes before net movements in regulatory deferral account balances and OCI	**$ 481**	$ 586
Provision (recovery) for payments in lieu of taxes recorded in net movement in regulatory balances	**29**	(221)
Provision for payments in lieu of taxes after net movement in regulatory balances	**510**	365
Provision for recovery in lieu of taxes recorded in OCI	**-**	(2)
Provision for payments in lieu of taxes	**$ 510**	$ 363

	Balance January 1 2015	**Recognized in Net Income**	**Recognized in OCI**	**Balance Acquired on Amalgamation**	**Balance December 31 2015**
Deferred tax assets					
Property, plant and equipment	$ 1,118	$ (155)	$ -	$ -	**$ 963**
Intangible assets	11	2	-	-	**13**
Employee future benefits	2	24	-	-	**26**
Deferred tax assets	$ 1,131	$ (129)	$ -	$ -	**$ 1,002**

	Balance January 1 2014	Recognized in Net Income	Recognized in OCI	Balance Acquired on Amalgamation	Balance December 31 2014
Deferred tax assets					
Property, plant and equipment	$ 936	$ (21)	$ -	$ 203	$ 1,118
Intangible assets	4	7	-	-	11
Employee future benefits	-	-	2	-	2
Deferred tax assets	$ 940	$ (14)	$ 2	$ 203	$ 1,131

10. Payments in lieu of taxes (continued)

At December 31, 2015, a deferred tax asset of $1,002 (December 31, 2014 - $1,131; January 1, 2014 - $940) has been recorded. The utilization of this tax asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The Company believes that this asset should be recognized as it will be recovered through future rates.

11. Amortization of property plant and equipment and intangible assets

The amount of amortization of property, plant and equipment and intangible assets recognized as an expense during 2015 was $1,558 (2014 - $1,372). The line item *Amortization* on the Statement of Comprehensive Income reflects $1,366 (2014 - $1,233) because the transportation amortization of $192 (2014 - $139) has been expensed to operating lines where the equipment was used.

12. Regulatory deferral account balances

All amounts deferred as regulatory deferral account debit balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators and the actual recovery or settlement periods could differ based on OEB approval. Due to previous, existing or expected future regulatory articles or decisions, the Company has the following amounts expected to be recovered by customers (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

	Note	Remaining Recovery Reversal Period	Balance Dec. 31 2014	Balances arising in period	Recovery/ reversal	**Closing Balance Dec. 31 2015**
Regulatory Deferral Account Debit / (Credit)						
Settlement variances	*i)*	1	$ 432	$ (207)	$ -	**$ 225**
Regulatory asset recovery	*i)*	1	35	(6)	-	**29**
Renewable generation	*ii)*	1	249	(6)	-	**243**
Retail cost variances	*iii)*	1	307	18	-	**325**
Smart meters	*iv)*	1	109	(95)	-	**14**
			$ 1,132	$ (296)	$ -	**$ 836**

12. Regulatory deferral account balances (continued)

	Note	Remaining Recovery Reversal Period	Balance Jan. 1 2014	Balances arising in period	Recovery/ reversal	Closing Balance Dec. 31 2014
Regulatory Deferral Account Debit / (Credit)						
Settlement variances	*i)*	2	$ 225	$ 207	$ -	$ 432
Regulatory asset recovery	*i)*	2	316	(281)	-	35
Renewable generation	*ii)*	2	242	7	-	249
Retail cost variances	*iii)*	2	17	290	-	307
Smart meters	*iv)*	2	319	(210)	-	109
			$ 1,119	$ 13	$ -	$ 1,132

i. Settlement variances and Regulatory asset recovery

This account is comprised of the variances between amounts charged by the Company to customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the Company. The settlement variances relate primarily to service charges, non-competitive electricity charges, imported power charges and the global adjustment.

The Company has recognized a settlement variance asset of $225 (December 31, 2014 – $432; January 1, 2014 – $225) arising from the recognition of regulatory deferral account balances. The settlement variance asset balance is presented within the total regulatory deferral account debit balances presented in the statement of financial position. Annually the Company makes application for the recovery of the settlement variances for its customers in its rate application.

ii. Renewable Generation

The Company has recognized a cost asset of $243 (December 31, 2014 – $249; January 1, 2014 – $242) for costs relates to the Green Energy Act with the distributor being responsible for the cost of expansion up to the value of the generators renewable energy expansion cost of $90 per MW generation capacity. These amounts have not yet been submitted for recovery. The balance is presented within the total regulatory deferral account debit balances presented in the statement of financial position.

iii. Retail cost variances

The Company has recognized a cost asset of $325 (December 31, 2014 – $307; January 1, 2014 – $17) mainly for costs in excess of the amount requested in the Company's last Cost of Service Application. Included is lost revenue as a result of CDM programs, IFRS conversion costs and a corporate tax true up from 2001 to 2006. The other cost asset balance is presented within the total regulatory deferral account debit balances presented in the statement of financial position.

12. Regulatory deferral account balances (continued)

iv. Smart meters

The Company has recognized a cost asset of $14 (December 31, 2014 – $109; January 1, 2014 – $319) related to the net balance of capital and operating expenditures for smart meters less recoveries received from the rate adder charged to customers.

13. Accounts payable and accrued liabilities

Major components of accounts payable and accrued liabilities consist of the following:

	December 31 2015	December 31 2014	January 1 2014
Purchased power	**$ 4,392**	$ 2,762	$ 2,027
Accounts payable and accrued liabilities	**2,384**	3,535	2,563
Intercompany payables	**1,150**	964	869
	$ 7,926	$ 7,261	$ 5,459

The intercompany payables are unsecured and have no specific interest or repayment terms.

14. Contribution in aid of construction

Contributions in aid of construction consists of capital contributions received from electricity customers to construct or acquire property, plant and equipment which has not yet been recognized as revenue, and also includes revenue not yet recognized from demand billable activities.

	December 31 2015	December 31 2014
Deferred contributions, net, beginning of year	**$ 5,803**	$ 4,947
Balance acquired on amalgamation (Note 9)	**-**	739
Contributions in aid of construction received	**194**	1,864
Contributions in aid of construction recognized as distribution revenue	**(166)**	(1,747)
Deferred contributions, net, end of year	**$ 5,831**	$ 5,803
Current portion	**$ 137**	$ 137
Non-current portion	**$ 5,694**	$ 5,666

15. Customers deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers.

Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

	December 31 2015	December 31 2014	January 1 2014
Customer deposits	**$ 221**	$ 257	$ 168

16. Employee future benefits

a) Defined contribution plan

The employees of the Company participate in the Ontario Municipal Employees Retirement System ("OMERS"). Although the plan has a defined retirement benefit plan for employees, the related obligation of the Company cannot be identified. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant. The employer portion of amounts paid to OMERS during the year was $171 (2014 - $150). The contributions were made for current service and these have been recognized in net income.

b) Defined benefit plan

The Company pays post-retirement life insurance premiums and health & dental benefits for a defined group of employees (previously with Parry Sound group of companies). The Company recognizes these post-retirement costs in the period in which the employees render the services.

An actuarial valuation is prepared every third year or when there are significant changes to the workforce. An estimation based on management information was performed in accordance with IAS 19 for the 2014 fiscal period.

The plan is exposed to a number of risks, including:

Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation.

Longevity risk: changes in the estimation of mortality rates of current and former employees.

16. Employee future benefits (continued)

Information about the group unfunded defined benefit plan as a whole and changes in the present value of the unfunded defined benefit obligation and the accrued benefit liability are as follows:

	Defined benefit liability **2015**	2014
Balance, January 1	**$ 69**	$ -
Balance assumed upon amalgamation (Note 9)	**-**	56
Current service cost	**2**	2
Interest cost	**3**	3
Included in profit or loss	**5**	5
Remeasurement loss (gain)		
Actuarial (gain) losses from financial assumptions	**-**	8
Included in other comprehensive income	**-**	8
Balance, December 31	**$ 74**	$ 69

The main actuarial assumptions underlying the valuation are as follows:

Assumption	**2015**	2014	Reasonable Possible Change	Defined Benefit Obligation Increase	Defined Benefit Obligation Decrease
Discount rate	**3.9%**	3.9%	1%	2%	(1.5%)
Retirement age - males	**60**	60	(2)	6.5%	-
Retirement age - females	**60**	60	(2)	6.5%	-

c) Other employee future benefits

Also included in the Employee future benefits is an amount for a self-insured life insurance plan regarding one employee from the original amalgamation of Lakeland Power in September, 2000. The amount is $23 and is payable upon death of the retiree.

17. Bank indebtedness

The Company has bank indebtedness of $713 (December 31, 2014 – $2,217; January 1, 2014 – $2,514), out of $5,500 credit limit. The facility is secured by a general security agreement conveying a floating and fixed charge over all assets and evidence of adequate liability insurance and bears interest at the prime rate.

18. Long term debt

	December 31 2015	December 31 2014	January 1 2014
TD bank term loan, 2.94% due March 2018	**$ 1,162**	$ 1,162	$ 1,162
TD bank term loan, 2.9268% due October 2017	**2,325**	2,325	2,325
TD bank term loan, 2.28% due July 2017	**2,699**	2,699	-
	$ 6,186	$ 6,186	$ 3,487

The term loans are secured by a general security agreement conveying a first floating and fixed charge over all assets and evidence of adequate liability insurance.

The agreement covering the above facility contains certain restrictions regarding service coverage ratio and debt capitalization tests, which have been met.

The Company is only required to make interest only payments on the term loans with the balance due upon maturity.

Subsequent to December 31, 2015, the Company obtained a $4,000 TD bank term loan which bears interest at 1,78%, is due February 2021 and the Company is only required to make interest only payments on the loan with the balance due upon maturity.

19. Share capital

a) Ordinary shares

An unlimited number of common shares are authorized for issue.

As of December 31, 2015, the Company has issued and fully paid 7,428 (December 31, 2014 – 7,428; January 1, 2014 – 7,428) common shares. The shares have no par value.

All shares are ranked equally with regards to the Company's residual assets.

b) Movement in ordinary share capital

No movement in ordinary share capital has occurred during 2015. On July 1, 2014, as a result of the amalgamation with Parry Sound Power Corporation, the 7,428 common shares of Lakeland Power Distribution Ltd. were exchanged for 7,428 common shares of the amalgamated entity which had no effect on the stated capital.

20. Related party transactions

These transactions below are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties) which approximates the arm's length equivalent value. Bracebridge Generation Ltd. (BGL), Lakeland Energy Ltd. (LEL) and Lakeland Power Distribution Ltd. (LPDL) are all wholly-owned subsidiaries of Lakeland Holding Ltd. (LHL) and are therefore, related by common control.

The following table summarizes the Company's related party transactions for the year:

		2015		2014
Lakeland Energy Ltd.				
Other operating revenue	**$**	**7**	$	14
Information technology expenses, in adminstration and general		**370**		348
Pole rental revenue		**14**		20
Communication expenses, in adminstration and general		**101**		110
Other operating and maintenance expenses		**1**		1
Building rent revenue		**32**		32
Bracebridge Generation Ltd.				
Other operating revenue	**$**	**53**	$	61
Hydro sales		**71**		37
Power purchased		**6,029**		7,732
Other operating and maintenance expenses		**13**		1
Building rent		**17**		17
Lakeland Holding Ltd.				
Management fees paid, in adminstration and general	**$**	**879**	$	705
Building rent		**15**		30
Shareholders of Lakeland Holding Ltd, the parent company				
Purchases				
Town of Bracebridge	**$**	**25**	$	29
Town of Huntsville		**7**		6
Town of Parry Sound		**15**		7
Sales				
Town of Bracebridge	**$**	**985**	$	952
Town of Huntsville		**462**		475
Village of Burk's Falls		**168**		149
Village of Sundridge		**118**		110
Municipality of Magnetawan		**39**		39
Town of Parry Sound		**854**		429

20. Related party transactions (continued)

At the end of the year, amounts due from/to related parties are as follows and are included in receivables and payables and accruals:

	December 31 2015	December 31 2014	January 1 2014
Accounts receivable from BGL	$ 7	$ 8	$ 45
Accounts receivable from LEL	12	12	15
Accounts receivable from LHL	52	135	34
	$ 71	$ 155	$ 94
Account payable to BGL	$ 996	$ 840	$ 781
Accounts payable to LEL	10	10	13
Accounts payable to LHL	144	114	75
	$ 1,150	$ 964	$ 869

Key management personnel compensation comprised:

The management fee paid to Lakeland Holding Ltd. compromises of reimbursements for management and administrative expenses incurred by Lakeland Holding Ltd. Key management compensation for all the Lakeland group of companies is paid by Lakeland Holding Ltd. The total management fees paid from Lakeland Power Distribution Ltd. to Lakeland Holding Ltd. of $879 (2014 - $705). Additionally, director fees of $8 (2014 - $8) were also paid during the year.

21. Expenses by nature

	2015	2014
Repairs and maintenance	$ 787	$ 608
Staff costs	1,676	1,354
General administration and overhead	2,580	2,188
Bad debts	65	80
	$ 5,108	$ 4,230

22. Staff costs

		2015		2014
Wages, salaries and short-term employee benefits	$	2,158	$	1,850
Wages, salaries and short term employee benefits in revenue		(68)		(73)
Wages, salaries and short term employee benefits capitalized		(419)		(401)
Post-employment benefits		5		(22)
	$	1,676	$	1,354

23. Financial instruments and risk management

Fair value disclosure

The carrying values of receivables, unbilled service revenue, bank indebtedness, accounts payable and accrued liabilities and customer deposits approximate their respective fair values because of the short maturity of these instruments.

The fair value of the term loans (Level 2) is $6,210 (2014 - $6,189). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date.

Risk Management

The Company's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

i) Credit risk:

Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers located in six municipalities. No single customer accounts for revenue in excess of 10% of total revenue.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in the Statement of Comprehensive Income. Subsequent recoveries of receivables previously provisioned are credited to the Statement of Comprehensive Income. The balance of the allowance for impairment at December 31, 2015 is $309 (December 31, 2014 - $285, January 1, 2014 - $182). The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2015, approximately $337 (December 31, 2014 - $325, January 1, 2014 - $62) is considered 60 days past due. The Company has approximately 13,000 customers, the majority of which are residential. Credit risk is managed through the Company maintaining bank accounts at a reputable bank and the collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2015, the Company holds security deposits in the amount of $221 (December 31, 2014 - $257, January 1, 2014 - $168).

23. Financial instruments and risk management (continued)

ii) Market risk:

The Company is not exposed to significant market risk.

iii) Interest rate risk:

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At December 31, 2015, the Company is not exposed to any material changes in market interest rates on its longer-term borrowing.

iv) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company has access to a $5,500 line of credit and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Due within 1 year	Due between 1-2 years	Due past 2 years
At December 31, 2015			
Accounts payables and accrued liabilities	**6,776**	**-**	**-**
Customer deposits	**-**	**221**	**-**
Intercompany payables	**1,150**	**-**	**-**
Long term debt	**-**	**-**	**6,186**
At December 31, 2014			
Accounts payables and accrued liabilities	6,297	-	-
Customer deposits	-	257	-
Intercompany payables	964	-	-
Long term debt	-	-	6,186

24. Contingency

The Company has a bank letter of credit outstanding for $452 (December 31, 2014 – $452; January 1, 2014 – $452). The letter of credit bears interest at a rate of 0.50% per annum. Purchasers of electricity in Ontario, through the Independent Electricity Systems Operator (IESO) are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if the Company fails to make a payment required by default notice issued by the IESO. The maximum potential payment is the face value of the bank letters of credit. As at December 31, 2015, the Company provided prudential support using bank letters of credit of $452 (December 31, 2014 – $452; January 1, 2014 – $452).

25. Capital management

The main objectives of the Company, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Company's definition of capital is shareholder's equity. As at December 31, 2015, shareholder's equity amounts to $22,359 (December 31, 2014 – $20,856; January 1, 2014 – $14,695)

26. First time adoption of international financial reporting standards and correction of error

IFRS 1, *First Time Adoption of International Financial Reporting Standards*, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2014 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2015. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statement in accordance with Canadian generally accepted accounting principles ("pre-changeover Canadian GAAP").

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

Mandatory exceptions:

Derecognition of financial assets and liabilities

The Company has applied the derecognition requirements in IAS 39 prospectively for transactions occurring on or after January 1, 2014. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized in accordance with pre-changeover Canadian GAAP as a result of a transaction that occurred before January 1, 2014, have not been recognized in accordance with IFRS unless they qualify for recognition as a result of a later transaction or event.

26. First time adoption of international financial reporting standards and correction of error (continued)

Estimates

The estimates previously made by the Company under pre-changeover Canadian GAAP were not revised for the application of IFRS, except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, the Company has not used hindsight to revise estimates.

Optional elections:

Transfers of Assets from Customers

The Company has elected to apply the IFRS 1 election to only apply IFRIC 18 prospectively from the date of transition to non- repayable supply contribution made by customers.

Regulatory deferral account balances

The Company has elected to early adopt IFRS 14, which permits an entity to continue to apply its previous Canadian GAAP accounting policies for the recognition, measurement and impairment of regulatory deferral account balances.

Reconciliations of pre-changeover Canadian GAAP equity and comprehensive income to IFRS

IFRS 1 requires an entity to reconcile cash flows, equity, and comprehensive income for prior periods as shown below.

In the statement of changes in cash flows, there is a reclassification from the movement in regulatory assets and regulatory liabilities to a movement in the regulatory deferral account balance. These are both shown as movements within investing activities and as such do not results in material adjustments to the net cash flow balance.

The explanations for the impact of the transition to IFRS on the specific accounts are described below. Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS are provided below. Other than the employee future benefits and the related deferred taxes, all other items have no impact on Retained Earnings or Comprehensive Income as they are reclassifications within the relevant statements.

Retained earnings	December 31 2014	January 1 2014
Retained earnings as reported under Canadian GAAP	$ 6,854	$ 5,468
Correction of error:		
Payments in lieu of taxes (Note v)	(203)	-
Revised retained earnings as reported under Canadian GAAP	6,651	5,468
Adjustments to retained earnings:		
Deferred taxes (Note iv)	(2)	-
Retained earnings under IFRS	$ 6,649	$ 5,468

26. First time adoption of international financial reporting standards and correction of error (continued)

Comprehensive loss	December 31 2014
Comprehensive loss as reported under Canadian GAAP	$ -
Adjustments for transition:	
Employee future benefits (Note ii)	(8)
Deferred taxes (Note iv)	2
	$ (6)

i) Regulatory assets and liabilities

Regulatory assets and liabilities that were recognized under pre-changeover Canadian GAAP have been reclassified to the regulatory deferral account balance as either a debit balance or a credit balance. The amount recorded as regulatory assets, under pre-changeover Canadian GAAP was $1,132. This transitional adjustment is a reclassification on the Statement of Financial Position and has no impact on the Statement of Equity or the Statement of Comprehensive Income.

ii) Employee Future Benefits

Under IFRS, the Company recognizes remeasurements in Other Comprehensive Income. These amounts are not reclassified in subsequent periods. Employee benefits expected to be settled wholly within 12 months after the end of the reporting period are short-term benefits, and are not discounted. Under previous pre-changeover Canadian GAAP, the Company amortized the excess of the net actuarial gains or losses over 10% of the accrued benefit into the Statement of Comprehensive Income on a straight line basis over the average remaining service period of active employees to full eligibility. At the date of transition, all previously unamortized actuarial gains or losses were recognized in retained earnings.

The adjustment for employee future benefits results in a decrease in operating and increase in finance expenses and an increase in Other Comprehensive Income on the Statement of Comprehensive Income.

iii) Contributions in Aid of Construction

Under IFRS, contributions in aid of construction are recognized as deferred revenue and are recognized as revenue on a straight-line basis over the useful life of the constructed or contributed asset in the Statement of Comprehensive Income. As a result, an adjustment was made to reallocate contributions in aid of construction and increase assets and increase liabilities on the Statement of Financial Position. On transition, $4,947 was reclassified as deferred revenue from property plant & equipment.

26. First time adoption of international financial reporting standards and correction of error (continued)

iv) Deferred taxes

The above changes have increased (decreased) the deferred tax asset as follows based on a tax rate of 26.5% (January 1, 2014 – 26.5%):

	December 31, 2014	January 1, 2014
Employee future benefits (Note ii)	$ (2)	$ -
	$ (2)	$ -

v) Correction of error

In 2014, the Company's provision for payments in lieu of deferred taxes and calculation of goodwill recognized upon the amalgamation with Parry Sound Power Corporation was calculated incorrectly. As this error is not related to the Company's transition to IFRS, the comparative figures presented have been restated.

The correction of this error results in an increase in the provision for deferred taxes at December 31, 2014 of $203 and a corresponding decrease in the goodwill recognized upon the amalgamation.

Appendix F Financial Statements 2016 / 2017

Consolidated IFRS Financial Statements

Lakeland Holding Ltd.

December 31, 2017

Contents

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Independent Auditor's Report

To the Directors of Lakeland Holding Ltd.,

We have audited the accompanying consolidated financial statements of Lakeland Holding Ltd., which comprise the statements of financial position as at December 31, 2017 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lakeland Holding Ltd. as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Barrie, Canada
April 24, 2018

Chartered Professional Accountants
Licensed Public Accountants

Lakeland Holding Ltd.
Consolidated Statements of Comprehensive Income

(Expressed in Canadian Dollars)

Year Ended December 31	**2017**	2016
Revenue		
Electricity revenue	**$ 35,611,447**	$ 39,263,995
Distribution revenue	**8,194,172**	8,038,821
Generation revenue	**9,336,213**	6,504,868
Energy revenue	**3,294,276**	2,323,232
Other revenue	**691,074**	538,462
Gain on disposal of property, plant and equipment	**-**	5,616
Total Revenue	**57,127,182**	56,674,994
Expenses		
Purchased power	**35,405,579**	39,715,278
Operating expenses (Note 24)	**9,120,274**	8,718,950
Loss on disposal of property, plant and equipment	**14,986**	-
Depreciation and amortization (Note 12)	**3,092,904**	2,584,375
Taxes other than payments in lieu of taxes	**221,228**	97,775
Total Expenses	**47,854,971**	51,116,378
Income from operating activities	**9,272,211**	5,558,616
Other Income		
Finance income	**93,032**	59,952
Finance costs	**(989,818)**	(897,648)
Change in fair value of interest rate swap (Note 21)	**419,974**	210,273
Income before provision for payments in lieu of taxes	**8,795,399**	4,931,193
Provision for payments in lieu of taxes		
Current (Note 11)	**837,881**	479,969
Deferred (Note 11)	**1,279,576**	555,120
Total provision for payments in lieu of taxes	**2,117,457**	1,035,089
Profit for the year before net movements in regulatory deferral account balances	**6,677,942**	3,896,104
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement (Note 11 & 13)	**(152,658)**	333,059
Profit for the year and net movements in regulatory deferral account balances	**6,525,284**	4,229,163
Other comprehensive income (OCI): items that will not be reclassified to profit or loss, net of income tax		
Amortization of change in fair value of interest rate swap, net of tax of $Nil (2016 - $Nil) (Note 21)	**33,257**	33,257
Remeasurements of defined benefit plan (Note 18), net of Tax of $Nil (2016 - $43,165)	**-**	119,719
Other comprehensive income for the year, net of tax	**33,257**	152,976
Total comprehensive income for the year	**$ 6,558,541**	$ 4,382,139

See accompanying notes to the consolidated financial statements

Lakeland Holding Ltd.
Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at December 31	**2017**	2016
Assets		
Current Assets		
Cash and cash equivalents	**$ 10,164,734**	$ 7,438,457
Receivables (Note 5)	**5,753,319**	7,177,896
Unbilled revenue	**3,966,937**	4,626,136
Inventory (Note 6)	**455,171**	394,965
Prepaid expenses	**513,382**	437,030
Total Current Assets	**20,853,543**	20,074,484
Non-Current Assets		
Property, plant and equipment (Note 7)	**90,104,481**	78,461,530
Intangible assets (Note 8)	**5,054,678**	4,983,230
Goodwill (Note 10)	**1,150,014**	1,150,014
Total Non-Current Assets	**96,309,173**	84,594,774
Total Assets	**117,162,716**	104,669,258
Regulatory Deferral Account Debit Balances and Related Deferred Taxes (Note 11 & 13)	**867,316**	1,494,016
Total Assets and Regulatory Deferral Account Balances	**$ 118,030,032**	$ 106,163,274

See accompanying notes to the consolidated financial statements

Lakeland Holding Ltd.
Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at December 31	2017	2016
Liabilities		
Current Liabilities		
Construction loan (Note 19)	**$ 11,085,422**	$ 4,407,545
Accounts payable and accrued liabilities (Note 14)	**8,338,603**	8,930,184
Deferred revenue (Note 15)	**573,291**	503,089
Contributions in aid of construction (Note 16)	**191,220**	180,750
Payment in lieu of taxes payable (Note 11)	**241,394**	22,874
Current portion of long-term debt (Note 20)	**2,414,492**	6,270,470
Total Current Liabilities	**22,844,422**	20,314,912
Non-Current Liabilities		
Deferred revenue (Note 15)	**3,519,391**	2,524,483
Contributions in aid of construction (Note 16)	**6,198,129**	6,027,953
Customer deposits (Note 17)	**210,876**	230,110
Deferred payments in lieu of taxes (Note 11)	**4,520,289**	3,295,752
Employee future benefits (Note 18)	**327,359**	324,746
Interest rate swap (Note 21)	**158,586**	611,818
Long term debt (Note 20)	**30,440,470**	27,831,531
Total Non-Current Liabilites	**45,375,100**	40,846,393
Total Liabilites	**68,219,522**	61,161,305
Shareholders' Equity		
Share capital (Note 22)	**12,609,650**	12,609,650
Retained earnings	**31,389,015**	26,613,731
Contributed surplus	**5,855,109**	5,855,109
Accumulated other comprehensive loss	**(43,264)**	(76,521)
Total Shareholders' Equity	**49,810,510**	45,001,969
Total Liabilities and Shareholders' Equity	**118,030,032**	106,163,274
Regulatory Deferral Account Credit Balances and Related Deferred Tax (Notes 11 & 13)	**-**	-
Total Liabilities, Shareholders' Equity and Regulatory Deferral Account Credit Balances	**$ 118,030,032**	$ 106,163,274

Contingency (Note 27)

On Behalf of the Board

_______________ Director _______________ Director

See accompanying notes to the consolidated financial statements

Lakeland Holding Ltd.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)
Year Ended December 31, 2017

	Share capital	Accumulated other comprehensive loss	Retained earnings	Contributed surplus	**Total**
January 1, 2016	$ 12,609,650	$ (229,497)	$ 24,009,568	$ 5,855,109	**$ 42,244,830**
Profit for the year and net movements in regulatory deferral account balances	-	-	4,229,163	-	**4,229,163**
Dividends	-	-	(1,625,000)	-	**(1,625,000)**
Other comprehensive income, net of tax:					
Amortization of change in fair value of interest rate swap (Note 21)	-	33,257	-	-	**33,257**
Remeasurements of defined benefit plan, net of tax (Note 18)	-	119,719	-	-	**119,719**
December 31, 2016	$ 12,609,650	$ (76,521)	$ 26,613,731	$ 5,855,109	**$ 45,001,969**
Profit for the year and net movements in regulatory deferral account balances	-	-	6,525,284	-	**6,525,284**
Dividends	-	-	(1,750,000)	-	**(1,750,000)**
Other comprehensive income, net of tax:					
Amortization of change In fair value of interest rate swap (Note 21)	-	33,257	-	-	**33,257**
December 31, 2017	**$ 12,609,650**	**$ (43,264)**	**$ 31,389,015**	**$ 5,855,109**	**$ 49,810,510**

See accompanying notes to the consolidated financial statements

Lakeland Holding Ltd.
Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Year Ended December 31		2017		2016
Cash flows from operating activities				
Comprehensive income for the year	**$**	**6,558,541**	$	4,382,139
Adjustments				
Depreciation and amortization of property, plant and equipment and intangible assets (Note 12)		**3,353,967**		2,827,452
Loss (gain) on disposal of property, plant and equipment		**14,986**		(5,616)
Employee future benefits		**2,613**		14,730
Provision for payments in lieu of taxes		**2,062,417**		1,198,337
Finance income		**(93,032)**		(59,952)
Finance costs		**989,818**		897,648
Change in fair value of interest rate swap		**(419,974)**		(210,273)
Amortization of change in fair value of interest rate swap		**(33,257)**		(33,257)
Amortization of Small Communities Funding grants earned		**(161,844)**		(63,214)
Change in non-cash operating working capital				
Receivables		**1,424,577**		(1,122,637)
Unbilled service revenue		**659,199**		(411,324)
Inventory		**(60,206)**		81,185
Prepaid expenses		**(76,352)**		(50,244)
Accounts payables and accrued liabilities		**(591,581)**		942,697
Customer deposits		**(19,234)**		7,986
Deferred revenue		**(520,978)**		1,256,950
Contributions in aid of construction		**180,646**		377,398
Regulatory deferral account balances		**626,700**		(657,853)
		13,897,006		9,372,152
Payments in lieu of taxes paid		**(619,361)**		(386,624)
Net cash flows from operating activities		**13,277,645**		8,985,528
Cash flows from investing activities				
Finance income received		**93,032**		59,952
Proceeds on disposal of property, plant and equipment		**181,987**		34,795
Purchase of property, plant and equipment		**(15,114,127)**		(15,826,930)
Purchase of intangible assets		**(151,212)**		(462,791)
Acquisition of Elliott Falls Power Corporation (Note 9)		**-**		(2,960,192)
Net cash used in investing activities		**(14,990,320)**		(19,155,166)
Cash flows from financing activities				
Advances of long term debt		**-**		12,000,000
Repayment of long term debt		**(1,247,039)**		(1,100,825)
Construction loan proceeds		**6,677,877**		4,407,545
Dividends paid		**(1,750,000)**		(1,625,000)
Finance costs paid		**(989,818)**		(897,648)
Small Communities Funding grants received		**1,747,932**		1,474,289
Net cash provided from financing activities		**4,438,952**		14,258,361
Net increase in cash and cash equivalents during the year		**2,726,277**		4,088,723
Cash and cash equivalents, beginning of year		**7,438,457**		3,349,734
Cash and cash equivalents, end of year	**$**	**10,164,734**	$	7,438,457

See accompanying notes to the consolidated financial statements

1. Corporate information

The Company is incorporated under the laws of Ontario. Two of the subsidiaries are also incorporated under the laws of Ontario and operate as local utility companies producing and distributing electricity to users in Bracebridge, Huntsville, Sundridge, Burk's Falls and Magnetawan, Ontario and after July 1, 2014, Parry Sound. These businesses are granted license to operate and are regulated by the Ontario Energy Board (OEB). A third subsidiary is incorporated under the laws of Ontario and sells utility related products and services. The address of the Company's corporate office and principal place of business is 200-395 Centre St N, Huntsville, Ontario, Canada, P1H 2M2.

The Company has 6 municipal shareholders, Town of Bracebridge, Town of Huntsville, Town of Parry Sound, Village of Burk's Falls, Village of Sundridge and Municipality of Magnetawan.

On January 1, 2017, an amalgamation of Bracebridge Generation Ltd. and Elliott Falls Power Corporation occurred to combine the net assets of the two companies. This was through a resolution of the Board of Directors dated January 1, 2017. The Articles of Amalgamation were filed and effective January 1, 2017. The comparative figures presented have been prepared on a continuity of interest basis in which the accounts of Elliott Falls Power Corporation were considered to have been amalgamated with those of Bracebridge Generation Ltd. as at May 1, 2016, being the date that Bracebridge Generation Ltd. acquired control of Elliott Falls Power Corporation (Note 9).

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

The consolidated financial statements were authorized for issue by the Board of Directors on April 24, 2018.

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis and include the accounts of the Company and its wholly owned subsidiaries: Lakeland Power Distribution Ltd., Bracebridge Generation Ltd. and Lakeland Energy Ltd. The consolidated financial statements are presented in Canadian dollars (CDN$), which is also the Company's functional currency.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It is also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. Basis of preparation (continued)

c) Explanation of Activities subject to Rate Regulation

The Company, as an electricity distributor, is both licensed and regulated by the Ontario Energy Board "OEB" which has a legislative mandate to oversee various aspects of the electricity industry. The OEB exercises statutory authority through setting or approving all rates charged by the Company and establishing standards of service for the Company's customers.

The OEB has broad powers relating to licensing, standards of conduct and service and the regulation of rates charged by the Company and other electricity distributors in Ontario. The Ontario government enacted the Energy Competition Act, 1998, to introduce competition to the Ontario energy market. Rates are set by the OEB on an annual basis.

Regulatory risk

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the electricity distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations including the recovery of expenses incurred for the benefit of other market participants in the electricity industry such as transition costs and other regulatory assets. All requests for changes in electricity distribution charges require the approval of the OEB.

Recovery risk

Regulatory developments in Ontario's electricity industry, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. The Company is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

3. Summary of significant accounting policies

a) Regulatory Deferral Accounts

The Company has early adopted IFRS 14 Regulatory Deferral Accounts. In accordance with IFRS 14, the Company has continued to apply the accounting policies it applied in accordance with the pre-changeover Canadian GAAP for the recognition, measurement and impairment of assets and liabilities arising from rate regulation. These are referred to as regulatory deferral account balances.

Regulatory deferral account debit balances represent certain costs incurred in the current period or in prior period(s) that are expected to be recovered from consumers in future periods through the rate-setting process. Regulatory deferral account credit balances are associated with the collection of certain revenues earned in the current period or in prior period(s) that are expected to be returned to consumers in future periods through the rate-setting process. Regulatory deferral account balances can arise from differences in amounts collected from customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by the Company in the wholesale market administered by the Independent Electricity System Operator (the "IESO") after May 1, 2002. These amounts have been accumulated pursuant to regulation underlying the Electricity Act (the "EA") and deferred in anticipation of their future recovery or expense in electricity distribution service charges.

Explanation of recognized amounts

Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other non-financial assets as described below.

Management continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

b) Revenue

Revenue is recognized to the extent that it is probable those economic benefits will flow to the Company and that the revenue can be reliably measured. Revenue comprises of sales and distribution of energy, internet service, streetlight maintenance, water tank rentals, pole use rental, collection charges, investment income and other miscellaneous revenues.

Sale and distribution of energy

The Company is licensed by the OEB to distribute electricity. As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers. The Company has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

3. Summary of significant accounting policies (continued)

Revenues from the sale and distribution of electricity are recognized upon delivery and provision of services over the period in which the delivery and service is performed and collectability is reasonably assured and includes unbilled revenues accrued in respect of electricity delivered but not yet billed in the reporting period. Sale and distribution of energy revenue is comprised of customer billings for distribution service charges. Customer billings for distribution service charges are recorded based on meter readings.

Sale and generation of energy

The Company is licensed by the OEB to generate electricity. The Company has a contract with the IESO for a pricing rate for each generating plant.

Revenues from the sale and generation of electricity are recognized upon delivery and provision of services over the period in which the delivery and service is performed and collectability is reasonably assured. Generation revenue is determined using meter readings and the contracted price.

Internet Service Provider

The Company provides internet service to customers over a fibre optic network. Customers are billed based on their respective contract conditions.

Revenues from the contracts are recognized upon provision of services over the period in which the service is performed and collectability is reasonably assured. Communication revenue is determined using the contracted price.

Where the Company has an ongoing obligation to provide services, revenues are recognized as the service is performed and amounts billed in advance are recognized as deferred revenue.

Streetlight Maintenance

Streetlight maintenance revenue is recognized at the time services are provided. The Company provides maintenance services for a number of municipalities on a request basis.

Water Heater and Sentinel Light Rentals

Water heater and sentinel light rental revenue is recognized in the period that services are provided. The Company provides rental units for residential and commercial use and determines revenue using a contracted price.

Where the Company has an ongoing obligation to provide services, revenues are recognized as the service is performed and amounts billed in advance are recognized as deferred revenue.

Other

Other revenues, which include operational and consulting assistance for other generators, collection charges and other miscellaneous services are recognized at the time services are provided.

Operating lease rental revenue from pole use is recognized on a monthly basis at current rates charged during the life of the respective leases.

3. Summary of significant accounting policies (continued)

Other (continued)

Where the Company has an ongoing obligation to provide services, revenues are recognized as the service is performed and amounts billed in advance are recognized as deferred revenue.

Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements. Since the contributions will provide customers with ongoing access to the supply of electricity, these contributions are classified as contributions in aid of construction and are recorded as revenue on a straight-line basis over the useful life of the constructed or contributed asset.

Certain assets have been constructed with financial assistance in the form of government funding. The funding is classified as deferred revenue and is recorded as revenue on a straight-line basis over the useful life of the constructed asset.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

d) Financial instruments

Recognition, initial measurement and derecognition

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets, they are classified into the following categories upon initial recognition, loans and receivables and fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, accounts receivables and unbilled service revenue fall into this category of financial instruments.

3. Summary of significant accounting policies (continued)

d) Financial instruments (continued)

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Interest rate swap and hedge accounting

The Company has entered into an interest rate swap agreement as an “economic hedge” to manage the volatility of interest rates relating to its facility loan. The Company has elected not to apply hedge accounting upon transition to IFRS on January 1, 2014.

The Company’s policy is not to utilize derivative financial instruments for trading or speculative purposes. It is management’s intention to hold the swap to maturity.

The fair value of the interest rate swap is recognized on the balance sheet as an “interest rate swap” asset or liability. The changes in fair value of the interest rate swap are recognized in the Statement of Comprehensive Income.

Classification and subsequent measurement of financial liabilities

All of the Company’s financial liabilities are classified as other financial liabilities, and include accounts payables and accrued liabilities, customer deposits and, term loans. Other financial liabilities are measured subsequently at amortized cost using the effective interest method. All interest-related charges are reported in profit or loss is included within finance costs or finance income.

Term loans are initially measured at fair value. Debt issuance costs incurred are capitalized as part of the carrying value and amortized over the term of the related financial liability, using the effective interest method, and are included in finance costs.

e) Fair value measurements

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

f) Property, plant and equipment

Recognition and measurement

Property, plant and equipment (PP&E) are recognized at cost or deemed cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including eligible borrowing costs.

Depreciation of PP&E is recorded in the Statements of Comprehensive Income on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives are as follows:

Distribution plant	
Buildings and fixtures	50 years
Conductors and devices	60 years
Distribution station equipment	40 years
Line transformers	40 years
Meters	15 years
New services distribution	45 years
Poles, towers and fixtures	45 years
Underground conduits	40 to 45 years
Generation plant	
Dams and waterways	45 years
Turbines and generators	45 years
Accessory electrical equipment	25 years
General plant	
Building and fixtures	50 years
Communication equipment	5 to 20 years
Computer hardware	5 years
Office furniture and equipment	10 years
Stores equipment	10 years
Tools and garage equipment	10 years
Transportation equipment	5 & 8 years

Major spare parts

Major spares such as spare transformers and other items kept as standby/back up equipment are accounted for as PP&E since they support the Company’s distribution system reliability.

Contributions in aid of construction

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction.

3. Summary of significant accounting policies (continued)

f) Property, plant and equipment (continued)

Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are included in the Statements of Comprehensive Income when the asset is disposed of. When an item of property, plant and equipment with related contributions in aid of construction is disposed, the remaining amount is recognized in full in the Statement of Comprehensive Income.

g) Borrowing costs

The Company capitalizes interest expenses and other finance charges directly relating to the acquisition, construction or production of assets that take a substantial period of time to get ready for its intended use. Capitalization commences when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization will be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

h) Intangible assets

Computer software

Computer software that is acquired or developed by the Company, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

Land rights

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Company does not hold title. Land rights are measured at cost less accumulated amortization and accumulated impairment losses.

Waterpower generation rights

Amounts related to the acquisition of waterpower generation rights are classified as intangible assets. These rights are related to the Company's ability to access Crown lands and water beds and are considered to have an indefinite life.

Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, and those with indefinite lives, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date. The estimated useful lives for the current and comparative years are:

Land rights	Indefinite
Waterpower generation rights	Indefinite
Computer software	5 years

3. Summary of significant accounting policies (continued)

i) Impairment of non-financial assets

Non-financial assets are tested for impairment when facts and circumstances indicate that the carrying amount of non-financial assets may not be recoverable. Where the carrying value exceeds its recoverable amount, which is the higher of value in use and fair value less costs of disposal, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit ('CGU'), which is the lowest group of assets to which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed. An impairment loss is charged to the Statements of Comprehensive Income, except to the extent it reverses gains previously recognized in other comprehensive income.

j) Employee future benefits

Defined contribution plan

The employees of the Company participate in the Ontario Municipal Employees Retirement System ("OMERS"). The Company also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. The Company is only one of a number of employers that participates in the plan and the financial information provided to the Company on the basis of the contractual agreements is usually insufficient to measure the Company's proportionate share in the plan assets and liabilities on defined benefit accounting requirements. Therefore, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation on behalf of its retired employees unfunded extended medical and dental benefits as well as life insurance and is calculated by estimating the amount of future benefits that are expected to be paid out discounted to determine its present value. Any unrecognized past service costs are deducted.

The calculation is performed by a qualified actuary using the projected unit credit method every three years or when there are significant changes to workforce. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

3. Summary of significant accounting policies (continued)

j) Employee future benefits (continued)

Defined benefit obligations are measured using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities.

Remeasurements of the defined benefit obligation are recognized directly within equity in other comprehensive income. The remeasurements include actuarial gains and losses.

Service costs are recognized in the Statements of Comprehensive Income in operating expenses, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense is recognized the Statements of Comprehensive Income in finance expense, and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of benefit payments during the period. Gains or losses arising from changes to defined benefits or plan curtailment are recognized immediately in the Statements of Comprehensive Income. Settlements of defined benefit plans are recognized in the period in which the settlement occurs.

k) Payments in lieu of taxes

Tax status

The Company is a Municipal Electricity Utility (“MEU”) for purposes of the payments in lieu of taxes (“PILs”) regime contained in the Electricity Act, 1998. As an MEU, the Company is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the Company is required to make, for each taxation year, PILs to Ontario Electricity Financial Corporation ("OEFC"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

Current and deferred tax

Provision for payments in lieu of taxes comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances (See Note 11). Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities/(assets) are settled/(recovered).

3. Summary of significant accounting policies (continued)

k) Payments in lieu of taxes (continued)

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

At the end of each reporting period, the Company reassesses both recognized and unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

l) Inventories

Cost of inventories comprise of direct materials, which typically consists of distribution assets, streetlight repair parts and fiber optic cable not deemed as major spares, unless purchased for specific capital projects in process or as spare units. Costs, after deducting rebates and discounts, are assigned to individual items of inventory on the basis of weighted average cost. Decommissioned assets that are transferred to inventory are tested for impairment once they are removed from service and placed in inventory. Inventory is recognized at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

m) Standards, amendments and interpretations not yet effective

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement

IFRS 9 amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss, and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The effective date for IFRS 9 is January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

3. Summary of significant accounting policies (continued)

m) Standards, amendments and interpretations not yet effective (continued)

IFRS 15, Revenue from Contracts with Customers

IFRS 15 is based on the core principle to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 focuses on the transfer of control. IFRS 15 replaces all of the revenue guidance that previously existed in IFRSs. The effective date for IFRS 15 is January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 Leases, which replaces IAS 17 Leases. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. Lessor accounting remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. The standard is effective for annual periods beginning on or after January 1, 2019, and will be applied retrospectively with some exceptions. Early adoption is permitted if IFRS 15 has been adopted. The Company is in the process of evaluating the impact of the new standard.

4. Use of estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment

The Company relies on a third party independent study to componentize and determine the estimated useful lives of its distribution system assets. The useful life values from the study were derived from industrial statistics, research studies, reports and past utility experience. For the remaining assets Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets and past utility experience. Actual lives of assets may vary from estimated useful lives.

Employee future benefits

The costs of post-employment medical and insurance benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions. Due to the complexity of the valuation, the underlying assumptions and its long term nature, post-employment medical and insurance benefits are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. See Note 18 Employee Future Benefits.

(Expressed in Canadian Dollars)

4. Use of estimates and judgements (continued)

Payments in lieu of taxes

The Company is required to make payments in lieu of tax calculated on the same basis as income taxes on taxable income earned and capital taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for payments in lieu of taxes based on its understanding of the current tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Receivables

For amounts related to Small Communities Funding (SCF), an estimate of the expected funding is based on prior payment levels for specific submissions.

In determining the allowance for doubtful accounts, the Company considers historical loss experience of account balances based on the aging and arrears status of accounts receivable balances.

5. Receivables

	December 31 2017	December 31 2016
Accounts receivable	**$ 5,154,386**	$ 5,933,302
SCF Funding receivables	**598,933**	1,244,594
	$ 5,753,319	$ 7,177,896

Lakeland Energy has been approved for a Small Communities Fund (SCF) in order to build a fiber optic network to the rural areas of Bracebridge and Huntsville. This is a five year program expected to end in 2020 with 2/3 funding by the Provincial and Federal governments. Total project costs are expected to be $8,574,597, with $5,716,398 in funding. As submissions are made to the government agencies, a corresponding receivable is set up for the estimated funding expected. Accordingly, the receivable balance represents funding expected to be recovered for eligible expenditures incurred to December 31, 2017.

6. Inventory

The amount of spare parts inventories consumed by the Company and recognized as and expense during 2017 was $73,027 (2016 - $19,479)

(Expressed in Canadian Dollars)

7. Property, plant and equipment

Property, plant and equipment consist of the following:

	Land and buildings	Distribution equipment	Electricity generation equipment	Other fixed assets	Construction in progress	Total
Cost						
Balance at January 1, 2016	$ 8,232,973	$ 43,876,737	$ 27,928,748	$ 9,940,084	$ 4,048,143	**$ 94,026,685**
Additions	142,191	2,394,111	1,783,093	5,629,800	5,877,735	**15,826,930**
Balance acquired on amalgamation (Note 9)	-	-	1,134,050	-	-	**1,134,050**
Disposals	-	-	-	226,712	-	**226,712**
Balance at December 31, 2016	$ 8,375,164	$ 46,270,848	$ 30,845,891	$ 15,343,172	$ 9,925,878	**$ 110,760,953**
Balance at January 1, 2017	$ 8,375,164	$ 46,270,848	$ 30,845,891	$ 15,343,172	$ 9,925,878	**$ 110,760,953**
Additions	6,501,242	2,154,700	12,388,189	3,384,784	8,471,628	**32,900,543**
Disposals	-	63,387	-	262,088	17,786,416	**18,111,891**
Balance at December 31, 2017	$ 14,876,406	$ 48,352,161	$ 43,234,080	$ 18,465,868	$ 611,090	**$ 125,549,605**
Accumulated depreciation						
Balance at January 1, 2016	$ 1,313,341	17,705,890	$ 4,812,527	$ 5,318,776	$ -	**$ 29,150,534**
Depreciation for the year (Note 12)	220,674	1,108,312	655,704	764,797	-	**2,749,487**
Balance acquired on amalgamation (Note 9)	-	-	596,936	-	-	**596,936**
Disposals	-	-	-	197,534	-	**197,534**
Balance at December 31, 2016	$ 1,534,015	$ 18,814,202	$ 6,065,167	$ 5,886,039	$ -	**$ 32,299,423**
Balance at January 1, 2017	$ 1,534,015	18,814,202	$ 6,065,167	$ 5,886,039	$ -	**$ 32,299,423**
Depreciation for the year (Note 12)	287,490	1,180,795	826,851	979,067	-	**3,274,203**
Disposals	-	-	-	128,502	-	**128,502**
Balance at December 31, 2017	$ 1,821,505	$ 19,994,997	$ 6,892,018	$ 6,736,604	$ -	**$ 35,445,124**
Carrying amounts						
At December 31, 2016	**$ 6,841,149**	**$ 27,456,646**	**$ 24,780,724**	**$ 9,457,133**	**$ 9,925,878**	**$ 78,461,530**
At December 31, 2017	**$ 13,054,901**	**$ 28,367,164**	**$ 36,342,062**	**$ 11,729,264**	**$ 611,090**	**$ 90,104,481**

During the year ended December 31, 2017, the Company capitalized borrowing costs related to the construction of the Cascade Falls generating station amounting to $240,359 (2016 - $34,404).

(Expressed in Canadian Dollars)

8. Intangible assets

Intangible assets consist of the following:

	Computer software	Land rights	Waterpower generation rights	Total
Cost				
Balance at January 1, 2016	$ 1,286,315	$ 575,431	$ 1,355,957	**$ 3,217,703**
Additions	17,791	-	2,934,737	**2,952,528**
Disposals	-	7,500	-	**7,500**
Balance at December 31, 2016	$ 1,304,106	$ 567,931	$ 4,290,694	**$ 6,162,731**
Balance at January 1, 2017	$ 1,304,106	$ 567,931	$ 4,290,694	**$ 6,162,731**
Additions	151,212	-	-	**151,212**
Disposals	-	-	-	**-**
Balance at December 31, 2017	$ 1,455,318	$ 567,931	$ 4,290,694	**$ 6,313,943**
Accumulated depreciation				
Balance at January 1, 2016	$ 1,051,601	$ 49,935	$ -	**$ 1,101,536**
Depreciation for the year (Note 12)	77,945	20	-	**77,965**
Balance at December 31, 2016	$ 1,129,546	$ 49,955	$ -	**$ 1,179,501**
Balance at January 1, 2017	$ 1,129,546	$ 49,955	$ -	**$ 1,179,501**
Depreciation for the year (Note 12)	79,744	20	-	**79,764**
Balance at December 31, 2017	$ 1,209,290	$ 49,975	$ -	**$ 1,259,265**
Carrying amounts				
At December 31, 2016	**$ 174,560**	**$ 517,976**	**$ 4,290,694**	**$ 4,983,230**
At December 31, 2017	**$ 246,028**	**$ 517,956**	**$ 4,290,694**	**$ 5,054,678**

9. Business Combinations

Purchase of Assets – Drag River Power Inc.

On August 5, 2016, the Company purchased all the generation assets and contracts of Drag River Water Power Inc.

The Company was recognized as the acquiring company due to purchasing all the assets related to all production capacity as well as the contracts to supply generation to the Independent Electricity System Operator.

The acquisition was made to enhance the Company's revenue stream at a purchase price of $620,000. The property, plant and equipment consist of identifiable generation equipment including turbine and generator while the intangible asset consists of the Water Power Lease agreement to use the river water for electricity generation. The details of the business combination are as follows:

Identifiable assets recognized at fair value

Non-current assets		
Property, plant and equipment	$	400,000
Intangible asset		220,000
Total non-current assets	$	620,000
Identifiable net assets recognized on acquisition	$	620,000
Goodwill recognized on acquisition	$	-
Cash consideration	$	620,000

9. Business Combinations (continued)

Purchase of Assets – Irondale River Water Power Inc.

On September 7, 2016, the Company purchased all the generation assets and contracts of Irondale River Water Power Inc.

The Company was recognized as the acquiring company due to purchasing all the assets related to all production capacity as well as the contracts to supply generation to the Independent Electricity System Operator.

The acquisition was made to enhance the Company's revenue stream at a purchase price of $980,000. The property, plant and equipment consist of identifiable generation equipment including turbine and generator while the intangible asset consists of the Water Power Lease agreement to use the river water for electricity generation. The details of the business combination are as follows:

Identifiable assets recognized at fair value

Non-current assets		
Property, plant and equipment	**$**	**755,000**
Intangible asset		**225,000**
Total non-current assets	**$**	**980,000**
Identifiable net assets recognized on acquisition	**$**	**980,000**
Goodwill recognized on acquisition	**$**	**-**
Cash consideration	**$**	**980,000**

(Expressed in Canadian Dollars)

9. Business Combinations (continued)

Purchase of Shares – Elliott Falls Power Corporation

On May 1, 2016, the Company entered into a share purchase agreement with Elliott Falls Power Corporation.

The Company purchased 100% of the interest in Elliott Falls Power Corporation, a hydro-electric generating station on the Trent Severn Waterway. All contracts and leases required to generate and sell to the Independent Electricity System Operator were also transferred to the company.

The Company was recognized as the acquiring Company due to its relative size, in terms of both revenues and total assets, in relation to Elliott Falls Power Corporation.

The acquisition was made to enhance the revenue stream of this company. The details of the business combination are as follows:

Identifiable assets and liabilities recognized at fair value

Current assets		
Cash and cash equivalents	$	**12,418**
Receivables		**79,642**
Prepaid expenses		**4,030**
Total current assets	$	**96,090**
Non-current assets		
Property, plant and equipment	$	**537,114**
Intangible assets		**2,471,863**
Other non-operating assets		**17,876**
Total non-current assets	$	**3,026,853**
Current liabilities		
Payables and accruals	$	**23,480**
Non-current liabilities		
Deferred payments in lieu of taxes	$	**126,853**
Total non-current liabilities	$	**126,853**
Identifiable net assets recognized on acquisition	$	**2,972,610**
Goodwill recognized on acquisition	$	**-**
Cash consideration	$	**2,972,610**
Net cash outflow on acquisition:		
Cash consideration	$	**2,972,610**
Cash acquired		**(12,418)**
	$	**2,960,192**

(Expressed in Canadian Dollars)

10. Goodwill

Goodwill of $1,150,014 is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of the workforce and expected costs. Goodwill has been allocated to the power segment and is not expected to be deductible for income tax purposes.

11. Payments in lieu of taxes payable

The significant components of the provision for payments in lieu of taxes expense are as follows:

	2017	2016
Current tax		
Based on current year taxable income	**$ 837,881**	$ 479,969
Total current tax	**$ 837,881**	$ 479,969
Deferred tax		
Origination and reversal of temporary differences	**$ 1,279,576**	$ 555,120
Total deferred tax	**$ 1,279,576**	$ 555,120
Total provision for payments in lieu of taxes	**$ 2,117,457**	$ 1,035,089

The payments in lieu of taxes varies from amounts which would be computed by applying the Company's combined statutory federal and provincial income tax rate. Reconciliation of the payments in lieu of taxes at the statutory income tax rate to the provision for payments in lieu of taxes is as follows:

(Expressed in Canadian Dollars)

11. Payments in lieu of taxes payable (continued)

Rate reconciliation before net movements in regulatory balances and OCI

	2017	2016
Profit for the year before net movements in regulatory deferral account balances and OCI	**$ 8,795,399**	$ 4,931,193
Statutory tax rate	**26.5%**	26.5%
Expected payments in lieu of taxes	**2,330,781**	1,306,766
(Decrease) increase resulting from:		
Items not taxable for tax purposes	**(102,891)**	(51,165)
Rate variances	**(85,149)**	(38,984)
Refundable taxes and ITCs	**(11,032)**	-
Other	**(14,252)**	(181,528)
Provision for payments in lieu of taxes	**$ 2,117,457**	$ 1,035,089

Rate reconciliation after net movements in regulatory balances

	2017	2016
Profit for the year before OCI	**$ 8,587,701**	$ 5,384,335
Statutory tax rate	**26.5%**	26.5%
Expected payments in lieu of taxes	**2,275,741**	1,426,849
(Decrease) increase resulting from:		
Items not taxable for tax purposes	**(102,891)**	(51,165)
Rate variances	**(85,149)**	(38,984)
Refundable taxes and ITCs	**(11,032)**	-
Other	**(14,252)**	(181,528)
Provision for payments in lieu of taxes	**$ 2,062,417**	$ 1,155,172

	2017	2016
Provision for payments in lieu of taxes before net movements in regulatory deferral account balances and OCI	**$ 2,117,457**	$ 1,035,089
Provision for payments in lieu of taxes recorded in net movement in regulatory balances	**(55,040)**	120,083
Provision for payments in lieu of taxes after net movement in regulatory balances	**2,062,417**	1,155,172
Provision for payments in lieu of taxes recorded in OCI	**-**	43,165
Provision for payments in lieu of taxes	**$ 2,062,417**	$ 1,198,337

(Expressed in Canadian Dollars)

11. Payments in lieu of taxes payable (continued)

The movements in the deferred tax liabilities are:

	Balance January 1 2017	Recognized in Net Income	Recognized in OCI	Balance Acquired on Acquisition	**Balance December 31 2017**
Deferred tax liabilities					
Property, plant and equipment	$ 3,402,251	$ 1,234,850	$ -	$ -	**$ 4,637,101**
Intangible assets	30,736	(43,979)	-	-	**(13,243)**
Losses carried forward	-	(1,913)	-	-	**(1,913)**
Employee future benefits	(82,970)	(705)	-	-	**(83,675)**
Other	(54,265)	36,284	-	-	**(17,981)**
Deferred tax liabilities	$ 3,295,752	$ 1,224,537	$ -	$ -	**$ 4,520,289**

	Balance January 1 2016	Recognized in Net Income	Recognized in OCI	Balance Acquired on Acquisition	Balance December 31 2016
Deferred tax liabilities					
Property, plant and equipment	$ 2,753,866	$ 524,926	$ -	$ 123,459	$ 3,402,251
Intangible assets	(2,618)	29,960	-	3,394	30,736
Losses carried forward	(99,210)	99,210	-	-	-
Employee future benefits	(79,296)	(46,839)	43,165	-	(82,970)
Other	(122,211)	67,946	-	-	(54,265)
Deferred tax liabilities	$ 2,450,531	$ 675,203	$ 43,165	$ 126,853	**$** 3,295,752

12. Amortization of property plant and equipment and intangible assets

The amount of amortization of property, plant and equipment and intangible assets recognized as an expense during 2017 was $3,353,967 (2016 - $2,827,452). The line item *Amortization* on the Statement of Comprehensive Income reflects $3,092,904 (2016 - $2,584,375) because of the transportation amortization of $261,063 (2016 - $243,077) where $166,662 (2016 - $243,077) has been expensed to operating lines and $94,401 (2016 - $Nil) has been capitalized where the equipment was used.

(Expressed in Canadian Dollars)

13. Regulatory deferral account balances

All amounts deferred as regulatory deferral account debit balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators and the actual recovery or settlement periods could differ based on OEB approval. Due to previous, existing or expected future regulatory articles or decisions, the Company has the following amounts expected to be recovered by customers (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

	Note	Remaining Recovery Reversal Period	Balance Jan. 1 2017	Balances arising in period	Recovery/ reversal	**Closing Balance Dec. 31 2017**
Regulatory Deferral Account Debit / (Credit)						
Settlement variances	*i)*	1	$ 870,579	$ (708,500)	$ 2,285	**$ 164,364**
Renewable generation	*ii)*	1	245,384	7,276	-	**252,660**
Retail cost variances	*iii)*	1	370,151	76,221	-	**446,372**
Smart meters	*iv)*	1	7,902	(1,697)	(2,285)	**3,920**
			$ 1,494,016	$ (626,700)	$ -	**$ 867,316**

	Note	Remaining Recovery Reversal Period	Balance Jan. 1 2016	Balances arising in period	Recovery/ reversal	Closing Balance Dec. 31 2016
Regulatory Deferral Account Debit / (Credit)						
Settlement variances	*i)*	1	$ 254,381	$ 591,765	$ 24,433	$ 870,579
Renewable generation	*ii)*	1	242,630	2,754	-	245,384
Retail cost variances	*iii)*	1	324,428	64,890	(19,167)	370,151
Smart meters	*iv)*	1	14,724	(1,556)	(5,266)	7,902
			$ 836,163	$ 657,853	$ -	$ 1,494,016

13. Regulatory deferral account balances (continued)

i. Settlement variances

This account is comprised of the variances between amounts charged by the Company to customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the Company. The settlement variances relate primarily to service charges, non-competitive electricity charges, imported power charges and the global adjustment.

The Company has recognized a settlement variance asset of $164,364 (2016 - $870,579) arising from the recognition of regulatory deferral account balances. The settlement variance asset balance is presented within the total regulatory deferral account debit balances presented in the statement of financial position. Annually the Company makes application for the recovery of the settlement variances for its customers in its rate application.

ii. Renewable Generation

The Company has recognized a cost asset of $252,660 (2016 - $245,384) for costs relates to the Green Energy Act with the distributor being responsible for the cost of expansion up to the value of the generators renewable energy expansion cost of $90 per MW generation capacity. These amounts have not yet been submitted for recovery. The balance is presented within the total regulatory deferral account debit balances presented in the statement of financial position.

iii. Retail cost variances

The Company has recognized a cost asset of $446,372 (2016 - $370,151) mainly for costs in excess of the amount requested in the Company's last Cost of Service Application. Included is lost revenue as a result of CDM programs, IFRS conversion costs and a corporate tax true up from 2001 to 2006. The other cost asset balance is presented within the total regulatory deferral account debit balances presented in the statement of financial position.

iv. Smart meters

The Company has recognized a cost asset of $3,920 (2016 - $7,902) related to the net balance of capital and operating expenditures for smart meters less recoveries received from the rate adder charged to customers.

(Expressed in Canadian Dollars)

14. Accounts payable and accrued liabilities

Major components of accounts payable and accrued liabilities consist of the following:

	December 31 2017	December 31 2016
Purchased power	$ 2,063,040	$ 2,981,336
Accounts payable and accrued liabilities	6,275,563	5,948,848
	$ 8,338,603	$ 8,930,184

15. Deferred revenue

The amount of deferred revenue is based on contracts in place for water heater rentals and fiber optic services that are billed one month in advance. In addition, amounts received from Small Communities Funding are deferred until the related assets are brought into use where at that time the deferred revenue is amortized over the useful life of the respective assets, which is 20 years. The third component is installation costs for customer site connections that are amortized over the term of the respective contracts.

	December 31 2017	December 31 2016
Small Communities Funding grants earned, net, beginning of year	$ 2,655,669	$ -
Small Communities Funding grants earned in year	1,102,130	2,718,883
Small Communities Funding grants recognized in energy revenue	(161,844)	(63,214)
Small Communities Funding grants earned, net, end of year	$ 3,595,955	$ 2,655,669
Installation costs	164,486	185,892
Rental and services billed in advance	332,241	186,011
	$ 4,092,682	$ 3,027,572
Current portion	$ 573,291	$ 503,089
Non-current portion	$ 3,519,391	$ 2,524,483

As at December 31, 2017, the Company has accrued 55% (2016 – 25%) of the total grant funding expected to be received from Small Communities Funding based on the total project costs expected to be incurred and eligible for funding. The grant funding earned but not yet received and accrued as receivables is outlined in Note 5.

(Expressed in Canadian Dollars)

16. Contribution in aid of construction

Contributions in aid of construction consists of capital contributions received from electricity customers to construct or acquire property, plant and equipment which has not yet been recognized as revenue, and also includes revenue not yet recognized from demand billable activities.

	December 31 2017	December 31 2016
Deferred contributions, net, beginning of year	**$ 6,208,703**	$ 5,831,305
Contributions in aid of construction received	**365,698**	551,702
Contributions in aid of construction recognized as distribution revenue	**(185,052)**	(174,304)
Deferred contributions, net, end of year	**$ 6,389,349**	$ 6,208,703
Current portion	**$ 191,220**	$ 180,750
Non-current portion	**$ 6,198,129**	$ 6,027,953

17. Customers deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers.

Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

	December 31 2017	December 31 2016
Customer deposits	**$ 210,876**	$ 230,110

18. Employee future benefits

a) Defined contribution plan

The employees of the Company participate in the Ontario Municipal Employees Retirement System (“OMERS”). Although the plan has a defined retirement benefit plan for employees, the related obligation of the Company cannot be identified. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant. The employer portion of amounts paid to OMERS during the year was $508,314 (2016 - $472,108). The contributions were made for current service and these have been recognized in net income.

(Expressed in Canadian Dollars)

18. Employee future benefits (continued)

b) Defined benefit plan

The Company pays post-retirement life insurance premiums and health & dental benefits for a defined group of employees. The Company recognizes these post-retirement costs in the period in which the employees render the services.

An actuarial valuation is prepared every third year or when there are significant changes to the workforce. A valuation based on management information was performed in accordance with IAS 19 for the 2016 fiscal period.

The plan is exposed to a number of risks, including:

Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation.

Longevity risk: changes in the estimation of mortality rates of current and former employees.

Information about the group unfunded defined benefit plan as a whole and changes in the present value of the unfunded defined benefit obligation and the accrued benefit liability are as follows:

	Defined benefit liability	
	2017	2016
Balance January 1	**$ 301,646**	$ 286,917
Current service cost	**5,658**	4,264
Past service cost	**-**	187,707
Interest cost	**11,193**	10,701
Included in profit or loss	**16,851**	202,672
Remeasurement loss (gain)		
Actuarial (gain) losses from financial assumptions	**-**	(162,884)
Included in other comprehensive income	**-**	(162,884)
Benefits paid during the year	**(14,239)**	(25,059)
Balance December 31	**$ 304,258**	$ 301,646

The main actuarial assumptions underlying the valuation are as follows:

Assumption	**2017**	2016	Reasonable Possible Change	Defined Benefit Increase	Obligation Decrease
Discount rate	3.8%	3.8%	1%	3%	(1.32)%
Retirement age - males	60	60	(2)	12.25%	-
Retirement age - females	60	60	(2)	12.25%	-

(Expressed in Canadian Dollars)

18. Employee future benefits (continued)

c) Other employee future benefits

Also included in the Employee future benefits is an amount for a self-insured life insurance plan regarding one employee from the original amalgamation of Lakeland Power in September, 2000. The amount is $23,100 and is payable upon death of the retiree.

19. Short term debt

The Company has short term indebtedness with Toronto Dominion Bank of $11,085,422 (2016 - $4,407,545) out of $14,000,000 credit limit to finance upgrades to the Cascade Falls Generating plant. The facility is due on demand and is secured by a general security agreement conveying first floating and fixed charge over certain assets and evidence of adequate liability insurance. The facility also bears interest at the prime rate, with no fixed term of repayment.

20. Long term debt

	December 31 2017	December 31 2016
TD bank term loan, 2.94% due March 2018	**$ 1,162,500**	$ 1,162,500
TD bank term loan, 3.21% due October 2022	**2,325,000**	2,325,000
TD bank term loan, 3.04% due July 2022	**2,698,887**	2,698,887
TD bank term loan, 2.17% due February 2021	**4,000,000**	4,000,000
TD bank term loan, 2.18%, renew rate July 2019, due June 2021	**7,654,070**	7,900,142
TD bank term loan, BA rate + 1.25% due March 2022	**2,594,876**	2,767,842
TD reducing term facility loan, 3.74% due March 2022	**12,419,629**	13,247,630
	32,854,962	34,102,001
Current portion	**2,414,492**	6,270,470
	$ 30,440,470	$ 27,831,531

The term loans are secured by a general security agreement conveying a first floating and fixed charge over certain assets and evidence of adequate liability insurance.

The agreements covering the above facilities contain certain restrictions regarding service coverage ratio and debt capitalization tests, which have been met.

The Company is only required to make interest only payments on the term loans with the balance due upon maturity except for loan of $8,000,000 which requires blended monthly payments of $34,615 over the next 1.5 years.

Subsequent to year end the term loan due March 2018 was renewed for a 5 year term with interest at 3.62%. After the renewal occurred in March 2018, the classification of the loan reverted to long term.

Management intends to renegotiate the other term loans as they come due in order to further extend the principal payments.

(Expressed in Canadian Dollars)

20. Long term debt (continued)

Principal payments due in each of the next five years are as follows:

2018	$ 2,414,492
2019	1,150,342
2020	1,000,967
2021	12,254,638
2022	16,034,523

21. Interest rate swap

The Company has entered into an interest rate swap agreement as an “economic hedge” to manage the volatility of interest rates on the cash flows from the reducing term facility loan as described in Note 3 and 20 of the consolidated financial statements.

The floating interest rate on the bankers’ acceptance loan has been converted to a fixed rate of 3.74% by entering into an amortizing interest rate swap with an notional amount of $16,559,538 ($12,419,629 remaining, 2016 - $13,247,630). The maturity date of the interest rate swap is March 31, 2022. The fair value of the interest rate swap agreement is based on amounts determined by third party valuation of the interest rate swap.

As at December 31, 2017, the interest rate swap agreement was in a net unfavorable position representing a liability of $158,586 (2016 - $611,818) and $453,231 (2016 - $243,530) has been charged (credited) to comprehensive income for the annual change in fair value of the interest rate swap.

Under previous Canadian GAAP, the Company applied hedge accounting but it was not continued upon the transition to IFRS on January 1, 2014. The balance in Accumulated Other Comprehensive Loss related to the change in fair value of the interest rate swap at January 1, 2014 was $274,374. This cumulative balance is being amortized on a straight-line basis from January 1, 2014 to the maturity date of the interest rate swap and related term loan as the hedged item affects income and, accordingly, $33,257 (2016 - $33,257) is included in other expense in the Statement of Comprehensive Income.

22. Share capital

a) Ordinary shares

An unlimited number of common shares are authorized for issue.

As of December 31, 2017, the Company has issued and fully paid 10,000 (2016 - 10,000) common shares. The shares have no par value.

All shares are ranked equally with regards to the Company's residual assets.

b) Movement in ordinary share capital

No movement in ordinary share capital has occurred during 2017.

(Expressed in Canadian Dollars)

23. Related party transactions

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties) which approximates the arm's length equivalent value.

The following table summarizes the Company's related party shareholder transactions for the year:

		2017		2016
Purchases				
Town of Bracebridge				
Dividends	**$**	**985,575**	$	915,177
Operating expenses		**34,742**		27,615
Town of Huntsville				
Dividends		**380,395**		353,224
Operating expenses		**11,589**		52,754
Village of Burk's Falls				
Dividends		**59,943**		55,661
Operating expenses		**1,338**		1,657
Village of Sundridge				
Dividends		**65,544**		60,862
Municipality of Magnetawan				
Dividends		**22,252**		20,662
Operating expenses		**280**		-
Town of Parry Sound				
Dividends		**236,292**		219,414
Operating expenses		**26,824**		24,647
Sales				
Town of Bracebridge	**$**	**1,019,691**	$	1,014,663
Town of Huntsville		**481,251**		553,992
Village of Burk's Falls		**156,213**		177,579
Village of Sundridge		**133,339**		141,688
Municipality of Magnetawan		**54,394**		59,203
Town of Parry Sound		**992,869**		905,515

Key management personnel compensation comprised:

The key management personnel of the Company have been defined as members of its board of directors and executive management team members.

		2017		2016
Executive management & director compensation	**$**	**909,070**	$	695,248

(Expressed in Canadian Dollars)

24. Expenses by nature

	2017	2016
Repairs and maintenance	**$ 2,107,043**	$ 1,673,094
Staff costs (including post-employment benefits)	**4,884,274**	4,856,334
General administration and overhead	**2,089,770**	2,105,306
Bad debts	**39,187**	84,216
	$ 9,120,274	$ 8,718,950

25. Staff costs

	2017	2016
Wages, salaries and short-term employee benefits	**$ 6,151,642**	$ 5,936,266
Wages, salaries and short term employee benefits in revenue	**(96,162)**	(84,092)
Wages, salaries and short term employee benefits capitalized	**(1,175,168)**	(1,173,453)
Post-employment benefits	**3,962**	177,613
	$ 4,884,274	$ 4,856,334

26. Financial instruments and risk management

Fair value disclosure

The carrying values of cash and cash equivalents, receivables, unbilled service revenue, accounts payable and accrued liabilities and customer deposits approximate their respective fair values because of the short maturity of these instruments.

The fair value of the interest rate swap (Level 2) is $158,586 (2016 - $611,818). The fair value is based upon a third party valuation using standard pricing models for such instruments.

The fair value of the term loans (Level 2) is $33,618,440 (2016 - $34,233,745). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date.

Risk Management

The Company's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

26. Financial instruments and risk management (continued)

i) Credit risk:

Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns its distribution and energy revenue from a broad base of customers located in six municipalities. The Company earns its generation revenue from the IESO, a government entity. No other single customer accounts for revenue in excess of 10% of total revenue.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in the Statement of Comprehensive Income. Subsequent recoveries of receivables previously provisioned are credited to the Statement of Comprehensive Income. The balance of the allowance for impairment at December 31, 2017 is $268,780 (2016 - $360,890). The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2017, approximately $314,865 (2016 - $386,085) is considered 60 days past due. The Company has approximately 13,550 customers, the majority of which are residential. Credit risk is managed through the Company maintaining bank accounts at a reputable bank and the collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2017, the Company holds security deposits in the amount of $210,876 (2016 - $230,110).

ii) Market risk:

The Company is not exposed to significant market risk.

iii) Interest rate risk:

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At December 31, 2017, the Company is not exposed to any material changes in market interest rates on its longer-term borrowing.

The TD bank term loan due March 2022 is exposed to interest rate risk as a portion of the loan is tied to the bankers' acceptance floating rate, which gives rise to a risk that the Company's income and cash flows may be adversely impacted by fluctuations in interest rates.

The reducing term facility may be exposed to interest rate risk if the Company is not in compliance with its year-end financial and capital expenditure covenants. The amount is currently being hedged via an interest rate swap and, therefore, has an effective fixed rate of 3.74%. The Company closely monitors its financial performance to ensure it remains in compliance with its banking covenants.

The interest rate swap is exposed to interest rate risk as it is recorded at fair value, which is dependent on projections of current and future interest rates.

(Expressed in Canadian Dollars)

26. Financial instruments and risk management (continued)

iv) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company has access to line of credit facilities totaling $20,500,000 and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Due within 1 year	Due between 1-2 years	Due past 2 years
At December 31, 2017			
Accounts payables and accrued liabilities	$ 8,338,603	$ -	$ -
Customer deposits	-	210,876	-
Short term debt	11,085,422	-	-
Long term debt	2,414,492	1,150,342	29,290,128
At December 31, 2016			
Accounts payables and accrued liabilities	$ 8,930,184	$ -	$ -
Customer deposits	-	230,110	-
Short term debt	4,407,545	-	-
Long term debt	6,270,470	2,414,492	25,417,039

27. Contingency

The Company has a bank letter of credit outstanding for $452,305 (2016 - $452,305). The letter of credit bears interest at a rate of 0.50% per annum. Purchasers of electricity in Ontario, through the Independent Electricity Systems Operator (IESO) are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if the Company fails to make a payment required by default notice issued by the IESO. The maximum potential payment is the face value of the bank letters of credit. As at December 31, 2017, the Company provided prudential support using bank letters of credit of $452,305 (2016 - $452,305).

28. Capital management

The main objectives of the Company, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, and the generation stations, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Company's definition of capital is shareholders' equity. As at December 31, 2017, shareholders' equity amounts to $49,810,510 (2016 - $45,001,969).

29. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.

IFRS Financial Statements

Lakeland Power Distribution Ltd.

December 31, 2017

Contents

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Independent Auditor's Report

To the Directors of Lakeland Power Distribution Ltd.,

We have audited the accompanying financial statements of Lakeland Power Distribution Ltd., which comprise the statements of financial position as at December 31, 2017 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lakeland Power Distribution Ltd. as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Barrie, Canada
April 24, 2018

Chartered Professional Accountants
Licensed Public Accountants

Lakeland Power Distribution Ltd.
Statements of Comprehensive Income

(Expressed in Canadian Dollars)

Year Ended December 31	2017	2016
Revenue		
Electricity revenue	$ 35,611,447	$ 39,263,995
Distribution revenue	8,194,172	8,038,821
Other revenue	773,279	639,392
Gain on disposal of property, plant and equipment	-	10,142
Total Revenue	44,578,898	47,952,350
Expenses		
Purchased power	35,405,579	39,715,278
Operating expenses (Note 21)	4,709,961	4,849,161
Loss on disposal of property, plant and equipment	7,454	-
Depreciation and amortization (Note 11)	1,414,343	1,349,997
Taxes other than payments in lieu of taxes	54,642	49,780
Total Expenses	41,591,979	45,964,216
Income from operating activities	2,986,919	1,988,134
Other Income		
Finance income	36,203	29,702
Finance costs	(440,179)	(316,226)
Income before provision for payments in lieu of taxes	2,582,943	1,701,610
Provision for payments in lieu of taxes		
Current (Note 10)	482,266	431,628
Deferred (Note 10)	232,375	12,302
Total provision for payments in lieu of taxes	714,641	443,930
Profit for the year before net movements in regulatory deferral account balances	1,868,302	1,257,680
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement (Notes 10 & 12)	(152,658)	333,059
Profit for the year and net movements in regulatory deferral account balances	1,715,644	1,590,739
Other comprehensive income (OCI): items that will not be reclassified to profit or loss, net of income tax		
Remeasurements of defined benefit plan (Note 16), net of tax of $Nil (2016 - $32,587)	-	90,382
Other comprehensive income for the year, net of tax	-	90,382
Total comprehensive income for the year	$ 1,715,644	$ 1,681,121

See accompanying notes to the financial statements.

Lakeland Power Distribution Ltd.
Statements of Financial Position

(Expressed in Canadian Dollars)

As at December 31	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	**$ 4,745,368**	$ 2,813,363
Receivables (Note 5)	**4,304,291**	5,180,102
Unbilled revenue	**3,966,937**	4,626,136
Intercompany receivables (Notes 5 & 20)	**68,324**	8,290
Inventory (Note 6)	**365,961**	373,474
Prepaid expenses	**284,491**	229,778
Total Current Assets	**13,735,372**	13,231,143
Non-Current Assets		
Property, plant and equipment (Note 7)	**31,481,535**	30,839,408
Intangible assets (Note 8)	**619,152**	622,974
Goodwill (Note 9)	**1,150,014**	1,150,014
Deferred payments in lieu of taxes (Note 10)	**659,517**	836,852
Total Non-Current Assets	**33,910,218**	33,449,248
Total Assets	**47,645,590**	46,680,391
Regulatory Deferral Account Debit Balances and Related Deferred Taxes (Notes 10 & 12)	**867,316**	1,494,016
Total Assets and Regulatory Deferral Account Balances	**$ 48,512,906**	$ 48,174,407

Lakeland Power Distribution Ltd.
Statements of Financial Position
(Expressed in Canadian Dollars)

As at December 31	2017	2016
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 13)	**$ 5,168,552**	$ 6,539,400
Contributions in aid of construction (Note 14)	**191,220**	180,750
Intercompany payables (Notes 13 & 20)	**1,048,991**	941,320
Payments in lieu of taxes payable (Note 10)	**18,796**	50,530
Current portion of long tem debt (Note 18)	**1,413,525**	5,269,503
Total Current Liabilities	**7,841,084**	12,981,503
Non-Current Liabilities		
Contributions in aid of construction (Note 14)	**6,198,129**	6,027,953
Customer deposits (Note 15)	**210,876**	230,019
Employee future benefits (Note 16)	**80,544**	78,209
Long term debt (Note 18)	**16,426,932**	12,817,026
Total Non-Current Liabilites	**22,916,481**	19,153,207
Total Liabilites	**$ 30,757,565**	$ 32,134,710
Shareholder's Equity		
Share capital (Note 19)	**$ 9,226,787**	$ 9,226,787
Retained earnings	**3,457,816**	1,742,172
Contributed surplus	**4,986,711**	4,986,711
Accumulated other comprehensive income	**84,027**	84,027
Total Shareholders' Equity	**17,755,341**	16,039,697
Total Liabilities and Shareholder's Equity	**48,512,906**	48,174,407
Regulatory Deferral Account Credit Balances and Related Deferred Tax (Notes 10 & 12)	**-**	-
Total Liabilities, Shareholder's Equity and Regulatory Deferral Account Credit Balances	**$ 48,512,906**	$ 48,174,407

Contingency (Note 24)

On Behalf of the Board

_______Director _______Director

See accompanying notes to the financial statements

Lakeland Power Distribution Ltd.
Statements of Changes in Equity

(Expressed in Canadian Dollars)
Year Ended December 31, 2017

	Share capital	Retained earnings	Accumulated other comprehensive (loss) income	Contributed surplus	**Total**
January 1, 2016	$ 9,226,787	$ 8,151,433	$ (6,355)	$ 4,986,711	**$ 22,358,576**
Profit for the year and net movements in regulatory deferral account balances	-	1,590,739	-	-	**1,590,739**
Dividends	-	(8,000,000)	-	-	**(8,000,000)**
Other comprehensive income, net of tax:					
Remeasurements of defined benefit plan, net of tax (Note 16)	-	-	90,382	-	**90,382**
December 31, 2016	$ 9,226,787	$ 1,742,172	$ 84,027	$ 4,986,711	**$ 16,039,697**
Profit for the year and net movements in regulatory deferral account balances	-	1,715,644	-	-	**1,715,644**
December 31, 2017	**$ 9,226,787**	**$ 3,457,816**	**$ 84,027**	**$ 4,986,711**	**$ 17,755,341**

See accompanying notes to the financial statements

Lakeland Power Distribution Ltd.
Statements of Cash Flows

(Expressed in Canadian Dollars)

Year Ended December 31	2017	2016
Cash flows from operating activities		
Comprehensive income for the year	**$ 1,715,644**	$ 1,681,121
Adjustments		
Depreciation and amortization of property, plant and equipment and intangible assets (Note 11)	**1,594,725**	1,533,647
Gain on disposal of property, plant and equipment	**-**	(10,142)
Loss on disposal of property, plant and equipment	**7,454**	-
Employee future benefits	**2,335**	(18,481)
Provision for payments in lieu of taxes	**659,601**	596,600
Finance income	**(36,203)**	(29,702)
Finance costs	**440,179**	316,226
Change in non-cash operating working capital		
Receivables	**815,777**	(267,815)
Unbilled service revenue	**659,199**	(411,324)
Inventory	**7,513**	(8,998)
Prepaid expenses	**(54,713)**	7,728
Accounts payables and accrued liabilities	**(1,263,177)**	(437,257)
Customer deposits	**(19,143)**	9,462
Contributions in aid of construction	**180,646**	377,398
Regulatory deferral account balances	**626,700**	(657,853)
	5,336,537	2,680,610
Payments in lieu of taxes paid	**(514,000)**	(286,926)
Net cash flows from operating activities	**4,822,537**	2,393,684
Cash flows from investing activities		
Finance income received	**36,203**	29,702
Proceeds on disposal of property, plant and equipment	**168,515**	28,323
Purchase of property, plant and equipment	**(2,363,733)**	(2,505,121)
Purchase of intangible assets	**(45,266)**	(4,627)
Net cash used in investing activities	**(2,204,281)**	(2,451,723)
Cash flows from financing activities		
Bank indebtedness	**-**	(712,514)
Advances of long term debt	**-**	12,000,000
Repayment of long term debt	**(246,072)**	(99,858)
Finance costs paid	**(440,179)**	(316,226)
Dividends paid	**-**	(8,000,000)
Net cash (used in) provided from financing activities	**(686,251)**	2,871,402
Net increase in cash and cash equivalents during the year	**1,932,005**	2,813,363
Cash and cash equivalents, beginning of year	**2,813,363**	-
Cash and cash equivalents, end of year	**$ 4,745,368**	$ 2,813,363

See accompanying notes to the financial statements.

1. Corporate information

Lakeland Power Distribution Ltd.'s (the "Company") main business activity is the distribution of electricity. The Company owns and operates an electricity distribution system. The address of the Company's corporate office and principal place of business is 200-395 Centre St N, Huntsville, Ontario, Canada, P1H 2M2.

The sole shareholder of the Company is Lakeland Holding Ltd.

The Company was incorporated under the Canada Business Corporations Act in 2000, and has continued as a Company under the Business Corporations Act of Ontario. The Company distributes electricity to residents and businesses in the towns of Bracebridge, Huntsville, Parry Sound, Sundridge, Burk's Falls and Magnetawan under a license issued by the Ontario Energy Board ("OEB"). The Company is regulated by the OEB and adjustments to the Company's distribution and power rates require OEB approval.

2. Basis of preparation

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

The financial statements were authorized for issue by the Board of Directors on April 24, 2018.

b) Basis of measurement

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars (CDN$), which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It is also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2. Basis of preparation (continued)

c) Explanation of Activities subject to Rate Regulation

The Company, as an electricity distributor, is both licensed and regulated by the Ontario Energy Board "OEB" which has a legislative mandate to oversee various aspects of the electricity industry. The OEB exercises statutory authority through setting or approving all rates charged by the Company and establishing standards of service for the Company's customers.

The OEB has broad powers relating to licensing, standards of conduct and service and the regulation of rates charged by the Company and other electricity distributors in Ontario. The Ontario government enacted the Energy Competition Act, 1998, to introduce competition to the Ontario energy market. Rates are set by the OEB on an annual basis.

Regulatory risk

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the electricity distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations including the recovery of expenses incurred for the benefit of other market participants in the electricity industry such as transition costs and other regulatory assets. All requests for changes in electricity distribution charges require the approval of the OEB.

Recovery risk

Regulatory developments in Ontario's electricity industry, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. The Company is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

3. Summary of significant accounting policies

a) Regulatory Deferral Accounts

The Company has early adopted IFRS 14 Regulatory Deferral Accounts. In accordance with IFRS 14, the Company has continued to apply the accounting policies it applied in accordance with the pre-changeover Canadian GAAP for the recognition, measurement and impairment of assets and liabilities arising from rate regulation. These are referred to as regulatory deferral account balances.

3. Summary of significant accounting policies (continued)

Regulatory deferral account debit balances represent certain costs incurred in the current period or in prior period(s) that are expected to be recovered from consumers in future periods through the rate-setting process. Regulatory deferral account credit balances are associated with the collection of certain revenues earned in the current period or in prior period(s) that are expected to be returned to consumers in future periods through the rate-setting process. Regulatory deferral account balances can arise from differences in amounts collected from customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by the Company in the wholesale market administered by the Independent Electricity System Operator (the "IESO") after May 1, 2002. These amounts have been accumulated pursuant to regulation underlying the Electricity Act (the "EA") and deferred in anticipation of their future recovery or expense in electricity distribution service charges.

Explanation of recognized amounts

Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other non-financial assets as described below.

Management continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

b) Revenue

Revenue is recognized to the extent that it is probable those economic benefits will flow to the Company and that the revenue can be reliably measured. Revenue comprises of sales and distribution of energy, pole use rental, collection charges, investment income and other miscellaneous revenues.

Sale and distribution of energy

The Company is licensed by the OEB to distribute electricity. As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers. The Company has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

Revenues from the sale and distribution of electricity are recognized upon delivery and provision of services over the period in which the delivery and service is performed and collectability is reasonably assured and includes unbilled revenues accrued in respect of electricity delivered but not yet billed in the reporting period. Sale and distribution of energy revenue is comprised of customer billings for distribution service charges. Customer billings for distribution service charges are recorded based on meter readings.

3. Summary of significant accounting policies (continued)

Other

Other revenues, which include revenues from pole use rental, collection charges and other miscellaneous revenues are recognized at the time services are provided.

Where the Company has an ongoing obligation to provide services, revenues are recognized as the service is performed and amounts billed in advance are recognized as deferred revenue.

Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements. Since the contributions will provide customers with ongoing access to the supply of electricity, these contributions are classified as contributions in aid of construction and are recorded as revenue on a straight-line basis over the useful life of the constructed or contributed asset.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

d) Financial instruments

Recognition, initial measurement and derecognition

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets, they are classified into the following categories upon initial recognition, loans and receivables.

3. Summary of significant accounting policies (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, accounts receivables and unbilled service revenue fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Classification and subsequent measurement of financial liabilities

All of the Company's financial liabilities are classified as other financial liabilities, and include bank indebtedness, accounts payables and accrued liabilities, customer deposits, and term loans. Other financial liabilities are measured subsequently at amortized cost using the effective interest method. All interest-related charges are reported in profit or loss and are included within finance costs or finance income.

Term loans are initially measured at fair value. Debt issuance costs incurred are capitalized as part of the carrying value and amortized over the term of the related financial liability, using the effective interest method, and are included in finance costs.

e) Fair value measurements

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

f) Property, plant and equipment

Recognition and measurement

Property, plant and equipment (PP&E) are recognized at cost or deemed cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including eligible borrowing costs.

Depreciation of PP&E is recorded in the Statements of Comprehensive Income on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives are as follows:

Distribution plant	
Buildings and fixtures	50 years
Conductors and devices	60 years
Distribution station equipment	40 years
Line transformers	40 years
Meters	15 years
New services distribution	45 years
Poles, towers and fixtures	45 years
Underground conduits	40 to 45 years
General plant	
Building and fixtures	50 years
Communication equipment	5 &10 years
Computer hardware	5 years
Office furniture and equipment	10 years
Stores equipment	10 years
Tools and garage equipment	10 years
Transportation equipment	5 & 8 years

Major spare parts

Major spare parts such as spare transformers and other items kept as standby/back up equipment are accounted for as PP&E since they support the Company's distribution system reliability.

Contributions in aid of construction

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction.

3. Summary of significant accounting policies (continued)

Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are included in the Statements of Comprehensive Income when the asset is disposed of. When an item of property, plant and equipment with related contributions in aid of construction is disposed, the remaining amount is recognized in full in the Statements of Comprehensive Income.

g) Borrowing costs

The Company capitalizes interest expenses and other finance charges directly relating to the acquisition, construction or production of assets that take a substantial period of time to get ready for its intended use. Capitalization commences when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization will be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

h) Intangible assets

Computer software

Computer software that is acquired or developed by the Company, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

Land rights

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Company does not hold title. Land rights are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date. The estimated useful lives for the current and comparative years are:

Land rights	Indefinite
Computer software	5 years

3. Summary of significant accounting policies (continued)

i) Impairment of non-financial assets

Non-financial assets are tested for impairment when facts and circumstances indicate that the carrying amount of non-financial assets may not be recoverable. Where the carrying value exceeds its recoverable amount, which is the higher of value in use and fair value less costs of disposal, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit ('CGU'), which is the lowest group of assets to which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed. An impairment loss is charged to the Statement of Comprehensive Income, except to the extent it reverses gains previously recognized in other comprehensive income.

j) Employee future benefits

Defined contribution plan

The employees of the Company participate in the Ontario Municipal Employees Retirement System ("OMERS"). The Company also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. The Company is only one of a number of employers that participates in the plan and the financial information provided to the Company on the basis of the contractual agreements is usually insufficient to measure the Company's proportionate share in the plan assets and liabilities on defined benefit accounting requirements. Therefore, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation on behalf of its retired employees unfunded extended medical and dental benefits as well as life insurance and is calculated by estimating the amount of future benefits that are expected to be paid out discounted to determine its present value. Any unrecognized past service costs are deducted.

The calculation is performed by a qualified actuary using the projected unit credit method every three years or when there are significant changes to workforce. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

3. Summary of significant accounting policies (continued)

Defined benefit obligations are measured using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities.

Remeasurements of the defined benefit obligation are recognized directly within equity in other comprehensive income. The remeasurements include actuarial gains and losses.

Service costs are recognized in the Statements of Comprehensive Income in operating expenses, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense is recognized the Statements of Comprehensive Income in finance expense, and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of benefit payments during the period. Gains or losses arising from changes to defined benefits or plan curtailment are recognized immediately in the Statements of Comprehensive Income. Settlements of defined benefit plans are recognized in the period in which the settlement occurs.

k) Payments in lieu of taxes

Tax status

The Company is a Municipal Electricity Utility (“MEU”) for purposes of the payments in lieu of taxes (“PILs”) regime contained in the Electricity Act, 1998. As an MEU, the Company is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the Company is required to make, for each taxation year, PILs to Ontario Electricity Financial Corporation ("OEFC"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

Current and deferred tax

Provision for payments in lieu of taxes comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances (See Note 10). Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities/(assets) are settled/(recovered).

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

3. Summary of significant accounting policies (continued)

At the end of each reporting period, the Company reassesses both recognized and unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

l) Inventories

Cost of inventories comprise of direct materials, which typically consists of distribution assets not deemed as major spares, unless purchased for specific capital projects in process or as spare units. Costs, after deducting rebates and discounts, are assigned to individual items of inventory on the basis of weighted average cost. Decommissioned assets that are transferred to inventory are tested for impairment once they are removed from service and placed in inventory. Inventory is recognized at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

m) Standards, amendments and interpretations not yet effective

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement

IFRS 9 amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss, and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The effective date for IFRS 9 is January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 is based on the core principle to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 focuses on the transfer of control. IFRS 15 replaces all of the revenue guidance that previously existed in IFRSs. The effective date for IFRS 15 is January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

3. Summary of significant accounting policies (continued)

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 Leases, which replaces IAS 17 Leases. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. Lessor accounting remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. The standard is effective for annual periods beginning on or after January 1, 2019, and will be applied retrospectively with some exceptions. Early adoption is permitted if IFRS 15 has been adopted. The Company is in the process of evaluating the impact of the new standard.

4. Use of estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment

The Company relies on a third party independent study to componentize and determine the estimated useful lives of its distribution system assets. The useful life values from the study were derived from industrial statistics, research studies, reports and past utility experience. Actual lives of assets may vary from estimated useful lives.

Employee future benefits

The costs of post-employment medical and insurance benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions. Due to the complexity of the valuation, the underlying assumptions and its long term nature, post-employment medical and insurance benefits are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. See Note 16 Employee Future Benefits.

Payments in lieu of taxes

The Company is required to make payments in lieu of tax calculated on the same basis as income taxes on taxable income earned and capital taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for payments in lieu of taxes based on its understanding of the current tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(Expressed in Canadian Dollars)

4. Use of estimates and judgements (continued)

Receivables

In determining the allowance for doubtful accounts, the Company considers historical loss experience of account balances based on the aging and arrears status of accounts receivable balances.

5. Receivables

	December 31 2017	December 31 2016
Intercompany receivables	**$ 68,324**	$ 8,290
Receivables	**4,304,291**	5,180,102
	$ 4,372,615	$ 5,188,392

The intercompany receivables are unsecured and have no specific interest or repayment terms.

6. Inventory

The amount of spare parts inventory consumed by the Company and recognized as an expense during 2017 was $52,715 (2016 - $16,865)

(Expressed in Canadian Dollars)

7. Property, plant and equipment

Property, plant and equipment consist of the following:

	Land and Buildings	Distribution equipment	Other fixed assets	Construction in progress	Total
Cost					
Balance at January 1, 2016	$ 2,788,865	$ 43,876,737	$ 4,064,429	$ -	**$ 50,730,031**
Additions	-	2,394,111	111,010	-	**2,505,121**
Disposals	-	-	170,450	-	**170,450**
Balance at December 31, 2016	$ 2,788,865	$ 46,270,848	$ 4,004,989	$ -	**$ 53,064,702**
Balance at January 1, 2017	$ 2,788,865	$ 46,270,848	$ 4,004,989	$ -	**$ 53,064,702**
Additions	71,697	2,154,700	137,336	-	**2,363,733**
Disposals	-	63,387	231,849	-	**295,236**
Balance at December 31, 2017	$ 2,860,562	$ 48,362,161	$ 3,920,476	$ -	**$ 55,133,199**
Accumulated depreciation					
Balance at January 1, 2016	$ 560,394	$ 17,705,890	$ 2,632,593	$ -	**$ 20,898,877**
Depreciation for the year (Note 11)	92,154	1,108,312	278,221	-	**1,478,687**
Disposals	-	-	152,270	-	**152,270**
Balance at December 31, 2016	$ 652,548	$ 18,814,202	$ 2,758,544	$ -	**$ 22,225,294**
Balance at January 1, 2017	$ 652,548	$ 18,814,202	$ 2,758,544	$ -	**$ 22,225,294**
Depreciation for the year (Note 11)	92,972	1,180,795	271,870	-	**1,545,637**
Disposals	-	-	119,267	-	**119,267**
Balance at December 31, 2017	$ 745,520	$ 19,994,997	$ 2,911,147	$ -	**$ 23,651,664**
Carrying amounts					
At December 31, 2016	**$ 2,136,317**	**$ 27,456,646**	**$ 1,246,445**	**$ -**	**$ 30,839,408**
At December 31, 2017	**$ 2,115,042**	**$ 28,367,164**	**$ 999,329**	**$ -**	**$ 31,481,535**

(Expressed in Canadian Dollars)

8. Intangible assets

Intangible assets consist of the following:

	Computer software	Land rights	Total
Cost			
Balance at January 1, 2016	$ 924,945	$ 575,431	**$ 1,500,376**
Additions	4,627	-	**4,627**
Disposals	-	7,500	**7,500**
Balance at December 31, 2016	$ 929,572	$ 567,931	**$ 1,497,503**
Balance at January 1, 2017	$ 929,572	$ 567,931	**$ 1,497,503**
Additions	45,266	-	**45,266**
Disposals	-	-	**-**
Balance at December 31, 2017	$ 974,838	$ 567,931	**$ 1,542,769**
Accumulated depreciation			
Balance at January 1, 2016	$ 769,634	$ 49,935	**$ 819,569**
Depreciation for the year (Note 11)	54,940	20	**54,960**
Balance at December 31, 2016	$ 824,574	$ 49,955	**$ 874,529**
Balance at January 1, 2017	$ 824,574	$ 49,955	**$ 874,529**
Depreciation for the year (Note 11)	49,068	20	**49,088**
Balance at December 31, 2017	$ 873,642	$ 49,975	**$ 923,617**
Carrying amounts			
At December 31, 2016	**$ 104,998**	**$ 517,976**	**$ 622,974**
At December 31, 2017	**$ 101,196**	**$ 517,956**	**$ 619,152**

9. Goodwill

Goodwill of $1,150,014 is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of the workforce and expected costs. Goodwill has been allocated to the power segment and is not expected to be deductible for income tax purposes.

(Expressed in Canadian Dollars)

10. Payments in lieu of taxes payable

The significant components of the provision for payments in lieu of taxes expense are as follows:

	2017	2016
Current tax		
Based on current year taxable income	**$ 482,266**	$ 431,628
Total current tax	**$ 482,266**	$ 431,628
Deferred tax		
Origination and reversal of temporary differences	**$ 232,375**	$ 12,302
Total deferred tax	**$ 232,375**	$ 12,302
Total provision for payments in lieu of taxes	**$ 714,641**	$ 443,930

The payments in lieu of taxes varies from amounts which would be computed by applying the Company's combined statutory federal and provincial income tax rate. Reconciliation of the payments in lieu of taxes at the statutory income tax rate to the provision for payments in lieu of taxes is as follows:

Rate reconciliation before net movements in regulatory balances and OCI

	2017	2016
Profit for the year before net movements in regulatory deferral account balances and OCI	**$ 2,375,245**	$2,154,752
Statutory tax rate	**26.5%**	26.5%
Expected payments in lieu of taxes	**629,440**	571,009
Increase (decrease) resulting from:		
Items not deductible for tax purposes	**491**	424
Other	**29,669**	(7,420)
Provision for payments in lieu of taxes	**$ 659,600**	$ 564,013

	2017	2016
Provision for payments in lieu of taxes after net movements in regulatory deferral account balances and OCI	**$ 714,641**	$ 443,930
(Recovery) provision for payments in lieu of taxes recorded in net movement in regulatory balances	**(55,041)**	120,083
Provision for payments in lieu of taxes after net movement in regulatory balances	**659,600**	564,013
Provision for payments in lieu of taxes recorded in OCI	**-**	32,587
Provision for payments in lieu of taxes	**$ 659,600**	$ 596,600

(Expressed in Canadian Dollars)

10. Payments in lieu of taxes payable (continued)

Rate reconciliation after net movements in regulatory balances and OCI

	2017	2016
Profit for the year after net movements in regulatory deferral account balances and OCI	**$ 2,582,943**	$1,701,610
Statutory tax rate	**26.5%**	26.5%
Expected payments in lieu of taxes	**684,481**	450,926
Increase (decrease) resulting from:		
Items not deductible for tax purposes	**491**	424
Other	**29,669**	(7,420)
Provision for payments in lieu of taxes	**$ 714,641**	$ 443,930

	Balance January 1 2017	Recognized in Net Income	Recognized in OCI	**December 31 2017**
Deferred tax assets				
Property, plant and equipment	$ 802,887	$ (177,959)	$ -	**$ 624,928**
Intangible assets	13,238	5	-	**13,243**
Employee future benefits	20,727	619	-	**21,346**
Deferred tax assets	$ 836,852	$ (177,335)	$ -	**$ 659,517**

	Balance January 1 2016	Recognized in Net Income	Recognized in OCI	December 31 2016
Deferred tax assets				
Property, plant and equipment	$ 963,559	$ (160,672)	$ -	$ 802,887
Intangible assets	13,233	5	-	13,238
Employee future benefits	25,032	28,282	(32,587)	20,727
Deferred tax assets	$ 1,001,824	$ (132,385)	$ (32,587)	$ 836,852

At December 31, 2017, a deferred tax asset of $659,517 (2016 - $836,852) has been recorded. The utilization of this tax asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The Company believes that this asset should be recognized as it will be recovered through future rates.

(Expressed in Canadian Dollars)

11. Amortization of property plant and equipment and intangible assets

The amount of amortization of property, plant and equipment and intangible assets recognized as an expense during 2017 was $1,594,725 (2016 - $1,533,647). The line item *Amortization* on the Statement of Comprehensive Income reflects $1,414,343 (2016 - $1,349,997) because of the transportation amortization of $180,382 (2016 - $183,650) where $110,693 (2016 - $183,650) has been expensed to operating lines and $69,689 (2016 - $Nil) has been capitalized where the equipment was used.

12. Regulatory deferral account balances

All amounts deferred as regulatory deferral account debit balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators and the actual recovery or settlement periods could differ based on OEB approval. Due to previous, existing or expected future regulatory articles or decisions, the Company has the following amounts expected to be recovered by customers (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

	Note	Remaining Recovery Reversal Period	Balance Jan. 1 2017	Balances arising in period	Recovery/ reversal	**Closing Balance Dec. 31 2017**
Regulatory Deferral Account Debit / (Credit)						
Settlement variances	*i)*	1	$ 870,579	$ (708,500)	$ 2,285	**$ 164,364**
Renewable generation	*ii)*	1	245,384	7,276	-	**252,660**
Retail cost variances	*iii)*	1	370,151	76,221	-	**446,372**
Smart meters	*iv)*	1	7,902	(1,697)	(2,285)	**3,920**
			$ 1,494,016	$ (626,700)	$ -	**$ 867,316**

(Expressed in Canadian Dollars)

12. Regulatory deferral account balances (continued)

	Note	Remaining Recovery Reversal Period	Balance Jan. 1 2016	Balances arising in period	Recovery/ reversal	Closing Balance Dec. 31 2016
Regulatory Deferral Account Debit / (Credit)						
Settlement variances	*i)*	1	$ 254,381	$ 591,765	$ 24,433	$ 870,579
Renewable generation	*ii)*	1	242,630	2,754	-	245,384
Retail cost variances	*iii)*	1	324,428	64,890	(19,167)	370,151
Smart meters	*iv)*	1	14,724	(1,556)	(5,266)	7,902
			$ 836,163	$ 657,853	$ -	$ 1,494,016

i. Settlement variances

This account is comprised of the variances between amounts charged by the Company to customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the Company. The settlement variances relate primarily to service charges, non-competitive electricity charges, imported power charges and the global adjustment.

The Company has recognized a settlement variance asset of $164,364 (2016 - $870,579) arising from the recognition of regulatory deferral account balances. The settlement variance asset balance is presented within the total regulatory deferral account debit balances presented in the statement of financial position. Annually the Company makes application for the recovery of the settlement variances for its customers in its rate application.

ii. Renewable Generation

The Company has recognized a cost asset of $252,660 (2016 - $245,384) for costs related to the Green Energy Act with the distributor being responsible for the cost of expansion up to the value of the generators renewable energy expansion cost of $90 per MW generation capacity. These amounts have not yet been submitted for recovery. The balance is presented within the total regulatory deferral account debit balances presented in the statement of financial position.

iii. Retail cost variances

The Company has recognized a cost asset of $446,372 (2016 - $370,151) mainly for costs in excess of the amount requested in the Company's last Cost of Service Application. Included is lost revenue as a result of CDM programs, IFRS conversion costs and a corporate tax true up from 2001 to 2006. The other cost asset balance is presented within the total regulatory deferral account debit balances presented in the statement of financial position.

(Expressed in Canadian Dollars)

12. Regulatory deferral account balances (continued)

iv. Smart meters

The Company has recognized a cost asset of $3,920 (2016 - $7,902) related to the net balance of capital and operating expenditures for smart meters less recoveries received from the rate adder charged to customers.

13. Accounts payable and accrued liabilities

Major components of accounts payable and accrued liabilities consist of the following:

		December 31 2017		December 31 2016
Purchased power	**$**	**2,063,040**	$	2,981,336
Accounts payable and accrued liabilities		**3,105,512**		3,558,064
Intercompany payables		**1,048,991**		941,320
	$	**6,217,543**	$	7,480,720

The intercompany payables are unsecured and have no specific interest or repayment terms.

14. Contribution in aid of construction

Contributions in aid of construction consists of capital contributions received from electricity customers to construct or acquire property, plant and equipment which has not yet been recognized as revenue, and also includes revenue not yet recognized from demand billable activities.

		December 31 2017		December 31 2016
Deferred contributions, net, beginning of year	**$**	**6,208,703**	$	5,831,305
Contributions in aid of construction received		**365,698**		551,702
Contributions in aid of construction recognized as distribution revenue		**(185,052)**		(174,304)
Deferred contributions, net, end of year	**$**	**6,389,349**	$	6,208,703
Current portion	**$**	**191,220**	$	180,750
Non-current portion	**$**	**6,198,129**	$	6,027,953

(Expressed in Canadian Dollars)

15. Customers deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers.

Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

	December 31 2017	December 31 2016
Customer deposits	**$ 210,876**	$ 230,019

16. Employee future benefits

a) Defined contribution plan

The employees of the Company participate in the Ontario Municipal Employees Retirement System ("OMERS"). Although the plan has a defined retirement benefit plan for employees, the related obligation of the Company cannot be identified. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant. The employer portion of amounts paid to OMERS during the year was $163,396 (2016 - $167,694). The contributions were made for current service and these have been recognized in net income.

b) Defined benefit plan

The Company pays post-retirement life insurance premiums and health & dental benefits for a defined group of employees (previously with Parry Sound group of companies). The Company recognizes these post-retirement costs in the period in which the employees render the services.

An actuarial valuation is prepared every third year or when there are significant changes to the workforce. A valuation based on management information was performed in accordance with IAS 19 for the 2016 fiscal period.

The plan is exposed to a number of risks, including:

Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation.

Longevity risk: changes in the estimation of mortality rates of current and former employees.

(Expressed in Canadian Dollars)

16. Employee future benefits (continued)

Information about the group unfunded defined benefit plan as a whole and changes in the present value of the unfunded defined benefit obligation and the accrued benefit liability are as follows:

	Defined benefit liability 2017	2016
Balance January 1	**$ 55,109**	$ 73,591
Current service cost	**1,760**	2,634
Past service cost	**-**	98,983
Interest cost	**2,066**	2,870
Included in profit or loss	**3,826**	104,487
Remeasurement loss (gain)		
Actuarial (gain) losses from financial assumptions	**-**	(122,969)
Included in other comprehensive income	**-**	(122,969)
Benefits paid during the year	**(1,491)**	-
Balance December 31	**$ 57,444**	$ 55,109

The main actuarial assumptions underlying the valuation are as follows:

Assumption	**2017**	2016	Reasonable Possible Change	Defined Benefit Increase	Obligation Decrease
Discount rate	3.8**%**	3.8%	1%	3%	(1.32%)
Retirement age – males	60	60	(2)	12.25%	-
Retirement age – females	60	60	(2)	12.25%	-

c) Other employee future benefits

Also included in the Employee future benefits is an amount for a self-insured life insurance plan regarding one employee from the original amalgamation of Lakeland Power in September, 2000. The amount is $23,100 and is payable upon death of the retiree.

17. Bank indebtedness

The Company has bank indebtedness of $NIL (2016 - $NIL), out of $5,500,000 credit limit. The facility is secured by a general security agreement conveying a floating and fixed charge over all assets and evidence of adequate liability insurance and bears interest at the prime rate.

(Expressed in Canadian Dollars)

18. Long term debt

	December 31 2017	December 31 2016
TD bank term loan, 2.94% due March 2018	**$ 1,162,500**	$ 1,162,500
TD bank term loan, 3.21% due October 2022	**2,325,000**	2,325,000
TD bank term loan, 3.04% due July 2022	**2,698,887**	2,698,887
TD bank term loan, 2.17% due February 2021	**4,000,000**	4,000,000
TD bank term loan, 2.18%, renew rate July 2019, due June 2021	**7,654,070**	7,900,142
	17,840,457	18,086,529
Current portion	**1,413,525**	5,269,503
	$ 16,426,932	$ 12,817,026

The term loans are secured by a general security agreement conveying a first floating and fixed charge over all assets and evidence of adequate liability insurance.

The agreements covering the above facilities contain certain restrictions regarding service coverage ratio and debt capitalization tests, which have been met.

The Company is only required to make interest only payments on the term loans with the balance due upon maturity except for loan of $8,000,000 which requires blended monthly payments of $34,615 over the next 1.5 years.

Subsequent to year end the term loan due March 2018 was renewed for a 5 year term with interest at 3.62%. After the renewal occurred in March 2018, the classification of the loan reverted to long term.

Management intends to renegotiate the other term loans as they come due in order to further extend the principal payments.

Principal payments due in each of the next five years are as follows:

2018	$ 1,413,525
2019	149,375
2020	-
2021	11,253,671
2022	5,023,886

19. Share capital

a) Ordinary shares

An unlimited number of common shares are authorized for issue.

As of December 31, 2017, the Company has issued and fully paid 7,428 (2016 - 7,428) common shares. The shares have no par value.

All shares are ranked equally with regards to the Company's residual assets.

b) Movement in ordinary share capital

No movement in ordinary share capital has occurred during 2017.

(Expressed in Canadian Dollars)

20. Related party transactions

These transactions below are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties) which approximates the arm's length equivalent value. Bracebridge Generation Ltd. (BGL), Lakeland Energy Ltd. (LEL) and Lakeland Power Distribution Ltd. (LPDL) are all wholly-owned subsidiaries of Lakeland Holding Ltd. (LHL) and are therefore, related by common control.

The following table summarizes the Company's related party transactions for the year:

		2017		2016
Lakeland Energy Ltd.				
Other operating revenue	**$**	**6,403**	$	34,264
Information technology expenses, in adminstration and general		**369,672**		369,672
Proceeds from sale of vehicle		**27,205**		23,894
Communication expenses, in adminstration and general		**76,200**		76,200
Other operating and maintenance expenses		**8,189**		8,313
Building rent revenue		**31,500**		31,500
Bracebridge Generation Ltd.				
Other operating revenue	**$**	**44,590**	$	28,989
Other operating and maintenance expenses		**483**		5,069
Cascade connection costs		**-**		151,400
Building rent		**16,500**		16,500
Lakeland Holding Ltd.				
Management fees paid, in adminstration and general	**$**	**856,204**	$	886,836
Shareholders of Lakeland Holding Ltd, the parent company				
Purchases				
Town of Bracebridge	**$**	**34,294**	$	27,016
Town of Huntsville		**9,537**		51,766
Municipality of Magnetawan		**280**		-
Town of Parry Sound		**23,526**		20,579
Sales				
Town of Bracebridge	**$**	**925,702**	$	991,417
Town of Huntsville		**449,278**		471,496
Village of Burk's Falls		**154,725**		175,916
Village of Sundridge		**133,339**		141,488
Municipality of Magnetawan		**33,462**		42,226
Town of Parry Sound		**949,161**		891,930

(Expressed in Canadian Dollars)

20. Related party transactions (continued)

At the end of the year, amounts due from/to related parties are as follows and are included in receivables and payables and accruals:

		December 31 2017		December 31 2016
Accounts receivable from BGL	**$**	**6,453**	$	2,497
Accounts receivable from LEL		**14,471**		3,381
Accounts receivable from LHL		**47,400**		2,412
	$	**68,324**	$	8,290
Accounts payable to BGL	**$**	**948,794**	$	768,484
Accounts payable to LEL		**9,888**		9,671
Accounts payable to LHL		**90,309**		163,165
	$	**1,048,991**	$	941,320

Key management personnel compensation comprised:

The management fee paid to Lakeland Holding Ltd. compromises of reimbursements for management and administrative expenses incurred by Lakeland Holding Ltd. Key management compensation for all the Lakeland group of companies is paid by Lakeland Holding Ltd. The total management fees paid from Lakeland Power Distribution Ltd. to Lakeland Holding Ltd. were $856,204 (2016 - $886,836). Additionally, director fees of $9,448 (2016 - $8,646) were also paid during the year.

21. Expenses by nature

		2017		2016
Repairs and maintenance	**$**	**836,052**	$	811,650
Staff costs (including post-employment benefits)		**1,393,232**		1,571,176
General administration and overhead		**2,436,441**		2,403,323
Bad debts		**44,236**		63,012
	$	**4,709,961**	$	4,849,161

(Expressed in Canadian Dollars)

22. Staff costs

	2017	2016
Wages, salaries and short-term employee benefits	**$ 2,103,102**	$ 2,185,185
Wages, salaries and short term employee benefits in revenue	**(59,151)**	(46,152)
Wages, salaries and short term employee benefits capitalized	**(648,070)**	(672,344)
Post-employment benefits	**(2,649)**	104,487
	$ 1,393,232	$ 1,571,176

23. Financial instruments and risk management

Fair value disclosure

The carrying values of cash and cash equivalents, receivables, unbilled service revenue, accounts payable and accrued liabilities and customer deposits approximate their respective fair values because of the short maturity of these instruments.

The fair value of the term loans (Level 2) is $17,849,083 (2016 - $17,968,342). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date.

Risk Management

The Company's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

i) Credit risk:

Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers located in six municipalities. No single customer accounts for revenue in excess of 10% of total revenue.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in the Statement of Comprehensive Income. Subsequent recoveries of receivables previously provisioned are credited to the Statement of Comprehensive Income. The balance of the allowance for impairment at December 31, 2017 is $241,030 (2016 - $313,015). The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2017, approximately $282,154 (2016 - $355,453) is considered 60 days past due. The Company has approximately 13,550 customers, the majority of which are residential. Credit risk is managed through the Company maintaining bank accounts at a reputable bank and the collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2017, the Company holds security deposits in the amount of $210,876 (2016 - $230,019).

(Expressed in Canadian Dollars)

23. Financial instruments and risk management (continued)

ii) Market risk:

The Company is not exposed to significant market risk.

iii) Interest rate risk:

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At December 31, 2017, the Company is not exposed to any material changes in market interest rates on its longer-term borrowing.

iv) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company has access to a $5,500,000 line of credit and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Due within 1 year	Due between 1-2 years	Due past 2 years
At December 31, 2017			
Accounts payables and accrued liabilities	$ 5,168,552	$ -	$ -
Customer deposits	-	210,876	-
Intercompany payables	1,048,991	-	-
Long term debt	1,413,525	149,375	16,277,557
At December 31, 2016			
Accounts payables and accrued liabilities	$ 6,539,400	$ -	$ -
Customer deposits	-	230,019	-
Intercompany payables	941,320	-	-
Long term debt	5,269,503	1,413,525	11,403,501

24. Contingency

The Company has a bank letter of credit outstanding for $452,305 (2016 - $452,305). The letter of credit bears interest at a rate of 0.50% per annum. Purchasers of electricity in Ontario, through the Independent Electricity Systems Operator (IESO) are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if the Company fails to make a payment required by default notice issued by the IESO. The maximum potential payment is the face value of the bank letters of credit. As at December 31, 2017, the Company provided prudential support using bank letters of credit of $452,305 (2016 - $452,305).

25. Capital management

The main objectives of the Company, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Company's definition of capital is shareholder's equity. As at December 31, 2017, shareholder's equity amounts to $17,755,341 (2016 - $16,039,697).

26. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.

Appendix G Reconciliation Between Financial Statements and RRR Filing

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Balance Sheet
For the Year 2014

Trial Balance Mapped to Financial Statement Grouping: BALANCE SHEET

Account	B/S Section	B/S Line Grouping	G/L Account Description	Ending Balance	Total Balance Sheet	Reclassifications	Balance Sheet - Audited Statement
Assets							
1100	Current Asset	Receivables	Accounts Receivable - Customer	$ 4,976,385.55			
1102	Current Asset	Receivables	Accounts Receivable - Retailers	-$ 37,311.52			
1104	Current Asset	Receivables	Interco & Miscellaneous Accounts Receivable	$ 600,864.59			
1105	Current Asset	Receivables	Misc Charges to Customer Accounts Receivable	$ -			
1130	Current Asset	Receivables	Allowance for Doubtful Accounts	-$ 285,066.12			
1190	Current Asset	Receivables	Other Current Assets	$ 473.41	$ 5,255,345.91		$ 5,255,346.00
1200	Current Asset	Intercompany receivables	Intercompany Accounts Receivable (1103)	$ 155,415.33	$ 155,415.33		$ 155,415.00
1120	Current Asset	Unbilled revenue	Accounts Receivable - Unbilled Revenue Accrual	$ 4,098,055.79	$ 4,098,055.79		$ 4,098,056.00
1330	Current Asset	Inventory	Plant Inventory	$ 370,336.78	$ 370,336.78		$ 370,337.00
1140	Current Asset	Prepaids	Interest Receivable	$ 338.58			
1180	Current Asset	Prepaids	Prepaid Expenses	$ 235,293.25	$ 235,631.83		$ 235,632.00
2294	Current Asset	Payments in lieu of income taxes (PILS) recoverable	Accrued PILs	$162,576.00	$ 162,576.00		$ 162,576.00
					$ 10,277,361.64		$ 10,277,362.00
1805	Asset	Property and equipment	Land	$ 74,304.52			
1808	Asset	Property and equipment	Building & Fixtures	$ 1,846,340.37			
1810	Asset	Property and equipment	Leasehold Improvements	$ -			
1820	Asset	Property and equipment	Distribution Station	$ 5,692,541.23			
1830	Asset	Property and equipment	Poles-Fixtures Overhead	$ 8,028,706.04			
1835	Asset	Property and equipment	Conductors Overhead	$ 5,489,462.15			
1840	Asset	Property and equipment	Underground Overhead	$ 4,194,318.52			
1845	Asset	Property and equipment	Conductors Underground	$ 3,072,380.66			
1850	Asset	Property and equipment	Transformers	$ 9,400,788.95			
1855	Asset	Property and equipment	New Services	$ 2,209,550.57			
1860	Asset	Property and equipment	Meters	$ 3,323,415.07			
1905	Asset	Property and equipment	Land	$ 278,455.26			
1908	Asset	Property and equipment	Building & Furniture	$ 200,651.28			
1910	Asset	Property and equipment	Leasehold Improvements	$ 141,540.21			
1915	Asset	Property and equipment	Office Furniture & Equipment	$ 251,080.82			
1920	Asset	Property and equipment	Computer Hardware	$ 561,192.51			
1930	Asset	Property and equipment	Transportation Equipment	$ 1,786,815.49			
1935	Asset	Property and equipment	Stores Equipment	$ 10,960.38			
1940	Asset	Property and equipment	Tools, Shop & Garage Equipment	$ 283,641.80			
1955	Asset	Property and equipment	Communication Equipment	$ 600,244.40			
1980	Asset	Property and equipment	SCADA	$ 229,015.28			
1995	Asset	Property and equipment	Contributed Capital	-$ 7,549,986.61			
2055	Asset	Property and equipment	Construction in Process	$ 93,200.00			
2105	Asset	Property and equipment	Accumulated Depreciation - Property and Equipment	-$ 17,765,757.46	$ 22,452,861.44		$ 22,452,861.00
1610	Asset	Intangible assets	Land Rights/Computer S/W/Asset Management S/W (1611/1612/1626)	$ 902,175.16			
1616	Asset	Intangible assets	Land Rights	$ 557,309.85			
1925	Asset	Intangible assets	Computer Software	$ -			
2120	Asset	Intangible assets	Accumulated Depreciation - Intangible Assets (2105)	-$ 733,703.00	$ 725,782.01		$ 725,782.00
1508	Asset	Regulatory assets	Other Regulatory Assets	$ 75,519.76			
1518	Asset	Regulatory assets	RCVA Retail	$ 28,509.17			
1520	Asset	Regulatory assets	PPVA	$ -			
1521	Asset	Regulatory assets	Special Purpose Charge Variance	$ -			
1525	Asset	Regulatory assets	Miscellaneous Regulatory Assets	$ -			
1531	Asset	Regulatory assets	Renewable Generation Capital	$ 248,515.19			
1532	Asset	Regulatory assets	Renewable Generation OM&A	$ -			
1548	Asset	Regulatory assets	RCVA STR	-$ 501.44			
1550	Asset	Regulatory assets	RSVA	$ 555,279.92			
1551	Asset	Regulatory assets	Smart Meter Entity Charge	$ 7,867.45			
1555	Asset	Regulatory assets	Smart Meter Capital	$ 101,475.33			
1556	Asset	Regulatory assets	Smart Meter OM&A	$ -			
1562	Asset	Regulatory assets	Deferred PILS	$ -			
1563	Asset	Regulatory assets	Deferred PILS - Contra	$ 169,783.29			

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Balance Sheet
For the Year 2014

Trial Balance Mapped to Financial Statement Grouping: BALANCE SHEET							
1565	Asset	Regulatory assets	CDM Charges	$ -			
1566	Asset	Regulatory assets	CDM Charges - Contra	$ -			
1568	Asset	Regulatory assets	LRAM	$ 17,807.48			
1570	Asset	Regulatory assets	Qualifying Transition Costs	$ -			
1571	Asset	Regulatory assets	Pre-Market Opening Costs	$ -			
1572	Asset	Regulatory assets	Extraordinary Loss	$ -			
1573	Asset	Regulatory assets	Deferred Rebate Costs	$ -			
1574	Asset	Regulatory assets	Deferred Rate Impact Amounts	$ 15,619.73			
1580	Asset	Regulatory assets	RSVA WMS	-$ 1,512,849.96			
1582	Asset	Regulatory assets	RSVA Onetime	$ 16,097.24			
1584	Asset	Regulatory assets	RSVA Network	-$ 156,251.45			
1586	Asset	Regulatory assets	RSVA Connection	-$ 99,736.72			
1588	Asset	Regulatory assets	RSVA Power	$ 2,479,804.55			
1589	Asset	Regulatory assets	RSVA GA	-$ 2,248,711.75			
1590	Asset	Regulatory assets	Recovery of Regulatory Balances	$ 0.15			
1592	Asset	Regulatory assets	Tax Variance	-$ 5,209.16			
1595	Asset	Regulatory assets	Recovery of Regulatory Balances - 2009, 2010, GA (1595/1596/1597)	$ 40,501.79	-$ 266,479.43	$ 266,479.43	$ -
2060	Asset	Non-current assets	Goodwill	$ 1,353,014.00	$ 1,353,014.00		$ 1,353,014.00
1495	Asset	Future income tax assets	Future PILs - Non-current	$ 1,131,450.00	$ 1,131,450.00		$ 1,131,450.00
			TOTAL ASSETS		**$ 35,673,989.66**		**$ 35,940,469.00**
Liabilities							
1005	Current Liability	Bank indebtedness	Cash in Bank	-$ 1,110.00			
1010	Current Liability	Bank indebtedness	Petty Cash	$ 1,110.00			
2225	Current Liability	Bank indebtedness	Notes Payable - Overdraft	-$ 2,217,318.29			
2260	Current Liability	Bank indebtedness	Current Portion - Long Term Debt	$ -	-$ 2,217,318.29		-$ 2,217,318.00
2202	Current Liability	Payables and accruals	Accounts Payable - Retailers	$ -			
2205	Current Liability	Payables and accruals	Accounts Payable & Banked Time	-$ 894,053.46			
2208	Current Liability	Payables and accruals	Customer Credit Balances	-$ 311,958.31			
2220	Current Liability	Payables and accruals	Accrued Liabilities	-$ 3,221,249.99			
2250	Current Liability	Payables and accruals	Misc Liabilities - DRC	-$ 169,127.84			
2256	Current Liability	Payables and accruals	IESO Fees & Penalties Payable	-$ 141,051.96			
2290	Current Liability	Payables and accruals	GST/HST	-$ 126,622.48			
2292	Current Liability	Payables and accruals	Payroll Deduction	-$ 34,637.73	-$ 4,898,701.77		-$ 4,898,702.00
2240	Current Liability	Intercompany payables	Intercompany Accounts Payable (2203)	-$ 963,975.40	-$ 963,975.40		-$ 963,975.00
2294	Current Liability	Payments in lieu of income taxes (PILS) payable	Accrued PILs	$ -	$ -		$ -
					-$ 8,079,995.46		-$ 8,079,995.00
2520	Liability	Long-term debt	Long Term Bank Loan	-$ 6,186,386.61	-$ 6,186,386.61		-$ 6,186,387.00
2405	Liability	Regulatory liabilities	Regulatory Liabilities	$ -			
2425	Liability	Regulatory liabilities	Other Deferred Credits	$ -	$ -	$ (266,479.43)	-$ 266,478.00
2335	Liability	Customer deposits	Customer Deposits	-$ 256,630.98	-$ 256,630.98		-$ 256,631.00
2320	Liability	Other non-current liabilities	Liability - Huntsville Retirees	-$ 83,132.17	-$ 83,132.17		-$ 83,133.00
			TOTAL LIABILITIES		-$ 14,606,145.22		-$ 14,872,624.00
Shareholder's Equity							
3005	S/H Equity	Share capital	Common Shares Equity	-$ 9,226,787.18	-$ 9,226,787.18		-$ 9,226,787.00
3010	S/H Equity	Contributed surplus	Contributed surplus	-$ 4,986,710.88	-$ 4,986,710.88		-$ 4,986,711.00
3045	S/H Equity	Retained earnings	Retained Earnings	-$ 8,803,711.03			
3045	S/H Equity	Retained earnings	Retained Earnings - Current Year Net Income	-$ 1,897,258.35			
3049	S/H Equity	Retained earnings	Dividends Paid	$ 4,765,159.00			
3055	S/H Equity	Retained earnings	Deferred Taxes - Shareholders Equity (3081)	-$ 918,536.00	-$ 6,854,346.38		-$ 6,854,347.00
			TOTAL SHAREHOLDER'S EQUITY		-$ 21,067,844.44		-$ 21,067,845.00

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Balance Sheet
For the Year 2014

Trial Balance Mapped to Financial Statement Grouping: BALANCE SHEET						
			TOTAL LIABILITIES & SHAREHOLDER'S EQUITY		-$ 35,673,989.66	-$ 35,940,469.00

Trial Balance by Account

Account	F/S Section	F/S Line Grouping	G/L Account Description	Ending Balance
1005	Current Liability	Bank indebtedness	Cash in Bank	-$1,110.00
1010	Current Liability	Bank indebtedness	Petty Cash	$1,110.00
1100	Current Asset	Receivables	Accounts Receivable - Customer	$4,976,385.55
1102	Current Asset	Receivables	Accounts Receivable - Retailers	-$37,311.52
1104	Current Asset	Receivables	Miscellaneous Accounts Receivable	$600,864.59
1105	Current Asset	Receivables	Misc Charges to Customer Accounts Receivable	$0.00
1120	Current Asset	Unbilled revenue	Accounts Receivable - Unbilled Revenue Accrual	$4,098,055.79
1130	Current Asset	Receivables	Allowance for Doubtful Accounts	-$285,066.12
1140	Current Asset	Prepaids	Interest Receivable	$338.58
1180	Current Asset	Prepaids	Prepaid Expenses	$235,293.25
1190	Current Asset	Receivables	Other Current Assets	$473.41
1200	Current Asset	Intercompany Receivables	Intercompany Accounts Receivable (1103)	$155,415.33
1330	Current Asset	Inventory	Plant Inventory	$370,336.78
1485	Asset	Non-Current asset	Investment in Associated company	$0.00
1495	Asset	Non-Current asset	Deferred Taxes - Non-Current Assets	$1,131,450.00
1508	Asset	Regulatory assets	Other Regulatory Assets	$75,519.76
1518	Asset	Regulatory assets	RCVA Retail	$28,509.17
1520	Asset	Regulatory assets	PPVA	$0.00
1521	Asset	Regulatory assets	Special Purpose Charge Variance	$0.00
1525	Asset	Regulatory assets	Miscellaneous Regulatory Assets	$0.00
1531	Asset	Regulatory assets	Renewable Generation Capital	$248,515.19
1532	Asset	Regulatory assets	Renewable Generation OM&A	$0.00
1548	Asset	Regulatory assets	RCVA STR	-$501.44
1550	Asset	Regulatory assets	RSVA	$555,279.92
1551	Asset	Regulatory assets	Smart Meter Entity Charge	$7,867.45
1555	Asset	Regulatory assets	Smart Meter Capital	$101,475.33
1556	Asset	Regulatory assets	Smart Meter OM&A	$0.00
1562	Asset	Regulatory assets	Deferred PILS	$0.00
1563	Asset	Regulatory assets	Deferred PILS - Contra	$169,783.29
1565	Asset	Regulatory assets	CDM Charges	$0.00
1566	Asset	Regulatory assets	CDM Charges - Contra	$0.00
1568	Asset	Regulatory assets	LRAM	$17,807.48
1570	Asset	Regulatory assets	Qualifying Transition Costs	$0.00
1571	Asset	Regulatory assets	Pre-Market Opening Costs	$0.00
1572	Asset	Regulatory assets	Extraordinary Loss	$0.00
1573	Asset	Regulatory assets	Deferred Rebate Costs	$0.00
1574	Asset	Regulatory assets	Deferred Rate Impact amounts	$15,619.73
1580	Asset	Regulatory assets	RSVA WMS	-$1,512,849.96
1582	Asset	Regulatory assets	RSVA Onetime	$16,097.24
1584	Asset	Regulatory assets	RSVA Network	-$156,251.45
1586	Asset	Regulatory assets	RSVA Connection	-$99,736.72
1588	Asset	Regulatory assets	RSVA Power	$2,479,804.55
1589	Asset	Regulatory assets	RSVA GA	-$2,248,711.75
1590	Asset	Regulatory assets	Recovery of Regulatory Balances	$0.15
1592	Asset	Regulatory assets	Tax Variance	-$5,209.16
1595	Asset	Regulatory assets	Recovery of Regulatory Balances - 2009, 2010, GA (1595/1596/1597)	$40,501.79
1610	Asset	Intangible assets	Land Rights/Computer S/W/Asset Management S/W (1611/1612/1626/18	$902,175.16
1805	Asset	Property and equipment	Land	$74,304.52
1616	Asset	Intangible assets	Land Rights	$557,309.85
1808	Asset	Property and equipment	Building & Fixtures	$1,846,340.37
1810	Asset	Property and equipment	Leasehold Improvements	$0.00
1820	Asset	Property and equipment	Distribution Station	$5,692,541.23
1830	Asset	Property and equipment	Poles-Fixtures Overhead	$8,028,706.04
1835	Asset	Property and equipment	Conductors Overhead	$5,489,462.15
1840	Asset	Property and equipment	Underground Overhead	$4,194,318.52
1845	Asset	Property and equipment	Conductors Underground	$3,072,380.66

Lakeland Power Distribution Ltd **27/09/2018**
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For the Year 2014

Trial Balance Mapped to Financial Statement Grouping: BALANCE SHEET				
1850	Asset	Property and equipment	Transformers	$9,400,788.95
1855	Asset	Property and equipment	New Services	$2,209,550.57
1860	Asset	Property and equipment	Meters	$3,323,415.07
1905	Asset	Property and equipment	Land	$278,455.26
1908	Asset	Property and equipment	Building & Furniture	$200,651.28
1910	Asset	Property and equipment	Leasehold Improvements	$141,540.21
1915	Asset	Property and equipment	Office Furniture & Equipment	$251,080.82
1920	Asset	Property and equipment	Computer Hardware	$561,192.51
1925	Asset	Intangible assets	Computer Software	$0.00
1930	Asset	Property and equipment	Transportation Equipment	$1,786,815.49
1935	Asset	Property and equipment	Stores Equipment	$10,960.38
1940	Asset	Property and equipment	Tools, Shop & Garage Equipment	$283,641.80
1955	Asset	Property and equipment	Communication Equipment	$600,244.40
1980	Asset	Property and equipment	SCADA	$229,015.28
1995	Asset	Property and equipment	Contributed Capital	-$7,549,986.61
2055	Asset	Property and equipment	Construction in Process	$93,200.00
2060	Asset	Property and equipment	Electric Plant Acquisition Adjustment	$1,353,014.00
2105	Asset	Property and equipment	Accumulated Depreciation - Property and Equipment	-$17,765,757.46
2120	Asset	Intangible assets	Accumulated Depreciation - Intangible Assets (2105)	-$733,703.00
2202	Current Liability	Payables and accruals	Accounts Payable - Retailers	$0.00
2205	Current Liability	Payables and accruals	Accounts Payable & Banked Time (2206) & Harris Refunds (2207)	-$894,053.46
2208	Current Liability	Payables and accruals	Customer Credit Balances	-$311,958.31
2220	Current Liability	Payables and accruals	Accrued Liabilities	-$3,221,249.99
2225	Current Liability	Bank indebtedness	Notes Payable - Overdraft	-$2,217,318.29
2240	Current Liability	Intercompany Payables	Intercompany Accounts Payable (2203)	-$963,975.40
2250	Current Liability	Payables and accruals	Misc Liabilities - DRC	-$169,127.84
2256	Current Liability	Payables and accruals	IESO Fees & Penalties Payable	-$141,051.96
2260	Current Liability	Bank indebtedness	Current Portion - Long Term Debt	$0.00
2290	Current Liability	Payables and accruals	GST/HST	-$126,622.48
2292	Current Liability	Payables and accruals	Payroll Deduction	-$34,637.73
2294	Current Liability	Payments in lieu of income taxes (PILS) payable	Accrued PILs	$162,576.00
2296	Current Liability	Payments in lieu of income taxes payable	Future PILs - Current	$0.00
2320	Liability	Other non-current liabilities	Liability - Huntsville Retirees	-$83,132.17
2335	Liability	Customer deposits	Customer Deposits	-$256,630.98
2350	Asset	Future income tax assets	Future PILs - Non-current (1495)	$0.00
2405	Liability	Regulatory liabilities	Regulatory Liabilities	$0.00
2425	Liability	Regulatory liabilities	Other Deferred Credits	$0.00
2520	Liability	Long-term debt	Long Term Bank Loan	-$6,186,386.61
3005	S/H Equity	Share capital	Common Shares Equity	-$9,226,787.18
3010	S/H Equity	Contributed surplus	Paid-In Capital	-$4,986,710.88
3045	S/H Equity	Retained Earnings	Retained Earnings	-$8,803,711.03
3045	S/H Equity	Retained Earnings	Retained Earnings - Current Year Net Income	-$1,897,258.35
3049	S/H Equity	Retained Earnings	Dividends Paid	$4,765,159.00
3055	S/H Equity	Retained Earnings	Deferred Taxes - Shareholders Equity (3081)	-$918,536.00
			TOTAL BALANCE SHEET	-$ 0.00

4006	Power Revenue	Power Revenue	Residential Energy Sales	-$10,371,146.41
4025	Power Revenue	Power Revenue	Street Lights Energy Sales	-$191,106.84
4030	Power Revenue	Power Revenue	Sentinel Lights Energy Sales	-$4,476.44
4035	Power Revenue	Power Revenue	General Service Energy Sales	-$14,220,370.61
4055	Power Revenue	Power Revenue	Retailer Energy Sales	-$3,142,740.51
4062	Power Revenue	Power Revenue	Wholesale Market Services Billed	-$1,268,137.59
4066	Power Revenue	Power Revenue	Network Services Billed	-$1,683,060.33
4068	Power Revenue	Power Revenue	Connection Services Billed	-$1,221,517.20
4075	Power Revenue	Power Revenue	LV Charges Billed	-$901,696.22
4080	Power Revenue	Power Revenue	Distribution Services Revenue (4079/4080/4081)	-$8,134,128.35
4082	Power Revenue	Power Revenue	Retail Services Revenue	-$13,770.84
4084	Power Revenue	Power Revenue	Service Transaction Request Revenue	$0.00
4210	Other revenues	Other revenues	Rental Revenue	-$174,612.41
4225	Other revenues	Other revenues	Late Payment Charges	-$112,699.02
4235	Other revenues	Other revenues	Miscellaneous Service Revenue	-$73,248.59
4324	Other revenues	Other revenues	Special Purpose Charge Recovery	$0.00
4355	Other revenues	Gain on disposal of property and equipment	Gain on Asset Disposal	-$12,220.00
4360	Other revenues	Gain on disposal of property and equipment	Loss on Asset Disposal	$0.00
4375	Other revenues	Other revenues	Non-Utility Operations Revenue	-$163,411.17

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Balance Sheet
For the Year 2014

Trial Balance Mapped to Financial Statement Grouping: BALANCE SHEET

4380	Other revenues	Other revenues	Non-Utility Operations Expense	$156,395.48
4390	Other revenues	Other revenues	Miscellaneous Revenue	-$207,945.65
4405	Other revenues	Investment income	Interest Income	-$51,903.77
4705	Power Purchased	Power Purchased	Power Purchased (4705/4707)	$27,929,840.81
4708	Power Purchased	Power Purchased	Charges H1 - Wholesale Market Services	$1,268,137.59
4712	Power Purchased	Power Purchased	Charges H1 - One Time	$0.00
4714	Power Purchased	Power Purchased	Charges H1 - Network Services	$1,683,060.33
4716	Power Purchased	Power Purchased	Charges H1 - Connection Services	$1,221,517.20
4750	Power Purchased	Power Purchased	Charges H1 - LV Charges	$777,626.34
4751	Power Purchased	Power Purchased	Charges IESO - SME Charges - Residential / GS < 50	$124,069.88
5010	Expenses	Operations and maintenance	SCADA	$3,012.69
5025	Expenses	Operations and maintenance	Overhead Distribution Expense	$13,950.51
5065	Expenses	Operations and maintenance	Meter Expense	$105,723.97
5070	Expenses	Operations and maintenance	Customer Premises Expense	$0.00
5085	Expenses	Operations and maintenance	Miscellaneous Distribution Expense	$193,463.18
5095	Expenses	Operations and maintenance	Pole Rental Expense	$42,970.13
5105	Expenses	Operations and maintenance	Distribution Supervision & Engineering Expense	$260,566.41
5114	Expenses	Operations and maintenance	Distribution Station Maintenance	$73,698.87
5120	Expenses	Operations and maintenance	Poles & Towers Maintenance	$16,590.41
5130	Expenses	Operations and maintenance	Distribution Overhead Maintenance (5130/5131)	$549,314.02
5132	Expenses	Operations and maintenance	Storm Damage Expense	$0.00
5135	Expenses	Operations and maintenance	Tree Trimming Expense	$174,709.71
5150	Expenses	Operations and maintenance	Distribution Underground Maintenance	$77,849.70
5155	Expenses	Operations and maintenance	Distribution Underground Locates Expense	$99,669.00
5160	Expenses	Operations and maintenance	Distribution Transformers/PCB Expense	$64,951.61
5172	Expenses	Operations and maintenance	Sentinel Lights Expense	$0.00
5175	Expenses	Operations and maintenance	Meter Maintenance	$12,411.94
5186	Expenses	Operations and maintenance	Water Heater Expense	$0.00
5305	Expenses	Billing and collecting	Billing & Customer Service Supervisor Expense	$168,123.68
5310	Expenses	Billing and collecting	Meter Reading Expense	$77,319.96
5315	Expenses	Billing and collecting	Customer Billing Costs	$717,022.27
5320	Expenses	Billing and collecting	Collection Costs	$150,200.14
5325	Expenses	Billing and collecting	Cash Over & Short	$0.00
5330	Other revenues	Other revenues	Collection Charges	-$10,980.00
5335	Expenses	Billing and collecting	Bad Debt Expense	$138,751.85
5340	Expenses	Billing and collecting	RCVA Miscellaneous Costs (5360)	$119,872.85
5410	Expenses	Operations and maintenance	Community Relations Expense	$23,305.05
5415	Expenses	Operations and maintenance	Energy Conservation Expense	$0.00
5605	Expenses	Administration and general	Executive/Director Expense	$12,708.71
5610	Expenses	Administration and general	Management Wage Expense	$0.00
5615	Expenses	Administration and general	General Administration Wage Expense	$79,002.57
5620	Expenses	Administration and general	Office Supplies & Communication Expense	$217,364.95
5630	Expenses	Administration and general	Outside Services Expense	$167,285.36
5635	Expenses	Administration and general	Property Insurance	$73,669.61
5640	Expenses	Administration and general	Insurance Claims	$2,260.00
5645	Expenses	Administration and general	Employee Pensions & Benefits Expense	-$29,664.45
5655	Expenses	Administration and general	Regulatory Expense	$104,947.56
5660	Expenses	Administration and general	Advertising Expense	$0.00
5665	Expenses	Administration and general	General Administration Expense (5665/5666/5667)	$940,762.19
5668	Expenses	Administration and general	IFRS Costs	$0.00
5670	Expenses	Administration and general	Building Rent	$28,730.70
5675	Expenses	Administration and general	Building Maintenance	$439,828.92
5680	Expenses	Administration and general	Electrical Safety Association Expense	$13,678.74
5681	Expenses	Administration and general	Special Purpose Charge Expense	$0.00
5685	Expenses	Administration and general	IESO Fees & Penalties	$284.35
5695	Expenses	Administration and general	OM&A Contra - Smart Meters - General Administration	$0.00
5695	Expenses	Billing and collecting	OM&A Contra - Smart Meters - Billing and Collecting	$0.00
5695	Expenses	Operations and maintenance	OM&A Contra - Smart Meters - Operations and maintenance	$0.00
5705	Expenses	Amortization	Depreciation Expense	$1,133,522.42
5715	Expenses	Amortization	Depreciation Expense - Intangibles	$107,465.24
6005	Expenses	Interest	Interest Expense - Long Term Bank Debt	$224,909.00
6035	Expenses	Interest	Interest Expense - Other	$65,117.61
6105	Expenses	Taxes other than income taxes	Property Tax (6106)	$40,544.30
6110	Payments in lieu of IT	Payments in lieu of income taxes	PILs - Income Tax	$377,077.50
6115	Payments in lieu of IT	Payments in lieu of income taxes	Provision for Future PILs	-$191,000.00

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Balance Sheet
For the Year 2014

Trial Balance Mapped to Financial Statement Grouping: BALANCE SHEET				
6205	Expenses	Administration and general	Donations Expense	$9,292.74
			TOTAL INCOME STATEMENT	-$ 1,897,258.35

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Income Statement
For the Year 2014

Trial Balance Mapped to Financial Statement Grouping: STATEMENT OF EARNINGS AND RETAINED EARNINGS

Account	I/S Section	I/S Line Grouping	G/L Account Description	Ending Balance	Total Income Statement	Dec 2014 Lakeland Power	June 2014 Parry Sound Power	2014 Audited Income Statement
Statement of Earnings								
4006	Power Revenue	Power Revenue	Residential Energy Sales	-$ 10,371,146.41				
4025	Power Revenue	Power Revenue	Street Lights Energy Sales	-$ 191,106.84				
4030	Power Revenue	Power Revenue	Sentinel Lights Energy Sales	-$ 4,476.44				
4035	Power Revenue	Power Revenue	General Service Energy Sales	-$ 14,220,370.61				
4055	Power Revenue	Power Revenue	Retailer Energy Sales	-$ 3,142,740.51				
4062	Power Revenue	Power Revenue	Wholesale Market Services Billed	-$ 1,268,137.59				
4066	Power Revenue	Power Revenue	Network Services Billed	-$ 1,683,060.33				
4068	Power Revenue	Power Revenue	Connection Services Billed	-$ 1,221,517.20				
4075	Power Revenue	Power Revenue	LV Charges Billed	-$ 901,696.22				
4080	Power Revenue	Power Revenue	Distribution Services Revenue	-$ 8,134,128.35				
4082	Power Revenue	Power Revenue	Retail Services Revenue	-$ 13,770.84				
4084	Power Revenue	Power Revenue	Service Transaction Request Revenue	$ -	-$ 41,152,151.34	-$ 34,800,963.00	-$ 6,348,360.00	-$ 41,149,323.00
4705	Power Purchased	Power Purchased	Power Purchased	$ 27,929,840.81				
4708	Power Purchased	Power Purchased	Charges H1 - Wholesale Market Services	$ 1,268,137.59				
4712	Power Purchased	Power Purchased	Charges H1 - One Time	$ -				
4714	Power Purchased	Power Purchased	Charges H1 - Network Services	$ 1,683,060.33				
4716	Power Purchased	Power Purchased	Charges H1 - Connection Services	$ 1,221,517.20				
4750	Power Purchased	Power Purchased	Charges H1 - LV Charges	$777,626.34				
4751	Power Purchased	Power Purchased	Charges IESO - SME Charges - Residential / GS < 50	$124,069.88	$ 33,004,252.15	$ 28,058,903.00	$ 4,945,349.00	$ 33,004,252.00
					-$ 8,147,899.19	-$ 6,742,060.00	-$ 1,403,011.00	-$ 8,145,071.00
4405	Other revenues	Investment income	Interest Income	-$ 51,903.77	-$ 51,903.77	-$ 50,658.00	-$ 1,245.00	-$ 51,903.00
4355	Other revenues	Gain on disposal of property and equipment	Gain on Asset Disposal	-$ 12,220.00				
4360	Other revenues	Gain on disposal of property and equipment	Loss on Asset Disposal	$ -	-$ 12,220.00	-$ 12,220.00	$ -	-$ 12,220.00
4210	Other revenues	Other revenues	Rental Revenue	-$ 174,612.41				
4225	Other revenues	Other revenues	Late Payment Charges	-$ 112,699.02				
4235	Other revenues	Other revenues	Miscellaneous Service Revenue	-$ 73,248.59				
4324	Other revenues	Other revenues	Special Purpose Charge Recovery	$ -				
4375	Other revenues	Other revenues	Non-Utility Operations Revenue	-$ 163,411.17				
4380	Other revenues	Other revenues	Non-Utility Operations Expense	$ 156,395.48				
4390	Other revenues	Other revenues	Miscellaneous Revenue	-$ 207,945.65				
5330	Other revenues	Other revenues	Collection Charges	-$ 10,980.00	-$ 586,501.36	-$ 561,885.00	-$ 43,794.00	-$ 605,679.00
					-$ 8,798,524.32	-$ 7,366,823.00	-$ 1,448,050.00	-$ 8,814,873.00
5605	Expenses	Administration and general	Executive/Director Expense	$ 12,708.71				
5610	Expenses	Administration and general	Management Wage Expense	$ -				
5615	Expenses	Administration and general	General Administration Wage Expense	$ 79,002.57				
5620	Expenses	Administration and general	Office Supplies & Communication Expense	$ 217,364.95				
5630	Expenses	Administration and general	Outside Services Expense	$ 167,285.36				
5635	Expenses	Administration and general	Property Insurance	$ 73,669.61				
5640	Expenses	Administration and general	Insurance Claims	$ 2,260.00				
5645	Expenses	Administration and general	Employee Pensions & Benefits Expense	-$ 29,664.45				
5655	Expenses	Administration and general	Regulatory Expense	$ 104,947.56				
5660	Expenses	Administration and general	Advertising Expense	$ -				
5665	Expenses	Administration and general	General Administration Expense	$ 940,762.19				
5668	Expenses	Administration and general	IFRS Costs	$ -				
5670	Expenses	Administration and general	Building Rent	$ 28,730.70				
5675	Expenses	Administration and general	Building Maintenance	$ 439,828.92				
5680	Expenses	Administration and general	Electrical Safety Association Expense	$ 13,678.74				
5681	Expenses	Administration and general	Special Purpose Charge Expense	$ -				
5685	Expenses	Administration and general	IESO Fees & Penalties	$ 284.35				
5695	Expenses	Administration and general	OM&A Contra - Smart Meters - General Administration	$ -				
6205	Expenses	Administration and general	Donations Expense	$ 9,292.74	$ 2,060,151.95	$ 1,725,932.00	$ 331,269.00	$ 2,057,201.00
5705	Expenses	Amortization	Depreciation Expense	$ 1,133,522.42				
5715	Expenses	Amortization	Depreciation Expense - Intangibles	$ 107,465.24	$ 1,240,987.66	$ 1,083,169.00	$ 180,791.00	$ 1,263,960.00
5305	Expenses	Billing and collecting	Billing & Customer Service Supervisor Expense	$ 168,123.68				
5310	Expenses	Billing and collecting	Meter Reading Expense	$ 77,319.96				

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Income Statement
For the Year 2014

Trial Balance Mapped to Financial Statement Grouping: STATEMENT OF EARNINGS AND RETAINED EARNINGS

Account	I/S Section	I/S Line Grouping	G/L Account Description	Ending Balance	Total Income Statement	Dec 2014 Lakeland Power	June 2014 Parry Sound Power	2014 Audited Income Statement
5315	Expenses	Billing and collecting	Customer Billing Costs	$ 717,022.27				
5320	Expenses	Billing and collecting	Collection Costs	$ 150,200.14				
5325	Expenses	Billing and collecting	Cash Over & Short	$ -				
5335	Expenses	Billing and collecting	Bad Debt Expense	$ 138,751.85				
5340	Expenses	Billing and collecting	RCVA Miscellaneous Costs (5360)	$ 119,872.85				
5695	Expenses	Billing and collecting	OM&A Contra - Smart Meters - Billing and Collecting	$ -	$ 1,371,290.75	$ 1,108,643.00	$ 278,997.00	$ 1,387,640.00
5010	Expenses	Operations and maintenance	SCADA	$3,012.69				
5025	Expenses	Operations and maintenance	Overhead Distribution Expense	$ 13,950.51				
5065	Expenses	Operations and maintenance	Meter Expense	$ 105,723.97				
5070	Expenses	Operations and maintenance	Customer Premises Expense	$ -				
5085	Expenses	Operations and maintenance	Miscellaneous Distribution Expense	$ 193,463.18				
5095	Expenses	Operations and maintenance	Pole Rental Expense	$ 42,970.13				
5105	Expenses	Operations and maintenance	Distribution Supervision & Engineering Expense	$ 260,566.41				
5114	Expenses	Operations and maintenance	Distribution Station Maintenance	$ 73,698.87				
5120	Expenses	Operations and maintenance	Poles & Towers Maintenance	$ 16,590.41				
5130	Expenses	Operations and maintenance	Distribution Overhead Maintenance	$ 549,314.02				
5132	Expenses	Operations and maintenance	Storm Damage Expense	$ -				
5135	Expenses	Operations and maintenance	Tree Trimming Expense	$ 174,709.71				
5150	Expenses	Operations and maintenance	Distribution Underground Maintenance	$ 77,849.70				
5155	Expenses	Operations and maintenance	Distribution Underground Locates Expense	$ 99,669.00				
5160	Expenses	Operations and maintenance	Distribution Transformers/PCB Expense	$ 64,951.61				
5172	Expenses	Operations and maintenance	Sentinel Lights Expense	$ -				
5175	Expenses	Operations and maintenance	Meter Maintenance	$ 12,411.94				
5186	Expenses	Operations and maintenance	Water Heater Expense	$ -				
5410	Expenses	Operations and maintenance	Community Relations Expense	$ 23,305.05				
5415	Expenses	Operations and maintenance	Energy Conservation Expense	$ -				
5695	Expenses	Operations and maintenance	OM&A Contra - Smart Meters - Operations and maintenance	$ -	$1,712,187.20	$1,395,011.00	$297,212.00	$ 1,692,223.00
6005	Expenses	Interest	Interest Expense - Long Term Bank Debt	$ 224,909.00				
6035	Expenses	Interest	Interest Expense - Other	$ 65,117.61	$ 290,026.61	$ 201,746.00	$ 88,222.00	$ 289,968.00
6110	Expenses	Payments in lieu of capital tax	Capital Tax (6105)		$ -	$ -	$ -	$ -
6105	Expenses	Taxes other than income taxes	Property Tax (6106)	$ 40,544.30	$ 40,544.30	$ 40,544.00	$ -	$ 40,544.00
			TOTAL EXPENSES		$ 6,715,188.47	$ 5,555,045.00	$ 1,176,491.00	$ 6,731,536.00
	Earnings before payments in lieu of income taxes				-$ 2,083,335.85	-$ 1,811,778.00	-$ 271,559.00	-$ 2,083,337.00
6110	Payments in lieu of IT	Current-Payments in Lieu of income taxes	PILs - Income Tax	$ 377,077.50	$ 377,077.50	$ 351,114.00	$ 25,964.00	$ 377,078.00
6115	Payments in lieu of IT	Future-Payments in Lieu of income taxes	Provision for Future PILs	-$ 191,000.00	-$ 191,000.00	-$ 191,000.00	$ -	-$ 191,000.00
					$ 186,077.50	$ 160,114.00	$ 25,964.00	$ 186,078.00
			NET EARNINGS		**-$ 1,897,258.35**	**-$ 1,651,664.00**	**-$ 245,595.00**	**-$ 1,897,259.00**
Statement of Retained Earnings								
3045	Retained Earnings	Retained Earnings	Retained Earnings	-$ 8,803,711.03		#REF!	-$ 954,375.00	#REF!
	Retained Earnings		Adjustment with merger			$ 1,199,973.81		$ 1,199,973.81
3049	Retained Earnings	Retained Earnings	Dividends Paid	$ 4,765,159.00		$ 4,765,159.00	$ -	$ 4,765,159.00
3055	Retained Earnings	Retained Earnings	Retained Earnings Adjustment	-$ 918,536.00		-$ 918,536.00	$ -	-$ 918,536.00
		Retained Earnings, beginning of year			-$ 4,957,088.03	#REF!	-$ 954,375.00	#REF!
		Net Earnings			-$ 1,897,258.35	-$ 1,651,664.00	-$ 245,595.00	-$ 1,897,259.00
			RETAINED EARNINGS, END OF YEAR		**-$ 6,854,346.38**	**#REF!**	**-$ 1,199,970.00**	**#REF!**

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Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Income Statement
For the Year 2014

Trial Balance Mapped to Financial Statement Grouping: STATEMENT OF EARNINGS AND RETAINED EARNINGS

Account	I/S Section	I/S Line Grouping	G/L Account Description	Ending Balance	Total Income Statement

Dec 2014 Lakeland Power	June 2014 Parry Sound Power	2014 Audited Income Statement

Trial Balance by Account

Account	F/S Section	F/S Line Grouping	G/L Account Description	Ending Balance
1005	Current Liability	Bank indebtedness	Cash in Bank	-$1,110.00
1010	Current Liability	Bank indebtedness	Petty Cash	$1,110.00
1100	Current Asset	Receivables	Accounts Receivable - Customer	$4,976,385.55
1102	Current Asset	Receivables	Accounts Receivable - Retailers	-$37,311.52
1104	Current Asset	Receivables	Miscellaneous Accounts Receivable	$600,864.59
1105	Current Asset	Receivables	Misc Charges to Customer Accounts Receivable	$0.00
1120	Current Asset	Unbilled revenue	Accounts Receivable - Unbilled Revenue Accrual	$4,098,055.79
1130	Current Asset	Receivables	Allowance for Doubtful Accounts	-$285,066.12
1140	Current Asset	Prepaids	Interest Receivable	$338.58
1180	Current Asset	Prepaids	Prepaid Expenses	$235,293.25
1190	Current Asset	Receivables	Other Current Assets	$473.41
1200	Current Asset	Intercompany Receivables	Intercompany Accounts Receivable (1103)	$155,415.33
1330	Current Asset	Inventory	Plant Inventory	$370,336.78
1485	Asset	Non-Current asset	Investment in Associated company	$0.00
1495	Asset	Non-Current asset	Deferred Taxes - Non-Current Assets	$1,131,450.00
1508	Asset	Regulatory assets	Other Regulatory Assets	$75,519.76
1518	Asset	Regulatory assets	RCVA Retail	$28,509.17
1520	Asset	Regulatory assets	PPVA	$0.00
1521	Asset	Regulatory assets	Special Purpose Charge Variance	$0.00
1525	Asset	Regulatory assets	Miscellaneous Regulatory Assets	$0.00
1531	Asset	Regulatory assets	Renewable Generation Capital	$248,515.19
1532	Asset	Regulatory assets	Renewable Generation OM&A	$0.00
1548	Asset	Regulatory assets	RCVA STR	-$501.44
1550	Asset	Regulatory assets	RSVA	$555,279.92
1551	Asset	Regulatory assets	Smart Meter Entity Charge	$7,867.45
1555	Asset	Regulatory assets	Smart Meter Capital	$101,475.33
1556	Asset	Regulatory assets	Smart Meter OM&A	$0.00
1562	Asset	Regulatory assets	Deferred PILS	$0.00
1563	Asset	Regulatory assets	Deferred PILS - Contra	$169,783.29
1565	Asset	Regulatory assets	CDM Charges	$0.00
1566	Asset	Regulatory assets	CDM Charges - Contra	$0.00
1568	Asset	Regulatory assets	LRAM	$17,807.48
1570	Asset	Regulatory assets	Qualifying Transition Costs	$0.00
1571	Asset	Regulatory assets	Pre-Market Opening Costs	$0.00
1572	Asset	Regulatory assets	Extraordinary Loss	$0.00
1573	Asset	Regulatory assets	Deferred Rebate Costs	$0.00
1574	Asset	Regulatory assets	Deferred Rate Impact Amounts	$15,619.73
1580	Asset	Regulatory assets	RSVA WMS	-$1,512,849.96
1582	Asset	Regulatory assets	RSVA Onetime	$16,097.24
1584	Asset	Regulatory assets	RSVA Network	-$156,251.45
1586	Asset	Regulatory assets	RSVA Connection	-$99,736.72
1588	Asset	Regulatory assets	RSVA Power	$2,479,804.55
1589	Asset	Regulatory assets	RSVA GA	-$2,248,711.75
1590	Asset	Regulatory assets	Recovery of Regulatory Balances	$0.15
1592	Asset	Regulatory assets	Tax Variance	-$5,209.16
1595	Asset	Regulatory assets	Recovery of Regulatory Balances - 2009, 2010, GA (1595/1596/1	$40,501.79
1610	Asset	Intangible assets	Land Rights/Computer S/W/Asset Management S/W (1611/1612	$902,175.16
1805	Asset	Property and equipment	Land	$74,304.52
1806	Asset	Intangible assets	Land Rights	$557,309.85
1808	Asset	Property and equipment	Building & Fixtures	$1,846,340.37
1810	Asset	Property and equipment	Leasehold Improvements	$0.00
1820	Asset	Property and equipment	Distribution Station	$5,692,541.23
1830	Asset	Property and equipment	Poles-Fixtures Overhead	$8,028,706.04
1835	Asset	Property and equipment	Conductors Overhead	$5,489,462.15
1840	Asset	Property and equipment	Underground Overhead	$4,194,318.52
1845	Asset	Property and equipment	Conductors Underground	$3,072,380.66
1850	Asset	Property and equipment	Transformers	$9,400,788.95
1855	Asset	Property and equipment	New Services	$2,209,550.57
1860	Asset	Property and equipment	Meters	$3,323,415.07
1905	Asset	Property and equipment	Land	$278,455.26
1908	Asset	Property and equipment	Building & Furniture	$200,651.28

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Income Statement
For the Year 2014

Trial Balance Mapped to Financial Statement Grouping: STATEMENT OF EARNINGS AND RETAINED EARNINGS

Account	I/S Section	I/S Line Grouping	G/L Account Description	Ending Balance	Total Income Statement	Dec 2014 Lakeland Power	June 2014 Parry Sound Power	2014 Audited Income Statement
1910	Asset	Property and equipment	Leasehold Improvements	$141,540.21				
1915	Asset	Property and equipment	Office Furniture & Equipment	$251,080.82				
1920	Asset	Property and equipment	Computer Hardware	$561,192.51				
1925	Asset	Intangible assets	Computer Software	$0.00				
1930	Asset	Property and equipment	Transportation Equipment	$1,786,815.49				
1935	Asset	Property and equipment	Stores Equipment	$10,960.38				
1940	Asset	Property and equipment	Tools, Shop & Garage Equipment	$283,641.80				
1955	Asset	Property and equipment	Communication Equipment	$600,244.40				
1980	Asset	Property and equipment	SCADA	$229,015.28				
1995	Asset	Property and equipment	Contributed Capital	-$7,549,986.61				
2055	Asset	Property and equipment	Construction in Process	$93,200.00				
2060	Asset	Property and equipment	Acquisition Adjustment	$1,353,014.00				
2105	Asset	Property and equipment	Accumulated Depreciation - Property and Equipment	-$17,765,757.46				
2120	Asset	Intangible assets	Accumulated Depreciation - Intangible Assets (2105)	-$733,703.00				
2202	Current Liability	Payables and accruals	Accounts Payable - Retailers	$0.00				
2205	Current Liability	Payables and accruals	Accounts Payable & Banked Time (2206)	-$894,053.46				
2208	Current Liability	Payables and accruals	Customer Credit Balances	-$311,958.31				
2220	Current Liability	Payables and accruals	Accrued Liabilities	-$3,221,249.99				
2225	Current Liability	Bank indebtedness	Notes Payable - Overdraft	-$2,217,318.29				
2240	Current Liability	Intercompany Payables	Intercompany Accounts Payable (2203)	-$963,975.40				
2250	Current Liability	Payables and accruals	Misc Liabilities - DRC	-$169,127.84				
2256	Current Liability	Payables and accruals	IESO Fees & Penalties	-$141,051.96				
2260	Current Liability	Bank indebtedness	Current Portion - Long Term Debt	$0.00				
2290	Current Liability	Payables and accruals	GST/HST	-$126,622.48				
2292	Current Liability	Payables and accruals	Payroll Deduction	-$34,637.73				
2294	Current Liability	Payments in lieu of income taxes (PILS) payabl	Accrued PILs	$162,576.00				
2296	Current Liability	Payments in lieu of income taxes payable	Future PILs - Current	$0.00				
2320	Liability	Other non-current liabilities	Liability - Huntsville Retirees	-$83,132.17				
2335	Liability	Customer deposits	Customer Deposits	-$256,630.98				
2350	Asset	Future income tax assets	Future PILs - Non-current (1495)	$0.00				
2405	Liability	Regulatory liabilities	Regulatory Liabilities	$0.00				
2425	Liability	Regulatory liabilities	Other Deferred Credits	$0.00				
2520	Liability	Long-term debt	Long Term Bank Loan	-$6,186,386.61				
3005	S/H Equity	Share capital	Common Shares Equity	-$9,226,787.18				
3010	S/H Equity	Paid-In Capital	Paid-In Capital	-$4,986,710.88				
3045	S/H Equity	Retained Earnings	Retained Earnings	-$8,803,711.03				
3045	S/H Equity	Retained Earnings	Retained Earnings - Current Year Net Income	-$1,897,258.35				
3049	S/H Equity	Retained Earnings	Dividends Paid	$4,765,159.00				
3055	S/H Equity	Retained Earnings	Deferred Taxes - Shareholders Equity (3081)	-$918,536.00				
			TOTAL BALANCE SHEET	-$ 0.00				
4006	Power Revenue	Power Revenue	Residential Energy Sales	-$10,371,146.41				
4025	Power Revenue	Power Revenue	Street Lights Energy Sales	-$191,106.84				
4030	Power Revenue	Power Revenue	Sentinel Lights Energy Sales	-$4,476.44				
4035	Power Revenue	Power Revenue	General Service Energy Sales	-$14,220,370.61				
4055	Power Revenue	Power Revenue	Retailer Energy Sales	-$3,142,740.51				
4062	Power Revenue	Power Revenue	Wholesale Market Services Billed	-$1,268,137.59				
4066	Power Revenue	Power Revenue	Network Services Billed	-$1,683,060.33				
4068	Power Revenue	Power Revenue	Connection Services Billed	-$1,221,517.20				
4075	Power Revenue	Power Revenue	LV Charges Billed	-$901,696.22				
4080	Power Revenue	Power Revenue	Distribution Services Revenue (4079/4080/4081)	-$8,134,128.35				
4082	Power Revenue	Power Revenue	Retail Services Revenue	-$13,770.84				
4084	Power Revenue	Power Revenue	Service Transaction Request Revenue	$0.00				
4210	Other revenues	Other revenues	Rental Revenue	-$174,612.41				
4225	Other revenues	Other revenues	Late Payment Charges	-$112,699.02				
4235	Other revenues	Other revenues	Miscellaneous Service Revenue	-$73,248.59				
4324	Other revenues	Other revenues	Special Purpose Charge Recovery	$0.00				
4355	Other revenues	Gain on disposal of property and equipment	Gain on Asset Disposal	-$12,220.00				
4360	Other revenues	Gain on disposal of property and equipment	Loss on Asset Disposal	$0.00				
4375	Other revenues	Other revenues	Non-Utility Operations Revenue	-$163,411.17				
4380	Other revenues	Other revenues	Non-Utility Operations Expense	$156,395.48				
4390	Other revenues	Other revenues	Miscellaneous Revenue	-$207,945.65				
4405	Other revenues	Investment income	Interest Income	-$51,903.77				
4705	Power Purchased	Power Purchased	Power Purchased (4705/4707)	$27,929,840.81				
4708	Power Purchased	Power Purchased	Charges H1 - Wholesale Market Services	$1,268,137.59				

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Income Statement
For the Year 2014

Trial Balance Mapped to Financial Statement Grouping: STATEMENT OF EARNINGS AND RETAINED EARNINGS

Account	I/S Section	I/S Line Grouping	G/L Account Description	Ending Balance	Total Income Statement	Dec 2014 Lakeland Power	June 2014 Parry Sound Power	2014 Audited Income Statement
4712	Power Purchased	Power Purchased	Charges H1 - One Time	$0.00				
4714	Power Purchased	Power Purchased	Charges H1 - Network Services	$1,683,060.33				
4716	Power Purchased	Power Purchased	Charges H1 - Connection Services	$1,221,517.20				
4750	Power Purchased	Power Purchased	Charges H1 - LV Charges	$777,626.34				
4751	Power Purchased	Power Purchased	Charges IESO - SME Charges - Residential / GS < 50	$124,069.88				
5010	Expenses	Operations and maintenance	SCADA	$3,012.69				
5025	Expenses	Operations and maintenance	Overhead Distribution Expense	$13,950.51				
5065	Expenses	Operations and maintenance	Meter Expense	$105,723.97				
5070	Expenses	Operations and maintenance	Customer Premises Expense	$0.00				
5085	Expenses	Operations and maintenance	Miscellaneous Distribution Expense	$193,463.18				
5095	Expenses	Operations and maintenance	Pole Rental Expense	$42,970.13				
5105	Expenses	Operations and maintenance	Distribution Supervision & Engineering Expense	$260,566.41				
5114	Expenses	Operations and maintenance	Distribution Station Maintenance	$73,698.87				
5120	Expenses	Operations and maintenance	Poles & Towers Maintenance	$16,590.41				
5130	Expenses	Operations and maintenance	Distribution Overhead Maintenance (5130/5131)	$549,314.02				
5132	Expenses	Operations and maintenance	Storm Damage Expense	$0.00				
5135	Expenses	Operations and maintenance	Tree Trimming Expense	$174,709.71				
5150	Expenses	Operations and maintenance	Distribution Underground Maintenance	$77,849.70				
5155	Expenses	Operations and maintenance	Distribution Underground Locates Expense	$99,669.00				
5160	Expenses	Operations and maintenance	Distribution Transformers/PCB Expense	$64,951.61				
5172	Expenses	Operations and maintenance	Sentinel Lights Expense	$0.00				
5175	Expenses	Operations and maintenance	Meter Maintenance	$12,411.94				
5186	Expenses	Operations and maintenance	Water Heater Expense	$0.00				
5305	Expenses	Billing and collecting	Billing & Customer Service Supervisor Expense	$168,123.68				
5310	Expenses	Billing and collecting	Meter Reading Expense	$77,319.96				
5315	Expenses	Billing and collecting	Customer Billing Costs	$717,022.27				
5320	Expenses	Billing and collecting	Collection Costs	$150,200.14				
5325	Expenses	Billing and collecting	Cash Over & Short	$0.00				
5330	Other revenues	Other revenues	Collection Charges	-$10,980.00				
5335	Expenses	Billing and collecting	Bad Debt Expense	$138,751.85				
5340	Expenses	Billing and collecting	RCVA Miscellaneous Costs (5360)	$119,872.85				
5410	Expenses	Operations and maintenance	Community Relations Expense	$23,305.05				
5415	Expenses	Operations and maintenance	Energy Conservation Expense	$0.00				
5605	Expenses	Administration and general	Executive/Director Expense	$12,708.71				
5610	Expenses	Administration and general	Management Wage Expense	$0.00				
5615	Expenses	Administration and general	General Administration Wage Expense	$79,002.57				
5620	Expenses	Administration and general	Office Supplies & Communication Expense	$217,364.95				
5630	Expenses	Administration and general	Outside Services Expense	$167,285.36				
5635	Expenses	Administration and general	Property Insurance	$73,669.61				
5640	Expenses	Administration and general	Insurance Claims	$2,260.00				
5645	Expenses	Administration and general	Employee Pensions & Benefits Expense	-$29,664.45				
5655	Expenses	Administration and general	Regulatory Expense	$104,947.56				
5660	Expenses	Administration and general	Advertising Expense	$0.00				
5665	Expenses	Administration and general	General Administration Expense (5665/5666/5667)	$940,762.19				
5668	Expenses	Administration and general	IFRS Costs	$0.00				
5670	Expenses	Administration and general	Building Rent	$28,730.70				
5675	Expenses	Administration and general	Building Maintenance	$439,828.92				
5680	Expenses	Administration and general	Electrical Safety Association Expense	$13,678.74				
5681	Expenses	Administration and general	Special Purpose Charge Expense	$0.00				
5685	Expenses	Administration and general	IESO Fees & Penalties	$284.35				
5695	Expenses	Administration and general	OM&A Contra - Smart Meters - General Administration	$0.00				
5695	Expenses	Billing and collecting	OM&A Contra - Smart Meters - Billing and Collecting	$0.00				
5695	Expenses	Operations and maintenance	OM&A Contra - Smart Meters - Operations and maintenance	$0.00				
5705	Expenses	Amortization	Depreciation Expense	$1,133,522.42				
5715	Expenses	Amortization	Depreciation Expense - Intangibles	$107,465.24				
6005	Expenses	Interest	Interest Expense - Long Term Bank Debt	$224,909.00				
6035	Expenses	Interest	Interest Expense - Other	$65,117.61				
6105	Expenses	Taxes other than income taxes	Property Tax (6106)	$40,544.30				
6110	Payments in lieu of IT	Payments in lieu of income taxes	PILs - Income Tax	$377,077.50				
6115	Payments in lieu of IT	Payments in lieu of income taxes	Provision for Future PILs	-$191,000.00				
6205	Expenses	Administration and general	Donations Expense	$9,292.74				
			TOTAL INCOME STATEMENT	-$ 1,897,258.35				

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Statements of Financial Position
For the Year 2015

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF FINANCIAL POSITION

Account	B/S Section	B/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Financial Position - Audited Statement	Per AFS (000's)
Assets								
1100	Current Assets	Receivables	Accounts Receivable - Customer	$ 4,465,119.87				
1102	Current Assets	Receivables	Accounts Receivable - Retailers	-$ 14,517.88				
1104	Current Assets	Receivables	Interco & Miscellaneous Accounts Receivable	$ 649,080.88				
1105	Current Assets	Receivables	Misc Charges to Customer Accounts Receivable	$ -				
1130	Current Assets	Receivables	Allowance for Doubtful Accounts	-$ 309,051.33				
1190	Current Assets	Receivables	Other Current Assets	$ 59,096.31	$ 4,849,727.85		$ 4,849,727.85	$ 4,851
1120	Current Assets	Unbilled revenue	Accounts Receivable - Unbilled Revenue Accrual	$ 4,214,811.51	$ 4,214,811.51		$ 4,214,811.51	$ 4,215
1200	Current Assets	Intercompany receivables	Intercompany Accounts Receivable (1103)	$ 70,848.70	$ 70,848.70		$ 70,848.70	$ 71
1330	Current Assets	Inventory	Plant Inventory	$ 364,476.69	$ 364,476.69		$ 364,476.69	$ 364
1140	Current Assets	Prepaid expenses	Interest Receivable	$ 177.17				
1180	Current Assets	Prepaid expenses	Prepaid Expenses	$ 237,329.22	$ 237,506.39		$ 237,506.39	$ 238
2294	Current Assets	Payments in lieu of income taxes (PILS) recoverable	Accrued PILs	$94,173.00	$ 94,173.00		$ 94,173.00	$ 94
		Total Current Assets			**$ 9,831,544.14**		**$ 9,831,544.14**	**$ 9,833**
1805	Non-Current Assets	Property, plant and equipment	Land	$ 74,304.52				
1808	Non-Current Assets	Property, plant and equipment	Building & Fixtures	$ 2,187,990.03				
1810	Non-Current Assets	Property, plant and equipment	Leasehold Improvements	$ -				
1820	Non-Current Assets	Property, plant and equipment	Distribution Station	$ 6,335,280.12				
1830	Non-Current Assets	Property, plant and equipment	Poles-Fixtures Overhead	$ 8,740,817.43				
1835	Non-Current Assets	Property, plant and equipment	Conductors Overhead	$ 5,779,833.37				
1840	Non-Current Assets	Property, plant and equipment	Underground Overhead	$ 4,424,571.84				
1845	Non-Current Assets	Property, plant and equipment	Conductors Underground	$ 3,264,948.05				
1850	Non-Current Assets	Property, plant and equipment	Transformers	$ 9,680,685.50				
1855	Non-Current Assets	Property, plant and equipment	New Services	$ 2,227,118.50				
1860	Non-Current Assets	Property, plant and equipment	Meters	$ 3,423,481.03				
1905	Non-Current Assets	Property, plant and equipment	Land	$ 303,800.82				
1908	Non-Current Assets	Property, plant and equipment	Building & Furniture	$ 222,769.80				
1910	Non-Current Assets	Property, plant and equipment	Leasehold Improvements	$ -				
1915	Non-Current Assets	Property, plant and equipment	Office Furniture & Equipment	$ 272,604.42				
1920	Non-Current Assets	Property, plant and equipment	Computer Hardware	$ 565,601.10				
1930	Non-Current Assets	Property, plant and equipment	Transportation Equipment	$ 2,061,166.68				
1935	Non-Current Assets	Property, plant and equipment	Stores Equipment	$ 10,960.38				
1940	Non-Current Assets	Property, plant and equipment	Tools, Shop & Garage Equipment	$ 299,411.92				
1955	Non-Current Assets	Property, plant and equipment	Communication Equipment	$ 600,244.40				
1980	Non-Current Assets	Property, plant and equipment	SCADA	$ 254,448.99				
1995	Non-Current Assets	Property, plant and equipment	Contributed Capital	-$ 7,744,035.61		$ 7,744,035.61		
2055	Non-Current Assets	Property, plant and equipment	Construction in Process	$ -				
2105	Non-Current Assets	Property, plant and equipment	Accumulated Depreciation - Property and Equipment	-$ 18,986,154.12		-$ 1,912,730.43		
					$ 23,999,849.17	$ 5,831,305.18	$ 29,831,154.35	$ 29,831
1610	Non-Current Assets	Intangible assets	Land Rights/Computer S/W/Asset Management S/W (1	$ 1,500,377.41				
1925	Non-Current Assets	Intangible assets	Computer Software	$ -				
2120	Non-Current Assets	Intangible assets	Accumulated Depreciation - Intangible Assets (2105)	-$ 819,569.92	$ 680,807.49		$ 680,807.49	$ 681
2060	Non-Current Assets	Goodwill	Goodwill	$ 1,150,014.00	$ 1,150,014.00		$ 1,150,014.00	$ 1,150
2350	Non-Current Assets	Deferred payments in lieu of taxes	Future PILs - Non-current	$ 1,149,450.00				
2296	Non-Current Assets	Deferred payments in lieu of taxes	Future PILs - Current	-$ 147,626.00	$ 1,001,824.00		$ 1,001,824.00	$ 1,002

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Statements of Financial Position
For the Year 2015

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF FINANCIAL POSITION

Account	B/S Section	B/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Financial Position - Audited Statement	Per AFS (000's)
		Total Non-Current Assets			**$ 26,832,494.66**		**$ 32,663,799.84**	**$ 32,664**
		Total Assets			**$ 36,664,038.80**		**$ 42,495,343.98**	**$ 42,497**
1508	Regulatory Deferral	Regulatory assets	Other Regulatory Assets	$ 79,295.97				
1518	Regulatory Deferral	Regulatory assets	RCVA Retail	$ 30,362.50				
1520	Regulatory Deferral	Regulatory assets	PPVA	$ -				
1521	Regulatory Deferral	Regulatory assets	Special Purpose Charge Variance	$ -				
1525	Regulatory Deferral	Regulatory assets	Miscellaneous Regulatory Assets	$ -				
1531	Regulatory Deferral	Regulatory assets	Renewable Generation Capital	$ 242,630.35				
1532	Regulatory Deferral	Regulatory assets	Renewable Generation OM&A	$ -				
1548	Regulatory Deferral	Regulatory assets	RCVA STR	-$ 751.19				
1550	Regulatory Deferral	Regulatory assets	RSVA	$ 797,193.03				
1551	Regulatory Deferral	Regulatory assets	Smart Meter Entity Charge	$ 6,640.82				
1555	Regulatory Deferral	Regulatory assets	Smart Meter Capital	$ 8,103.91				
1556	Regulatory Deferral	Regulatory assets	Smart Meter OM&A	$ -				
1568	Regulatory Deferral	Regulatory assets	LRAM	$ 29,937.53				
1570	Regulatory Deferral	Regulatory assets	Qualifying Transition Costs	$ -				
1571	Regulatory Deferral	Regulatory assets	Pre-Market Opening Costs	$ -				
1572	Regulatory Deferral	Regulatory assets	Extraordinary Loss	$ -				
1573	Regulatory Deferral	Regulatory assets	Deferred Rebate Costs	$ -				
1574	Regulatory Deferral	Regulatory assets	Deferred Rate Impact Amounts	$ 15,792.23				
1580	Regulatory Deferral	Regulatory assets	RSVA WMS	-$ 1,867,628.78				
1582	Regulatory Deferral	Regulatory assets	RSVA Onetime	-$ 3,164.73				
1584	Regulatory Deferral	Regulatory assets	RSVA Network	-$ 163,473.94				
1586	Regulatory Deferral	Regulatory assets	RSVA Connection	-$ 33,956.92				
1588	Regulatory Deferral	Regulatory assets	RSVA Power	$ 698,807.26				
1589	Regulatory Deferral	Regulatory assets	RSVA GA	$ 797,481.08				
1592	Regulatory Deferral	Regulatory assets	Tax Variance	$ 164,511.70				
1595	Regulatory Deferral	Regulatory assets	Recovery of Regulatory Balances - 2009, 2010, GA (15	$ 34,403.03				
		Regulatory Deferral Account Debit Balances and Related Deferred Taxes			**$ 836,183.85**		**$ 836,183.85**	**$ 836**
		Total Assets And Regulatory Deferral Account Balances			**$ 37,500,222.65**	**$ 5,831,305.18**	**$ 43,331,527.83**	**$ 43,333**
Liabilities								
1005	Current Liabilities	Bank indebtedness	Cash in Bank	$ -				
1010	Current Liabilities	Bank indebtedness	Petty Cash	$ 510.00				
2225	Current Liabilities	Bank indebtedness	Notes Payable - Overdraft	-$ 713,024.19				
2260	Current Liabilities	Bank indebtedness	Current Portion - Long Term Debt	$ -	-$ 712,514.19		-$ 712,514.19	-$ 713
2205	Current Liabilities	Accounts payable and accrued liabilities	Accounts Payable & Banked Time	-$ 2,262,452.20				
2208	Current Liabilities	Accounts payable and accrued liabilities	Customer Credit Balances	-$ 290,920.87				
2220	Current Liabilities	Accounts payable and accrued liabilities	Accrued Liabilities	-$ 4,020,585.89				
2250	Current Liabilities	Accounts payable and accrued liabilities	Misc Liabilities - DRC	-$ 168,886.64				
2256	Current Liabilities	Accounts payable and accrued liabilities	IESO Fees & Penalties Payable	$ -				
2290	Current Liabilities	Accounts payable and accrued liabilities	GST/HST	$ -				
2292	Current Liabilities	Accounts payable and accrued liabilities	Payroll Deduction	-$ 33,008.73	-$ 6,775,854.33		-$ 6,775,854.33	-$ 6,776
2440 (1995)	Current Liabilities	Contributions in aid of construction	Deferred Revenue (Contributed Capital)	$ -	$ -	-$ 137,000.00	-$ 137,000.00	-$ 137
2240	Current Liabilities	Intercompany payables	Intercompany Accounts Payable (2203)	-$ 1,149,623.16	-$ 1,149,623.16		-$ 1,149,623.16	-$ 1,150
2294	Current Liabilities	Payments in lieu of income taxes (PILS) payable	Accrued PILs	$ -	$ -		$ -	$ -

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Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF FINANCIAL POSITION

Account	B/S Section	B/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Financial Position - Audited Statement	Per AFS (000's)
		Total Current Liabilities			**-$ 8,637,991.68**		**-$ 8,774,991.68**	**-$ 8,776**
2440 (1995)	Non-Current Liabilities	Contributions in aid of construction	Deferred Revenue (Contributed Capital)	$ -	$ -	-$ 5,694,305.18	-$ 5,694,305.18	-$ 5,694
2335	Non-Current Liabilities	Customer deposits	Customer Deposits	-$ 220,557.05	-$ 220,557.05		-$ 220,557.05	-$ 221
2320	Non-Current Liabilities	Employee future benefits	Liability - Huntsville Retirees	-$ 91,487.17	-$ 91,487.17	-$ 5,203.00	-$ 96,690.17	-$ 97
2520	Non-Current Liabilities	Long term debt	Long Term Bank Loan	-$ 6,186,386.61	-$ 6,186,386.61		-$ 6,186,386.61	-$ 6,186
		Total Non-Current Liabilities			**-$ 6,498,430.83**		**-$ 12,197,939.01**	**-$ 12,198**
		Total Liabilities			**-$ 15,136,422.51**		**-$ 20,972,930.69**	**-$ 20,974**
Shareholder's Equity								
3005	Shareholder's Equity	Share capital	Common Shares Equity	-$ 9,226,787.18	-$ 9,226,787.18		-$ 9,226,787.18	-$ 9,227
3045	Shareholder's Equity	Retained earnings	Retained Earnings	-$ 10,489,614.38		-$ 6,355.00		
3045	Shareholder's Equity	Retained earnings	Retained Earnings - Current Year Net Income	-$ 1,507,310.70		$ 5,203.00		
3049	Shareholder's Equity	Retained earnings	Dividends Paid	$ 4,765,159.00				
3055	Shareholder's Equity	Retained earnings	Deferred Taxes - Shareholders Equity (3081)	-$ 918,536.00				
					-$ 8,150,302.08	-$ 1,152.00	-$ 8,151,454.08	-$ 8,152
3010	Shareholder's Equity	Contributed surplus	Contributed surplus	-$ 4,986,710.88	-$ 4,986,710.88		-$ 4,986,710.88	-$ 4,986
3090	Shareholder's Equity	Accumulated other comprehensive loss	Other Comprehensive Income-Post Retiree Benefit	$ -	$ -	$ 6,355.00	$ 6,355.00	$ 6
		Total Shareholder's Equity			**-$ 22,363,800.14**		**-$ 22,358,597.14**	**-$ 22,359**
		Total Liabilities and Shareholder's Equity			**-$ 37,500,222.65**		**-$ 43,331,527.83**	**-$ 43,333**
		Regulatory Deferral Account Credit Balances and Related Deferred Tax			**$ -**		**$ -**	**$ -**
		Total Shareholder's Equity, Liabilities And Regulatory Deferral Account Balances			**-$ 37,500,222.65**	**-$ 5,831,305.18**	**-$ 43,331,527.83**	**-$ 43,333**

Trial Balance by Account

Account	F/S Section	F/S Line Grouping	G/L Account Description	Ending Balance
1005	Current Liabilities	Bank indebtedness	Cash in Bank	$0.00
1010	Current Liabilities	Bank indebtedness	Petty Cash	$510.00
1100	Current Assets	Receivables	Accounts Receivable - Customer	$4,465,119.87
1102	Current Assets	Receivables	Accounts Receivable - Retailers	-$14,517.88
1104	Current Assets	Receivables	Miscellaneous Accounts Receivable	$649,080.88
1105	Current Assets	Receivables	Misc Charges to Customer Accounts Receivable	$0.00
1120	Current Assets	Unbilled revenue	Accounts Receivable - Unbilled Revenue Accrual	$4,214,811.51
1130	Current Assets	Receivables	Allowance for Doubtful Accounts	-$309,051.33
1140	Current Assets	Prepaid expenses	Interest Receivable	$177.17
1180	Current Assets	Prepaid expenses	Prepaid Expenses	$237,329.22

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Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF FINANCIAL POSITION

Account	B/S Section	B/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Financial Position - Audited Statement	Per AFS (000's)
1190	Current Assets	Receivables	Other Current Assets	$59,096.31				
1200	Current Assets	Intercompany receivables	Intercompany Accounts Receivable (1103)	$70,848.70				
1330	Current Assets	Inventory	Plant Inventory	$364,476.69				
1495	Non-Current Assets	Deferred payments in lieu of taxes	Deferred Taxes - Non-Current Assets	$0.00				
1508	Regulatory Deferral	Regulatory assets	Other Regulatory Assets	$79,295.97				
1518	Regulatory Deferral	Regulatory assets	RCVA Retail	$30,362.50				
1520	Regulatory Deferral	Regulatory assets	PPVA	$0.00				
1521	Regulatory Deferral	Regulatory assets	Special Purpose Charge Variance	$0.00				
1525	Regulatory Deferral	Regulatory assets	Miscellaneous Regulatory Assets	$0.00				
1531	Regulatory Deferral	Regulatory assets	Renewable Generation Capital	$242,630.35				
1532	Regulatory Deferral	Regulatory assets	Renewable Generation OM&A	$0.00				
1548	Regulatory Deferral	Regulatory assets	RCVA STR	-$751.19				
1550	Regulatory Deferral	Regulatory assets	RSVA	$797,193.03				
1551	Regulatory Deferral	Regulatory assets	Smart Meter Entity Charge	$6,640.82				
1555	Regulatory Deferral	Regulatory assets	Smart Meter Capital	$8,103.91				
1556	Regulatory Deferral	Regulatory assets	Smart Meter OM&A	$0.00				
1568	Regulatory Deferral	Regulatory assets	LRAM	$29,937.53				
1570	Regulatory Deferral	Regulatory assets	Qualifying Transition Costs	$0.00				
1571	Regulatory Deferral	Regulatory assets	Pre-Market Opening Costs	$0.00				
1572	Regulatory Deferral	Regulatory assets	Extraordinary Loss	$0.00				
1573	Regulatory Deferral	Regulatory assets	Deferred Rebate Costs	$0.00				
1574	Regulatory Deferral	Regulatory assets	Deferred Rate Impact amounts	$15,792.23				
1580	Regulatory Deferral	Regulatory assets	RSVA WMS	-$1,867,628.78				
1582	Regulatory Deferral	Regulatory assets	RSVA Onetime	-$3,164.73				
1584	Regulatory Deferral	Regulatory assets	RSVA Network	-$163,473.94				
1586	Regulatory Deferral	Regulatory assets	RSVA Connection	-$33,956.92				
1588	Regulatory Deferral	Regulatory assets	RSVA Power	$698,807.26				
1589	Regulatory Deferral	Regulatory assets	RSVA GA	$797,481.08				
1592	Regulatory Deferral	Regulatory assets	Tax Variance	$164,511.70				
1595	Regulatory Deferral	Regulatory assets	Recovery of Regulatory Balances - 2009-2015, GA (159	$34,403.03				
1610	Non-Current Assets	Intangible assets	Land Rights/Computer S/W/Asset Management S/W (1	$1,500,377.41				
1805	Non-Current Assets	Property, plant and equipment	Land	$74,304.52				
1808	Non-Current Assets	Property, plant and equipment	Building & Fixtures	$2,187,990.03				
1810	Non-Current Assets	Property, plant and equipment	Leasehold Improvements	$0.00				
1820	Non-Current Assets	Property, plant and equipment	Distribution Station	$6,335,280.12				
1830	Non-Current Assets	Property, plant and equipment	Poles-Fixtures Overhead	$8,740,817.43				
1835	Non-Current Assets	Property, plant and equipment	Conductors Overhead	$5,779,833.37				
1840	Non-Current Assets	Property, plant and equipment	Underground Overhead	$4,424,571.84				
1845	Non-Current Assets	Property, plant and equipment	Conductors Underground	$3,264,948.05				
1850	Non-Current Assets	Property, plant and equipment	Transformers	$9,680,685.50				
1855	Non-Current Assets	Property, plant and equipment	New Services	$2,227,118.50				
1860	Non-Current Assets	Property, plant and equipment	Meters	$3,423,481.03				
1905	Non-Current Assets	Property, plant and equipment	Land	$303,800.82				
1908	Non-Current Assets	Property, plant and equipment	Building & Furniture	$222,769.80				
1910	Non-Current Assets	Property, plant and equipment	Leasehold Improvements	$0.00				
1915	Non-Current Assets	Property, plant and equipment	Office Furniture & Equipment	$272,604.42				
1920	Non-Current Assets	Property, plant and equipment	Computer Hardware	$565,601.10				
1925	Non-Current Assets	Intangible assets	Computer Software	$0.00				
1930	Non-Current Assets	Property, plant and equipment	Transportation Equipment	$2,061,166.68				
1935	Non-Current Assets	Property, plant and equipment	Stores Equipment	$10,960.38				
1940	Non-Current Assets	Property, plant and equipment	Tools, Shop & Garage Equipment	$299,411.92				
1955	Non-Current Assets	Property, plant and equipment	Communication Equipment	$600,244.40				
1980	Non-Current Assets	Property, plant and equipment	SCADA	$254,448.99				
1995	Non-Current Assets	Property, plant and equipment	Contributed Capital	-$7,744,035.61				
2055	Non-Current Assets	Property, plant and equipment	Construction in Process	$0.00				
2060	Non-Current Assets	Goodwill	Electric Plant Acquisition Adjustment	$1,150,014.00				

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For the Year 2015

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF FINANCIAL POSITION

Account	B/S Section	B/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Financial Position - Audited Statement		Per AFS (000's)
2105	Non-Current Assets	Property, plant and equipment	Accumulated Depreciation - Property and Equipment	-$18,986,154.12					
2120	Non-Current Assets	Intangible assets	Accumulated Depreciation - Intangible Assets (2105)	-$819,569.92					
2205	Current Liabilities	Accounts payable and accrued liabilities	Accounts Payable & Banked Time (2206) & Harris Refu	-$2,262,452.20					
2208	Current Liabilities	Accounts payable and accrued liabilities	Customer Credit Balances	-$290,920.87					
2220	Current Liabilities	Accounts payable and accrued liabilities	Accrued Liabilities	-$4,020,585.89					
2225	Current Liabilities	Bank indebtedness	Notes Payable - Overdraft	-$713,024.19					
2240	Current Liabilities	Intercompany payables	Intercompany Accounts Payable (2203)	-$1,149,623.16					
2250	Current Liabilities	Accounts payable and accrued liabilities	Misc Liabilities - DRC	-$168,886.64					
2256	Current Liabilities	Accounts payable and accrued liabilities	IESO Fees & Penalties Payable	$0.00					
2260	Current Liabilities	Bank indebtedness	Current Portion - Long Term Debt	$0.00					
2290	Current Liabilities	Accounts payable and accrued liabilities	GST/HST	$0.00					
2292	Current Liabilities	Accounts payable and accrued liabilities	Payroll Deduction	-$33,008.73					
2294	Current Assets	Payments in lieu of income taxes (PILS) recoverable	Accrued PILs	$94,173.00					
2296	Non-Current Assets	Deferred payments in lieu of taxes	Future PILs - Current	-$147,626.00					
2320	Non-Current Liabilities	Employee future benefits	Liability - Huntsville Retirees	-$91,487.17					
2335	Non-Current Liabilities	Customer deposits	Customer Deposits	-$220,557.05					
2350	Non-Current Assets	Deferred payments in lieu of taxes	Future PILs - Non-current (1495)	$1,149,450.00					
2425	Regulatory Deferral	Regulatory liabilities	Other Deferred Credits	$0.00					
2520	Non-Current Liabilities	Long term debt	Long Term Bank Loan	-$6,186,386.61					
3005	Shareholder's Equity	Share capital	Common Shares Equity	-$9,226,787.18					
3010	Shareholder's Equity	Contributed surplus	Paid-In Capital	-$4,986,710.88					
3045	Shareholder's Equity	Retained earnings	Retained Earnings	-$10,489,614.38					
3045	Shareholder's Equity	Retained earnings	Retained Earnings - Current Year Net Income	-$1,507,310.70					
3049	Shareholder's Equity	Retained earnings	Dividends Paid	$4,765,159.00					
3055	Shareholder's Equity	Retained earnings	Deferred Taxes - Shareholders Equity (3081)	-$918,536.00					
			TOTAL BALANCE SHEET	$ 0.00					

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Statement of Comprehensive Income
For the Year 2015

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF COMPREHENSIVE INCOME

Account	I/S Section	I/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Comprehensive Income - Audited Statement	Per AFS (000's)
Revenue								
4006	Revenue	Electricity Revenue	Residential Energy Sales	-$ 10,968,491.33				
4025	Revenue	Electricity Revenue	Street Lights Energy Sales	-$ 198,166.91				
4030	Revenue	Electricity Revenue	Sentinel Lights Energy Sales	-$ 4,375.61				
4035	Revenue	Electricity Revenue	General Service Energy Sales	-$ 15,916,009.99				
4055	Revenue	Electricity Revenue	Retailer Energy Sales	-$ 4,138,912.34				
4062	Revenue	Electricity Revenue	Wholesale Market Services Billed	-$ 1,427,600.18				
4066	Revenue	Electricity Revenue	Network Services Billed	-$ 1,689,713.78				
4068	Revenue	Electricity Revenue	Connection Services Billed	-$ 1,227,017.08				
4075	Revenue	Electricity Revenue	LV Charges Billed	-$ 758,878.94				
4076	Revenue	Electricity Revenue	SME Charges	-$ 123,493.71				
sub 910/990	Revenue	Electricity Revenue	Less: Regulatory Variance	-$ 583,375.21	-$ 37,036,035.08		-$ 37,036,035.08	-$ 37,036
4080	Revenue	Distribution Revenue	Distribution Services Revenue	-$ 7,964,348.09				
4082	Revenue	Distribution Revenue	Retail Services Revenue	-$ 10,114.90				
4084	Revenue	Distribution Revenue	Service Transaction Request Revenue	$ -	-$ 7,974,462.99		-$ 7,974,462.99	-$ 7,974
4210	Revenue	Other revenue	Rental Revenue	-$ 226,699.81				
4225	Revenue	Other revenue	Late Payment Charges	-$ 137,081.72				
4235	Revenue	Other revenue	Miscellaneous Service Revenue	-$ 78,334.66				
4375	Revenue	Other revenue	Non-Utility Operations Revenue	-$ 80,667.77				
4380	Revenue	Other revenue	Non-Utility Operations Expense	$ 74,222.74				
4390	Revenue	Other revenue	Miscellaneous Revenue	-$ 107,213.30				
5330	Revenue	Other revenue	Collection Charges	-$ 8,865.00				
4245	Revenue	Other revenue	Customer Assistance Directly Credited to Incom	$ -	-$ 564,639.52	-$165,485.90	-$ 730,125.42	-$ 730
4355	Revenue	Gain on disposal of property, plant and equipment	Gain on Asset Disposal	-$ 24,883.33				
4360	Revenue	Gain on disposal of property, plant and equipment	Loss on Asset Disposal	$ -	-$ 24,883.33		-$ 24,883.33	-$ 25
		Total Revenue			**-$ 45,600,020.92**		**-$ 45,765,506.82**	**-$ 45,765**
Expenses								
4705	Expenses	Purchased power	Power Purchased	$ 20,384,288.41				
4707	Expenses	Purchased power	Power Purchased - Global Adjustment	$ 10,841,667.77				
4708	Expenses	Purchased power	Charges H1 - Wholesale Market Services	$ 1,427,600.18				
4712	Expenses	Purchased power	Charges H1 - One Time	$ -				
4714	Expenses	Purchased power	Charges H1 - Network Services	$ 1,689,713.78				
4716	Expenses	Purchased power	Charges H1 - Connection Services	$ 1,227,017.08				
4750	Expenses	Purchased power	Charges H1 - LV Charges	$ 758,878.94				
4751	Expenses	Purchased power	Charges IESO - SME Charges - Residential / G	$ 123,493.71				
sub 910/990	Expenses	Purchased power	Less: Regulatory Variance	$ 714,444.01	$ 37,167,103.88		$ 37,167,103.88	$ 37,167
5010	Expenses	Operating expenses	SCADA	$ 2,960.15				
5025	Expenses	Operating expenses	Overhead Distribution Expense	$ 3,944.85				
5065	Expenses	Operating expenses	Meter Expense	$ 80,342.73				
5070	Expenses	Operating expenses	Customer Premises Expense	$ -				
5085	Expenses	Operating expenses	Miscellaneous Distribution Expense	$ 198,759.36				
5095	Expenses	Operating expenses	Pole Rental Expense	$ 34,984.28				
5105	Expenses	Operating expenses	Distribution Supervision & Engineering Expense	$ 311,015.37				
5114	Expenses	Operating expenses	Distribution Station Maintenance	$ 44,763.37				
5120	Expenses	Operating expenses	Poles & Towers Maintenance	$ -				
5130	Expenses	Operating expenses	Distribution Overhead Maintenance	$ 555,677.85				
5132	Expenses	Operating expenses	Storm Damage Expense	$ -				
5135	Expenses	Operating expenses	Tree Trimming Expense	$ 194,720.10				
5150	Expenses	Operating expenses	Distribution Underground Maintenance	$ 51,225.77				
5155	Expenses	Operating expenses	Distribution Underground Locates Expense	$ 113,126.34				
5160	Expenses	Operating expenses	Distribution Transformers/PCB Expense	$ 53,700.48				

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Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF COMPREHENSIVE INCOME								
Account	**I/S Section**	**I/S Line Grouping**	**G/L Account Description**	**Ending Balance**	**Total per Trial Balance**	**IFRS Reclassifications**	**Stmt of Comprehensive Income - Audited Statement**	**Per AFS (000's)**
5172	Expenses	Operating expenses	Sentinel Lights Expense	$ -				
5175	Expenses	Operating expenses	Meter Maintenance	$ 10,666.00				
5186	Expenses	Operating expenses	Water Heater Expense	$ -				
5305	Expenses	Operating expenses	Billing & Customer Service Supervisor Expense	$ 203,668.01				
5310	Expenses	Operating expenses	Meter Reading Expense	$ 72,413.72				
5315	Expenses	Operating expenses	Customer Billing Costs	$ 579,899.08				
5320	Expenses	Operating expenses	Collection Costs	$ 166,715.22				
5325	Expenses	Operating expenses	Cash Over & Short	-$ 3,147.90				
5335	Expenses	Operating expenses	Bad Debt Expense	$ 64,859.78				
5340	Expenses	Operating expenses	RCVA Miscellaneous Costs (5360)	$ 127,361.77				
5410	Expenses	Operating expenses	Community Relations Expense	$ 26,400.24				
5415	Expenses	Operating expenses	Energy Conservation Expense	$ -				
5605	Expenses	Operating expenses	Executive/Director Expense	$ 7,844.26				
5610	Expenses	Operating expenses	Management Wage Expense	$ -				
5615	Expenses	Operating expenses	General Administration Wage Expense	$ 365.33				
5620	Expenses	Operating expenses	Office Supplies & Communication Expense	$ 201,456.18				
5630	Expenses	Operating expenses	Outside Services Expense	$ 120,576.75				
5635	Expenses	Operating expenses	Property Insurance	$ 56,224.59				
5640	Expenses	Operating expenses	Insurance Claims	$ -				
5645	Expenses	Operating expenses	Employee Pensions & Benefits Expense	$ 132,281.13		$ 5,203.00		
5655	Expenses	Operating expenses	Regulatory Expense	$ 53,990.65				
5660	Expenses	Operating expenses	Advertising Expense	$ -				
5665	Expenses	Operating expenses	General Administration Expense	$ 1,116,155.31				
5668	Expenses	Operating expenses	IFRS Costs	$ -				
5670	Expenses	Operating expenses	Building Rent	$ -				
5675	Expenses	Operating expenses	Building Maintenance	$ 491,248.72				
5680	Expenses	Operating expenses	Electrical Safety Association Expense	$ 15,914.71				
5681	Expenses	Operating expenses	Special Purpose Charge Expense	$ -				
5685	Expenses	Operating expenses	IESO Fees & Penalties	$ -				
5695	Expenses	Operating expenses	OM&A Contra	$ -				
6205	Expenses	Operating expenses	Donations Expense	$ 13,346.74				
					$ 5,103,460.94	$ 5,203.00	$ 5,108,663.94	$ 5,108
5705	Expenses	Depreciation and amortization	Depreciation Expense	$ 1,114,312.82		$ 165,485.90		
5715	Expenses	Depreciation and amortization	Depreciation Expense - Intangibles	$ 85,867.38				
					$ 1,200,180.20	$ 165,485.90	$ 1,365,666.10	$ 1,366
6105	Expenses	Taxes other than payments in lieu of taxes	Property Tax (6106)	$ 46,245.28	$ 46,245.28		$ 46,245.28	$ 46
		Total Expenses			**$ 43,516,990.30**		**$ 43,687,679.20**	**$ 43,687**
		Income from operating activities			**-$ 2,083,030.62**		**-$ 2,077,827.62**	**-$ 2,078**
Other Income								
4405	Other Income	Finance income	Interest Income	-$ 52,617.98				
sub 102	Other Income	Finance income	Less: Interest - Regulatory Carrying Charges	$ 46,061.85	-$ 6,556.13		-$ 6,556.13	-$ 7
6005	Other Income	Finance costs	Interest Expense - Long Term Bank Debt	$ 174,537.25				
6035	Other Income	Finance costs	Interest Expense - Other	$ 74,468.45				
sub 200	Other Income	Finance costs	Less: Interest - Regulatory Carrying Charges	-$ 67,646.77	$ 181,358.93		$ 181,358.93	$ 181
		Income before provision for payments in lieu of taxes			**-$ 1,908,227.82**		**-$ 1,903,024.82**	**-$ 1,904**
Provision for payments in lieu of taxes								
6110	Provision for payments in lieu of taxes	Current	PILs - Income Tax	$ 380,775.00	$ 380,775.00		$ 380,775.00	$ 381

Lakeland Power Distribution Ltd **27/09/2018**
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Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF COMPREHENSIVE INCOME

Account	I/S Section	I/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Comprehensive Income - Audited Statement	Per AFS (000's)
6115	Provision for payments in lieu of taxes	Deferred	Provision for Future PILs	$ 129,626.00				
	Provision for payments in lieu of taxes		Less: PILS affect on Reg Asset Net Movement	-$ 29,000.00	$ 100,626.00		$ 100,626.00	$ 100
		Total provision for payments in lieu of taxes			**$ 481,401.00**		**$ 481,401.00**	**$ 481**
		Profit for the year before net movement in regulatory deferral account balances			**-$ 1,426,826.82**		**-$ 1,421,623.82**	**-$ 1,423**
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement								
sub 910/990	Revenue	Electricity Revenue	Less: Regulatory Variance	$ 583,375.21				
sub 910/990	Expenses	Purchased power	Less: Regulatory Variance	-$ 714,444.01				
sub 102	Other Income	Finance income	Less: Interest - Regulatory Carrying Charges	-$ 46,061.85				
sub 200	Other Income	Finance costs	Less: Interest - Regulatory Carrying Charges	$ 67,646.77				
	Provision for payments in lieu of taxes		Less: PILS affect on Reg Asset Net Movement	$ 29,000.00				
		Total Net movement in regulatory deferral account balances and deferred tax movement			**-$ 80,483.88**		**-$ 80,483.88**	**-$ 80**
		Profit for the year and net movements in regulatory deferral account balances			**-$ 1,507,310.70**		**-$ 1,502,107.70**	**-$ 1,503**
Other comprehensive loss: items that will not be reclassified to profit or loss, net of income tax				$ -	$ -		$ -	$ -
Remeasurements of defined benefit plan, net of tax				$ -	$ -		$ -	$ -
		Other comprehensive loss for the year, net of tax			**$ -**		**$ -**	**$ -**
		Total comprehensive income for the year			**-$ 1,507,310.70**	**$ 5,203.00**	**-$ 1,502,107.70**	**-$ 1,503**

Trial Balance by Account

Account	F/S Section	F/S Line Grouping	G/L Account Description	Ending Balance
4006	Revenue	Electricity Revenue	Residential Energy Sales	-$10,968,491.33
4025	Revenue	Electricity Revenue	Street Lights Energy Sales	-$198,166.91
4030	Revenue	Electricity Revenue	Sentinel Lights Energy Sales	-$4,375.61
4035	Revenue	Electricity Revenue	General Service Energy Sales	-$15,916,009.99
4055	Revenue	Electricity Revenue	Retailer Energy Sales	-$4,138,912.34
4062	Revenue	Electricity Revenue	Wholesale Market Services Billed	-$1,427,600.18
4066	Revenue	Electricity Revenue	Network Services Billed	-$1,689,713.78
4068	Revenue	Electricity Revenue	Connection Services Billed	-$1,227,017.08
4075	Revenue	Electricity Revenue	LV Charges Billed	-$758,878.94
4076	Revenue	Electricity Revenue	SME Charges	-$123,493.71
4080	Revenue	Distribution Revenue	Distribution Services Revenue (4079/4080/4081	-$7,964,348.09
4082	Revenue	Distribution Revenue	Retail Services Revenue	-$10,114.90
4084	Revenue	Distribution Revenue	Service Transaction Request Revenue	$0.00
4210	Revenue	Other revenue	Rental Revenue	-$226,699.81
4225	Revenue	Other revenue	Late Payment Charges	-$137,081.72
4235	Revenue	Other revenue	Miscellaneous Service Revenue	-$78,334.66
4355	Revenue	Gain on disposal of property, plant and equipment	Gain on Asset Disposal	-$24,883.33
4360	Revenue	Gain on disposal of property, plant and equipment	Loss on Asset Disposal	$0.00
4375	Revenue	Other revenue	Non-Utility Operations Revenue	-$80,667.77
4380	Revenue	Other revenue	Non-Utility Operations Expense	$74,222.74
4390	Revenue	Other revenue	Miscellaneous Revenue	-$107,213.30
4405	Other Income	Finance income	Interest Income	-$52,617.98
4705	Expenses	Purchased power	Power Purchased	$20,384,288.41

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Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF COMPREHENSIVE INCOME

Account	I/S Section	I/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Comprehensive Income - Audited Statement		Per AFS (000's)
4707	Expenses	Purchased power	Power Purchased - Global Adjustment	$10,841,667.77					
4708	Expenses	Purchased power	Charges H1 - Wholesale Market Services	$1,427,600.18					
4712	Expenses	Purchased power	Charges H1 - One Time	$0.00					
4714	Expenses	Purchased power	Charges H1 - Network Services	$1,689,713.78					
4716	Expenses	Purchased power	Charges H1 - Connection Services	$1,227,017.08					
4750	Expenses	Purchased power	Charges H1 - LV Charges	$758,878.94					
4751	Expenses	Purchased power	Charges IESO - SME Charges - Residential / G	$123,493.71					
5010	Expenses	Operating expenses	SCADA	$2,960.15					
5025	Expenses	Operating expenses	Overhead Distribution Expense	$3,944.85					
5065	Expenses	Operating expenses	Meter Expense	$80,342.73					
5070	Expenses	Operating expenses	Customer Premises Expense	$0.00					
5085	Expenses	Operating expenses	Miscellaneous Distribution Expense	$198,759.36					
5095	Expenses	Operating expenses	Pole Rental Expense	$34,984.28					
5105	Expenses	Operating expenses	Distribution Supervision & Engineering Expense	$311,015.37					
5114	Expenses	Operating expenses	Distribution Station Maintenance	$44,763.37					
5120	Expenses	Operating expenses	Poles & Towers Maintenance	$0.00					
5130	Expenses	Operating expenses	Distribution Overhead Maintenance (5130/5131)	$555,677.85					
5132	Expenses	Operating expenses	Storm Damage Expense	$0.00					
5135	Expenses	Operating expenses	Tree Trimming Expense	$194,720.10					
5150	Expenses	Operating expenses	Distribution Underground Maintenance	$51,225.77					
5155	Expenses	Operating expenses	Distribution Underground Locates Expense	$113,126.34					
5160	Expenses	Operating expenses	Distribution Transformers/PCB Expense	$53,700.48					
5172	Expenses	Operating expenses	Sentinel Lights Expense	$0.00					
5175	Expenses	Operating expenses	Meter Maintenance	$10,666.00					
5186	Expenses	Operating expenses	Water Heater Expense	$0.00					
5305	Expenses	Operating expenses	Billing & Customer Service Supervisor Expense	$203,668.01					
5310	Expenses	Operating expenses	Meter Reading Expense	$72,413.72					
5315	Expenses	Operating expenses	Customer Billing Costs	$579,899.08					
5320	Expenses	Operating expenses	Collection Costs	$166,715.22					
5325	Expenses	Operating expenses	Cash Over & Short	-$3,147.90					
5330	Revenue	Other revenue	Collection Charges	-$8,865.00					
5335	Expenses	Operating expenses	Bad Debt Expense	$64,859.78					
5340	Expenses	Operating expenses	RCVA Miscellaneous Costs (5360)	$127,361.77					
5410	Expenses	Operating expenses	Community Relations Expense	$26,400.24					
5415	Expenses	Operating expenses	Energy Conservation Expense	$0.00					
5605	Expenses	Operating expenses	Executive/Director Expense	$7,844.26					
5610	Expenses	Operating expenses	Management Wage Expense	$0.00					
5615	Expenses	Operating expenses	General Administration Wage Expense	$365.33					
5620	Expenses	Operating expenses	Office Supplies & Communication Expense	$201,456.18					
5630	Expenses	Operating expenses	Outside Services Expense	$120,576.75					
5635	Expenses	Operating expenses	Property Insurance	$56,224.59					
5640	Expenses	Operating expenses	Insurance Claims	$0.00					
5645	Expenses	Operating expenses	Employee Pensions & Benefits Expense	$132,281.13					
5655	Expenses	Operating expenses	Regulatory Expense	$53,990.65					
5660	Expenses	Operating expenses	Advertising Expense	$0.00					
5665	Expenses	Operating expenses	General Administration Expense (5665/5666/56	$1,116,155.31					
5668	Expenses	Operating expenses	IFRS Costs	$0.00					
5670	Expenses	Operating expenses	Building Rent	$0.00					
5675	Expenses	Operating expenses	Building Maintenance	$491,248.72					
5680	Expenses	Operating expenses	Electrical Safety Association Expense	$15,914.71					
5681	Expenses	Operating expenses	Special Purpose Charge Expense	$0.00					
5685	Expenses	Operating expenses	IESO Fees & Penalties	$0.00					
5695	Expenses	Operating expenses	OM&A Contra	$0.00					
5705	Expenses	Depreciation and amortization	Depreciation Expense	$1,114,312.82					
5715	Expenses	Depreciation and amortization	Depreciation Expense - Intangibles	$85,867.38					
6005	Other Income	Finance costs	Interest Expense - Long Term Bank Debt	$174,537.25					
6035	Other Income	Finance costs	Interest Expense - Other	$74,468.45					

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Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF COMPREHENSIVE INCOME									
Account	**I/S Section**	**I/S Line Grouping**	**G/L Account Description**	**Ending Balance**	**Total per Trial Balance**	**IFRS Reclassifications**	**Stmt of Comprehensive Income - Audited Statement**		**Per AFS (000's)**
6105	Expenses	Taxes other than payments in lieu of taxes	Property Tax (6106)	$46,245.28					
6110	Provision for payments in lieu of taxes	Current	PILs - Income Tax	$380,775.00					
6115	Provision for payments in lieu of taxes	Deferred	Provision for Future PILs	$129,626.00					
6205	Expenses	Operating expenses	Donations Expense	$13,346.74					
			TOTAL INCOME STATEMENT	-$ 1,507,310.70					

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OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Statements of Financial Position
For the Year 2016

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF FINANCIAL POSITION

Account	B/S Section	B/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Financial Position - Audited Statement	Per AFS
Assets								
1005	Current Assets	Cash and cash equivalents	Cash in Bank & Petty Cash (1010)	$ 2,813,362.89	$ 2,813,362.89		$ 2,813,362.89	$ 2,813,363
1100	Current Assets	Receivables	Accounts Receivable - Customer	$ 5,020,490.53				
1102	Current Assets	Receivables	Accounts Receivable - Retailers	-$ 36,408.63				
1104	Current Assets	Receivables	Interco & Miscellaneous Accounts Receivable	$ 509,035.18				
1105	Current Assets	Receivables	Misc Charges to Customer Accounts Receivable	$ -				
1130	Current Assets	Receivables	Allowance for Doubtful Accounts	-$ 313,014.77				
1190	Current Assets	Receivables	Other Current Assets	$ -	$ 5,180,102.31		$ 5,180,102.31	$ 5,180,102
1120	Current Assets	Unbilled revenue	Accounts Receivable - Unbilled Revenue Accrual	$ 4,626,135.85	$ 4,626,135.85		$ 4,626,135.85	$ 4,626,136
1200	Current Assets	Intercompany receivables	Intercompany Accounts Receivable (1103)	$ 8,289.89	$ 8,289.89		$ 8,289.89	$ 8,290
1330	Current Assets	Inventory	Plant Inventory	$ 373,473.76	$ 373,473.76		$ 373,473.76	$ 373,474
1140	Current Assets	Prepaid expenses	Interest Receivable	$ 1,972.59				
1180	Current Assets	Prepaid expenses	Prepaid Expenses	$ 227,805.16	$ 229,777.75		$ 229,777.75	$ 229,778
2294	Current Assets	Payments in lieu of income taxes (PILS) recoverable	Accrued PILs	$ -	$ -		$ -	$ -
		Total Current Assets			**$ 13,231,142.45**		**$ 13,231,142.45**	**$ 13,231,143**
1805	Non-Current Assets	Property, plant and equipment	Land	$ 74,304.52				
1808	Non-Current Assets	Property, plant and equipment	Building & Fixtures	$ 2,187,990.03				
1810	Non-Current Assets	Property, plant and equipment	Leasehold Improvements	$ -				
1820	Non-Current Assets	Property, plant and equipment	Distribution Station	$ 6,421,078.77				
1830	Non-Current Assets	Property, plant and equipment	Poles-Fixtures Overhead	$ 9,368,368.74				
1835	Non-Current Assets	Property, plant and equipment	Conductors Overhead	$ 6,290,377.55				
1840	Non-Current Assets	Property, plant and equipment	Underground Overhead	$ 4,538,831.82				
1845	Non-Current Assets	Property, plant and equipment	Conductors Underground	$ 3,564,351.79				
1850	Non-Current Assets	Property, plant and equipment	Transformers	$ 10,084,856.40				
1855	Non-Current Assets	Property, plant and equipment	New Services	$ 2,275,171.61				
1860	Non-Current Assets	Property, plant and equipment	Meters	$ 3,727,811.18				
1905	Non-Current Assets	Property, plant and equipment	Land	$ 303,800.82				
1908	Non-Current Assets	Property, plant and equipment	Building & Furniture	$ 222,769.80				
1910	Non-Current Assets	Property, plant and equipment	Leasehold Improvements	$ -				
1915	Non-Current Assets	Property, plant and equipment	Office Furniture & Equipment	$ 272,604.42				
1920	Non-Current Assets	Property, plant and equipment	Computer Hardware	$ 571,705.81				
1930	Non-Current Assets	Property, plant and equipment	Transportation Equipment	$ 1,916,954.40				
1935	Non-Current Assets	Property, plant and equipment	Stores Equipment	$ 10,960.38				
1940	Non-Current Assets	Property, plant and equipment	Tools, Shop & Garage Equipment	$ 299,411.92				
1955	Non-Current Assets	Property, plant and equipment	Communication Equipment	$ 600,244.40				
1980	Non-Current Assets	Property, plant and equipment	SCADA	$ 333,115.16				
1995	Non-Current Assets	Property, plant and equipment	Contributed Capital	$ -				
2055	Non-Current Assets	Property, plant and equipment	Construction in Process	$ -				
2105	Non-Current Assets	Property, plant and equipment	Accumulated Depreciation - Property and Equipment	-$ 22,225,301.86				
					$ 30,839,407.66		$ 30,839,407.66	$ 30,839,408
1611	Non-Current Assets	Intangible assets	Computer S/W/Asset Management S/W	$ 929,571.54				
1612	Non-Current Assets	Intangible assets	Land Rights	$ 567,930.87				
1925	Non-Current Assets	Intangible assets	Computer Software	$ -				
2120	Non-Current Assets	Intangible assets	Accumulated Depreciation - Intangible Assets (2105)	-$ 874,528.79	$ 622,973.62		$ 622,973.62	$ 622,974
2060	Non-Current Assets	Goodwill	Goodwill	$ 1,150,014.00	$ 1,150,014.00		$ 1,150,014.00	$ 1,150,014
1495	Non-Current Assets	Deferred payments in lieu of taxes	Deferred Taxes - Non-Current Assets	$ 836,852.00				
2350	Non-Current Assets	Deferred payments in lieu of taxes	Future PILs - Non-current	$ -				
2296	Non-Current Assets	Deferred payments in lieu of taxes	Future PILs - Current	$ -	$ 836,852.00		$ 836,852.00	$ 836,852
		Total Non-Current Assets			**$ 33,449,247.28**		**$ 33,449,247.28**	**$ 33,449,248**
		Total Assets			**$ 46,680,389.73**		**$ 46,680,389.73**	**$ 46,680,391**
1508	Regulatory Deferral	Regulatory assets	Other Regulatory Assets	$ 95,605.90				
1518	Regulatory Deferral	Regulatory assets	RCVA Retail	$ 32,343.27				
1520	Regulatory Deferral	Regulatory assets	PPVA	$ -				
1521	Regulatory Deferral	Regulatory assets	Special Purpose Charge Variance	$ -				
1525	Regulatory Deferral	Regulatory assets	Miscellaneous Regulatory Assets	$ -				
1531	Regulatory Deferral	Regulatory assets	Renewable Generation Capital	$ 245,384.71				
1532	Regulatory Deferral	Regulatory assets	Renewable Generation OM&A	$ -				

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Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF FINANCIAL POSITION									
Account	**B/S Section**	**B/S Line Grouping**	**G/L Account Description**	**Ending Balance**	**Total per Trial Balance**	**IFRS Reclassifications**	**Stmt of Financial Position - Audited Statement**	**Per AFS**	
1548	Regulatory Deferral	Regulatory assets	RCVA STR	-$ 958.94					
1550	Regulatory Deferral	Regulatory assets	RSVA	$ 623,666.30					
1551	Regulatory Deferral	Regulatory assets	Smart Meter Entity Charge	-$ 186.34					
1555	Regulatory Deferral	Regulatory assets	Smart Meter Capital	$ 8,088.19					
1556	Regulatory Deferral	Regulatory assets	Smart Meter OM&A	$ -					
1568	Regulatory Deferral	Regulatory assets	LRAM	$ 57,417.56					
1570	Regulatory Deferral	Regulatory assets	Qualifying Transition Costs	$ -					
1571	Regulatory Deferral	Regulatory assets	Pre-Market Opening Costs	$ -					
1572	Regulatory Deferral	Regulatory assets	Extraordinary Loss	$ -					
1573	Regulatory Deferral	Regulatory assets	Deferred Rebate Costs	$ -					
1574	Regulatory Deferral	Regulatory assets	Deferred Rate Impact Amounts	$ 15,951.35					
1580	Regulatory Deferral	Regulatory assets	RSVA WMS	-$ 876,864.62					
1582	Regulatory Deferral	Regulatory assets	RSVA Onetime	-$ 3,174.42					
1584	Regulatory Deferral	Regulatory assets	RSVA Network	$ 203,856.07					
1586	Regulatory Deferral	Regulatory assets	RSVA Connection	$ 226,856.92					
1588	Regulatory Deferral	Regulatory assets	RSVA Power	$ 454,823.27					
1589	Regulatory Deferral	Regulatory assets	RSVA GA	$ 453,043.02					
1592	Regulatory Deferral	Regulatory assets	Tax Variance	$ 164,453.98					
1595	Regulatory Deferral	Regulatory assets	Recovery of Regulatory Balances - 2009, 2010, GA (159	-$ 206,290.05					
		Regulatory Deferral Account Debit Balances and Related Deferred Taxes			**$ 1,494,016.17**		**$ 1,494,016.17**	**$ 1,494,016**	
		Total Assets And Regulatory Deferral Account Balances			**$ 48,174,405.90**	**$ -**	**$ 48,174,405.90**	**$ 48,174,407**	
Liabilities									
1005	Current Liabilities	Bank indebtedness	Cash in Bank & Petty Cash (1010)	$ -					
2225	Current Liabilities	Bank indebtedness	Notes Payable - Overdraft	$ -	$ -		$ -	$ -	
2205	Current Liabilities	Accounts payable and accrued liabilities	Accounts Payable & Banked Time	-$ 2,881,916.36					
2208	Current Liabilities	Accounts payable and accrued liabilities	Customer Credit Balances	-$ 274,200.12					
2220	Current Liabilities	Accounts payable and accrued liabilities	Accrued Liabilities	-$ 3,253,770.41					
2250	Current Liabilities	Accounts payable and accrued liabilities	Misc Liabilities - DRC	-$ 87,740.04					
2256	Current Liabilities	Accounts payable and accrued liabilities	IESO Fees & Penalties Payable	$ -					
2290	Current Liabilities	Accounts payable and accrued liabilities	GST/HST	-$ 9,765.63					
2292	Current Liabilities	Accounts payable and accrued liabilities	Payroll Deduction	-$ 32,006.98	-$ 6,539,399.54		-$ 6,539,399.54	-$ 6,539,400	
2440	Current Liabilities	Contributions in aid of construction	Deferred Revenue (Contributed Capital)	$ -	$ -	-$ 180,750.00	-$ 180,750.00	-$ 180,750	
2240	Current Liabilities	Intercompany payables	Intercompany Accounts Payable (2203)	-$ 941,319.65	-$ 941,319.65		-$ 941,319.65	-$ 941,320	
2294	Current Liabilities	Payments in lieu of income taxes (PILS) payable	Accrued PILs	-$ 50,530.00	-$ 50,530.00		-$ 50,530.00	-$ 50,530	
2260	Current Liabilities	Current portion of long term debt	Current Portion - Long Term Debt	-$ 245,617.00	-$ 245,617.00	-$ 5,023,886.00	-$ 5,269,503.00	-$ 5,269,503	2 TD Bank Term Loans mature in 2017 but will be renewed as long term loans
		Total Current Liabilities			**-$ 7,776,866.19**		**-$ 12,981,502.19**	**-$ 12,981,503**	
2440	Non-Current Liabilities	Contributions in aid of construction	Deferred Revenue (Contributed Capital)	-$ 6,208,703.17	-$ 6,208,703.17	$ 180,750.00	-$ 6,027,953.17	-$ 6,027,953	
2335	Non-Current Liabilities	Customer deposits	Customer Deposits	-$ 230,018.27	-$ 230,018.27		-$ 230,018.27	-$ 230,019	
2306	Non-Current Liabilities	Employee future benefits	Liability - OPEB Employee Future Benefits	-$ 55,109.17					
2320	Non-Current Liabilities	Employee future benefits	Liability - Huntsville Retirees	-$ 23,100.00	-$ 78,209.17	$ -	-$ 78,209.17	-$ 78,209	
2520	Non-Current Liabilities	Long term debt	Long Term Bank Loan	-$ 17,840,912.36	-$ 17,840,912.36	$ 5,023,886.00	-$ 12,817,026.36	-$ 12,817,026	see comment above and FS Note 18
		Total Non-Current Liabilities			**-$ 24,357,842.97**		**-$ 19,153,206.97**	**-$ 19,153,207**	
		Total Liabilities			**-$ 32,134,709.16**		**-$ 32,134,709.16**	**-$ 32,134,710**	
Shareholder's Equity									
3005	Shareholder's Equity	Share capital	Common Shares Equity	-$ 9,226,787.18	-$ 9,226,787.18		-$ 9,226,787.18	-$ 9,226,787	
3045	Shareholder's Equity	Retained earnings	Retained Earnings	-$ 11,907,695.08					
3045	Shareholder's Equity	Retained earnings	Retained Earnings - Current Year Net Income	-$ 1,590,717.60					
3049	Shareholder's Equity	Retained earnings	Dividends Paid	$ 12,765,159.00					
3081	Shareholder's Equity	Retained earnings	Deferred Taxes - Shareholders Equity	-$ 918,536.00					
3090	Shareholder's Equity	Retained earnings	Other Comprehensive Income-Post Retiree Benefit		-$ 1,651,789.68	-$ 90,382.00	-$ 1,742,171.68	-$ 1,742,172.00	
3010	Shareholder's Equity	Contributed surplus	Contributed surplus	-$ 4,986,710.88	-$ 4,986,710.88		-$ 4,986,710.88	-$ 4,986,711	

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Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF FINANCIAL POSITION

Account	B/S Section	B/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Financial Position - Audited Statement	Per AFS
3090	Shareholder's Equity	Accumulated other comprehensive loss	Other Comprehensive Income-Post Retiree Benefit	-$ 84,027.00	-$ 84,027.00		-$ 84,027.00	-$ 84,027
		Total Shareholder's Equity			**-$ 15,949,314.74**		**-$ 16,039,696.74**	**-$ 16,039,697**
		Total Liabilities and Shareholder's Equity			**-$ 48,084,023.90**		**-$ 48,174,405.90**	**-$ 48,174,407**
		Regulatory Deferral Account Credit Balances and Related Deferred Tax			**$ -**		**$ -**	**$ -**
		Total Shareholder's Equity, Liabilities And Regulatory Deferral Account Balances			**-$ 48,084,023.90**	**-$ 90,382.00**	**-$ 48,174,405.90**	**-$ 48,174,407**

Trial Balance by Account

Account	F/S Section	F/S Line Grouping	G/L Account Description	Ending Balance
1005	Current Liabilities	Bank indebtedness	Cash in Bank & Petty Cash (1010)	$2,813,362.89
1100	Current Assets	Receivables	Accounts Receivable - Customer	$5,020,490.53
1102	Current Assets	Receivables	Accounts Receivable - Retailers	-$36,408.63
1104	Current Assets	Receivables	Miscellaneous Accounts Receivable	$509,035.18
1105	Current Assets	Receivables	Misc Charges to Customer Accounts Receivable	$0.00
1120	Current Assets	Unbilled revenue	Accounts Receivable - Unbilled Revenue Accrual	$4,626,135.85
1130	Current Assets	Receivables	Allowance for Doubtful Accounts	-$313,014.77
1140	Current Assets	Prepaid expenses	Interest Receivable	$1,972.59
1180	Current Assets	Prepaid expenses	Prepaid Expenses	$227,805.16
1190	Current Assets	Receivables	Other Current Assets	$0.00
1200	Current Assets	Intercompany receivables	Intercompany Accounts Receivable (1103)	$8,289.89
1330	Current Assets	Inventory	Plant Inventory	$373,473.76
1495	Non-Current Assets	Deferred payments in lieu of taxes	Deferred Taxes - Non-Current Assets	$836,852.00
1508	Regulatory Deferral	Regulatory assets	Other Regulatory Assets	$95,605.90
1518	Regulatory Deferral	Regulatory assets	RCVA Retail	$32,343.27
1520	Regulatory Deferral	Regulatory assets	PPVA	$0.00
1521	Regulatory Deferral	Regulatory assets	Special Purpose Charge Variance	$0.00
1525	Regulatory Deferral	Regulatory assets	Miscellaneous Regulatory Assets	$0.00
1531	Regulatory Deferral	Regulatory assets	Renewable Generation Capital	$245,384.71
1532	Regulatory Deferral	Regulatory assets	Renewable Generation OM&A	$0.00
1548	Regulatory Deferral	Regulatory assets	RCVA STR	-$958.94
1550	Regulatory Deferral	Regulatory assets	RSVA	$623,666.30
1551	Regulatory Deferral	Regulatory assets	Smart Meter Entity Charge	-$186.34
1555	Regulatory Deferral	Regulatory assets	Smart Meter Capital	$8,088.19
1556	Regulatory Deferral	Regulatory assets	Smart Meter OM&A	$0.00
1568	Regulatory Deferral	Regulatory assets	LRAM	$57,417.56
1570	Regulatory Deferral	Regulatory assets	Qualifying Transition Costs	$0.00
1571	Regulatory Deferral	Regulatory assets	Pre-Market Opening Costs	$0.00
1572	Regulatory Deferral	Regulatory assets	Extraordinary Loss	$0.00
1573	Regulatory Deferral	Regulatory assets	Deferred Rebate Costs	$0.00
1574	Regulatory Deferral	Regulatory assets	Deferred Rate Impact amounts	$15,951.35
1580	Regulatory Deferral	Regulatory assets	RSVA WMS	-$876,864.62
1582	Regulatory Deferral	Regulatory assets	RSVA Onetime	-$3,174.42
1584	Regulatory Deferral	Regulatory assets	RSVA Network	$203,856.07
1586	Regulatory Deferral	Regulatory assets	RSVA Connection	$226,856.92
1588	Regulatory Deferral	Regulatory assets	RSVA Power	$454,823.27
1589	Regulatory Deferral	Regulatory assets	RSVA GA	$453,043.02
1592	Regulatory Deferral	Regulatory assets	Tax Variance	$164,453.98
1595	Regulatory Deferral	Regulatory assets	Recovery of Regulatory Balances - 2009-2016, GA (159	-$206,290.05
1611	Non-Current Assets	Intangible assets	Computer S/W/Asset Management S/W	$929,571.54
1612	Non-Current Assets	Intangible assets	Land Rights	$567,930.87
1805	Non-Current Assets	Property, plant and equipment	Land	$74,304.52
1808	Non-Current Assets	Property, plant and equipment	Building & Fixtures	$2,187,990.03
1810	Non-Current Assets	Property, plant and equipment	Leasehold Improvements	$0.00
1820	Non-Current Assets	Property, plant and equipment	Distribution Station	$6,421,078.77
1830	Non-Current Assets	Property, plant and equipment	Poles-Fixtures Overhead	$9,368,368.74
1835	Non-Current Assets	Property, plant and equipment	Conductors Overhead	$6,290,377.55
1840	Non-Current Assets	Property, plant and equipment	Underground Overhead	$4,538,831.82
1845	Non-Current Assets	Property, plant and equipment	Conductors Underground	$3,564,351.79
1850	Non-Current Assets	Property, plant and equipment	Transformers	$10,084,856.40
1855	Non-Current Assets	Property, plant and equipment	New Services	$2,275,171.61
1860	Non-Current Assets	Property, plant and equipment	Meters	$3,727,811.18
1905	Non-Current Assets	Property, plant and equipment	Land	$303,800.82
1908	Non-Current Assets	Property, plant and equipment	Building & Furniture	$222,769.80
1910	Non-Current Assets	Property, plant and equipment	Leasehold Improvements	$0.00

Lakeland Power Distribution Ltd **27/09/2018**
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For the Year 2016

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF FINANCIAL POSITION								
Account	**B/S Section**	**B/S Line Grouping**	**G/L Account Description**	**Ending Balance**	**Total per Trial Balance**	**IFRS Reclassifications**	**Stmt of Financial Position - Audited Statement**	**Per AFS**
1915	Non-Current Assets	Property, plant and equipment	Office Furniture & Equipment	$272,604.42				
1920	Non-Current Assets	Property, plant and equipment	Computer Hardware	$571,705.81				
1925	Non-Current Assets	Intangible assets	Computer Software	$0.00				
1930	Non-Current Assets	Property, plant and equipment	Transportation Equipment	$1,916,954.40				
1935	Non-Current Assets	Property, plant and equipment	Stores Equipment	$10,960.38				
1940	Non-Current Assets	Property, plant and equipment	Tools, Shop & Garage Equipment	$299,411.92				
1955	Non-Current Assets	Property, plant and equipment	Communication Equipment	$600,244.40				
1980	Non-Current Assets	Property, plant and equipment	SCADA	$333,115.16				
1995	Non-Current Assets	Property, plant and equipment	Contributed Capital	$0.00				
2055	Non-Current Assets	Property, plant and equipment	Construction in Process	$0.00				
2060	Non-Current Assets	Goodwill	Electric Plant Acquisition Adjustment	$1,150,014.00				
2105	Non-Current Assets	Property, plant and equipment	Accumulated Depreciation - Property and Equipment	-$22,225,301.86				
2120	Non-Current Assets	Intangible assets	Accumulated Depreciation - Intangible Assets (2105)	-$874,528.79				
2205	Current Liabilities	Accounts payable and accrued liabilities	Accounts Payable & Banked Time (2206) & Harris Refun	-$2,881,916.36				
2208	Current Liabilities	Accounts payable and accrued liabilities	Customer Credit Balances	-$274,200.12				
2220	Current Liabilities	Accounts payable and accrued liabilities	Accrued Liabilities	-$3,253,770.41				
2225	Current Liabilities	Bank indebtedness	Notes Payable - Overdraft	$0.00				
2240	Current Liabilities	Intercompany payables	Intercompany Accounts Payable (2203)	-$941,319.65				
2250	Current Liabilities	Accounts payable and accrued liabilities	Misc Liabilities - DRC	-$87,740.04				
2256	Current Liabilities	Accounts payable and accrued liabilities	IESO Fees & Penalties Payable	$0.00				
2260	Current Liabilities	Bank indebtedness	Current Portion - Long Term Debt	-$245,617.00				
2290	Current Liabilities	Accounts payable and accrued liabilities	GST/HST	-$9,765.63				
2292	Current Liabilities	Accounts payable and accrued liabilities	Payroll Deduction	-$32,006.98				
2294	Current Assets	Payments in lieu of income taxes (PILS) recoverable	Accrued PILs	-$50,530.00				
2296	Non-Current Assets	Deferred payments in lieu of taxes	Future PILs - Current	$0.00				
2306	Non-Current Liabilities	Employee future benefits	Liability - OPEB Employee Future Benefits	-$55,109.17				
2320	Non-Current Liabilities	Employee future benefits	Liability - Huntsville Retirees	-$23,100.00				
2335	Non-Current Liabilities	Customer deposits	Customer Deposits	-$230,018.27				
2350	Non-Current Assets	Deferred payments in lieu of taxes	Future PILs - Non-current	$0.00				
2425	Regulatory Deferral	Regulatory liabilities	Other Deferred Credits	$0.00				
2440	Non-Current Liabilities	Contributions in aid of construction	Deferred Revenue (Contributed Capital)	-$6,208,703.17				
2520	Non-Current Liabilities	Long term debt	Long Term Bank Loan	-$17,840,912.36				
3005	Shareholder's Equity	Share capital	Common Shares Equity	-$9,226,787.18				
3010	Shareholder's Equity	Contributed surplus	Contributed surplus	-$4,986,710.88				
3045	Shareholder's Equity	Retained earnings	Retained Earnings	-$11,907,695.08				
3045	Shareholder's Equity	Retained earnings	Retained Earnings - Current Year Net Income	-$1,590,717.60	NOT Incl OCI (7010 + 7025)			
3049	Shareholder's Equity	Retained earnings	Dividends Paid	$12,765,159.00				
3081	Shareholder's Equity	Retained earnings	Deferred Taxes - Shareholders Equity	-$918,536.00				
3090	Shareholder's Equity	Accumulated other comprehensive loss	Other Comprehensive Income-Post Retiree Benefit	-$84,027.00				
			TOTAL BALANCE SHEET	$ 90,382.00	Other Comp Inc for CYR			
				$90,382.00	in A/C 7010 & 7025			

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For the Year 2016

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF COMPREHENSIVE INCOME

Account	I/S Section	I/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Comprehensive Income - Audited Statement	Per AFS
Revenue								
4006	Revenue	Electricity Revenue	Residential Energy Sales	-$ 11,772,286.08				
4025	Revenue	Electricity Revenue	Street Lights Energy Sales	-$ 117,525.87				
4030	Revenue	Electricity Revenue	Sentinel Lights Energy Sales	-$ 4,703.28				
4035	Revenue	Electricity Revenue	General Service Energy Sales	-$ 17,315,552.56				
4055	Revenue	Electricity Revenue	Retailer Energy Sales	-$ 4,712,401.03				
4062	Revenue	Electricity Revenue	Wholesale Market Services Billed	-$ 1,557,935.84				
4066	Revenue	Electricity Revenue	Network Services Billed	-$ 1,500,148.16				
4068	Revenue	Electricity Revenue	Connection Services Billed	-$ 1,157,393.57				
4075	Revenue	Electricity Revenue	LV Charges Billed	-$ 745,892.74				
4076	Revenue	Electricity Revenue	SME Charges	-$ 123,848.99				
sub 910/990	Revenue	Electricity Revenue	Less: Regulatory Variance	-$ 256,307.25	-$ 39,263,995.37		-$ 39,263,995.37	-$ 39,263,995
4080	Revenue	Distribution Revenue	Distribution Services Revenue	-$ 7,986,090.64				
4082	Revenue	Distribution Revenue	Retail Services Revenue	-$ 7,500.34				
4084	Revenue	Distribution Revenue	Service Transaction Request Revenue	$ -				
4086	Revenue	Distribution Revenue	SSS Administration Revenue	-$ 45,230.46	-$ 8,038,821.44		-$ 8,038,821.44	-$ 8,038,821
4210	Revenue	Other revenue	Rental Revenue	-$ 216,154.16				
4225	Revenue	Other revenue	Late Payment Charges	-$ 84,071.93				
4235	Revenue	Other revenue	Miscellaneous Service Revenue	-$ 91,164.30				
4375	Revenue	Other revenue	Non-Utility Operations Revenue	-$ 614,064.88				
4380	Revenue	Other revenue	Non-Utility Operations Expense	$ 615,054.21				
4390	Revenue	Other revenue	Miscellaneous Revenue	-$ 71,251.40				
5330	Revenue	Other revenue	Collection Charges	-$ 3,435.00				
4245	Revenue	Other revenue	Customer Assistance Directly Credited to Incon	-$ 174,304.71	-$ 639,392.17		-$ 639,392.17	-$ 639,392
4355	Revenue	Gain on disposal of property, plant and equipment	Gain on Asset Disposal	-$ 10,141.67				
4360	Revenue	Gain on disposal of property, plant and equipment	Loss on Asset Disposal	$ -	-$ 10,141.67		-$ 10,141.67	-$ 10,142
		Total Revenue			**-$ 47,952,350.65**		**-$ 47,952,350.65**	**-$ 47,952,350**
Expenses								
4705	Expenses	Purchased power	Power Purchased	$ 20,686,647.37				
4707	Expenses	Purchased power	Power Purchased - Global Adjustment	$ 13,235,821.45				
4708	Expenses	Purchased power	Charges H1 - Wholesale Market Services	$ 1,557,935.84				
4712	Expenses	Purchased power	Charges H1 - One Time	$ -				
4714	Expenses	Purchased power	Charges H1 - Network Services	$ 1,500,148.16				
4716	Expenses	Purchased power	Charges H1 - Connection Services	$ 1,157,393.57				
4750	Expenses	Purchased power	Charges H1 - LV Charges	$ 745,892.74				
4751	Expenses	Purchased power	Charges IESO - SME Charges - Residential / G	$ 123,848.99				
sub 910/990	Expenses	Purchased power	Less: Regulatory Variance	$ 707,590.06	$ 39,715,278.18		$ 39,715,278.18	$ 39,715,278
5010	Expenses	Operating expenses	SCADA	$ 9,178.96				
5025	Expenses	Operating expenses	Overhead Distribution Expense	$ 11,060.61				
5065	Expenses	Operating expenses	Meter Expense	$ 86,000.16				
5070	Expenses	Operating expenses	Customer Premises Expense	$ -				
5085	Expenses	Operating expenses	Miscellaneous Distribution Expense	$ 188,607.33				
5095	Expenses	Operating expenses	Pole Rental Expense	$ 45,312.44				
5105	Expenses	Operating expenses	Distribution Supervision & Engineering Expens	$ 307,668.86				
5114	Expenses	Operating expenses	Distribution Station Maintenance	$ 51,931.63				
5120	Expenses	Operating expenses	Poles & Towers Maintenance	$ -				
5130	Expenses	Operating expenses	Distribution Overhead Maintenance	$ 504,148.75				
5132	Expenses	Operating expenses	Storm Damage Expense	$ -				
5135	Expenses	Operating expenses	Tree Trimming Expense	$ 135,701.39				
5150	Expenses	Operating expenses	Distribution Underground Maintenance	$ 19,353.93				
5155	Expenses	Operating expenses	Distribution Underground Locates Expense	$ 117,197.40				
5160	Expenses	Operating expenses	Distribution Transformers/PCB Expense	$ 147,675.27				
5172	Expenses	Operating expenses	Sentinel Lights Expense	$ -				
5175	Expenses	Operating expenses	Meter Maintenance	$ 8,673.43				
5186	Expenses	Operating expenses	Water Heater Expense	$ -				

Lakeland Power Distribution Ltd **27/09/2018**
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Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF COMPREHENSIVE INCOME

Account	I/S Section	I/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Comprehensive Income - Audited Statement	Per AFS
5305	Expenses	Operating expenses	Billing & Customer Service Supervisor Expense	$ 127,162.19				
5310	Expenses	Operating expenses	Meter Reading Expense	$ 59,172.94				
5315	Expenses	Operating expenses	Customer Billing Costs	$ 510,528.46				
5320	Expenses	Operating expenses	Collection Costs	$ 148,320.13				
5325	Expenses	Operating expenses	Cash Over & Short	$ -				
5335	Expenses	Operating expenses	Bad Debt Expense	$ 63,012.15				
5340	Expenses	Operating expenses	RCVA Miscellaneous Costs (5360)	$ 126,586.49				
5410	Expenses	Operating expenses	Community Relations Expense	$ 57,855.08				
5425	Expenses	Operating expenses	Misc Customer Service & Infomation Expense	$ 2,500.00				
5605	Expenses	Operating expenses	Executive/Director Expense	$ 16,113.32				
5610	Expenses	Operating expenses	Management Wage Expense	$ -				
5615	Expenses	Operating expenses	General Administration Wage Expense	$ -				
5620	Expenses	Operating expenses	Office Supplies & Communication Expense	$ 164,634.78				
5630	Expenses	Operating expenses	Outside Services Expense	$ 63,314.59				
5635	Expenses	Operating expenses	Property Insurance	$ 96,405.34				
5640	Expenses	Operating expenses	Insurance Claims	$ 3,000.00				
5645	Expenses	Operating expenses	Employee Pensions & Benefits Expense	$ 126,269.44				
5655	Expenses	Operating expenses	Regulatory Expense	$ 69,105.18				
5660	Expenses	Operating expenses	Advertising Expense	$ 433.00				
5665	Expenses	Operating expenses	General Administration Expense	$ 1,141,750.42				
5668	Expenses	Operating expenses	IFRS Costs	$ -				
5670	Expenses	Operating expenses	Building Rent	$ -				
5675	Expenses	Operating expenses	Building Maintenance	$ 407,230.74				
5680	Expenses	Operating expenses	Electrical Safety Association Expense	$ 19,992.71				
5681	Expenses	Operating expenses	Special Purpose Charge Expense	$ -				
5685	Expenses	Operating expenses	IESO Fees & Penalties	$ -				
5695	Expenses	Operating expenses	OM&A Contra	$ -				
6205	Expenses	Operating expenses	Donations Expense	$ 13,285.00	$ 4,849,182.12		$ 4,849,182.12	$ 4,849,161
5705	Expenses	Depreciation and amortization	Depreciation Expense	$ 1,295,038.42				
5715	Expenses	Depreciation and amortization	Depreciation Expense - Intangibles	$ 54,958.87	$ 1,349,997.29		$ 1,349,997.29	$ 1,349,997
6105	Expenses	Taxes other than payments in lieu of taxes	Property Tax (6106)	$ 49,780.18	$ 49,780.18		$ 49,780.18	$ 49,780
		Total Expenses			**$ 45,964,237.77**		**$ 45,964,237.77**	**$ 45,964,216**
		Income from operating activities			**-$ 1,988,112.88**		**-$ 1,988,112.88**	**-$ 1,988,134**
Other Income								
4405	Other Income	Finance income	Interest Income	-$ 61,066.76				
sub 102	Other Income	Finance income	Less: Interest - Regulatory Carrying Charges	$ 31,364.56	-$ 29,702.20		-$ 29,702.20	-$ 29,702
6005	Other Income	Finance costs	Interest Expense - Long Term Bank Debt	$ 312,244.14				
6035	Other Income	Finance costs	Interest Expense - Other	$ 33,487.71				
sub 200	Other Income	Finance costs	Less: Interest - Regulatory Carrying Charges	-$ 29,505.46	$ 316,226.39		$ 316,226.39	$ 316,226
		Income before provision for payments in lieu of taxes			**-$ 1,701,588.69**		**-$ 1,701,588.69**	**-$ 1,701,610**
Provision for payments in lieu of taxes								
6110	Provision for payments in lieu of taxes	Current	PILs - Income Tax	$ 431,628.00	$ 431,628.00		$ 431,628.00	$ 431,628
6115	Provision for payments in lieu of taxes	Deferred	Provision for Future PILs	$ 132,385.00				
	Provision for payments in lieu of taxes		Less: PILS affect on Reg Asset Net Movement	-$ 120,083.00	$ 12,302.00		$ 12,302.00	$ 12,302
		Total provision for payments in lieu of taxes			**$ 443,930.00**		**$ 443,930.00**	**$ 443,930.00**
		Profit for the year before net movement in regulatory deferral account balances			**-$ 1,257,658.69**		**-$ 1,257,658.69**	**-$ 1,257,680**
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement								

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For the Year 2016

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF COMPREHENSIVE INCOME

Account	I/S Section	I/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Comprehensive Income - Audited Statement	Per AFS
sub 910/990	Revenue	Electricity Revenue	Less: Regulatory Variance	$ 256,307.25				
sub 910/990	Expenses	Purchased power	Less: Regulatory Variance	-$ 707,590.06				
sub 102	Other Income	Finance income	Less: Interest - Regulatory Carrying Charges	-$ 31,364.56				
sub 200	Other Income	Finance costs	Less: Interest - Regulatory Carrying Charges	$ 29,505.46				
	Provision for payments in lieu of taxes		Less: PILS affect on Reg Asset Net Movemen	$ 120,083.00				
		Total Net movement in regulatory deferral account balances and deferred tax movement			**-$ 333,058.91**		**-$ 333,058.91**	**-$ 333,059**
		Profit for the year and net movements in regulatory deferral account balances			**-$ 1,590,717.60**		**-$ 1,590,717.60**	**-$ 1,590,739**
Other comprehensive loss: items that will not be reclassified to profit or loss, net of income tax								
				$ -	$ -		$ -	$ -
Remeasurements of defined benefit plan, net of tax								
7010	Other Comprehensive Income	Remeasurement of defined benefit plan	Pension Actuarial Gain or Loss.	-$ 122,969.00				
7025	Other Comprehensive Income	Remeasurement of defined benefit plan	Deferred Taxes OCI.	$ 32,587.00	-$ 90,382.00		-$ 90,382.00	-$ 90,382
		Other comprehensive loss for the year, net of tax			**-$ 90,382.00**		**-$ 90,382.00**	**-$ 90,382**
		Total comprehensive income for the year			**-$ 1,681,099.60**	**$ -**	**-$ 1,681,099.60**	**-$ 1,681,121.00**

Trial Balance by Account

Account	F/S Section	F/S Line Grouping	G/L Account Description	Ending Balance
4006	Revenue	Electricity Revenue	Residential Energy Sales	-$11,772,286.08
4025	Revenue	Electricity Revenue	Street Lights Energy Sales	-$117,525.87
4030	Revenue	Electricity Revenue	Sentinel Lights Energy Sales	-$4,703.28
4035	Revenue	Electricity Revenue	General Service Energy Sales	-$17,315,552.56
4055	Revenue	Electricity Revenue	Retailer Energy Sales	-$4,712,401.03
4062	Revenue	Electricity Revenue	Wholesale Market Services Billed	-$1,557,935.84
4066	Revenue	Electricity Revenue	Network Services Billed	-$1,500,148.16
4068	Revenue	Electricity Revenue	Connection Services Billed	-$1,157,393.57
4075	Revenue	Electricity Revenue	LV Charges Billed	-$745,892.74
4076	Revenue	Electricity Revenue	SME Charges	-$123,848.99
4080	Revenue	Distribution Revenue	Distribution Services Revenue (4080/4081)	-$7,986,090.64
4082	Revenue	Distribution Revenue	Retail Services Revenue	-$7,500.34
4084	Revenue	Distribution Revenue	Service Transaction Request Revenue	$0.00
4086	Revenue	Distribution Revenue	SSS Administration Revenue	-$45,230.46
4210	Revenue	Other revenue	Rental Revenue	-$216,154.16
4225	Revenue	Other revenue	Late Payment Charges	-$84,071.93
4235	Revenue	Other revenue	Miscellaneous Service Revenue	-$91,164.30
4245	Revenue	Other revenue	Customer Assistance Directly Credited to Inco	-$174,304.71
4355	Revenue	Gain on disposal of property, plant and equipment	Gain on Asset Disposal	-$10,141.67
4360	Revenue	Gain on disposal of property, plant and equipment	Loss on Asset Disposal	$0.00
4375	Revenue	Other revenue	Non-Utility Operations Revenue	-$614,064.88
4380	Revenue	Other revenue	Non-Utility Operations Expense	$615,054.21
4390	Revenue	Other revenue	Miscellaneous Revenue	-$71,251.40
4405	Other Income	Finance income	Interest Income	-$61,066.76
4705	Expenses	Purchased power	Power Purchased	$20,686,647.37
4707	Expenses	Purchased power	Power Purchased - Global Adjustment	$13,235,821.45
4708	Expenses	Purchased power	Charges H1 - Wholesale Market Services	$1,557,935.84
4712	Expenses	Purchased power	Charges H1 - One Time	$0.00
4714	Expenses	Purchased power	Charges H1 - Network Services	$1,500,148.16
4716	Expenses	Purchased power	Charges H1 - Connection Services	$1,157,393.57
4750	Expenses	Purchased power	Charges H1 - LV Charges	$745,892.74
4751	Expenses	Purchased power	Charges IESO - SME Charges - Residential / G	$123,848.99
5010	Expenses	Operating expenses	SCADA	$9,178.96
5025	Expenses	Operating expenses	Overhead Distribution Expense	$11,060.61
5065	Expenses	Operating expenses	Meter Expense	$86,000.16

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OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Statement of Comprehensive Income
For the Year 2016

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF COMPREHENSIVE INCOME

Account	I/S Section	I/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Comprehensive Income - Audited Statement	Per AFS
5070	Expenses	Operating expenses	Customer Premises Expense	$0.00				
5085	Expenses	Operating expenses	Miscellaneous Distribution Expense	$188,607.33				
5095	Expenses	Operating expenses	Pole Rental Expense	$45,312.44				
5105	Expenses	Operating expenses	Distribution Supervision & Engineering Expens	$307,668.86				
5114	Expenses	Operating expenses	Distribution Station Maintenance	$51,931.63				
5120	Expenses	Operating expenses	Poles & Towers Maintenance	$0.00				
5130	Expenses	Operating expenses	Distribution Overhead Maintenance (5130/5131	$504,148.75				
5132	Expenses	Operating expenses	Storm Damage Expense	$0.00				
5135	Expenses	Operating expenses	Tree Trimming Expense	$135,701.39				
5150	Expenses	Operating expenses	Distribution Underground Maintenance	$19,353.93				
5155	Expenses	Operating expenses	Distribution Underground Locates Expense	$117,197.40				
5160	Expenses	Operating expenses	Distribution Transformers/PCB Expense	$147,675.27				
5172	Expenses	Operating expenses	Sentinel Lights Expense	$0.00				
5175	Expenses	Operating expenses	Meter Maintenance	$8,673.43				
5186	Expenses	Operating expenses	Water Heater Expense	$0.00				
5305	Expenses	Operating expenses	Billing & Customer Service Supervisor Expense	$127,162.19				
5310	Expenses	Operating expenses	Meter Reading Expense	$59,172.94				
5315	Expenses	Operating expenses	Customer Billing Costs	$510,528.46				
5320	Expenses	Operating expenses	Collection Costs	$148,320.13				
5325	Expenses	Operating expenses	Cash Over & Short	$0.00				
5330	Revenue	Other revenue	Collection Charges	-$3,435.00				
5335	Expenses	Operating expenses	Bad Debt Expense	$63,012.15				
5340	Expenses	Operating expenses	RCVA Miscellaneous Costs (5360)	$126,586.49				
5410	Expenses	Operating expenses	Community Relations Expense	$57,855.08				
5425	Expenses	Operating expenses	Misc Customer Service & Infomation Expense	$2,500.00				
5605	Expenses	Operating expenses	Executive/Director Expense	$16,113.32				
5610	Expenses	Operating expenses	Management Wage Expense	$0.00				
5615	Expenses	Operating expenses	General Administration Wage Expense	$0.00				
5620	Expenses	Operating expenses	Office Supplies & Communication Expense	$164,634.78				
5630	Expenses	Operating expenses	Outside Services Expense	$63,314.59				
5635	Expenses	Operating expenses	Property Insurance	$96,405.34				
5640	Expenses	Operating expenses	Insurance Claims	$3,000.00				
5645	Expenses	Operating expenses	Employee Pensions & Benefits Expense	$126,269.44				
5655	Expenses	Operating expenses	Regulatory Expense	$69,105.18				
5660	Expenses	Operating expenses	Advertising Expense	$433.00				
5665	Expenses	Operating expenses	General Administration Expense (5665/5666/56	$1,141,750.42				
5668	Expenses	Operating expenses	IFRS Costs	$0.00				
5670	Expenses	Operating expenses	Building Rent	$0.00				
5675	Expenses	Operating expenses	Building Maintenance	$407,230.74				
5680	Expenses	Operating expenses	Electrical Safety Association Expense	$19,992.71				
5681	Expenses	Operating expenses	Special Purpose Charge Expense	$0.00				
5685	Expenses	Operating expenses	IESO Fees & Penalties	$0.00				
5695	Expenses	Operating expenses	OM&A Contra	$0.00				
5705	Expenses	Depreciation and amortization	Depreciation Expense	$1,295,038.42				
5715	Expenses	Depreciation and amortization	Depreciation Expense - Intangibles	$54,958.87				
6005	Other Income	Finance costs	Interest Expense - Long Term Bank Debt	$312,244.14				
6035	Other Income	Finance costs	Interest Expense - Other	$33,487.71				
6105	Expenses	Taxes other than payments in lieu of taxes	Property Tax (6106)	$49,780.18				
6110	Provision for payments in lieu of taxes	Current	PILs - Income Tax	$431,628.00				
6115	Provision for payments in lieu of taxes	Deferred	Provision for Future PILs	$132,385.00				
6205	Expenses	Operating expenses	Donations Expense	$13,285.00				
			PROFIT FOR THE YEAR	-$ 1,590,717.60				
7010	Other comprehensivce income	Remeasurement of defined benefit plan	Pension Actuarial Gain or Loss.	-$122,969.00				
7025	Other comprehensivce income	Remeasurement of defined benefit plan	Deferred Taxes OCI.	$32,587.00				
			TOTAL COMPREHENSIVE INCOME	-$90,382.00				
			TOTAL INCOME STATEMENT	-$1,681,099.60				

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Statement of Changes in Equity
For the Year 2016

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF CHANGES IN EQUITY									
Account	**I/S Section**	**I/S Line Grouping**	**G/L Account Description**	**Share capital**	**Retained earnings**	**Accumulated other comprehensive loss**	**Contributed Surplus**	**Total**	**Per AFS**
Retained Earnings, beginning of the year									
3005	Shareholder's Equity	Share capital	Common Shares Equity	-$ 9,226,787.18				-$ 9,226,787.18	
3045	Shareholder's Equity	Retained earnings	Retained Earnings		-$ 11,998,077.08			-$ 11,998,077.08	
3049	Shareholder's Equity	Retained earnings	Dividends Paid		$ 4,765,159.00			$ 4,765,159.00	
3081	Shareholder's Equity	Retained earnings	Deferred Taxes - Shareholders Equity		-$ 918,536.00			-$ 918,536.00	
3090	Shareholder's Equity	Accumulated other comprehensive loss	Other Comprehensive Income-Post Retiree Benefit			$ 6,355.00		$ 6,355.00	
3010	Shareholder's Equity	Contributed surplus	Contributed surplus				-$ 4,986,710.88	-$ 4,986,710.88	
		Retained Earnings, beginning of the year		**-$ 9,226,787.18**	**-$ 8,151,454.08**	**$ 6,355.00**	**-$ 4,986,710.88**	**-$ 22,358,597.14**	**-$ 22,358,576**
Profit for the year and net movements in regulatory deferral account balances									
3045	Shareholder's Equity	Retained earnings	Retained Earnings - Current Year Net Income	$ -	-$ 1,590,717.60			**-$ 1,590,717.60**	-$ 1,590,739.00
3049	Shareholder's Equity	Retained earnings	Dividends Paid	$ -	$ 8,000,000.00			**$ 8,000,000.00**	$ 8,000,000.00
3090	Shareholder's Equity	Accumulated other comprehensive loss	Other Comprehensive Income-Post Retiree Benefit			-$ 90,382.00		**-$ 90,382.00**	-$ 90,382.00
		Retained Earnings, end of the year		**-$ 9,226,787.18**	**-$ 1,742,171.68**	**-$ 84,027.00**	**-$ 4,986,710.88**	**-$ 16,039,696.74**	**-$ 16,039,697**

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Statements of Financial Position
For the Year 2017

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF FINANCIAL POSITION

Account	B/S Section	B/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Financial Position - Audited Statement	Per AFS
Assets								
1005	Current Assets	Cash and cash equivalents	Cash in Bank & Petty Cash (1010)	$ 4,745,367.85	$ 4,745,367.85		$ 4,745,367.85	$ 4,745,368
1100	Current Assets	Receivables	Accounts Receivable - Customer	$ 4,143,802.87				
1102	Current Assets	Receivables	Accounts Receivable - Retailers	-$ 35,427.27				
1104	Current Assets	Receivables	Interco & Miscellaneous Accounts Receivable	$ 436,945.37				
1105	Current Assets	Receivables	Misc Charges to Customer Accounts Receivable	$ -				
1130	Current Assets	Receivables	Allowance for Doubtful Accounts	-$ 241,029.88				
1190	Current Assets	Receivables	Other Current Assets	$ -	$ 4,304,291.09		$ 4,304,291.09	$ 4,304,291
1120	Current Assets	Unbilled revenue	Accounts Receivable - Unbilled Revenue Accrual	$ 3,966,936.72	$ 3,966,936.72		$ 3,966,936.72	$ 3,966,937
1200	Current Assets	Intercompany receivables	Intercompany Accounts Receivable (1103)	$ 68,324.10	$ 68,324.10		$ 68,324.10	$ 68,324
1330	Current Assets	Inventory	Plant Inventory	$ 365,960.59	$ 365,960.59		$ 365,960.59	$ 365,961
1140	Current Assets	Prepaid expenses	Interest Receivable	$ 5,001.37				
1180	Current Assets	Prepaid expenses	Prepaid Expenses	$ 279,489.54	$ 284,490.91		$ 284,490.91	$ 284,491
2294	Current Assets	Payments in lieu of income taxes (PILS) recoverable	Accrued PILs	$ -	$ -		$ -	$ -
		Total Current Assets			**$ 13,735,371.26**		**$ 13,735,371.26**	**$ 13,735,372**
1805	Non-Current Assets	Property, plant and equipment	Land	$ 74,304.52				
1808	Non-Current Assets	Property, plant and equipment	Building & Fixtures	$ 2,177,990.03				
1810	Non-Current Assets	Property, plant and equipment	Leasehold Improvements	$ -				
1820	Non-Current Assets	Property, plant and equipment	Distribution Station	$ 6,504,751.16				
1830	Non-Current Assets	Property, plant and equipment	Poles-Fixtures Overhead	$ 10,068,259.36				
1835	Non-Current Assets	Property, plant and equipment	Conductors Overhead	$ 6,551,763.69				
1840	Non-Current Assets	Property, plant and equipment	Underground Overhead	$ 4,685,018.55				
1845	Non-Current Assets	Property, plant and equipment	Conductors Underground	$ 3,655,626.26				
1850	Non-Current Assets	Property, plant and equipment	Transformers	$ 10,707,036.33				
1855	Non-Current Assets	Property, plant and equipment	New Services	$ 2,292,494.70				
1860	Non-Current Assets	Property, plant and equipment	Meters	$ 3,897,214.01				
1905	Non-Current Assets	Property, plant and equipment	Land	$ 303,800.82				
1908	Non-Current Assets	Property, plant and equipment	Building & Furniture	$ 304,466.68				
1910	Non-Current Assets	Property, plant and equipment	Leasehold Improvements	$ -				
1915	Non-Current Assets	Property, plant and equipment	Office Furniture & Equipment	$ 272,604.42				
1920	Non-Current Assets	Property, plant and equipment	Computer Hardware	$ 575,127.22				
1930	Non-Current Assets	Property, plant and equipment	Transportation Equipment	$ 1,813,010.24				
1935	Non-Current Assets	Property, plant and equipment	Stores Equipment	$ 10,960.38				
1940	Non-Current Assets	Property, plant and equipment	Tools, Shop & Garage Equipment	$ 299,411.92				
1955	Non-Current Assets	Property, plant and equipment	Communication Equipment	$ 600,244.40				
1980	Non-Current Assets	Property, plant and equipment	SCADA	$ 339,115.13				
1995	Non-Current Assets	Property, plant and equipment	Contributed Capital	$ -				
2055	Non-Current Assets	Property, plant and equipment	Construction in Process	$ -				
2105	Non-Current Assets	Property, plant and equipment	Accumulated Depreciation - Property and Equipment	-$ 23,651,664.55				
					$ 31,481,535.27		$ 31,481,535.27	$ 31,481,535
1611	Non-Current Assets	Intangible assets	Computer S/W/Asset Management S/W	$ 974,837.69				
1612	Non-Current Assets	Intangible assets	Land Rights	$ 567,930.87				
1925	Non-Current Assets	Intangible assets	Computer Software	$ -				
2120	Non-Current Assets	Intangible assets	Accumulated Depreciation - Intangible Assets (2105)	-$ 923,617.02	$ 619,151.54		$ 619,151.54	$ 619,152
2060	Non-Current Assets	Goodwill	Goodwill	$ 1,150,014.00	$ 1,150,014.00		$ 1,150,014.00	$ 1,150,014
1495	Non-Current Assets	Deferred payments in lieu of taxes	Deferred Taxes - Non-Current Assets	$ 659,517.00				
2350	Non-Current Assets	Deferred payments in lieu of taxes	Future PILs - Non-current	$ -				
2296	Non-Current Assets	Deferred payments in lieu of taxes	Future PILs - Current	$ -	$ 659,517.00		$ 659,517.00	$ 659,517

Lakeland Power Distribution Ltd 27/09/2018
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Statements of Financial Position
For the Year 2017

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF FINANCIAL POSITION								
Account	**B/S Section**	**B/S Line Grouping**	**G/L Account Description**	**Ending Balance**	**Total per Trial Balance**	**IFRS Reclassifications**	**Stmt of Financial Position - Audited Statement**	**Per AFS**
		Total Non-Current Assets			**$ 33,910,217.81**		**$ 33,910,217.81**	**$ 33,910,218**
		Total Assets			**$ 47,645,589.07**		**$ 47,645,589.07**	**$ 47,645,590**
1508	Regulatory Deferral	Regulatory assets	Other Regulatory Assets	$ 112,638.84				
1518	Regulatory Deferral	Regulatory assets	RCVA Retail	$ 36,096.12				
1520	Regulatory Deferral	Regulatory assets	PPVA	$ -				
1521	Regulatory Deferral	Regulatory assets	Special Purpose Charge Variance	$ -				
1525	Regulatory Deferral	Regulatory assets	Miscellaneous Regulatory Assets	$ -				
1531	Regulatory Deferral	Regulatory assets	Renewable Generation Capital	$ 252,660.53				
1532	Regulatory Deferral	Regulatory assets	Renewable Generation OM&A	$ -				
1548	Regulatory Deferral	Regulatory assets	RCVA STR	-$ 1,080.43				
1550	Regulatory Deferral	Regulatory assets	RSVA	$ 594,221.57				
1551	Regulatory Deferral	Regulatory assets	Smart Meter Entity Charge	-$ 4,142.11				
1555	Regulatory Deferral	Regulatory assets	Smart Meter Capital	$ 8,061.90				
1556	Regulatory Deferral	Regulatory assets	Smart Meter OM&A	$ -				
1568	Regulatory Deferral	Regulatory assets	LRAM	$ 112,800.88				
1570	Regulatory Deferral	Regulatory assets	Qualifying Transition Costs	$ -				
1571	Regulatory Deferral	Regulatory assets	Pre-Market Opening Costs	$ -				
1572	Regulatory Deferral	Regulatory assets	Extraordinary Loss	$ -				
1573	Regulatory Deferral	Regulatory assets	Deferred Rebate Costs	$ -				
1574	Regulatory Deferral	Regulatory assets	Deferred Rate Impact Amounts	$ 16,124.77				
1580	Regulatory Deferral	Regulatory assets	RSVA WMS	-$ 788,768.90				
1582	Regulatory Deferral	Regulatory assets	RSVA Onetime	-$ 3,243.27				
1584	Regulatory Deferral	Regulatory assets	RSVA Network	$ 200,130.21				
1586	Regulatory Deferral	Regulatory assets	RSVA Connection	$ 296,274.46				
1588	Regulatory Deferral	Regulatory assets	RSVA Power	-$ 517,553.58				
1589	Regulatory Deferral	Regulatory assets	RSVA GA	$ 309,920.42				
1592	Regulatory Deferral	Regulatory assets	Tax Variance	$ 164,390.86				
1595	Regulatory Deferral	Regulatory assets	Recovery of Regulatory Balances - 2009, 2010, GA (15	$ 78,783.38				
		Regulatory Deferral Account Debit Balances and Related Deferred Taxes			**$ 867,315.65**		**$ 867,315.65**	**$ 867,316**
		Total Assets And Regulatory Deferral Account Balances			**$ 48,512,904.72**	**$ -**	**$ 48,512,904.72**	**$ 48,512,906**
Liabilities								
1005	Current Liabilities	Bank indebtedness	Cash in Bank & Petty Cash (1010)	$ -				
2225	Current Liabilities	Bank indebtedness	Notes Payable - Overdraft	$ -	$ -		$ -	$ -
2205	Current Liabilities	Accounts payable and accrued liabilities	Accounts Payable & Banked Time	-$ 2,312,634.55				
2208	Current Liabilities	Accounts payable and accrued liabilities	Customer Credit Balances	-$ 345,757.04				
2220	Current Liabilities	Accounts payable and accrued liabilities	Accrued Liabilities	-$ 2,349,592.28				
2250	Current Liabilities	Accounts payable and accrued liabilities	Misc Liabilities - DRC	-$ 93,514.29				
2256	Current Liabilities	Accounts payable and accrued liabilities	IESO Fees & Penalties Payable	$ -				
2290	Current Liabilities	Accounts payable and accrued liabilities	GST/HST	-$ 41,707.05				
2292	Current Liabilities	Accounts payable and accrued liabilities	Payroll Deduction	-$ 25,345.61	-$ 5,168,550.82		-$ 5,168,550.82	-$ 5,168,552
2440	Current Liabilities	Contributions in aid of construction	Deferred Revenue (Contributed Capital)	$ -	$ -	-$ 191,220.00	-$ 191,220.00	-$ 191,220
2240	Current Liabilities	Intercompany payables	Intercompany Accounts Payable (2203)	-$ 1,048,991.00	-$ 1,048,991.00		-$ 1,048,991.00	-$ 1,048,991
2294	Current Liabilities	Payments in lieu of income taxes (PILS) payable	Accrued PILs	-$ 18,796.00	-$ 18,796.00		-$ 18,796.00	-$ 18,796
2260	Current Liabilities	Current portion of long term debt	Current Portion - Long Term Debt	-$ 1,413,525.27	-$ 1,413,525.27	$ -	-$ 1,413,525.27	-$ 1,413,525
		Total Current Liabilities			**-$ 7,649,863.09**		**-$ 7,841,083.09**	**-$ 7,841,084**
2440	Non-Current Liabilities	Contributions in aid of construction	Deferred Revenue (Contributed Capital)	-$ 6,389,348.50	-$ 6,389,348.50	$ 191,220.00	-$ 6,198,128.50	-$ 6,198,129
2335	Non-Current Liabilities	Customer deposits	Customer Deposits	-$ 210,876.23	-$ 210,876.23		-$ 210,876.23	-$ 210,876

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Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF FINANCIAL POSITION

Account	B/S Section	B/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Financial Position - Audited Statement	Per AFS
2306	Non-Current Liabilities	Employee future benefits	Liability - OPEB Employee Future Benefits	-$ 57,444.17				
2320	Non-Current Liabilities	Employee future benefits	Liability - Huntsville Retirees	-$ 23,100.00	-$ 80,544.17	$ -	-$ 80,544.17	-$ 80,544
2520	Non-Current Liabilities	Long term debt	Long Term Bank Loan	-$ 16,426,932.40	-$ 16,426,932.40	$ -	-$ 16,426,932.40	-$ 16,426,932
		Total Non-Current Liabilities			**-$ 23,107,701.30**		**-$ 22,916,481.30**	**-$ 22,916,481**
		Total Liabilities			**-$ 30,757,564.39**		**-$ 30,757,564.39**	**-$ 30,757,565**
Shareholder's Equity								
3005	Shareholder's Equity	Share capital	Common Shares Equity	-$ 9,226,787.18	-$ 9,226,787.18		-$ 9,226,787.18	-$ 9,226,787
3045	Shareholder's Equity	Retained earnings	Retained Earnings	-$ 13,588,794.68				
3045	Shareholder's Equity	Retained earnings	Retained Earnings - Current Year Net Income	-$ 1,715,643.59				
3049	Shareholder's Equity	Retained earnings	Dividends Paid	$ 12,765,159.00				
3081	Shareholder's Equity	Retained earnings	Deferred Taxes - Shareholders Equity	-$ 918,536.00				
3090	Shareholder's Equity	Retained earnings	Other Comprehensive Income-Post Retiree Benefit		-$ 3,457,815.27	$ -	-$ 3,457,815.27	-$ 3,457,816.00
3010	Shareholder's Equity	Contributed surplus	Contributed surplus	-$ 4,986,710.88	-$ 4,986,710.88		-$ 4,986,710.88	-$ 4,986,711
3090	Shareholder's Equity	Accumulated other comprehensive loss	Other Comprehensive Income-Post Retiree Benefit	-$ 84,027.00	-$ 84,027.00		-$ 84,027.00	-$ 84,027
		Total Shareholder's Equity			**-$ 17,755,340.33**		**-$ 17,755,340.33**	**-$ 17,755,341**
		Total Liabilities and Shareholder's Equity			**-$ 48,512,904.72**		**-$ 48,512,904.72**	**-$ 48,512,906**
		Regulatory Deferral Account Credit Balances and Related Deferred Tax			**$ -**		**$ -**	**$ -**
		Total Shareholder's Equity, Liabilities And Regulatory Deferral Account Balances			**-$ 48,512,904.72**	**$ -**	**-$ 48,512,904.72**	**-$ 48,512,906**

Trial Balance by Account

Account	F/S Section	F/S Line Grouping	G/L Account Description	Ending Balance
1005	Current Liabilities	Bank indebtedness	Cash in Bank & Petty Cash (1010)	$4,745,367.85
1100	Current Assets	Receivables	Accounts Receivable - Customer	$4,143,802.87
1102	Current Assets	Receivables	Accounts Receivable - Retailers	-$35,427.27
1104	Current Assets	Receivables	Miscellaneous Accounts Receivable	$436,945.37
1105	Current Assets	Receivables	Misc Charges to Customer Accounts Receivable	
1120	Current Assets	Unbilled revenue	Accounts Receivable - Unbilled Revenue Accrual	$3,966,936.72
1130	Current Assets	Receivables	Allowance for Doubtful Accounts	-$241,029.88
1140	Current Assets	Prepaid expenses	Interest Receivable	$5,001.37
1180	Current Assets	Prepaid expenses	Prepaid Expenses	$279,489.54
1190	Current Assets	Receivables	Other Current Assets	$0.00
1200	Current Assets	Intercompany receivables	Intercompany Accounts Receivable (1103)	$68,324.10
1330	Current Assets	Inventory	Plant Inventory	$365,960.59
1495	Non-Current Assets	Deferred payments in lieu of taxes	Deferred Taxes - Non-Current Assets	$659,517.00
1508	Regulatory Deferral	Regulatory assets	Other Regulatory Assets	$112,638.84
1518	Regulatory Deferral	Regulatory assets	RCVA Retail	$36,096.12
1520	Regulatory Deferral	Regulatory assets	PPVA	
1521	Regulatory Deferral	Regulatory assets	Special Purpose Charge Variance	
1525	Regulatory Deferral	Regulatory assets	Miscellaneous Regulatory Assets	
1531	Regulatory Deferral	Regulatory assets	Renewable Generation Capital	$252,660.53
1532	Regulatory Deferral	Regulatory assets	Renewable Generation OM&A	

Lakeland Power Distribution Ltd **27/09/2018**
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For the Year 2017

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF FINANCIAL POSITION

Account	B/S Section	B/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Financial Position - Audited Statement	Per AFS
1548	Regulatory Deferral	Regulatory assets	RCVA STR	-$1,080.43				
1550	Regulatory Deferral	Regulatory assets	RSVA	$594,221.57				
1551	Regulatory Deferral	Regulatory assets	Smart Meter Entity Charge	-$4,142.11				
1555	Regulatory Deferral	Regulatory assets	Smart Meter Capital	$8,061.90				
1556	Regulatory Deferral	Regulatory assets	Smart Meter OM&A					
1568	Regulatory Deferral	Regulatory assets	LRAM	$112,800.88				
1570	Regulatory Deferral	Regulatory assets	Qualifying Transition Costs					
1571	Regulatory Deferral	Regulatory assets	Pre-Market Opening Costs					
1572	Regulatory Deferral	Regulatory assets	Extraordinary Loss					
1573	Regulatory Deferral	Regulatory assets	Deferred Rebate Costs					
1574	Regulatory Deferral	Regulatory assets	Deferred Rate Impact amounts	$16,124.77				
1580	Regulatory Deferral	Regulatory assets	RSVA WMS	-$788,768.90				
1582	Regulatory Deferral	Regulatory assets	RSVA Onetime	-$3,243.27				
1584	Regulatory Deferral	Regulatory assets	RSVA Network	$200,130.21				
1586	Regulatory Deferral	Regulatory assets	RSVA Connection	$296,274.46				
1588	Regulatory Deferral	Regulatory assets	RSVA Power	-$517,553.58				
1589	Regulatory Deferral	Regulatory assets	RSVA GA	$309,920.42				
1592	Regulatory Deferral	Regulatory assets	Tax Variance	$164,390.86				
1595	Regulatory Deferral	Regulatory assets	Recovery of Regulatory Balances - 2016-2017, GA (15	$78,783.38				
1611	Non-Current Assets	Intangible assets	Computer S/W/Asset Management S/W	$974,837.69				
1612	Non-Current Assets	Intangible assets	Land Rights	$567,930.87				
1805	Non-Current Assets	Property, plant and equipment	Land	$74,304.52				
1808	Non-Current Assets	Property, plant and equipment	Building & Fixtures	$2,177,990.03				
1810	Non-Current Assets	Property, plant and equipment	Leasehold Improvements					
1820	Non-Current Assets	Property, plant and equipment	Distribution Station	$6,504,751.16				
1830	Non-Current Assets	Property, plant and equipment	Poles-Fixtures Overhead	$10,068,259.36				
1835	Non-Current Assets	Property, plant and equipment	Conductors Overhead	$6,551,763.69				
1840	Non-Current Assets	Property, plant and equipment	Underground Overhead	$4,685,018.55				
1845	Non-Current Assets	Property, plant and equipment	Conductors Underground	$3,655,626.26				
1850	Non-Current Assets	Property, plant and equipment	Transformers	$10,707,036.33				
1855	Non-Current Assets	Property, plant and equipment	New Services	$2,292,494.70				
1860	Non-Current Assets	Property, plant and equipment	Meters	$3,897,214.01				
1905	Non-Current Assets	Property, plant and equipment	Land	$303,800.82				
1908	Non-Current Assets	Property, plant and equipment	Building & Furniture	$304,466.68				
1910	Non-Current Assets	Property, plant and equipment	Leasehold Improvements					
1915	Non-Current Assets	Property, plant and equipment	Office Furniture & Equipment	$272,604.42				
1920	Non-Current Assets	Property, plant and equipment	Computer Hardware	$575,127.22				
1925	Non-Current Assets	Intangible assets	Computer Software					
1930	Non-Current Assets	Property, plant and equipment	Transportation Equipment	$1,813,010.24				
1935	Non-Current Assets	Property, plant and equipment	Stores Equipment	$10,960.38				
1940	Non-Current Assets	Property, plant and equipment	Tools, Shop & Garage Equipment	$299,411.92				
1955	Non-Current Assets	Property, plant and equipment	Communication Equipment	$600,244.40				
1980	Non-Current Assets	Property, plant and equipment	SCADA	$339,115.13				
1995	Non-Current Assets	Property, plant and equipment	Contributed Capital					
2055	Non-Current Assets	Property, plant and equipment	Construction in Process					
2060	Non-Current Assets	Goodwill	Electric Plant Acquisition Adjustment	$1,150,014.00				
2105	Non-Current Assets	Property, plant and equipment	Accumulated Depreciation - Property and Equipment	-$23,651,664.55				
2120	Non-Current Assets	Intangible assets	Accumulated Depreciation - Intangible Assets (2105)	-$923,617.02				
2205	Current Liabilities	Accounts payable and accrued liabilities	Accounts Payable & Banked Time (2206) & Harris Refu	-$2,312,634.55				
2208	Current Liabilities	Accounts payable and accrued liabilities	Customer Credit Balances	-$345,757.04				
2220	Current Liabilities	Accounts payable and accrued liabilities	Accrued Liabilities	-$2,349,592.28				
2225	Current Liabilities	Bank indebtedness	Notes Payable - Overdraft					
2240	Current Liabilities	Intercompany payables	Intercompany Accounts Payable (2203)	-$1,048,991.00				
2250	Current Liabilities	Accounts payable and accrued liabilities	Misc Liabilities - DRC	-$93,514.29				
2256	Current Liabilities	Accounts payable and accrued liabilities	IESO Fees & Penalties Payable					
2260	Current Liabilities	Bank indebtedness	Current Portion - Long Term Debt	-$1,413,525.27				
2290	Current Liabilities	Accounts payable and accrued liabilities	GST/HST	-$41,707.05				
2292	Current Liabilities	Accounts payable and accrued liabilities	Payroll Deduction	-$25,345.61				
2294	Current Assets	Payments in lieu of income taxes (PILS) recoverable	Accrued PILs	-$18,796.00				
2296	Non-Current Assets	Deferred payments in lieu of taxes	Future PILs - Current					
2306	Non-Current Liabilities	Employee future benefits	Liability - OPEB Employee Future Benefits	-$57,444.17				
2320	Non-Current Liabilities	Employee future benefits	Liability - Huntsville Retirees	-$23,100.00				

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OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Statements of Financial Position
For the Year 2017

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF FINANCIAL POSITION

Account	B/S Section	B/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Financial Position - Audited Statement	Per AFS
2335	Non-Current Liabilities	Customer deposits	Customer Deposits	-$210,876.23				
2350	Non-Current Assets	Deferred payments in lieu of taxes	Future PILs - Non-current					
2425	Regulatory Deferral	Regulatory liabilities	Other Deferred Credits					
2440	Non-Current Liabilities	Contributions in aid of construction	Deferred Revenue (Contributed Capital)	-$6,389,348.50				
2520	Non-Current Liabilities	Long term debt	Long Term Bank Loan	-$16,426,932.40				
3005	Shareholder's Equity	Share capital	Common Shares Equity	-$9,226,787.18				
3010	Shareholder's Equity	Contributed surplus	Contributed surplus	-$4,986,710.88				
3045	Shareholder's Equity	Retained earnings	Retained Earnings	-$13,588,794.68				
3045	Shareholder's Equity	Retained earnings	Retained Earnings - Current Year Net Income	-$1,715,643.59	NOT Incl OCI (7010 + 7025)			
3049	Shareholder's Equity	Retained earnings	Dividends Paid	$12,765,159.00				
3081	Shareholder's Equity	Retained earnings	Deferred Taxes - Shareholders Equity	-$918,536.00				
3090	Shareholder's Equity	Accumulated other comprehensive loss	Other Comprehensive Income-Post Retiree Benefit	-$84,027.00				
			TOTAL BALANCE SHEET	$0.00				
				$0.00	Other Comp Inc for CYR in A/C 7010 & 7025			

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Statement of Comprehensive Income
For the Year 2017

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF COMPREHENSIVE INCOME

Account	I/S Section	I/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Comprehensive Income - Audited Statement	Per AFS
Revenue								
4006	Revenue	Electricity Revenue	Residential Energy Sales	-$ 10,203,098.97				
4025	Revenue	Electricity Revenue	Street Lights Energy Sales	-$ 114,718.47				
4030	Revenue	Electricity Revenue	Sentinel Lights Energy Sales	-$ 3,624.71				
4035	Revenue	Electricity Revenue	General Service Energy Sales	-$ 15,222,636.26				
4055	Revenue	Electricity Revenue	Retailer Energy Sales	-$ 4,697,812.74				
4062	Revenue	Electricity Revenue	Wholesale Market Services Billed	-$ 1,246,879.96				
4066	Revenue	Electricity Revenue	Network Services Billed	-$ 1,396,346.46				
4068	Revenue	Electricity Revenue	Connection Services Billed	-$ 1,139,021.90				
4075	Revenue	Electricity Revenue	LV Charges Billed	-$ 740,356.38				
4076	Revenue	Electricity Revenue	SME Charges	-$ 124,771.92				
sub 910/990	Revenue	Electricity Revenue	Less: Regulatory Variance	-$ 722,178.75	-$ 35,611,446.52		-$ 35,611,446.52	-$ 35,611,447
4080	Revenue	Distribution Revenue	Distribution Services Revenue	-$ 8,141,005.57				
4082	Revenue	Distribution Revenue	Retail Services Revenue	-$ 6,899.40				
4084	Revenue	Distribution Revenue	Service Transaction Request Revenue	$ -				
4086	Revenue	Distribution Revenue	SSS Administration Revenue	-$ 46,267.50	-$ 8,194,172.47		-$ 8,194,172.47	-$ 8,194,172
4210	Revenue	Other revenue	Rental Revenue	-$ 223,999.71				
4225	Revenue	Other revenue	Late Payment Charges	-$ 93,225.13				
4235	Revenue	Other revenue	Miscellaneous Service Revenue	-$ 77,169.38				
4375	Revenue	Other revenue	Non-Utility Operations Revenue	-$ 73,621.32				
4380	Revenue	Other revenue	Non-Utility Operations Expense	$ 62,149.74				
4390	Revenue	Other revenue	Miscellaneous Revenue	-$ 129,141.13				
5330	Revenue	Other revenue	Collection Charges	-$ 53,220.00				
4245	Revenue	Other revenue	Customer Assistance Directly Credited to Incon	-$ 185,052.39	-$ 773,279.32		-$ 773,279.32	-$ 773,279
4355	Revenue	Gain on disposal of property, plant and equipment	Gain on Asset Disposal	$ -				
4360	Revenue	Gain on disposal of property, plant and equipment	Loss on Asset Disposal	$ -	$ -		$ -	$ -
		Total Revenue			**-$ 44,578,898.31**		**-$ 44,578,898.31**	**-$ 44,578,898**
Expenses								
4705	Expenses	Purchased power	Power Purchased	$ 17,922,134.47				
4707	Expenses	Purchased power	Power Purchased - Global Adjustment	$ 12,319,756.68				
4708	Expenses	Purchased power	Charges H1 - Wholesale Market Services	$ 1,246,879.96				
4712	Expenses	Purchased power	Charges H1 - One Time	$ -				
4714	Expenses	Purchased power	Charges H1 - Network Services	$ 1,396,346.46				
4716	Expenses	Purchased power	Charges H1 - Connection Services	$ 1,139,021.90				
4750	Expenses	Purchased power	Charges H1 - LV Charges	$ 740,356.38				
4751	Expenses	Purchased power	Charges IESO - SME Charges - Residential / G	$ 124,771.92				
sub 910/990	Expenses	Purchased power	Less: Regulatory Variance	$516,310.87	$ 35,405,578.64		$ 35,405,578.64	$ 35,405,579
5010	Expenses	Operating expenses	SCADA	$ 14,496.46				
5025	Expenses	Operating expenses	Overhead Distribution Expense	$ 26,034.98				
5065	Expenses	Operating expenses	Meter Expense	$ 94,941.55				
5070	Expenses	Operating expenses	Customer Premises Expense	$ -				
5085	Expenses	Operating expenses	Miscellaneous Distribution Expense	$ 141,487.65				
5095	Expenses	Operating expenses	Pole Rental Expense	$ 45,782.04				
5105	Expenses	Operating expenses	Distribution Supervision & Engineering Expense	$ 316,969.84				
5114	Expenses	Operating expenses	Distribution Station Maintenance	$ 91,411.95				
5120	Expenses	Operating expenses	Poles & Towers Maintenance	$ 169.92				
5130	Expenses	Operating expenses	Distribution Overhead Maintenance	$ 546,715.50				
5132	Expenses	Operating expenses	Storm Damage Expense	$ -				
5135	Expenses	Operating expenses	Tree Trimming Expense	$ 146,715.29				
5150	Expenses	Operating expenses	Distribution Underground Maintenance	$ 50,003.68				
5155	Expenses	Operating expenses	Distribution Underground Locates Expense	$ 109,682.53				
5160	Expenses	Operating expenses	Distribution Transformers/PCB Expense	$ 77,191.80				
5172	Expenses	Operating expenses	Sentinel Lights Expense	$ -				
5175	Expenses	Operating expenses	Meter Maintenance	$ 9,816.36				

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Statement of Comprehensive Income
For the Year 2017

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF COMPREHENSIVE INCOME

Account	I/S Section	I/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Comprehensive Income - Audited Statement	Per AFS
5186	Expenses	Operating expenses	Water Heater Expense	$ -				
5305	Expenses	Operating expenses	Billing & Customer Service Supervisor Expense	$ 129,587.59				
5310	Expenses	Operating expenses	Meter Reading Expense	$ 57,905.71				
5315	Expenses	Operating expenses	Customer Billing Costs	$ 466,255.51				
5320	Expenses	Operating expenses	Collection Costs	$ 113,347.31				
5325	Expenses	Operating expenses	Cash Over & Short	$ -				
5335	Expenses	Operating expenses	Bad Debt Expense	$ 44,235.93				
5340	Expenses	Operating expenses	RCVA Miscellaneous Costs (5360)	$ 126,688.08				
5410	Expenses	Operating expenses	Community Relations Expense	$ 54,292.08				
5425	Expenses	Operating expenses	Misc Customer Service & Infomation Expense	$ 7,429.51				
5605	Expenses	Operating expenses	Executive/Director Expense	$ 17,392.46				
5610	Expenses	Operating expenses	Management Wage Expense	$ -				
5615	Expenses	Operating expenses	General Administration Wage Expense	$ -				
5620	Expenses	Operating expenses	Office Supplies & Communication Expense	$ 156,774.59				
5630	Expenses	Operating expenses	Outside Services Expense	$ 62,794.60				
5635	Expenses	Operating expenses	Property Insurance	$ 100,454.19				
5640	Expenses	Operating expenses	Insurance Claims	$ -				
5645	Expenses	Operating expenses	Employee Pensions & Benefits Expense	$ 41,356.13				
5646	Expenses	Operating expenses	Employee Benefits - Post Retiree	-$ 2,649.00				
5655	Expenses	Operating expenses	Regulatory Expense	$ 73,517.99				
5660	Expenses	Operating expenses	Advertising Expense	$ 1,126.50				
5665	Expenses	Operating expenses	General Administration Expense	$ 1,050,516.24				
5668	Expenses	Operating expenses	IFRS Costs	$ -				
5670	Expenses	Operating expenses	Building Rent	$ -				
5675	Expenses	Operating expenses	Building Maintenance	$ 443,875.65				
5680	Expenses	Operating expenses	Electrical Safety Association Expense	$ 17,628.38				
5681	Expenses	Operating expenses	Special Purpose Charge Expense	$ -				
5685	Expenses	Operating expenses	IESO Fees & Penalties	$ -				
5695	Expenses	Operating expenses	OM&A Contra	$ -				
6205	Expenses	Operating expenses	Donations Expense	$ 10,900.00				
6225	Expenses	Operating expenses	Other Deductions	$ 65,112.46	$ 4,709,961.46		$ 4,709,961.46	$ 4,709,961
4355	Expenses	Loss on disposal of property, plant and equipment	Gain on Asset Disposal	-$ 1,282.08				
4360	Expenses	Loss on disposal of property, plant and equipment	Loss on Asset Disposal	$ 8,736.29	$ 7,454.21		$ 7,454.21	$ 7,454
5705	Expenses	Depreciation and amortization	Depreciation Expense	$ 1,365,255.13				
5715	Expenses	Depreciation and amortization	Depreciation Expense - Intangibles	$ 49,088.23	$ 1,414,343.36		$ 1,414,343.36	$ 1,414,343
6105	Expenses	Taxes other than payments in lieu of taxes	Property Tax (6106)	$ 54,642.40	$ 54,642.40		$ 54,642.40	$ 54,642
		Total Expenses			**$ 41,591,980.07**		**$ 41,591,980.07**	**$ 41,591,979**
		Income from operating activities			**-$ 2,986,918.24**		**-$ 2,986,918.24**	**-$ 2,986,919**
Other Income								
4405	Other Income	Finance income	Interest Income	-$ 52,851.19				
sub 102	Other Income	Finance income	Less: Interest - Regulatory Carrying Charges	$ 16,648.39	-$ 36,202.80		-$ 36,202.80	-$ 36,203
6005	Other Income	Finance costs	Interest Expense - Long Term Bank Debt	$ 434,356.06				
6035	Other Income	Finance costs	Interest Expense - Other	$ 24,300.90				
sub 200	Other Income	Finance costs	Less: Interest - Regulatory Carrying Charges	-$ 18,478.07	$ 440,178.89		$ 440,178.89	$ 440,179
		Income before provision for payments in lieu of taxes			**-$ 2,582,942.15**		**-$ 2,582,942.15**	**-$ 2,582,943**
Provision for payments in lieu of taxes								
6110	Provision for payments in lieu of taxes	Current	PILs - Income Tax	$ 482,266.00	$ 482,266.00		$ 482,266.00	$ 482,266
6115	Provision for payments in lieu of taxes	Deferred	Provision for Future PILs	$ 177,335.00				

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Statement of Comprehensive Income
For the Year 2017

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF COMPREHENSIVE INCOME								
Account	**I/S Section**	**I/S Line Grouping**	**G/L Account Description**	**Ending Balance**	**Total per Trial Balance**	**IFRS Reclassifications**	**Stmt of Comprehensive Income - Audited Statement**	**Per AFS**
	Provision for payments in lieu of taxes		Less: PILS affect on Reg Asset Net Movement	$ 55,041.00	$ 232,376.00		$ 232,376.00	$ 232,375
		Total provision for payments in lieu of taxes			**$ 714,642.00**		**$ 714,642.00**	**$ 714,641.00**
		Profit for the year before net movement in regulatory deferral account balances			**-$ 1,868,300.15**		**-$ 1,868,300.15**	**-$ 1,868,302**
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement								
sub 910/990	Revenue	Electricity Revenue	Less: Regulatory Variance	$ 722,178.75				
sub 910/990	Expenses	Purchased power	Less: Regulatory Variance	-$ 516,310.87				
sub 102	Other Income	Finance income	Less: Interest - Regulatory Carrying Charges	-$ 16,648.39				
sub 200	Other Income	Finance costs	Less: Interest - Regulatory Carrying Charges	$ 18,478.07				
	Provision for payments in lieu of taxes		Less: PILS affect on Reg Asset Net Movement	-$ 55,041.00				
		Total Net movement in regulatory deferral account balances and deferred tax movement			**$ 152,656.56**		**$ 152,656.56**	**$ 152,658**
		Profit for the year and net movements in regulatory deferral account balances			**-$ 1,715,643.59**		**-$ 1,715,643.59**	**-$ 1,715,644**
Other comprehensive loss: items that will not be reclassified to profit or loss, net of income tax				$ -	$ -		$ -	$ -
Remeasurements of defined benefit plan, net of tax								
7010	Other Comprehensive Income	Remeasurement of defined benefit plan	Pension Actuarial Gain or Loss.	$ -				
7025	Other Comprehensive Income	Remeasurement of defined benefit plan	Deferred Taxes OCI.	$ -	$ -		$ -	$ -
		Other comprehensive loss for the year, net of tax			**$ -**		**$ -**	**$ -**
		Total comprehensive income for the year			**-$ 1,715,643.59**	**$ -**	**-$ 1,715,643.59**	**-$ 1,715,644.00**

Trial Balance by Account				
Account	**F/S Section**	**F/S Line Grouping**	**G/L Account Description**	**Ending Balance**
4006	Revenue	Electricity Revenue	Residential Energy Sales	-$10,203,098.97
4025	Revenue	Electricity Revenue	Street Lights Energy Sales	-$114,718.47
4030	Revenue	Electricity Revenue	Sentinel Lights Energy Sales	-$3,624.71
4035	Revenue	Electricity Revenue	General Service Energy Sales	-$15,222,636.26
4055	Revenue	Electricity Revenue	Retailer Energy Sales	-$4,697,812.74
4062	Revenue	Electricity Revenue	Wholesale Market Services Billed	-$1,246,879.96
4066	Revenue	Electricity Revenue	Network Services Billed	-$1,396,346.46
4068	Revenue	Electricity Revenue	Connection Services Billed	-$1,139,021.90
4075	Revenue	Electricity Revenue	LV Charges Billed	-$740,356.38
4076	Revenue	Electricity Revenue	SME Charges	-$124,771.92
4080	Revenue	Distribution Revenue	Distribution Services Revenue (4080/4081)	-$8,141,005.57
4082	Revenue	Distribution Revenue	Retail Services Revenue	-$6,899.40
4084	Revenue	Distribution Revenue	Service Transaction Request Revenue	$0.00
4086	Revenue	Distribution Revenue	SSS Administration Revenue	-$46,267.50
4210	Revenue	Other revenue	Rental Revenue	-$223,999.71
4225	Revenue	Other revenue	Late Payment Charges	-$93,225.13
4235	Revenue	Other revenue	Miscellaneous Service Revenue	-$77,169.38
4245	Revenue	Other revenue	Customer Assistance Directly Credited to Inco	-$185,052.39
4355	Revenue	Gain on disposal of property, plant and equipment	Gain on Asset Disposal	-$1,282.08
4360	Revenue	Gain on disposal of property, plant and equipment	Loss on Asset Disposal	$8,736.29
4375	Revenue	Other revenue	Non-Utility Operations Revenue	-$73,621.32
4380	Revenue	Other revenue	Non-Utility Operations Expense	$62,149.74
4390	Revenue	Other revenue	Miscellaneous Revenue	-$129,141.13
4405	Other Income	Finance income	Interest Income	-$52,851.19
4705	Expenses	Purchased power	Power Purchased	$17,922,134.47
4707	Expenses	Purchased power	Power Purchased - Global Adjustment	$12,319,756.68
4708	Expenses	Purchased power	Charges H1 - Wholesale Market Services	$1,246,879.96

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Statement of Comprehensive Income
For the Year 2017

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF COMPREHENSIVE INCOME

Account	I/S Section	I/S Line Grouping	G/L Account Description	Ending Balance	Total per Trial Balance	IFRS Reclassifications	Stmt of Comprehensive Income - Audited Statement	Per AFS
4712	Expenses	Purchased power	Charges H1 - One Time					
4714	Expenses	Purchased power	Charges H1 - Network Services	$1,396,346.46				
4716	Expenses	Purchased power	Charges H1 - Connection Services	$1,139,021.90				
4750	Expenses	Purchased power	Charges H1 - LV Charges	$740,356.38				
4751	Expenses	Purchased power	Charges IESO - SME Charges - Residential / G	$124,771.92				
5010	Expenses	Operating expenses	SCADA	$14,496.46				
5025	Expenses	Operating expenses	Overhead Distribution Expense	$26,034.98				
5065	Expenses	Operating expenses	Meter Expense	$94,941.55				
5070	Expenses	Operating expenses	Customer Premises Expense					
5085	Expenses	Operating expenses	Miscellaneous Distribution Expense	$141,487.65				
5095	Expenses	Operating expenses	Pole Rental Expense	$45,782.04				
5105	Expenses	Operating expenses	Distribution Supervision & Engineering Expense	$316,969.84				
5114	Expenses	Operating expenses	Distribution Station Maintenance	$91,411.95				
5120	Expenses	Operating expenses	Poles & Towers Maintenance	$169.92				
5130	Expenses	Operating expenses	Distribution Overhead Maintenance (5130/5131	$546,715.50				
5132	Expenses	Operating expenses	Storm Damage Expense					
5135	Expenses	Operating expenses	Tree Trimming Expense	$146,715.29				
5150	Expenses	Operating expenses	Distribution Underground Maintenance	$50,003.68				
5155	Expenses	Operating expenses	Distribution Underground Locates Expense	$109,682.53				
5160	Expenses	Operating expenses	Distribution Transformers/PCB Expense	$77,191.80				
5172	Expenses	Operating expenses	Sentinel Lights Expense					
5175	Expenses	Operating expenses	Meter Maintenance	$9,816.36				
5186	Expenses	Operating expenses	Water Heater Expense					
5305	Expenses	Operating expenses	Billing & Customer Service Supervisor Expense	$129,587.59				
5310	Expenses	Operating expenses	Meter Reading Expense	$57,905.71				
5315	Expenses	Operating expenses	Customer Billing Costs	$466,255.51				
5320	Expenses	Operating expenses	Collection Costs	$113,347.31				
5325	Expenses	Operating expenses	Cash Over & Short					
5330	Revenue	Other revenue	Collection Charges	-$53,220.00				
5335	Expenses	Operating expenses	Bad Debt Expense	$44,235.93				
5340	Expenses	Operating expenses	RCVA Miscellaneous Costs (5360)	$126,688.08				
5410	Expenses	Operating expenses	Community Relations Expense	$54,292.08				
5425	Expenses	Operating expenses	Misc Customer Service & Infomation Expense	$7,429.51				
5605	Expenses	Operating expenses	Executive/Director Expense	$17,392.46				
5610	Expenses	Operating expenses	Management Wage Expense					
5615	Expenses	Operating expenses	General Administration Wage Expense					
5620	Expenses	Operating expenses	Office Supplies & Communication Expense	$156,774.59				
5630	Expenses	Operating expenses	Outside Services Expense	$62,794.60				
5635	Expenses	Operating expenses	Property Insurance	$100,454.19				
5640	Expenses	Operating expenses	Insurance Claims					
5645	Expenses	Operating expenses	Employee Pensions & Benefits Expense	$41,356.13				
5646	Expenses	Operating expenses	Employee Benefits - Post Retiree	-$2,649.00				
5655	Expenses	Operating expenses	Regulatory Expense	$73,517.99				
5660	Expenses	Operating expenses	Advertising Expense	$1,126.50				
5665	Expenses	Operating expenses	General Administration Expense (5665/5666/56	$1,050,516.24				
5668	Expenses	Operating expenses	IFRS Costs					
5670	Expenses	Operating expenses	Building Rent					
5675	Expenses	Operating expenses	Building Maintenance	$443,875.65				
5680	Expenses	Operating expenses	Electrical Safety Association Expense	$17,628.38				
5681	Expenses	Operating expenses	Special Purpose Charge Expense					
5685	Expenses	Operating expenses	IESO Fees & Penalties					
5695	Expenses	Operating expenses	OM&A Contra					
5705	Expenses	Depreciation and amortization	Depreciation Expense	$1,365,255.13				
5715	Expenses	Depreciation and amortization	Depreciation Expense - Intangibles	$49,088.23				
6005	Other Income	Finance costs	Interest Expense - Long Term Bank Debt	$434,356.06				
6035	Other Income	Finance costs	Interest Expense - Other	$24,300.90				
6105	Expenses	Taxes other than payments in lieu of taxes	Property Tax (6106)	$54,642.40				
6110	Provision for payments in lieu of taxes	Current	PILs - Income Tax	$482,266.00				
6115	Provision for payments in lieu of taxes	Deferred	Provision for Future PILs	$177,335.00				
6205	Expenses	Operating expenses	Donations Expense	$10,900.00				
6225	Expenses	Operating expenses	Other Deductions-1588 Disallowed	$65,112.46				

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Statement of Comprehensive Income
For the Year 2017

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF COMPREHENSIVE INCOME								
Account	**I/S Section**	**I/S Line Grouping**	**G/L Account Description**	**Ending Balance**	**Total per Trial Balance**	**IFRS Reclassifications**	**Stmt of Comprehensive Income - Audited Statement**	**Per AFS**
			PROFIT FOR THE YEAR	-$ 1,715,643.59				
7010	Other comprehensivce income	Remeasurement of defined benefit plan	Pension Actuarial Gain or Loss.					
7025	Other comprehensivce income	Remeasurement of defined benefit plan	Deferred Taxes OCI.					
			TOTAL COMPREHENSIVE INCOME	$0.00				
			TOTAL INCOME STATEMENT	-$1,715,643.59				

Lakeland Power Distribution Ltd **27/09/2018**
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Statement of Changes in Equity
For the Year 2017

Trial Balance Mapped to Financial Statement Grouping: STATEMENTS OF CHANGES IN EQUITY									
Account	**I/S Section**	**I/S Line Grouping**	**G/L Account Description**	**Share capital**	**Retained earnings**	**Accumulated other comprehensive loss**	**Contributed Surplus**	**Total**	**Per AFS**
Retained Earnings, beginning of the year									
3005	Shareholder's Equity	Share capital	Common Shares Equity	-$ 9,226,787.18				-$ 9,226,787.18	
3045	Shareholder's Equity	Retained earnings	Retained Earnings		-$ 13,588,794.68			-$ 13,588,794.68	
3049	Shareholder's Equity	Retained earnings	Dividends Paid		$ 12,765,159.00			$ 12,765,159.00	
3081	Shareholder's Equity	Retained earnings	Deferred Taxes - Shareholders Equity		-$ 918,536.00			-$ 918,536.00	
3090	Shareholder's Equity	Accumulated other comprehensive loss	Other Comprehensive Income-Post Retiree Benefit			-$ 84,027.00		-$ 84,027.00	
3010	Shareholder's Equity	Contributed surplus	Contributed surplus				-$ 4,986,710.88	-$ 4,986,710.88	
		Retained Earnings, beginning of the year		**-$ 9,226,787.18**	**-$ 1,742,171.68**	**-$ 84,027.00**	**-$ 4,986,710.88**	**-$ 16,039,696.74**	**-$ 16,039,697**
Profit for the year and net movements in regulatory deferral account balances									
3045	Shareholder's Equity	Retained earnings	Retained Earnings - Current Year Net Income	$ -	-$ 1,715,643.59			**-$ 1,715,643.59**	-$ 1,715,644.00
3049	Shareholder's Equity	Retained earnings	Dividends Paid	$ -	$ -			**$ -**	$ -
3090	Shareholder's Equity	Accumulated other comprehensive loss	Other Comprehensive Income-Post Retiree Benefit			$ -		**$ -**	$ -
		Retained Earnings, end of the year		**-$ 9,226,787.18**	**-$ 3,457,815.27**	**-$ 84,027.00**	**-$ 4,986,710.88**	**-$ 17,755,340.33**	**-$ 17,755,341**

Appendix H Annual Report to Shareholders

Confidential

LAKELAND HOLDING Ltd.

2017 Annual Report

&

Business Plan

June 8, 2018

TO OUR SHAREHOLDERS

In 2017, Lakeland experienced its best results in history. Zero loss time accidents were met while operational costs were under control. The company paid out $1.75M in dividends to our shareholders ($10.25M total since 2005) and met all bank covenants. Profitability was $6.6M beating expectations by $2.5M. Operating three distinct businesses and sharing expenses reduced costs and duplication while company diversity within consolidated Lakeland Holding is key as it protects our shareholders from severe negative volatility. Meeting existing and planned growth, along with succession planning, resulted in 8 full-time positions being added.

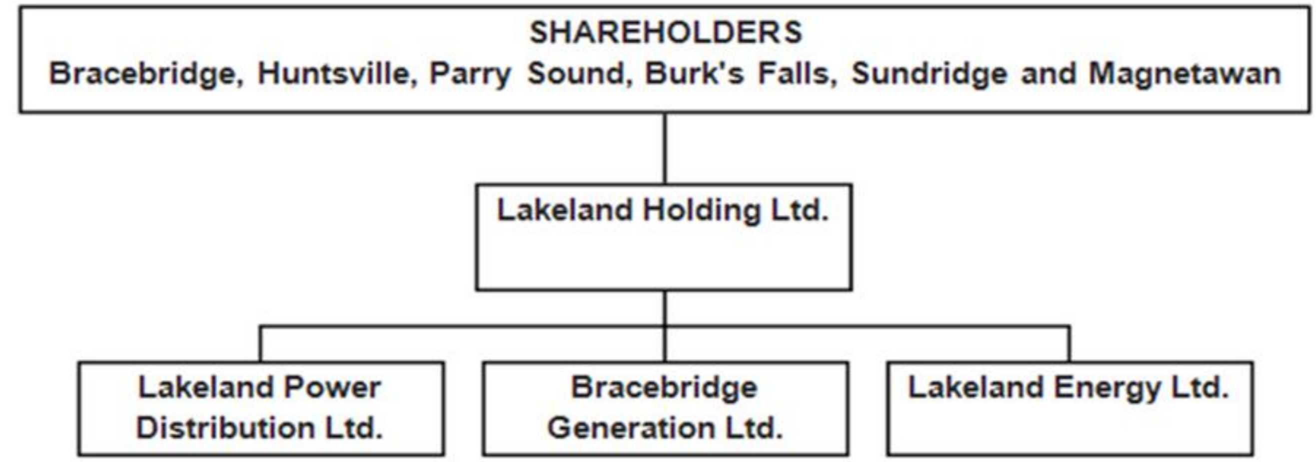
Lakeland Holding 2017 Financial Table ($000's)	Actual 2017	Budget 2017	Actual 2016
Total Revenues	$57,127	$54,587	$56,675
Return on Equity %	13.17%	8.50%	9.74%
EBITDA*	$12,143	$9,920	$8,839
Net Income	$6,559	$4,096	$4,382
Shareholder's Equity	$49,811	$48,093	$45,002
Dividends Paid	$1,750	$1,750	$1,625
*** - Earnings before Interest, Taxes and Depreciation**			

Lakeland Power invested in maintenance and capital with priorities on upgrading the distribution system to improve customer service and reliability, while building relationships for future innovation initiatives. Bracebridge Generation took advantage of above-normal precipitation for record production, completed the $17M Cascade generation station upgrade on time and just under budget, while making operational improvements to 3 generation plants purchased in 2016. Lakeland Energy/Networks significantly grew its Fibre-To-The-Home business for both urban and rural residents exceeding planned connections by 31%, bolstered by a multi-million-dollar partnership with the Federal and Provincial governments.

With supportive Shareholders, an experienced Board of Directors and a marvelous team that is a pleasure to lead, Lakeland Holding's consolidated Objective 'continually grow the company to increase shareholder value' was successfully met.

Roger Alexander,
Chair of Board

Chris Litschko,
Chief Executive Officer



MISSION

Continually Grow the Company to Increase Shareholder Value

VISION

Our company will …

Provide a safe, productive working environment for all employees

Provide our customers with safe, reliable and affordable products and services

Operate profitably for shareholder dividend payment and value enhancement

Strive for constant improvements in our working relationships with customers, suppliers and our communities

Actively pursue profitable core business opportunities for the enhancement of shareholder value

GOALS

Safety – Natural Environment - Reliability – Productivity – Profitability - Customer Satisfaction - Adaptability - Business Opportunities

The table below provides a summary of Lakeland Holding Ltd.'s current business activities through each of the current subsidiary companies:

Lakeland Power Distribution Ltd. (Local Distribution Company LDC)	Bracebridge Generation Ltd. (Generation Plants and Output)		Lakeland Energy Ltd. (Including Lakeland Energy Operations)
• 13,542 Customers	• Bracebridge Falls Generation Plant	2.6 MWs	• Web Mapping
• 163 square Kms of Service Area	• Wilson Falls Generation Plant	2.9 MWs	• Fibre to Business
• 367 Kms of Distribution Lines	• High Falls Generation Plant	2.8 MWs	• Fibre to Home
• 10 Substations	• Cascade Generation Plant[1]	3.3 MWs	• 1,900 Customers Connected to Fibre-Optic Cable
• 2,392 Transformers	• Burk's Falls Generation Plant	1.2 MWs	• 400 Km of Installed Fibre-Optic Cable [2]
• Offices in Bracebridge, Huntsville and Parry Sound	• Bancroft Generation Plant	0.6 MWs	• Internet Service Provider
	• Drag River Generation Plant [3]	0.3 MWs	• IT Consulting Services
	• Irondale Generation Plant [3]	0.5 MWs	• VOIP and Traditional Phone Services
	• Elliott Falls Generation Plant [3]	0.7 MWs	• IT Server Hosting
	• 14 Total Number of Generators	14.9 MWs	• Voice and Data Cabling
			• Business Phone Systems
			• Streetlight Maintenance
			• Water Heater Rentals

1 Completed $17 Million upgrade in 2017 to Cascade which brought output to 3.3 MWs.

2 Currently, in third year of five-year $8.6 Million partnership program with Federal and Provincial Governments to bring fibre-optic cable services to rural residential and business in Bracebridge and Huntsville.

3 Drag River, Irondale and Elliott Falls are Generation Plants purchased in 2016.

2017 REVIEW

From a consolidated financial perspective revenues of $57.1M were $2.5M higher than plan, operating costs of $12.2M resulted in net income of $6.6M or $2.5M better than plan. Operating margins came in 6% higher than plan at 42% with this result being 8% higher than the 10-year average. Return on equity ended the year 5% ahead of plan at 13.2%, and 3% higher than the 10-year average.

Roger Alexander was elected Chair of the Board and Phil Matthews as Vice Chair. The Board meets almost monthly with separate agendas and minutes for each subsidiary company, in addition to Committee meetings. Annual Board objectives continue to be monitored and Board Director biographies are attached. The Nominating Committee met, advertised, interviewed and recommended with approval from shareholders that John Kropp be appointed to the Board due to his successful entrepreneurial expertise. Mr. Kropp has made an immediate impact with his proactive approach to growth and customer service.

2017 Director Board Meeting Attendance

	Board Mtgs	Committee Mtgs	Shareholder Mtgs	Total Attended	Absences	
Phil Matthews	20	11	3	34	2	Vice Chair
Roger Alexander	24	14	3	41		Chair
Don Waddington	12	6	1	19	2	Exited June 9, 2017
John Kropp	11	3	0	14	1	Started June 10, 2017
Bruce Flowers*	7	5	3	15	1	
Sam Davidson	19	8	3	30	2	
Mark Goldberg	21	5	3	29		
Chris Litschko	21	17	3	41		

Note* Bruce Flowers is Independent Director on Lakeland Power but sits as an Advisor for all other companies

The Environmental Health & Safety Committee reports the following incidents: 0 loss time injuries, 1 First Aid, 1 Medical Aid, 12 Property Damage, 0 Environmental, 6 Safety Hazard and 18 Near Misses. All incidents were investigated and reviewed with staff for lessons learned. The Health and Safety policy was updated and signed off by the Chair and CEO.

The Human Resources Committee implemented a confidential Employee Assistance Program (EAP) which was utilized immediately and more than expected. Also, with the growing company and changing reporting structures, 60 full-time staff are now employed, and mandatory staff development was provided, and succession plans updated to ensure the company meets future challenges.

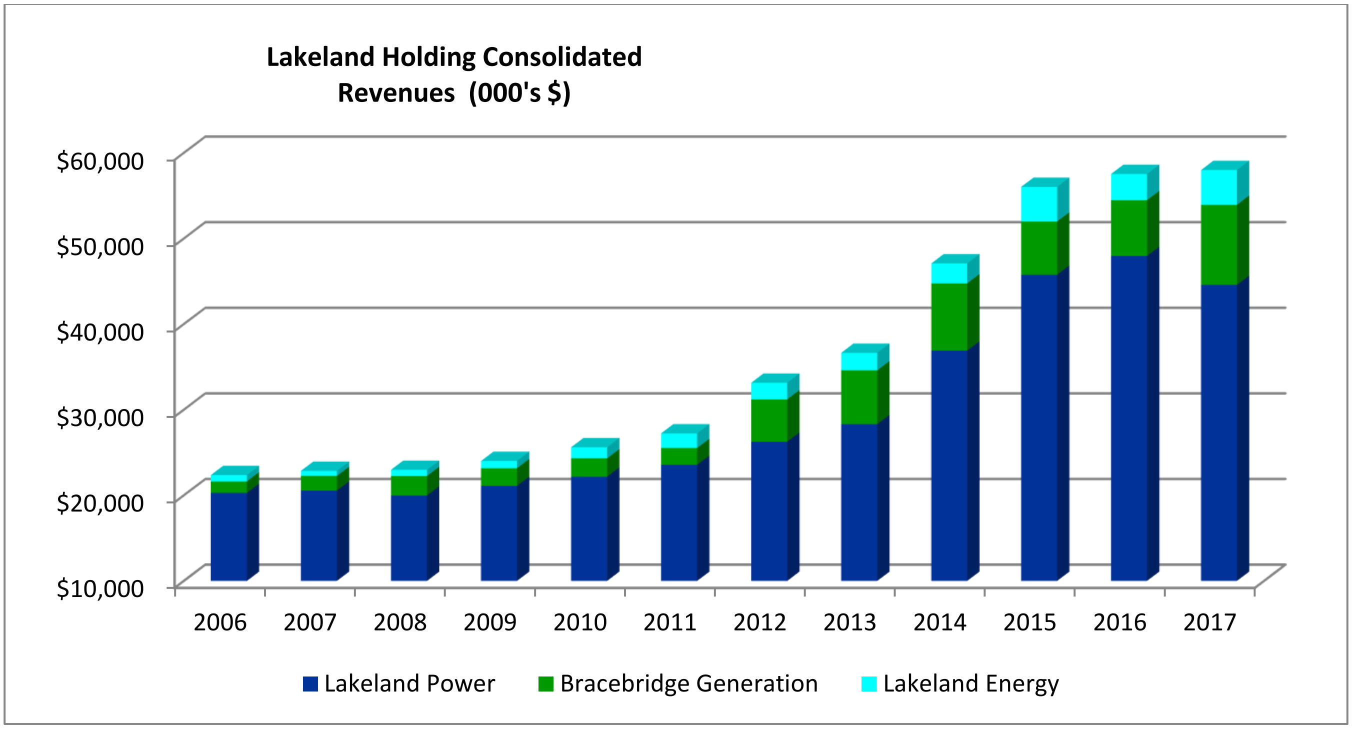
Customized 2-Day Leadership Development Program for Current & Future Lakeland Leaders

The Governance Committee reviewed each Director and the Chair's performance and provided feedback. Cyber Security became one of the highest risk priorities which the committee continues to deal with utilizing the Ontario Energy Board's policies and procedures as a basis for Lakeland. Board skills and a talent matrix has been developed based upon experience, business & financial acumen, and different technical abilities. This matrix assists with Board succession by indicating what skill sets are required when a vacancy arises.

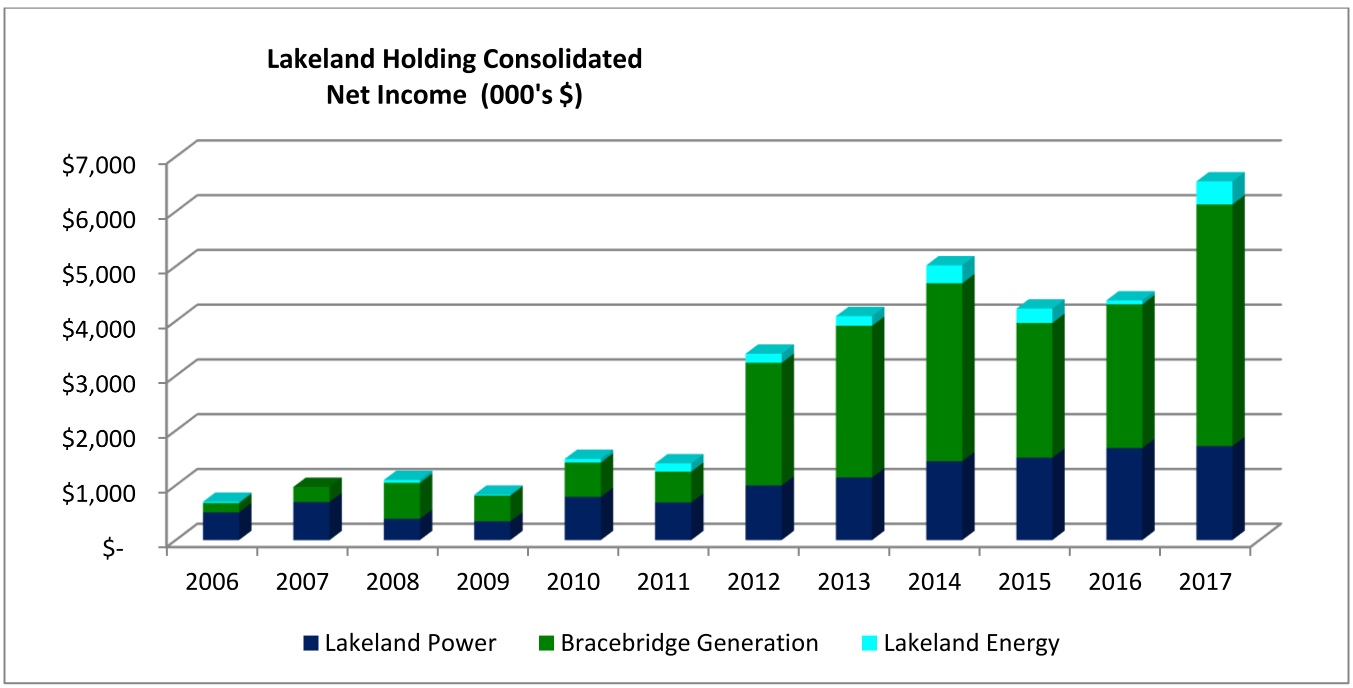
The Finance Committee kept abreast of changes within the industries served. Borrowing for the Cascade generation station upgrade was approved. Long-term cash flow projections were updated regularly to ensure the company met its commitments while investing wisely in distribution, generation and fibre assets.

The Mergers & Acquisitions Committee met on three separate occasions to review potential growth strategies and prepare the 3-Year Business Plan.

In late 2017, Lakeland signed a historic Mutual Benefits Agreement with the Wasauksing First Nations located beside Parry Sound. This agreement will allow each party to work more closely together including providing fibre to the home, shared training, annual environmental cleanups and possibly entrepreneurial initiatives.



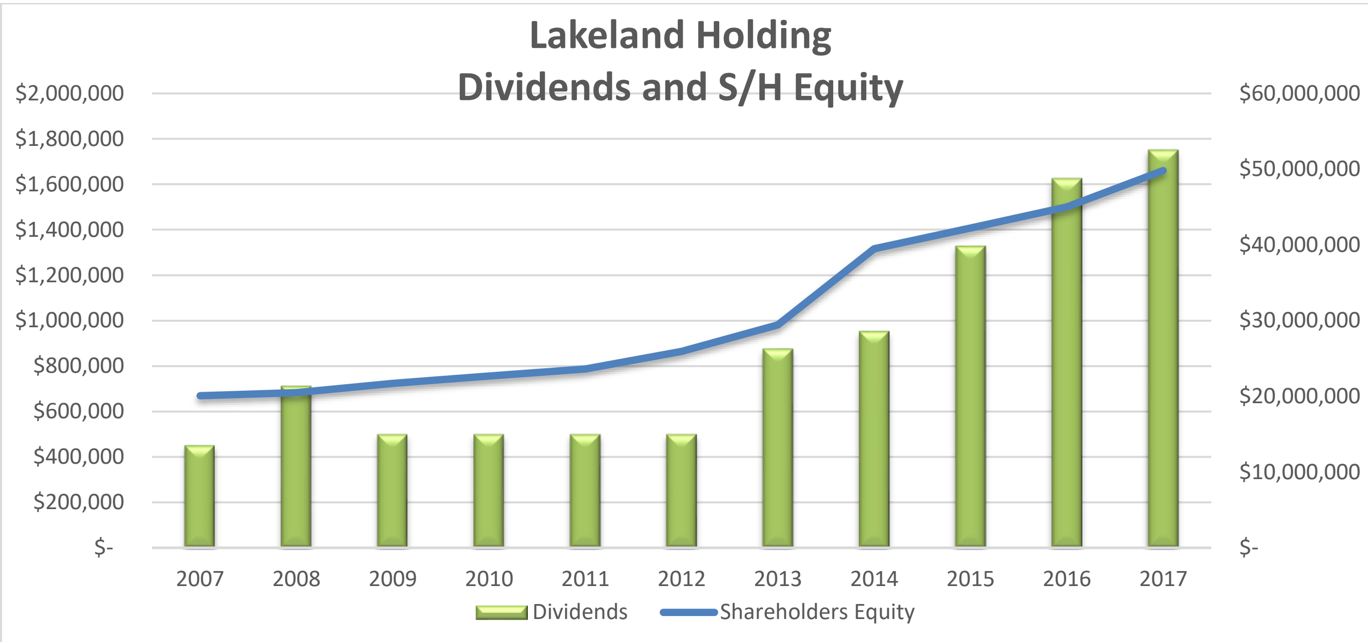
Note: Lakeland Power revenues include $36 M in pass through power costs that have a nil effect on Net Income



Since 2006, Lakeland has grown in gross revenues by 838%, predominately through Bracebridge Generation's purchases and plant upgrades, the merger with Parry Sound Hydro Corp. and expansion of Lakeland Energy/Networks product offerings. Shareholders have recommended concentrating on expanding waterpower generation and fibre optic assets and these have been the priorities. With a diversified company, the executive/management team of Lakeland Holding is able to spread its cost across all subsidiary companies resulting in an annual savings of over $500K versus outsourcing. In addition, Lakeland Energy/Networks is able to provide fibre, internet, VOIP, phones, mapping and IT services that would otherwise be obtained externally resulting in an additional $350K in annual savings.

Therefore, on a consolidated basis, the diversity of the company allows for $850K in annual savings through shared management and internal product/service assistance.

For the first five years, the shareholders directed the Board and management to reinvest in the businesses to ensure they were financially sustainable and reduce debt by forgoing their dividends. In 2005, Lakeland Holding made its first dividend payment to the shareholders, which continues today. Annual dividends have grown by 246% over the past 10 years.



Investments impacting dividend growth:

2006-2007 - Burk's Falls generation plant acquisition

2007-2008 - High Falls generation plant upgrade

2012-2013 – Wilson's & Bracebridge Falls upgrade and Bancroft generation plant acquisition

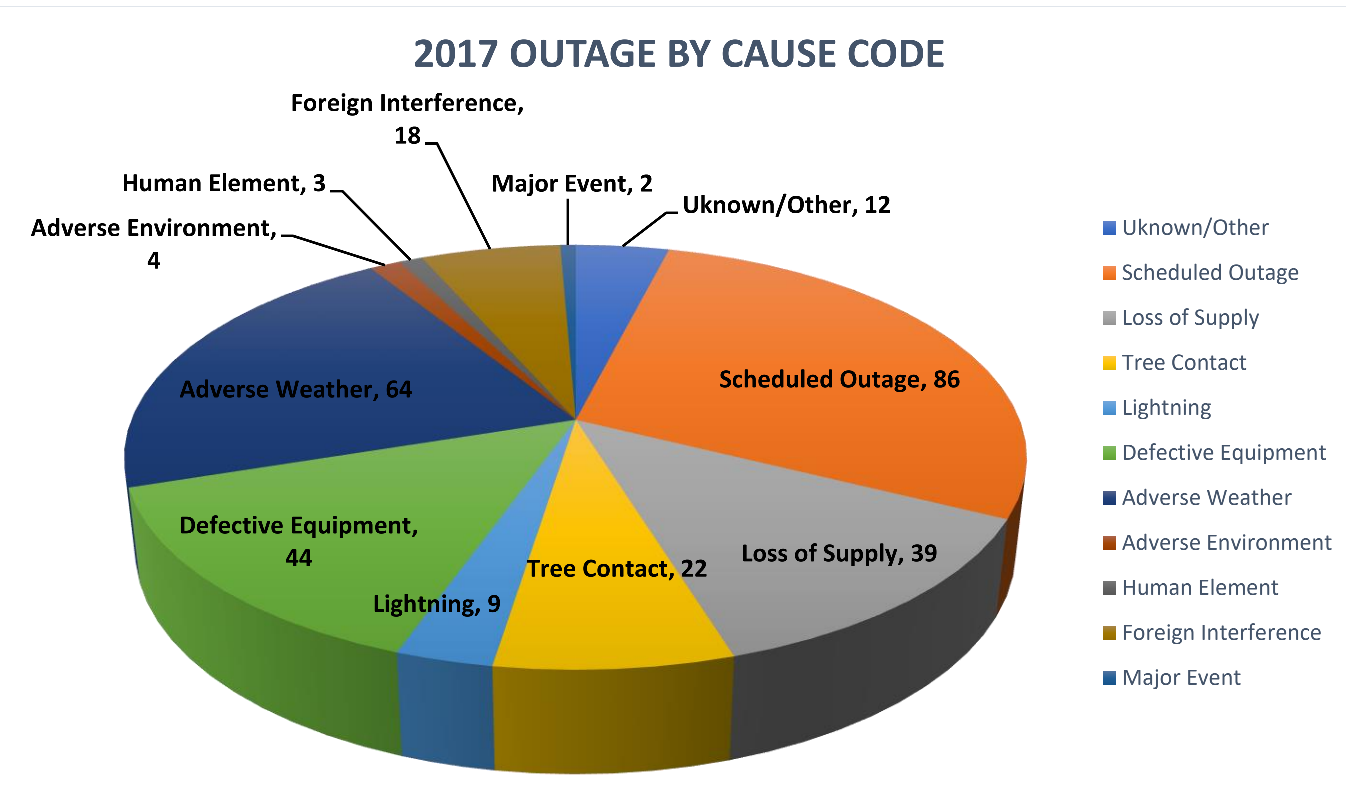
2015-2016 - Parry Sound merger

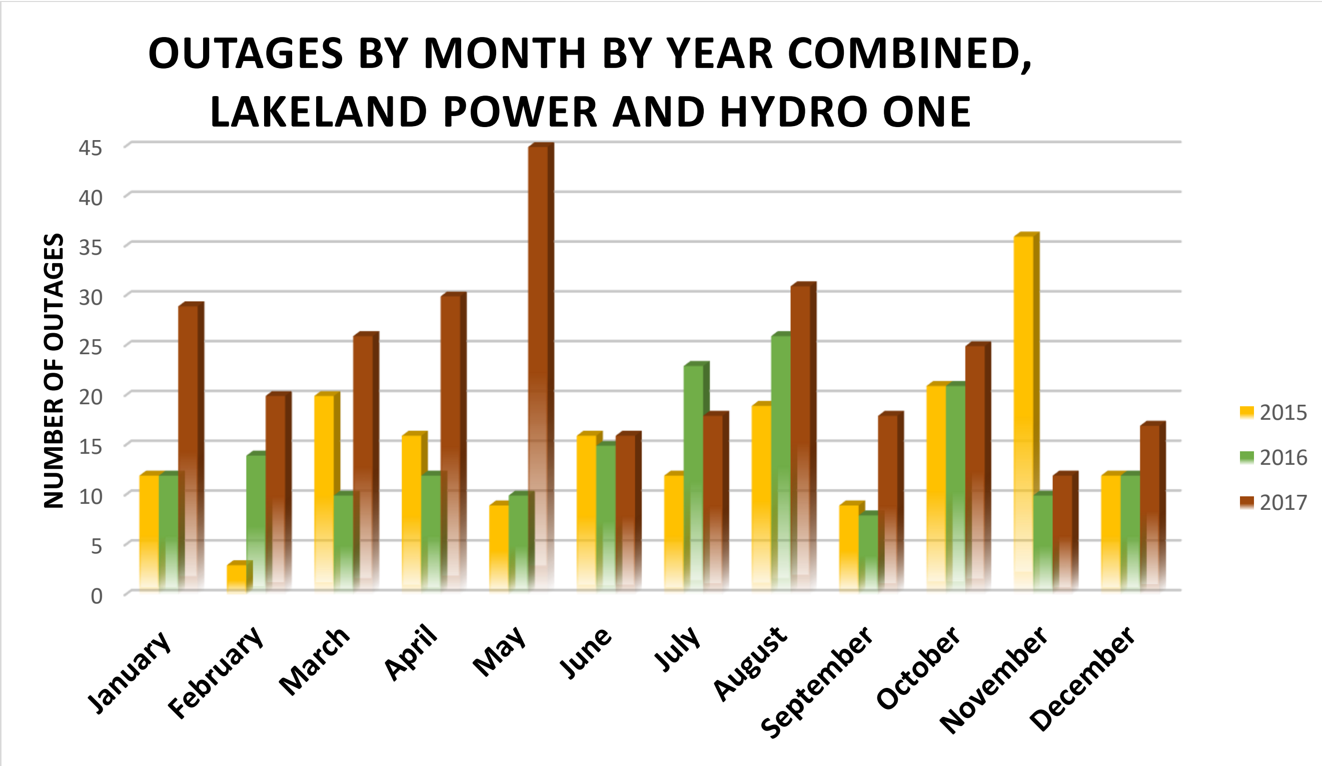
Hand in hand with the growth in revenue, net income and dividends, is the growth in Shareholder Equity from $13,025 K in 2001 to $49,811 K in 2017 or 382%. The combination of dividends and equity appreciation has grown by over $33.1 M in the past 10 years. This movement allowed for an increase in debt while maintaining the same debt/equity ratio, as interest rates for the past few years have been exceptionally low (under 4%) which the company took advantage of to invest mainly in generation.

Lakeland's group of companies is an active corporate citizen, supporting a variety of charitable and community groups in the communities that we serve. In 2017, Lakeland donated $67,500 in cash donations, labour and material toward community service within our respective shareholder communities.

Improving system reliability is a priority of the company with emphasis on tree trimming which occurred in Burk's Falls and parts of Bracebridge as part of the company's 6-year tree trimming cycle. All remaining PCB transformers in Parry Sound were removed from service completing this company wide replacement program. Also, all long term load transfer customers (boundary) in Parry Sound with Hydro One have been transferred to the appropriate company with the remaining customers in other shareholder municipalities to be completed in 2018.

Capital upgrades amounting to $1.95M were completed throughout the service territory with concentration on upgrading older lower voltage assets to more efficient 16/27.6Kv voltages. Also aged assets of more than 40 years were replaced in all municipalities. The company continued investing in a scalable SCADA system which allows distribution system sensing and remote control switching & monitoring that increases efficiencies and reliability. This system also ties in with Lakeland Power's new and improved website that includes an outage map for improved customer service.





The company's capital and maintenance programs focus on reliability. Excluding loss of supply outages from Hydro One which we cannot control, our customers experienced reliability of 0.3 outages averaging 46 minutes of interruption time both of which were better than planned. Future capital and maintenance will continue to concentrate on reducing the number and time of outages.

Outages

		Lakeland Power Only	Loss of Hydro One Supply
Average Number of Outages Per Customer	2014	0.338	2.2
	2015	1.739 ↑	5.94 ↑
	2016	1.86 ↑	7.19 ↑
	2017	0.30 ↓	1.13 ↓
Total Average Outage Time Per Customer	2014	1 hour	4.74 hours
	2015	0.81 hours ↓	2.80 hours ↓
	2016	0.66 hours ↓	2.65 hours ↓
	2017	0.77 hours ↑	4.99 hours ↑

Note: Lakeland Power's plan is for average customer to experience no more than 1 outage no longer than 1 hour in length annually.

Eighty Five new customer connections were made bringing the total count to 13,542. 7,254 calls where answered and of these, 88.2% were answered within 30 seconds. Ebilling increased 8% to 19.34% and Pre-Authorized Payments improved to 43.9%. The detailed 4-Year Ontario Energy Board mandated rate application for a 1-year deferral was approved as the company did not believe raising rates to recover past capital investments was the right thing to do since electricity pricing was such a highly negative public topic. By year's end, the company was completing an audit by the Ontario Energy Board on our disconnection processes and procedure with no problems envisioned. Also, the company worked on meeting the Ministry of Energy's new bill redesign to go into effect January 1, 2018. From a conservation perspective, our proactive staff were able to reduce customer consumption by 2.175 gigawatt hours or exceeding the Independent Electricity System Operator's approved plan for Lakeland Power by 7%.

Lakeland Power has been successful in reducing costs as a member in Cornerstone Hydro Electric Concepts (CHEC) group, which is made up of 17 local distribution companies. CHEC is utilized by Lakeland Power from policy and procedures for operations, finance, conservation initiatives, to detailed rate applications. CHEC has been invaluable to Lakeland Power as it is able to distribute shared, competent resources, adding $255K in value. Lakeland Power's CEO sits on the CHEC Board and is also the Chair of Electricity Distributor's Association Georgian Bay District.

With the distribution environment constantly changing, the company CEO continues to update the Board on industry changes to ensure it is prepared in the best interests of the shareholders. As part of Merger & Acquisitions Committee meetings, distribution rationalization is now a recurring topic. With the changing electricity landscape, Lakeland Power also became a member of MaRS (world's largest innovation hub), and is working to partner with AMP for solar & battery storage initiatives for our customers and others across Ontario.

As part of an industry wide review which included an interview Lakeland Power's Board due to good governance, the Ontario Energy Board is considering implementing Governance initiatives, possibly in 2018, which may affect the Power Board and overall Lakeland Holding Governance structure.

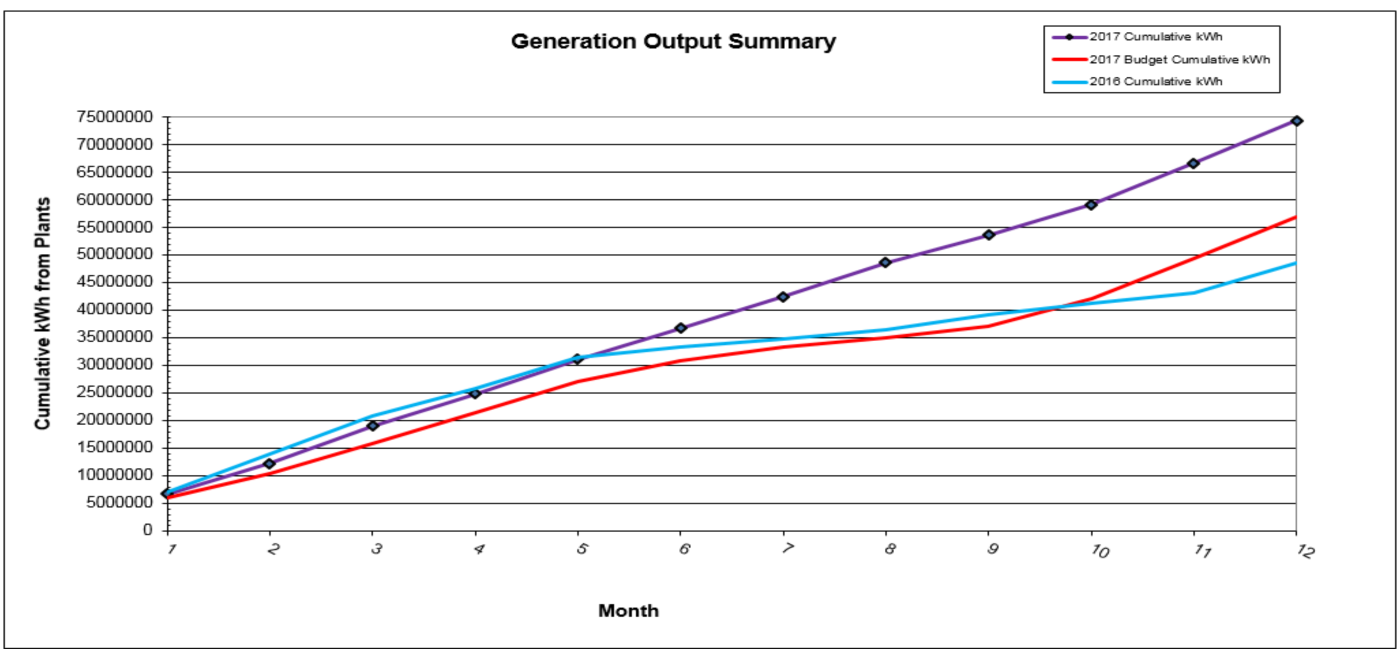
Overall, a very good year for Lakeland Power as; costs are under control, system reliability is good, and customer service continues to improve.

BRACEBRIDGE GENERATION LTD.

The $17M Cascade Generation Station upgrade came on-line on time and just under budget, quite a feat for such a large project, as kudos have to go to our company's Manager and Engineer. This station began full operation on October 13th working flawlessly to year's end.

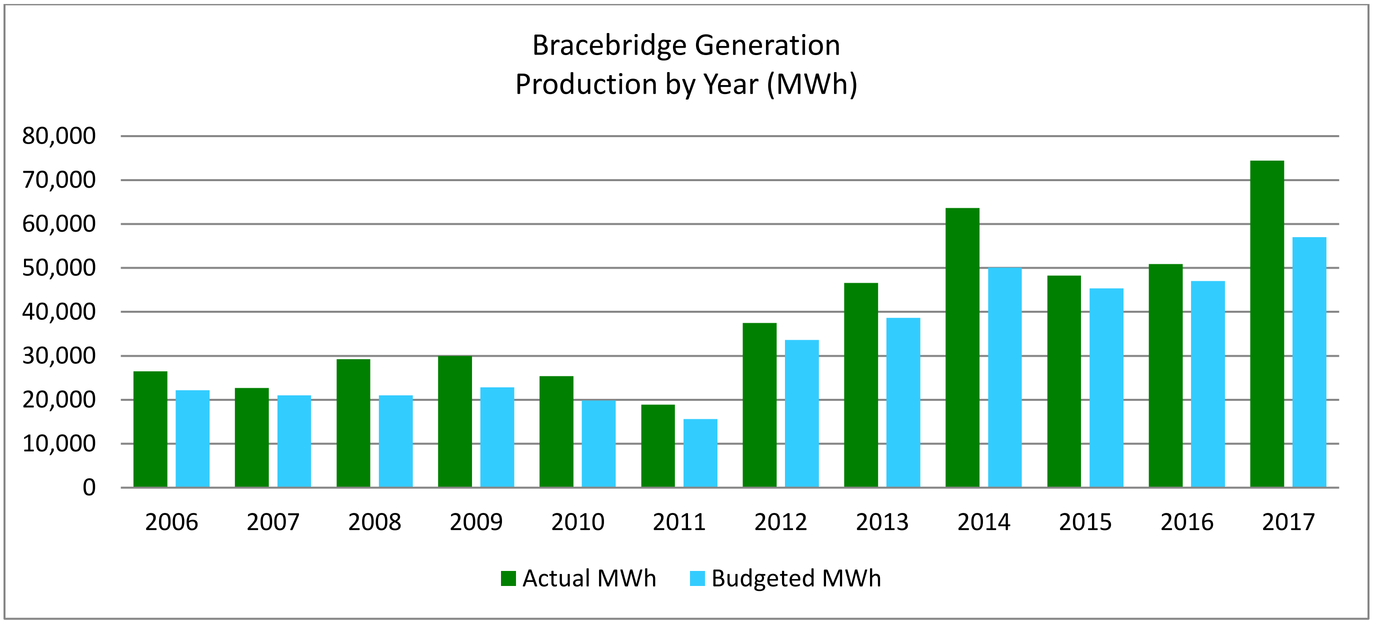
Progress of Cascade Upgrade throughout 2017

The other big event having a big impact was the higher than average precipitation all year, that resulted in record production. There was so much precipitation that most of the annual plant maintenance was completed in November, having been put off due to the excellent production, even in the summer months when this maintenance is usually performed.



On an annual basis, Bracebridge Generation produced 37% of Lakeland Power's energy requirements. Total production for 2017 was 78,388 megawatt hours of electricity enough to fully service 8,165 homes (Town population 24,500 e.g. Midland) for a full year with green electricity. This production was 30% higher than budgeted and 53% higher than in 2016.

Annual production records were set at Bracebridge Falls, Wilson's Falls, High Falls, and Burk's Falls or 4 of 8 operating plants. Monthly production records were set at Bracebridge Falls, Wilson's Falls and Irondale or 3 of 8 operating plants.



Annual generated megawatt hours

Other capital investments occurred on all of the generation stations with concentration on the three purchased in 2016 as these underutilized assets were improved to increase revenues. Elliott Falls received approval in 2017 for a 100Kw upgrade that will occur in 2018.

Due to concerns over water levels on the Magnetawan River watershed, a Standing Advisory Committee was created that improves communications and education on this system of river and lakes.

The company also created a relationship with the shareholders of EnerServ out of Quebec in an effort to possibly grow waterpower generation asset ownership across Canada. Over the course of many meetings it was agreed that a partnership will be pursued to see if together, the combined companies can expand generation ownership across Canada. By the end of 2017 shareholders were informed of this development and are considering changes to the Shareholders Agreement to allow these types of partnerships.

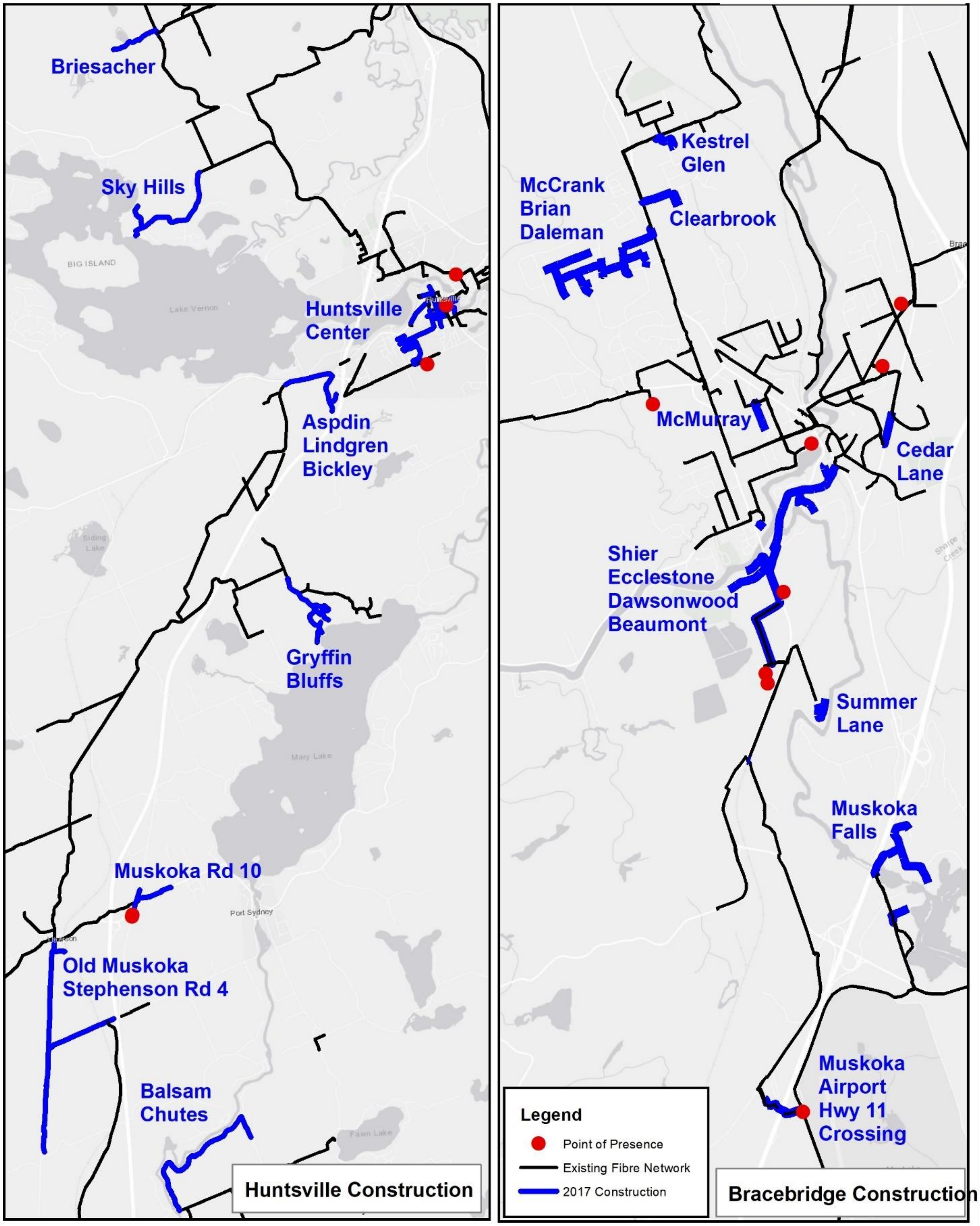
Overall, an outstanding year where record precipitation resulted in record production with Cascade's $17M upgrade coming on-line on-time and just under budget.

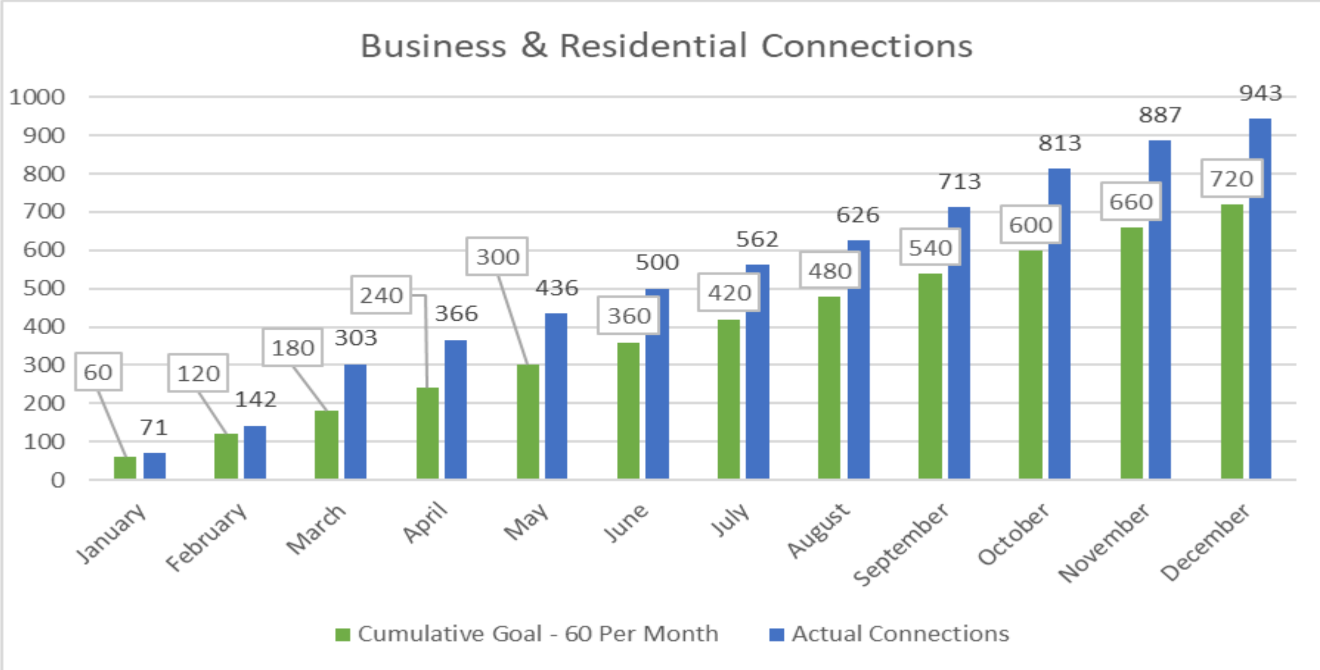
Lakeland Energy & Lakeland Networks

The company has transitioned to concentrate almost exclusively on the Networks side of the business with its high-speed communications fibre rollout.

2017 was our most successful year in connecting business and residential customers. When combining the 3rd year of the Small Communities Fund 1/3 partnership with the Federal and Provincial governments and Lakeland's own urban rollout, an impressive 943 new connections were made in 2017 alone. This success exceeded budgeted connections by 223 or 31%. The company now has a total of 1,987 fibre optic customers, made up of 22% business and 78% residential. This planned growth led to the purchase of a new billing system that interacts and tracks with the sales team for a more streamlined contract and installation process. The company also completed preliminary engineering in Wasauksing First Nations (WFN) for future Fibre to the Home buildout as WFN continues to seek government funding assistance to complete the entire rollout. (On April 10, 2018 the federal government awarded $1.03M to WFN under its Connect to Innovate broadband funding program. Lakeland expects to provide engineering, installation, operation and ownership of the network, generating recurring revenues for Lakeland by providing broadband services to WFN residents). These demands required the company to lease another 10 gigabit internet feed from Toronto. In order to drive more sales, a promotional video was produced and, in only 2.5 months to the end 2017, it was viewed in social media almost 9,000 times. While phone and internet are now available to our customers, the company continues to contemplate and test products and services that are natural fits, such as a true triple play of internet + phone + TV, the one product missing. The company tested an IPTV option which did not meet our requirements that would have led to many frustrated customers. The company continues to explore complementary products and services to our internet and phone service.

Lakeland Networks 2017 Construction
Approximate Completed Build Distance = 38.5km





The company experienced a couple of Denial of Service attacks: Denial of service is typically accomplished by flooding the targeted machine or resource with superfluous requests in an attempt to overload systems and prevent some or all legitimate requests from being fulfilled(1).

(1)"Understanding Denial-of-Service Attacks". US-CERT. 6 February 2013. Retrieved 26 May 2016.

A DoS or DDoS attack is analogous to a group of people crowding the entry door or gate to a shop or business, and not letting legitimate parties enter into the shop or business, disrupting normal operations. These attacks can slow our internet service down to a standstill so we continue to work with a software company on a solution.

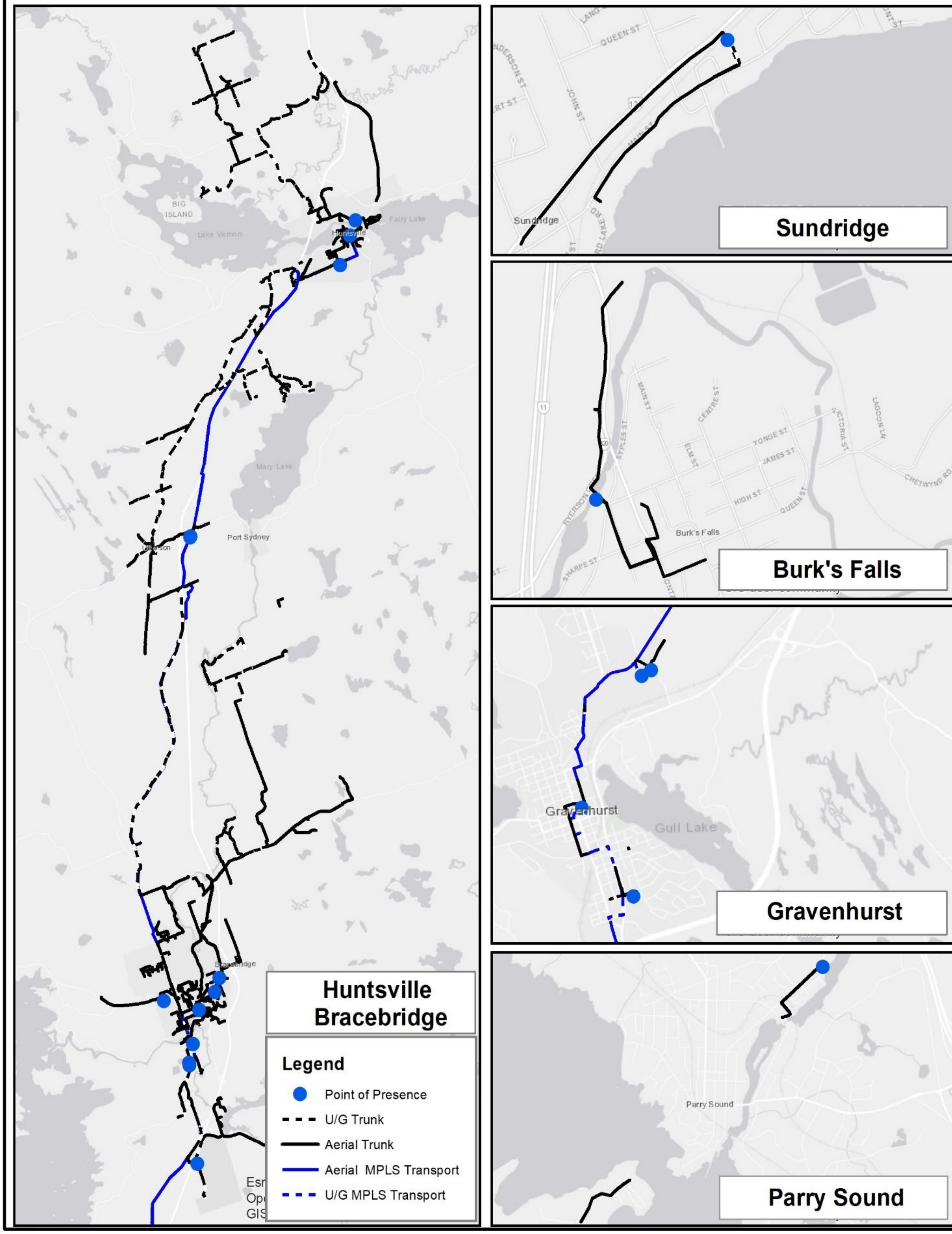
While the company secured a few more local IT maintenance contracts, they were also able to prove that their fibre optic network could provide Bracebridge Generation's transfer trip protection for Hydro One's distribution network, a first of its kind in Ontario. Basically, since many of Bracebridge Generation's plants feed directly into Lakeland Power which is tied to Hydro One, they wanted to ensure that the generation plants instantly shut off should an interruption occur on the distribution system guarding against further damage and keeping workers safe knowing that all sources of power have shut down.

And finally, Lakeland Energy was successful in becoming an eligible contractor for the $300M SWIFT fibre optic rollout throughout southern and Niagara regions of Ontario, with plans to connect our system in Orillia to expand our footprint south.

Current Network + 95km of Transport (Huntsville to Orillia)

January 1, 2018

Lakeland Networks



Board of Directors

Roger Alexander, Board Director

Mr. Alexander was appointed to the Board of Parry Sound Hydro Corporation and subsidiaries in 2009 where he served as Chair. He joined Lakeland's board with the merger and Chairs the Human Resources Committee and serves on other Boards including the West Parry Sound Health Centre. Mr. Alexander had a 22 year career with Siemens serving as division CEO/executive spanning a variety of industries such as energy, transportation, infrastructure, mining, medical and telecommunications. He was a member of the 6 member executive management group at Siemens Canada overseeing approximately $3B in revenue and 7000 employees. He was also CEO at Areva Canada with direct line responsibility for over 1,100 employees and sales revenue in excess of $500M including multiple manufacturing and mining sites across 14 locations in Canada. He holds an MBA from the Richard Ivey School of Business and is a Certified Engineering Technologist (Ryerson). Mr. Alexander is also a graduate of the Director's Education Programme at the Institute of Corporate Directors where he maintains an ICD.D designation.

Phil Matthews, Vice Chair

Mr. Matthews joined the Board in 2010 and was elected Chair in 2015. He has a Master's degree in economics and is a CPA.CA. Mr. Matthews has 50 years of business experience and retired from Ernst & Young in 2004, having served as a partner for 24 years. During his career, he dealt with a range of industries and businesses, from entrepreneurial startups to multinational public companies, providing a wide variety of services. Mr. Matthews is a director of other companies and is Vice Chair of MAHC and an executive director of MAHST.

Mark Goldberg, Director

Mr. Goldberg was appointed to the Board in 2016 and Chairs the Environmental Health and Safety Committee. For 38 years, Mr. Goldberg has worked in telecommunications, building national networks and leading the development of competition in the industry, having held leadership roles at Bell Canada, AT&T Bell Labs, CNCP/Unitel and Sprint Canada, managing networks with annual capital budgets in the order of $1B. At AT&T, Mr. Goldberg was responsible for the design of AT&T's winning $10B contract for voice services for the US Government, including its National Security Emergency Preparedness network. For more than 20 years, he has owned a consulting firm (Mark H Goldberg & Associates Inc.) and for the past 17 years, annually he runs The Canadian Telecom Summit. Mr. Goldberg chairs The Canadian Committee for Haifa Foundation. He has a B.Sc. from Western and M.Sc. from Carleton in Mathematical Statistics.

Bruce Flowers, Director

Mr. Flowers was appointed to the Board in June 2013 and Chairs the Governance Committee. Mr. Flowers holds a HBA, B.Ed., and has acquired GSC in Construction Estimating and Project Management. Mr. Flowers has 40 years of experience in general management, project management, strategic planning, human resource management, procurement, operations management and new business start- ups. He rose to President and CEO during his twenty-eight years with Fowler Construction Company Limited. Under his management, the company grew to

450 employees and $67 million in annual sales. He was involved in creating a US subsidiary which grew to $5 million in annual sales. As CEO and General Manager of Sutherland Construction Limited for three years he revised the company structure, human resources and bidding systems. Sutherland has 250 employees and generated $30 million in annual sales. Mr. Flowers owns and operates Bruce C. Flowers and Associates. Over the past fourteen years he has managed numerous projects in the recreational and residential development sector. During this period he was involved with individual projects valued at $100 million. He sat on the boards of Integrated Maintenance and Operational Services, Evanco Environmental, Ontario Road Builders Association and South Muskoka Memorial Hospital Foundation.

Sam Davidson, Board Director

Mr. Davidson was appointed to the Board in 2015 and Chairs the Finance Committee and Mergers & Acquisitions Committee. He is a CPA.CA and has a B. Comm and BA in economics. Mr. Davidson is a senior finance executive with 30 years of experience having held roles in finance, operations and project management and has extensive experience in mergers and acquisitions. He has worked in the transportation, construction and building materials industry for high growth companies ranging in size from $20 million to $1.3 billion. He also has experience with an entrepreneurial manufacturing company that grew its revenues from $25 million to $50 million primarily through acquisitions. Mr. Davidson currently works as a finance consultant to a private equity company and advises on investments and acquisitions and is CFO for two infrastructure projects which ranged in size from $400 million to $1 billion.

John Kropp, Director

Mr. Kropp was appointed to the Lakeland Board in 2017 and Chairs the Nominating Committee. Mr. Kropp brings many years of experience in business, customer service, finance and accounting. Mr. Kropp spent 9 years with Wardair Canada of which 3 years were living in Paris opening up offices in Paris, Frankfurt and Amsterdam. In 1998 he, with 2 partners, purchased and operated the privately owned TSC 10 stores and grew the business to 25 stores, 650 employees and 2.5 times the sales volume. Mr. Kropp was the CFO and sold the company in 2006 and relocated to Huntsville in 2011. He and his lovely wife Christine opened the Fairy Bay Guest House and the Whimsical Bakery. Mr. Kropp is a graduate of York University Bachelor of Commerce program, has an MBA from the Ivey School of Business, trained at the Cordon Bleu in Paris. Mr. Kropp was a Board Member of the Huntsville Hospital Foundation, MAHC, and The Directors Club of London Ontario.

BOARD OF DIRECTORS

Lakeland Holding Ltd.
Bracebridge Generation Ltd.
Lakeland Energy/Networks

Chair: Roger Alexander
Vice Chair: Phil Matthews
Directors: Mark Goldberg, John Kropp
Sam Davidson, Chris Litschko

Lakeland Power Distribution Ltd.

Chair: Roger Alexander
Vice Chair: Phil Matthews
Director: Bruce Flowers

Committee Chairpersons

Executive: Phil Matthews
Governance: Bruce Flowers
Mergers & Acquisitions: Sam Davidson
Human Resources: John Kropp
Environment Health & Safety: Mark Goldberg
Finance Audit: Sam Davidson
Nominating: John Kropp

Executive Team

Chris Litschko, Chief Executive Officer

Chris Litschko is the founding Chief Executive Officer of Lakeland Holding, which includes the following

subsidiary companies: Lakeland Power, Bracebridge Generation and Lakeland Energy. Lakeland was incorporated on September 1, 2000 merging the assets of the following municipal shareholders: Bracebridge, Huntsville, Burk's Falls, Sundridge, Magnetawan, and Parry Sound in 2014. Through expansion, acquisition, and automation, the company has improved health & safety, customer service, profitability and shareholders' dividend distribution. The company has grown with projected 2018 total assets of $118M on annual revenues of $63M. Chris's management and executive career has taken him through the southwest, central, and Niagara regions of Ontario. Chris has served on Boards in the medical and food industry, and in 2011 was appointed to the Board of Directors of Lakeland Holding, Bracebridge Generation, and Lakeland Energy. He is the current Chair of the Electricity Distributors' Association - Georgian Bay District, Board Director of both the Cornerstone Hydro Electric Concepts (CHEC) group and Muskoka Futures (Chair of Business Investment subcommittee), member of Muskoka Founders Circle, and sits on Georgian College's Public Advisory Committee. Chris possesses a Bachelor Degree from Brock University, enhanced with the Ivey Executive Program from the University of Western Ontario. Chris supports causes towards: children in need, health, entrepreneurs, environment, anti-bullying and protecting women against violence.

Vince Kulchycki, Chief Operating Officer

Vince Kulchycki, a native of Grimsby Ontario, graduated from Mohawk College with his certification from

OACETT. His career began with electrical and PLC automation at Dofasco and quickly shifted gears to geographical information systems and distribution systems analysis with Milton Hydro. During this time he was also running his own company, which he sold after 13 years. Vince moved on to Oakville Hydro where he was part of the team for meter shop accreditation with Measurement Canada. He joined Grimsby Hydro as an Engineering Technician responsible for all distribution system and consumer designs, GIS and designed and installed the first SCADA system in Grimsby. Mr. Kulchycki also facilitated Grimsby Power's affiliate companies design and implementation of its fibre optic network. Through his ambition for finding a growing, entrepreneurial organization, Vince made his way to Bracebridge in 2001 accepting the position of Manager of Operations for Lakeland. In 2006 he was promoted to Director of Operations & Generation and in the two years that followed became Chief Operating Officer for Lakeland Holding. Team accomplishments include expanding the generation capacity 700%, creation of a fibre optic and communications company and power distribution system automation. Mr. Kulchycki has participated on various working groups with the Electricity Distributors Association, advisory groups for Hydro One and currently sits on the Board of Directors for the Ontario Waterpower Association.

Margaret Maw, Chief Financial Officer

Margaret Maw is originally from Mississauga, relocating to Huntsville in 1989. She received her Honor's Bachelor of Science degree from the University of Toronto in 1983 and received her Certified General Accountant designation in 1997. Mrs. Maw started her finance career with Labatt's Ontario Breweries where she gained experience in costing and general accounting. She was then hired as the Cost Accountant at Domtar Decorative Panels in Huntsville in 1989. During her 15-year tenure with Domtar (now Panolam Industries), she held various positions in the Finance area, culminating in the position of Controller. Mrs. Maw was a member of the US mergers and acquisitions team, developing models and processes for due diligence, assisted in financing decisions and financial restructuring, ERP software implementation lead, streamline business processes and implemented effective internal control procedures. In September of 2004, Mrs. Maw joined Lakeland Holding in the position of Chief Financial Officer where she has been the financial lead on $45 M in generation upgrade projects, $10 M in generation company acquisitions as well as a three company merger. She has sat on a number of working groups with the Ontario Energy Board including the Cost Allocation Advisory Team, 3rd Generation Incentive Regulation Mechanism group and Regulatory Filing Standards for Return on Equity. Mrs. Maw is currently involved in the International Financial Reporting Standards working group with the Ontario Energy Board and is a mentor with the Chartered Professional Accountants of Canada (CPA). Outside of work, Mrs. Maw volunteers her time with JDRF, Huntsville Hospice, Huntsville Breast Cancer Support group and The Terry Fox Foundation

Monica Hall, Human Resources and Health and Safety Officer

Monica Hall is originally from Alberta, relocating to Ontario in 1986. She received her Bachelor of Business Administration from the University of Alberta and many years later a Bachelor of Liberal Arts in History from Nipissing University in 2006 -- just for the love of learning. Monica's Human Resources career began with the City of Edmonton in various departments including Wage and Salary, Labour Relations, Recruitment, Edmonton Power and Edmonton Telephone before relocating to Calgary. In Calgary, Monica was the Human Resource Manager for Canadian Marine Drilling, a subsidiary of Dome Petroleum, and their oil and gas off shore operations. Monica had HR responsibility for everything above the 60th parallel. Canmar had a base camp of 400 employees, 4 Drill Ships, 13 Supply vessels and 1 Icebreaker at Tuktoyaktuk NWT. After relocating to Ontario, Monica worked as a Human Resources Manager for a division of General Electric Nuclear Energy division, San Jose California, supplying in-core safety equipment for CANDU reactors. Monica relocated to Huntsville as the Vice President of Human Resources for an automotive after-market supplier where she was on the Executive Team that grew the business from 150 to over 650 Team Members in Canada and the United States. Monica has sat on several working groups that dealt with local employment and women in business. Monica has been both a responder and the Chair of the Board for Muskoka Victim Services. She has 2 amazing sons – one of whom serves in the Air Force doing Search and Rescue and the other who is a Sports Writer.

Appendix I Appendix 2-AC Customer Engagement

File Number:	EB-2018-0050
Exhibit:	1
Tab:	
Schedule:	
Page:	
Date:	31-Aug-18

Appendix 2-AC
Customer Engagement Activities Summary

Provide a list of customer engagement activities	Provide a list of customer needs and preferences identified through each engagement activity	Actions taken to respond to identified needs and preferences. If no action was taken, explain why.
CUSTOMER COMMUNICATION		
Customer Care (phone calls, emails, walk-in)	Have identified a need to provide customers with more education on the price/cost of their bill, understanding and relating to their billed amount, how can they have some impact on their bill, having more readily available information with regards to their bill, usage, and conservation information. Also identified a need for improved e-billing and self-serve options.	In 2014 began annual bill inserts to educate customers on common customer care Q&A, industry news, and conservation. In 2014 & 2017, improved online portal software was purchased allowing customers more readily accessible information about their account, billing history, and usage. Allows for better understanding and management of usage and lower bills further enhancing customer education and control over usage. Improvements to e-bill notifications including distinction between billed amt, EPP amount, and account balance provided more clarity. E-Billing and account updates available online.
In-Person Customer Service	Through our ongoing customer care feedback, community sessions and face-to-face community engagement we have identified that our customers are used to the intimacy offered through a small community. They have expressed for continued in-person service. They like the personal touch offered by small local businesses, they want to be able to speak with a live person. This preference was very strong for our Parry Sound community after the 2014 merger.	To accommodate out customers preference for in person availability, we offer our customers walk-in hours at our offices. In order to increase productivity and efficiencies in office procedures, we scaled back our hours open to the public but have remained open once a week to accommodate those who prefer coming in person. We merged with Parry Sound Power in 2014, and the Parry Sound customer base expressed interest in keeping its local hydro office open to the public. Lakeland Power has spent considerable time and money refurbishing the office in Parry Sound in order to continue offering our customers a personal presence in that municipality. - Capital Investment in Parry Sound office - 2017/2018 -> Keeping our Parry Sound office open as requested by the Town of Parry Sound and its ratepayers required extensive building renovations for safety reasons. -> Our customers are used to the personal touch offered through a small community and small local businesses, so continue to offer our customers walk-in hours at our offices. -> To increase productivity and efficiencies in office procedures, we scaled back our hours open to the public, but have remained open once a week to accommodate those who prefer coming in person. -> Lakeland Power merged with Parry Sound Power in 2014 - Parry Sound customers and shareholders expressed strong interest in keeping its local hydro office open to the public. -> Lakeland Power has spent considerable time and money refurbishing the office in Parry Sound in order to continue offering our customers a personal presence in that municipality.
Staff Training	Through our ongoing customer care feedback, community sessions and face-to-face community engagement we have identified our customers preference for having multiple questions answered in one place.	With customers wanting one-stop information on multiple topics, we have created a more robust website with information and on multiple topics, from billing and payments, to operations, outages, and CDM. We also have mentorship and cross training among our CSR's so they can all answer questions about bills, payments, new services, as well as collections, outage information, and conservation programs. As well, it is expected that all staff have formal training annually in an area related to their work. To that end, we have invested time and dollars to train customer service, operations and conservation staff with; Customer Service Training, Dealing with Strong Customers, Ontario Harris User Group Conference (CIS enhanced functionality training), 2017 - Leadership Training.
Arrears Support	Through in-person calls and contact with our customers through our Collections department, we receive many customer inquiries regarding high bills and assistance with arrears. From this we identified a need for augmented customer care with regards to financial assistance.	- Lakeland Power is sensitive to credit control and works very closely with its customer base to support them, offering and educating them on financial assistance programs such as LEAP and OESP, as well as local community offerings through the Salvation Army, Rotary Club and assorted parishes. - Lakeland Power advertises LEAP and OESP on its website, as well as on its collection notices. Our CSR's also have the numbers for all our community outreach programs to help customers keep control of their hydro bill even during financial difficulties. Lakeland Power's collection department offers customers custom payment arrangements based on the customer's individual situation.
Outage Notification	Through our ongoing customer care feedback, community sessions and face-to-face community engagement we have identified a need for more accurate real-time outage information for our customer during planned and unplanned outages.	Our customers want as much outage information as possible, both business and residential customers. Our increased use of social media; Twitter, Facebook, has allowed us to provide both business and residential customers more up to date outage information. In 2018 we implemented an outage map on our website to provide up to date information on planned and unplanned outages. We are looking to further enhance this feature making it more automated with our SCADA system and AMI head upgrades. We also make use of our auto-dialer (IVR) system to launch calls and emails notifying customers of planned outages, and follow up calls and emails explaining unplanned outages.
SYSTEM UPGRADES		

Auto-Dialer (IVR)	Through our ongoing customer care feedback, community sessions and face-to-face community engagement we have identified a need for getting different kinds of pertinent information out to customers.	Using our IVR system, we are able to reach a targeted or wide range of customers. We notify customers about planned outages, provide follow-up explanations about unplanned outages, provide customer notification regarding scams, as well as updates on CDM programs, and collections information.
System Upgrades - Operations	Unplanned outages can be very costly for some of our large commercial customers when production is interrupted. Unplanned interruptions can also be very damaging to our small businesses and residential customers as well. Through our ongoing customer care feedback, community sessions, face-to-face community engagement, and in person discussion with some of our large commercial customers, we have identified the request for increased reliability and education of outages and reduced outage duration.	- Capital Investment - 2016 onward - SCADA technology as related to its SCADA master system; -> Looking into SCADA enabled switches and fault indicators for the SCADA system -> Smart remotely operable switches to maintain system reliability and system switching for planned/unplanned events -> Allowing for quicker identification of impacted outage areas resulting in quicker restoration times and increased reliability -> Would assist in real time monitoring of load levels within the electrical system, outage map upgrades - Capital Investment - 2019 - 2023 - Line sensor technology; -> Capital investment and possible funding opportunities to enable Lakeland Power to purchase 81 line sensors within 6 networks (our 6 municipalities) -> Better monitoring of phase imbalances that could be corrected reducing losses and stabilizing voltage -> Assist with outage management and improve grid efficiency -> Result in a faster response for trouble calls reducing outage time, and reducing financial loss for industrial customers - Capital Investment - 2018 - 2023 - Innovation Enabling technologies and communication infrastructure -> LPDL ability to incite change on behalf of our customers through innovation, enabling new technologies -> Achievable Potential Study based on the recommendations of the Integrated Regional Resource Plan (IRRP) to address investigate solutions to constraint issues identified in Parry Sound at the Parry Sound TS, level potentially resulting in the deferral of costly upgrades to local distribution and transmission infrastructure. -> Increased reliability through consumer control -> Potential to reduce costs and price through adaptive infrastructure, reduced line loss, increased consumer control of demand, ability to shift load, reduce bill -> Creating smart grid enabled infrastructure for future innovation, virtual net metering (CONTINUED BELOW...)
		- Capital Investment - 2019 -2023 - Voltage conversions -> Eliminate 4kv substations in Parry Sound - reduction in maintenance costs -> Forest St 12.5Kv connection - will provide an alternate tie for F2 feeder at MS5 Parry Sound substation and F2 feeder at MS3 Parry Sound substation - ability to balance loads on these feeders and improve reliability. - Capital Investment - 2019 - 2023 - Advanced Metering Infrastructure (AMI) -> Upgrading the gatekeepers -> Maintains a healthy network, reliable and accurate meter data

System Upgrades - Billing	Customers are more and more aware of privacy and data security with regards to their account data and personal information. Through our customer care contact, we have identified customers growing concerns and interest in how the privacy and security of their data is being handled. Also, Lakeland Power is required to be in compliance with OEB cyber security guidelines. Keeping our network healthy also allows us to address our customer's desire for reliability.	We need to be very cognizant of the cybersecurity movement in our industry. In order to keep up with the latest security and protection protocols in our utility, staying current with version upgrades is critical. Capital Investment - 2019 - 2023 - Advanced Metering Infrastructure (AMI) -> Upgrading the Elster head end software- EnergyAxis Management System (EA_MS) -> The next version of EA_MS has significant improvements in functionality and security requiring hardware as well and operating systems upgrades -> In 2017 we began the process of upgrading our gatekeepers to the latest version. Apart from maximizing accurate data collection, this gatekeeper upgrade to latest Ethernet WIC version is proven to improve the performance of outage reporting. -> Maintains a healthy network, reliable and accurate meter data -> Better data encryption and security - Capital Investment - 2023 - NorthStar CIS upgrade -> 2023 - CIS version upgrades are required to keep our Harris NorthStar CIS current with improved functionality and security -> Better serving customers through quicker responses to inquiries, more intuitive CIS functionality -> Better integrated access and security for customers accessing their accounts online - Investment in cyber security - 2018 - 2023 - Invest time and dollars in cyber security -> Time and productivity to review all systems, gap analysis, comprehensive project management Lakeland Power keeps up to date on new innovation, technology, and the sharing of ideas that could further enhance our reliability through enrollment with EDA, CHEC, and USF memberships. We also volunteer regularly to be part of OEB and Ministry of Energy working groups, and attend industry seminars and conferences to remain current. This level of industry involvement allows us to create a better roadmap for system upgrades and budgeting for systems that may be required.
Tree Trimming	Through our ongoing customer care feedback, community sessions and face-to-face community engagement we have identified our customers request for increased reliability through reduction of outages from trees on lines.	Capital investment - 2014 onwards - Tree trimming; Increased tree trimming cycle in Parry Sound and northern municipalities from 7ys to 6yrs, to help reduce outages due to trees on lines.
INFORMATION SESSIONS		
Customer Information Sessions	Through customer care, community involvement and our customer satisfaction survey, we identified a need for customer education not only on billing and conservation information, but on our operations and capital plans to help them further understand our operational constraints with regards to operating income and expenses. We know that our customers can provide us with valuable feedback on how to direct our capital plans and investments.	- Invested time and dollars - 2016 Customer Information Sessions In 2016 Lakeland Power engaged with its customers through community information session events, with further rates explanation, information on reliability, tree trimming, and system upgrades, and open discussion on what initiatives customers felt would be of value to them and what they would like to see from Lakeland Power's capital plan spending. -> November / December 2016 - Customer Information Sessions took place in, Huntsville, Burk's Falls, Parry Sound and Bracebridge -> Extensively advertised via local media outlets ranging from radio, newspaper adverts, local libraries and town offices -> Included presentations on billing, capital investment and CDM by the Operations Manager, Customer Service Manager and CDM Officer -> Provided customer education on bill breakdown, rates, ebilling, tree trimming, financial assistance, provincial supply mix, Electricity Retailers -> CDM program offerings, highlighted other local business that benefited from the CDM programs, -> ESA, Ontario 1 Call -> Discussed capital projects and asked for input -> Provided explanation on cause of power interruption; defective equipment, adverse weather, foreign interference, loss of supply, helpful link to government bodies -> Requested customer feedback on; presentations, bills, capital investments -> CEO, CFO, COO, Human Resources Officer, Financial Controller all attended to ensure all customer questions and suggestions could be addressed

Large User Information session	Through customer care, community involvement and conversation with our large customers, we identified a need for increased system reliability, understanding their bills, and for us to understand their unique needs. It was further identified that this particular customer segment requires more information on funding resources available to this sector.	On December 3, 2015, Lakeland Power hosted a Large Customer information session and lunch to learn more about the needs and preference of Lakeland Powers large customers to inform the development of our distribution and capital plan. - Attendees included Shareholders, Board members and senior management. - The Large User group representation range included; Municipal, Health Care, School Boards and Manufacturing. - The meeting included presentations from Lakeland Power's conservation department to discuss Save on Energy programs and future initiatives, presentations from the IESO Regional Planning Committee, Presentation from Operations Manager with an overview of the Capital Plan. -> Provided customer educated on bill breakdown, rates, ebilling, tree trimming, financial assistance, provincial supply mix, Electricity Retailer -> IESO regional planning seminar re-electricity costs -> CDM program offerings, highlighted other local business that benefited from the CDM programs, - High Performance New construction as a way to reduce bills -> Instrumental in providing an open dialogue with the IESO allowing a clearer understanding on the energy sector; regulatory, distribution, regional Lakeland Power constraints (TS between Parry Sound & Waubaushene) -> Q & A session resulting in IESO asking Lakeland Power to conduct the Achievable Potential Study for the Parry Sound Waubaushene area - 2018-2019 -> Reviewed system reliability and performance, examined and identified potential mitigation measures
Class A Education Session	Through responses to Class A opt-in letters mailed out to all Class A eligible customers, customers responded wanting; better understanding of the ICI initiative, forecasted GA savings, more information on peak saving opportunities	Although our communities are small, we do have some larger industrial customers as well. Lakeland has actively engaged these customers through a large user session, as well as a small targeted gathering of eligible Class A customers to discuss Class A opportunity and battery storage, leading to large savings on their invoices. We are pleased to be able to say all of our Class A eligible customers have opted in due to our due diligence in perusing and educating them on the benefits. - Invested time and dollars - 2017 Class A Customer Session -> Thursday May 25th 2017, information session on opting-in as a Class A Customer -> Partnering with the IESO, session was to ensure all information regarding Class A and potential ICI program were communicated effectively and efficiently -> Providing information and resources to these customers, ensuring all sectors are aware of what is available to them -> All eligible customers; Lofthouse Brass - Burk's Falls, Uponor Infra - Huntsville, Gravenhurst Plastics - Bracebridge, West Parry Sound Hospital - Parry Sound, Fenner Dunlop - Bracebridge all elected to opt-in after receiving information at the session and in-person follow-up afterwards. - Invested time - throughout 2017 working with each Class A customer regarding (ICI) -> Proactively visited eligible customers in person at their business -> Discussed IESO initiatives - Class A peak shaving opportunities -> Working with our customers and third party AMP Solar to provide peak shaving solutions
South Georgian Bay Muskoka Regional Planning (IESO) meeting	Lakeland Power worked closely with the Regional Planning working group to ensure Lakeland Power's customers were represented and had a voice to the IESO with regards to reliability and growth constraint issues in this area.	South Georgian Bay Muskoka Regional Planning (IESO) meeting September 26 2016 - attendees - Committee Mayor Bob Young, Hydro One, Lakeland Power, IESO, Power Stream, Orillia Power, Midland, Veridian, Lakeland Power's Operations Manager and Vice President attended and contributed to all planning sessions. - Future capital expense - Achievable Potential Study -> Since the final South Georgian Bay Muskoka Regional Infrastructure Plan (RIP) report was submitted - August 2018, Lakeland Power has been asked by the IESO to lead the next level of the Achievable Potential (APS) study for the Parry Sound / Muskoka region between Parry Sound and Waubaushene -> This study will ensure that not only the IESO and LDCs are on the same level of understanding of the restraints in Lakeland Power's service area, but just as important, our customers.
COMMUNITY ENGAGEMENT		

Ongoing Community Support	From our Customer Satisfaction Surveys, engaging with customers at community events and on a personal level within our communities (in the grocery store, at the kids soccer game, social gatherings) we have identified that our customers feel our involvement and presence in the community is important.	Our municipalities have their own unique charm, character and identity which Lakeland Power embraces and tries to preserve with its presence and customer engagement. We sponsor many local youth sports leagues and other community programs (see Community Sponsorship). We provide public school safety and conservation information sessions. We organize food drives and donate to local shelters. We have made social service contributions over and above LEAP and getting into the community with customer information sessions. Lakeland tries in all ways to contribute to community health. The employees of Lakeland Power make up part of the small communities we serve giving us a vested interest in the health and welfare of our residents and the local economy. As Lakeland Power staff are part of the friends and families that make up our local culture, we are always giving and receiving feedback on Lakeland Power's community involvement as well as listening to what's going on and using that customer voice to adapt our business processes and plans. We volunteer together, chat to each other in line at the grocery store, and see each other at local events and social gatherings. Lakeland Power is constantly engaged with its customers because we are its customers.
School Visit	Through feedback from customer care, the customer satisfaction surveys and conversations with the local school boards, we identified a need for Lakeland Power to be part of the communities it serves. Schools felt kids should know more about safety and conservation, wanted to include conservation and electrical safety within their curriculum.	Invested time - local school presentations. Lakeland Power Conservation Officer and Engineer Technician presented for local schools on safety and conservation in the class room setting and sometimes outside at the local generation plant.
Community Sponsorship	Customers are more and more aware of privacy and data security with regards to their account data and personal information. Through our customer care contact, we have identified customers growing concerns and interest in how the privacy and security of the	- Invested dollars - Sponsorship in the communities we serve; -> As Lakeland Power staff are part of the friends and families that make up our local culture, we are always giving and receiving feedback on Lakeland Power's community involvement as well as listening to what's going on and using that customer voice to adapt our business processes and plans. We volunteer together, we chat to each other in line at the grocery store and see each other at local events and social gatherings. Lakeland Power is constantly engaged with its customers because we are its customers. -> Lakeland Power continues to contribute annually to many local institutions in all six of its municipalities. -> In 2017, we contributed over 9K to; Parry Sound Town- Sound of Winter, Bracebridge Business Improvement- Fire & Ice Festival 2017, Muskoka Hornets Baseball, Huntsville Festival of the arts - Willy Wonka, Bracebridge Hockey novice bears, Parry Sound Festival of the Sound, Parry Sound Area Annual Gala, Huntsville Theatre Company, No Good Productions - wrestling, Huntsville Soccer Club, Huntsville Festival of the arts - Platinum, Membership 2017, Orillia Hawks Girls Hockey, Parry Sound Dragon Boat Festival, Parry Sound Friendship, Magnetawan Soap Box Derby, Parry Sound Georgian Nordic Race Team , Old-timers Benefit Hockey Campaign, Parry Sound Town of - Soap Box derby, Huntsville Chamber of Commerce - Mayor's golf tour., Rotary Club of Huntsville - TV-internet auction, Opening Doors for the Young Women of Muskoka, Bracebridge Business Improvement- Fire & Ice Festival 2018, Muskoka Stretchers 2018
Ongoing Customer Engagement / Events	Through feedback from customer care, the customer satisfaction surveys and conversations with the local school boards, we identified a preference for Lakeland Power to be part of the communities it serves.	Since 2015 Lakeland Power has taken part in a large number of events and community engagements, from Home and Cottage shows to General customer information sessions. This engagement has always been important to Lakeland and we strive to expand our participation in community events. Many of Lakeland employees attend these events with their families as we are all part of a close community. At each of the events Lakeland gains more information about its customers and is able to communicate Conservation and safety at many different levels whilst also answering questions regarding rates, infrastructure and general billing enquiries. Some of the events listed included Lakeland Powers bucket truck rides and Conservation tent. Combined Lakeland was able to reach out to children and adults alike. May 2015 - Home and Cottage Show - Parry Sound, May 2015 - Family Picnic - Bracebridge, June 2015 - Canada Day - Sundridge, July 2015 - Rotary Dock Fest - Huntsville, July 2015 - Santa fest - Bracebridge, July 2015 - Canada Day - Bracebridge, July - Canada Day - Huntsville, July 2015 - Huntsville Place Mall - Home and Cottage general information, September 2015 - Huntsville Fall Fair, September 2015 - Bracebridge Colourfest, Sep 2015 - Magnetawan Fall Fair, September 2015 - Bracebridge Fall Fair, May 2016 - Family Picnic Bracebridge, June 2016 - Parry Sound Open Streets, June 2016 - Band on the Run - Huntsville, July 2016 - Rotary Dock Fest - Huntsville, July 2016 - Santafest - Bracebridge, July 2016 - Home and Cottage Show, September 2016 - Huntsville Fall Fair, June 2017 - Parry Sound Open Street, June 2017 - Senior Wellness Fair, July 2017 - Canada Day Burk's Falls, July 2017 - Canada Day - Magnetawan, July 2017 - Santafest, November 2017 - Green Energy Event
Networking Events	Conversations with local contractors and small businesses in early 2015 recommended that Lakeland Power attend more networking events.	Lakeland Power has become a member of all local Chambers -> This has allowed Lakeland Power to channel communication via e-blasts , and attend networking events. -> In 2016 Lakeland Power collaborated with another local business and had an open house. -> During this open house Lakeland Power's staff were able to discuss any problems/concerns and accomplishments. -> Lakeland Power continued to work with local Chambers.

CONSERVATION INITIATIVES		
SaveOnEnergy General Marketing	Through our customer care feedback from residential and small business customers, as well as through general conversations with contractors, our energy manager, our own staff, we have learned that they, as well as our Shareholders / Municipalities were asking for details, and more information on Save on Energy programs and funding programs for home and business assistance.	A large part of a small community's health and charm is its small businesses. Lakeland Power works very closely with its very seasonal local shops and owners to ensure they stay in business. Payment plans and close active involvement with rolling out all available small business CDM incentive offerings is a priority for us. - Invested time and dollars - to increase CDM activity in each of the municipalities -> Resulting in Lakeland Power reaching 74% of its target at midterm (@2018) -> By engaging our customers our verified results show; 11748279 kWh net energy savings -> Started the cheque presentation program in 2016, a great success. It's helping by developing our social media outreach and has educated our customers on what other Lakeland Power customers were achieving. -> Customers also appreciate the in-person interaction with Lakeland Power employees (ranging from the CEO, CFO, COO and operation team). -> We enhanced the cheque program to include a survey. This survey will take place after the cheque presentation has taken place and will be in person. This survey will include not just conservation but safety, operations, and customer service and provide an open conversation. -> Lakeland Power also offers an Energy Manager to assist customers on potential SaveOnEnergy opportunities. (CONTINUED BELOW)
		Lakeland Power has always seen the importance of providing up-to date, relevant information to its customers. Launching into the Conservation First Framework, to meet the needs of our customers, we decided to take a slightly different approach to conservation engagement. Moving into all areas of engagement including; radio, print material, press releases, paper adverts, social media, improved website, information sessions, site visits. Below we have listed a sample of marketing efforts: August 2015 - Small Business Lighting, Newspaper Ads, August 2015 - What's Up Geotagging - Muskoka, August 2015 - Moose FM SaveOnEnergy, August 2015 - Huntsville Lake of Bays Chamber of Commerce - Small Business Lighting, August 2015 - North Star Beacon - SaveOnEnergy, August 2015 - What's Up Muskoka - Peak Saver, August 2015 - Bracebridge Chamber of Commerce Small Business Lighting, August 2015 - Weekender - Peak Saver advert, September 2015 - Moose FM Radio Ad - Coupons ads. October 2015 - SaveonEnergy Coupon Paper ads in Huntsville, Bracebridge, Parry Sound, Burk's Falls, Sundridge and Magnetawan, April 2016 - Coupon Newspaper Ads, April 2016 - E-Sign for Coupons, May 2016 - E-Sign for Kilowattway.ca, June 2016 - School - SOE Presentation, October 2016 - Coupon in-store Parry Sound, October 2016 - Coupon in-store Burk's Falls, October 2016 - Coupon in-store Sundridge, October 2016 - E-Sign coupons, December 2016 - Bill Insert - HAP, December 2016 - SBL Press Release, April 2017 - Coupon Newspaper Ads, April 2017 - E-Sign coupons, June 2017 - Tips sheets for SOE bags / giveaways, August 2017 - HAP Bill Insert, October 2017 - Coupon Newspaper ads, October 2017 - E-Sign for coupons
SaveOnEnergy Customer Contact	- During the development of the CFF marketing plan, the importance of face to face meetings became apparent. - Lakeland has always made the CDM officer / administrator available to its customers to answer questions and to assist when needed. We started to become aware that our customers want us to go to them.	- 2016 - Lakeland Power reached out directly to its customers via personal phone calls - Invested time and dollars - direct customer contact -> From the 2016 outreach, meetings were set up to discuss customer needs and wants making sure that the customers understood the programs available to them. -> We provide start to finish assistance with any application -> Please note that this represent all customer sectors. -> To ensure Lakeland Power staff are educated on SaveOnEnergy programs, internal information sessions take place - ensures that not only does our customer service team have the required information to share with the customer, but the lines staff and engineering teams also have the knowledge. -> Working with local contractors Lakeland Power ensures that current, accurate details are communicated to its customers via this important outlet. Lakeland Power offers training to local contractors on all SaveOnEnergy programs. -> Lakeland Power is on target to meet its CDM mandate ahead of schedule primarily because of the consistent messaging and communication with our customers on the programs available to them. -> Lakeland's team also represents Lakeland Residential customers.
Roving Energy Manager	Both residential and business customers requests for assistance with CDM offerings; available programs, requirements, paperwork	Investment in REM - with CHEC -> REM performs site visits, assesses sites for potential energy savings, reports to the utility -> Has assisted with meeting 70% of our CDM targets ahead of schedule -> Assists in meeting customer CDM needs
ONLINE COMMUNICATION		

Website	Through our ongoing customer care feedback, we have identified a need to provide customers with more easily accessible information on billing, operations, conservation, and self-serve options. We also identified a need for dissemination of outage information as well as consumer notifications.	Capital investment - 2016/2017 - Lakeland Power website development; -> More robust billing section including bill breakdown, conservation information, financial assistance options. -> Conservation information; SaveOnEnergy, Links for grants and funding resources -> Safety - Call Before you Dig -> Time of Use Holiday times and rates -> More robust self-serve section - residential & commercial -> Contractor compliance & Call Before you Dig -> Outages and safety -> Financial assistance options; OESP, LEAP, Community resources -> Corporate information; Scorecard, Policies and Regulatory info, Lakeland Power mission & vision -> Community session materials -> 'How are we doing' chat function -> Latest News rolling banner displaying notifications regarding scams, outages The website is a dynamic environment where we make changes on an ongoing basis; updating information and making changes based on customers needs and preferences. - The Lakeland Power website development started in 2016 and has gone through many stages to ensure that the information wanted by our customers is actually the information we provide. The first website was launched early 2016. -- - The Lakeland Power team felt that after the customer information sessions that took place in November 2016, the website required more details on customer programs and needed to reflect the customer more. Therefore, the website was re-developed and launched in 2017, with a fantastic response. The website is not static and is constantly updated to reflect the voice of the customer. New functions include; direct question survey (How are we doing?) Outage Map, Online Billing details, Self-Service functions, information for financial assistance, links to funding opportunities, social media live feed, links to conservation program information, Latest News blog, and much more.
Online Portal	Through our ongoing customer care, we have identified a need to provide customers with more readily available information with regards to their bill, usage, and conservation information. Also identified a need for improved e-billing and self-serve options.	Capital Investment 2014 & 2017 - improved online portal; customers can more readily access their information; billing history and usage. Allows for better understanding and management of usage and lower bills. Further enhances customer education and control over usage. Self-serve options on the portal allow customers to go paperless and sign themselves up for e-Billing as well as update their account information.
Facebook Live Event	From our community sessions, we identified a need to reach out to customers of different demographics in different ways.	- Invested time and resources - March 2018 Facebook Live Event. We felt this was a new and different method of communicating with our customers. -> Discussed billing, rates, CDM, operations and capital projects -> Live Q & A for customers while streaming
E-Blasts	From our community sessions, we identified a need to reach out to customers of different demographics in different ways.	- Invested time and resources - e-Blasts -> Information updates as required, outage notification, non-scheduled outage post update (causes/remedies) , scam notifications , tree trimming notifications, conservation Initiatives -> Chamber of Commerce e-Blasts for customer events
Social Media	Through our ongoing customer care feedback, face-to-face community engagement, we identified our customers preference for current information events, industry happenings, outages, CDM program information, conservation initiatives. Additionally, at our and community information sessions it was identified that Lakeland's diverse customer group requires different communication outlets; participation was lower in certain municipalities and higher in others. The customer voice identified via customers questions & feedback at the sessions, was to offer more information via the Lakeland Power website, social media and events	Invested time and dollars - enhanced Social Media presence ->Lakeland Power has increased use of social media, 2015/2016 - employed a social media specialist to manage our social media posts and replies, and to assist in engaging our customers using an electronic method, linking communications back to our website, all to help enhance the customer education requested by our customers on the topics mentioned in this summary. -> Offering wider penetration to residential and business customers; Twitter, Facebook, Hootsuite -> Conservation, outage and scam notification posts (example: Pushed out information on Electrical Inspection Scam) -> Created a new social media policy -> Posts highlighting; customer events, CDM programs, outage notices, regulatory notices, safety, community events -> Time of Use Holiday times and rates -> Reduced call volume from 2015 to 2017 as it's been more heavily used - Since 2014 Lakeland Powers' social media efforts have developed. This is another resource for Lakeland Power's diverse customer group. Late 2017 Lakeland Power identified via general conversations with not only customers but also Lakeland Power staff, that trying Facebook live might be a good channel for communication. Early 2018 Lakeland Power held its first Facebook Live event covering Operations, Customer Service and CDM. This outlet allowed customers to talk to us during the event. It was a great success. Without taking the steps to understand what the customer wants, Lakeland Power would never have identified this.
INDIRECT CUSTOMER COMMUNICATION		

Print Media	Customers expressed their desire for more information on when and how they can reach us directly over the holiday season	- Investment in time and dollars - print media -> Local newspaper ads for Christmas hours of operation to ensure customers know when they can contact us directly during the extended holiday period. -> Lakeland Power also sends bill inserts to educate our customers on upcoming events; community sessions, CDM program information, and our yearly Customer Education insert in which we answer some of the more common questions our CSR's answer on a daily basis; bill breakdown, loss factor, debt retirement, rate explanations.
Bill Inserts	Through our ongoing customer care contact, we have identified the need for customer education on energy literacy, and a desire for CDM program information, .	- Invested time and dollars - 2014 (and onwards) - annual bill insert -> provides customer education, billing & conservation information to reduce bills -> 2014 Efficiency Tips and Tools - Saving on Energy at Home -> 2015 Info on E-Billing - giving customers increased information to help them budget better, pay bills sooner, avoid collections fees -> 2016 Rates breakdown and reference to newly developed website (see Website section below) -> 2017/18 Billing info & Facebook Live even
Customer Satisfaction Survey	- Customer Satisfaction Surveys of our low-volume customers have been conducted by a third party RedHead Media. These surveys allow us to assess our performance and identify where we can improve and what we are doing well. - We have been able to identify price, reliability, customer service, system upgrades, customer education, and community involvement as areas of importance to our customers. - There are opportunities improve in many of the areas including outage management, improved customer education, and continued community involvement.	Lakeland has used the survey results to assist in making decisions on which areas to focus on for improvements. Education bill inserts, the new website, improved online portal, and increased social media presence have all been driven from information and data from the surveys. - Increased efficiencies through operational and billing system upgrades have also taken direction from our customers desire for increased reliability. - We have had our third party provider RedHead media provide a customer engagement report which we can work from to help direct our improvement initiatives
ESA Survey	Invested time and dollars - ESA Survey -> 2016 Electrical Safety Survey - Completed by RedHead Media. Overall, the results showed that our customer had a good knowledge of of electrical safety.	Although the survey results indicated our customers have a good knowledge of electrical safety, for Lakeland Power safety is at our core. We will keep being proactive about safety, ensuring there is safety information on our website and continue with our safety information in schools and community events. We are also looking at safety videos on the website as a method of education.
INNOVATION		
Innovation Ideas	In conversation with our municipalities, some shareholders have expressed an interest in innovative technologies. - The Town of Bracebridge asked us to help install level 3 charges (fast chargers) as a solution to affordability control and demand - Local businesses have asked us about the possibility of EV's for their businesses - The Town of Huntsville as indicated through their Sustainability Report - energy, generation, environment are important to them - Town of Parry Sound have confirmed interest in net metering and virtual net metering	- Looking into EV's - 2018/2019 -> We are assisting the Town of Bracebridge to investigate EV chargers -> Tesla have agreed to give us charging stations - LPDL have been working with them - not a strong enough business case yet -> Local business interested in this too - Reviewing net metering and virtual net metering regulations -> Assisting Town of Parry Sound in their interest to make a contribution to clean renewable for the Ontario grid - Coast Guard (Parry Sound) -> Involved in impact assessment for Coast Guard -> Net Metering set-up at the Parry Sound location - Line sensor technology; -> Better monitoring of phase imbalances that could be corrected reducing losses and stabilizing voltage -> Assist with outage management and improve grid efficiency -> Result in a faster response for trouble calls reducing outage time, and reducing financial loss for industrial customers - Innovation Enabling technologies and communication infrastructure -> LPDL ability to incite change on behalf of our customers through innovation, enabling new technologies -> Increased reliability through consumer control -> Potential to reduce costs and price through adaptive infrastructure, reduced line loss, increased consumer control of demand, ability to shift load, reduce bill -Lakeland Power has been asked by the IESO to lead the next level of the Achievable Potential (APS) study for the Parry Sound / Muskoka region between Parry Sound and Waubaushene -> This study will ensure that not only the IESO and LDCs are on the same level of understanding of the restraints in Lakeland Power's service area, but just as important, our customers.

Appendix J List of Approvals

File Number:	EB-2018-0050
Exhibit:	
Tab:	
Schedule:	
Page:	
Date:	

Appendix 2-A
List of Requested Approvals

The distributor must fill out the following sheet with the complete list of specific approvals requested and relevant section(s) of the legislation must be provided. All approvals, including accounting orders (deferral and variance accounts) new rate classes, revised specific service charges or retail service charges which the applicant is seeking, must be separately identified, as well being clearly documented in the appropriate sections of the application.

Additional requests may be added by copying and pasting blank input rows, as needed.

If additional requests arise, or requested approvals are removed, during the processing of the application, the distributor should update this list.

Lakeland Power Distribution Ltd. is seeking the following approvals in this application:

1		Approval to charge distribution rates effective May 1, 2019 to recover a service revenue requirement of $8,340,985 which includes a revenue sufficiency of $344,504 as detailed in Exhibit 6. The schedule of proposed rates is set out in Exhibit 8.
2		Approval to continue to charge the currently approved rates for former Parry Sound Service Area (“PSP”)from EB-2017-0058 that commenced January 1, 2018 until April 30, 2019 in order to facilitate rate harmonization on the same rate year (May 1)
3		Approval to harmonize distribution rates and Specific Service Charges for the former LPDL and former PSP service areas as set out in Exhibit 8
4		Approval to adjust the Retail Transmission Rates – Network and Connection as detailed in Exhibit 8
5		Approval of the proposed loss factors as detailed in Exhibit 8
6		Approval of the Specific Service Charges, a merging of the currently approved charges into one schedule, as outlined in Exhibit 8

7		Approval to charge the Board's updated Pole Attachment Charge, effective January 1, 2019
8		Approval of the rate riders for disposition of the Group 1 and Group 2 and Other Deferral and Variance Accounts as detailed in Exhibit 9
9		Approval of the rate rider for a one year disposition of the Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA") for lost revenue as set out in Exhibits 4 and 9
10		Approval of Distribution System Plan as outlined in Exhibit 2
11		Approval of a revised MicroFit monthly service charge as outlined in Exhibit 3 and 8

Appendix K OEB Checklist

2019 Cost of Service Checklist

Lakeland Power Distribution Ltd.

EB-2018-0050

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Filing Requirement Page # Reference		Yes/No/N/A	Evidence Reference, Notes
GENERAL REQUIREMENTS			
Ch 1, Pg. 2	Certification by a senior officer that the evidence filed is accurate, consistent and complete	Yes	1.4.8
Ch 1, Pg. 3	Confidential Information - Practice Direction has been followed	Yes	1.4.9
Ch 2, Pg. 1	Statement identifying all deviations from Filing Requirements	Yes	1.4.14
2	Chapter 2 appendices in live Microsoft Excel format; PDF and Excel copy of current tariff sheet	Yes	All
3	If applicable, late applications filed after the commencement of the rate year for which the application is intended to set rates is converted to the following rate year.	Yes	N/A
3	Aligning rate year with fiscal year - request for proposed alignment	Yes	1.4.10
5	Text searchable and bookmarked PDF documents	Yes	All
5	Links within Excel models not broken and models names so that they can be identified (e.g. RRWF instead of Attachment A)		
5	Materiality threshold; additional details beyond the threshold if necessary	Yes	1.1
16	Proposal for disposition of any balances in existing DVAs for renewable generation and smart grid development, if applicable	N/A	
6	State accounting standard(s) used in historical, bridge and test years. Provide a summary of changes to its accounting policies made since the applicant's last cost of service filing. Identify all material changes or confirm no material changes in the adoption of IFRS. Appendix 2-Y	Yes	1.4.13
RESS Guideline	Two hardcopies of application sent to OEB the same day as electronic filing (p10 of RESS Guideline)		
EXHIBIT 1 - ADMINISTRATIVE DOCUMENTS			
Table of Contents			
6	Table of Contents listing major sections and subsections of the application. Electronic version of application appropriately bookmarked to provide direct access to each section	Yes	Ex 1 - 1.1
Executive Summary			
6	Summary identifying key elements of the proposals and the Business Plan underpinning application, as guided by the Rate Handbook including plain language information about its goals	Yes	1.3
Administration			
6	Brief but complete summary of the application that will be posted as a stand-alone document on the OEB's website for review by the general public and be made available to customers of the applicant	Yes	to follow after application is submitted
6 & 7	Primary contact information (name, address, phone, fax, email)	Yes	1.4.2
7	Identification of legal (or other) representation	Yes	1.4.2
7	Applicant's internet address for viewing of application and any social media accounts used by the applicant to communicate with customers	Yes	1.4.3
7	Statement identifying customers materially affected by the application including any change to any rate or charge and specific statement of what individual customer or customer groups would be affected by the proposed change	Yes	1.4.4
7	Statement identifying where notice should be published and why	Yes	1.4.5
7	A list of one ore more accessible community-based venues for each non-contiguous area that the utility serves	Yes	1.4.6
7	Bill impacts - distribution only impacts for 750 kWh residential and 2000 kWh GS<50 (sub-total A of Tariff Schedule and Bill Impact Spreadsheet Model) to be used for notice; proposed bill impacts based on alternative consumption profiles and customer groups as appropriate given consumption patterns of a distributors customers	Yes	1.4.11
7	Form of hearing requested and why	Yes	1.4.12
7	Requested effective date	Yes	1.4.13
7	Statement identifying and describing any changes to methodologies used vs previous applications	Yes	1.4.15
8	Identification of OEB directions from any previous OEB Decisions and/or Orders. The applicant must clearly indicate how these are being addressed in the current application (e.g., filing of a study as directed in a previous decision)	Yes	1.4.16
8	Reference to Conditions of Service - LDC does not need to file Conditions of Service, but must provide reference to website and confirm version is current; identify if there are changes to Conditions of Service (a) since last CoS application or (b) as a result of the current application. Confirmation that there are no rates and charges linked in the Conditions of Service that are not in the distributor's Tariff of Rates and Charges must be provided	Yes	1.4.17
8	Description of the corporate and utility organizational structure, showing the main units and executive and senior management positions within the utility. Include a corporate entities relationship chart, showing the extent to which the parent company is represented on the utility company's Board of Directors and a description of the reporting relationships between utility and parent company management. Also include any planned changes in corporate or operational structure, including any changes in legal organization and control	Yes	1.4.18

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Filing Requirement Page # Reference		Yes/No/N/A	Evidence Reference, Notes
8	List of approvals requested (and relevant section of legislation), including accounting orders - a PDF copy of Appendix 2-A should be provided in this section	Yes	1.4.19
Distribution System Overview			
8	Description of Service Area (including map, communities served)	Yes	1.5.1
8 & 9	Description of whether the distributor is a host distributor and/or embedded distributor. Identification of embedded and/or host distributors; if partially embedded provide %load from host distributor. If the distributor is a host, the applicant should identify whether there is a separate Embedded Distributor customer class or if any embedded distributors are included in other customer classes such as GS > 50 kW	Yes	1.5.2
9	Statement as to whether or not the distributor has had any transmission or high voltage assets deemed by the OEB as distribution assets and whether or not there are any such assets the distributor is seeking approval for in this application	Yes	1.5.3
Application Summary			
At a minimum, the items below must be provided. Applicants must also identify all proposed changes that will have a material impact on customers.			
9	Revenue Requirement - service RR, increase/decrease ($ and %) from change from previously approved and main drivers	Yes	1.6.2
9	Budgeting and Accounting Assumptions - economic overview and identification of accounting standard used for test year and brief explanation of impacts arising from any change in standards	Yes	1.6.1
9	Load Forecast Summary - load and customer growth, % change in kWh/kW and customer numbers, description of forecasting method(s) used for customer/connection and consumption/demand	Yes	1.6.3
9 & 10	Rate Base and DSP - major drivers of DSP, rate base for test year, change in rate base from last approved ($ and %), capital expenditures requested for the test year, change in capital expenditures from last approved ($ and %), summary of costs requested for renewable energy connections/expansions, smart grid, and regional planning initiatives, any O.Reg 339/09 planned recovery	Yes	1.6.4
10	OM&A Expense - OM&A for test year and change from last approved ($ and %), summary of drivers, inflation assumed, total compensation for test year and change from last approved ($ and %).	Yes	1.6.5
10	Cost of Capital - summary table showing proposed capital structure and cost of capital parameters used in WACC. Statement regarding use of OEB's cost of capital parameters; summary of any deviations	Yes	1.6.6
10	Cost Allocation & Rate Design - summary of any deviations from OEB methodologies, significant changes proposed to revenue-to-cost ratios and fixed/variable splits and summary of proposed mitigation plans	Yes	1.6.7
10	Deferral and Variance Accounts - total disposition (RPP and non-RPP), disposition period, new accounts requested	Yes	1.6.8
10	Bill Impacts - total impacts ($ and %) for all classes for typical customers	Yes	1.6.9
Customer Engagement			
10	Discussion on how customers were informed of the proposals being considered for inclusion in the application and the value of those proposals to customers i.e. costs, benefits, and the impact on rates	Yes	1.7
10	Discussion of any feedback provided by customers and how the feedback shaped the final application	Yes	1.7.1
11	Reference to any other communication sent to customers about the application i.e. bill inserts, town hall meetings or other forms of out reach and the feedback received from customers through these engagement activities	Yes	1.71
11	Complete Appendix 2-AC Customer Engagement Activities Summary - explicit identification of the outcomes of customer engagement in terms of the impacts on the distributor's plans, and how that information has shaped the application	Yes	Appendix 2-AC filed as excel
11	All responses to matters raised in letters of comment filed with the OEB	Yes	1.8
11	Impact of customer engagement activities on the development of the capital plan are to be filed as part of the capital plan requirements in Chapter 5	Yes	DSP
11	Provide relevant customer and local knowledge for (community) meeting planning purposes, preparing presentation and other materials as may be required, attending the meeting and having one or more executives of the distributor available to present the distributor's rate application information and answer customer questions	Yes	1.4.3-1.4.6
11	Required to advertise the OEB's community meeting(s) on a bill insert developed by the OEB in the next available billing cycle following the filing of the application or sooner. The OEB may require the distributor to advertise the meeting(s) through other channels	Yes	1.4.3-1.4.6
Performance Measurement			
12	Discussion of performance for each of the distributor's scorecard measures over the last five years; drivers for its performance, plans for continuous improvement, identify performance improvement targets, forecast of efficiency assessment using the PEG forecasting model for the test year, discussion on how the results obtained from the PEG model has informed the business plan and application	Yes	1.9
Financial Information			
12	Non-consolidated Audited Financial Statements for 2 most recent years (i.e. 3 years of historical actuals)	Yes	Appendix A-D of Ex 1
12	Detailed reconciliation of AFS with regulatory financial results filed in the application, with identification of any deviations that are being proposed	Yes	App E
13	Annual Report and MD&A for most recent year of distributor and parent company, if applicable	Yes	Appendix H of Ex 1
13	Rating Agency Reports, if available; Prospectuses, etc. for recent and planned public issuances	Yes	1.11.4

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			27-Sep-18
13	Any change in tax status	Yes	1.11.5
13	Existing accounting orders and departures from the accounting orders and USoA	Yes	1.11.4
13	Accounting Standards used for financial statements and when adopted	Yes	1.11.5
13	Confirmation that accounting treatment of any non-utility business has segregated activities from rate regulated activities	Yes	1.11.6
Distributor Consolidation			
13	If a distributor has acquired or amalgamated with another distributor, identify any incentives that formed part of the acquisition or amalgamation transaction if the incentive represents costs that are being proposed to remain or enter rate base and/or revenue requirement. A distributor must specify whether any commitments made to shareholders are to be funded through rates	Yes	1.12
13	Description of actual savings as a result of consolidation compared to what was in the approved consolidation application and explanation of how savings are sustainable and the efficacy of any rate plan approved as part of the MAADs application	Yes	1.12

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Filing Requirement Page # Reference		Yes/No/N/A	Evidence Reference, Notes
13	Identify approved ACM or ICM from a previous Price Cap IR application it proposes be incorporated into rate base.	Yes	1.12
EXHIBIT 2 - RATE BASE			
Overview			
14	Completed Fixed Asset Continuity Schedule (Appendix 2-BA) - in Application and Excel format	Yes	2.1.5
14	Opening and closing balances, average of opening and closing balances for gross assets and accumulated depreciation (discussion of methodology if applicant uses an alternative method); working capital allowance (historical actuals, bridge and test year forecast)	Yes	2.2.1
14 & 15	Continuity statements (year end balance, including interest during construction and overheads). Explanation for any restatement (e.g. due to change in accounting standards) Year over year variance analysis; explanation where variance greater than materiality threshold Hist. OEB-Approved vs Hist. Actual Hist. Act. vs. preceding Hist. Act. Hist. Act. vs. Bridge Bridge vs. Test	Yes	2.2.1
15	Opening and closing balances of gross assets and accumulated depreciation must correspond to fixed asset continuity statements. If not, an explanation must be provided (e.g. CWIP, ARO). Reconciliation must be between net book value balances reported on Appendix 2-BA and balances included in rate base calculation	Yes	2.2.1
Gross Assets - PP&E and Accumulated Depreciation			
15	Breakdown by function and by major plant account; description of major plant items for test year	Yes	2.2.1
15 & 16	Summary of approved and actual costs for any ICM(s) and/ or ACM approved in previous IRM applications	N/A	2.2.2
16	Continuity statements must reconcile to calculated depreciation expenses and presented by asset account	Yes	2.2.3
16	All asset disposals clearly identified in the Chapter 2 Appendices for all historical, bridge and test years and if any amounts related to gains or losses on disposals have been included in Account 1575 IFRS - CGAAP Transitional PP&E Amount	N/A	
Allowance for Working Capital			
16	Working Capital - 7.5% allowance or Lead/Lag Study or Previous OEB Direction	Yes	2.3.1
16	Lead/Lag Study - leads and lags measured in days, dollar-weighted	N/A	
16 & 17	Cost of Power must be determined by split between RPP and non-RPP Class A and Class B customers based on actual data, use most current RPP (TOU) price, use current UTR. Calculation must fully consider all other impacts resulting from the Ontario Fair Hydro Plan Act, 2017. Distributors must complete Appendix 2-Z - Commodity Expense.	Yes	2.3.2
17	In consideration of the impact of the Fair Hydro Plan, actual data must be split between Class A and Class B customers (RPP and non-RPP).	Yes	Appendix 2-Z
17	Non-RPP Class B consumption data must be further split between customers eligible for the Global Adjustment (GA) modifier vs. non-eligible. The GA modifier must be applied to eligible customers and a weighted average commodity price must be determined by the split between RPP, eligible non-RPP and non-eligible Non-RPP customers.	Yes	Appendix 2-Z

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Filing Requirement Page # Reference		Yes/No/N/A	Evidence Reference, Notes
17	For customer classes that include Class A customers, distributor must incorporate Class A GA cost by completing the relevant section in Appendix 2-Z	Yes	Appendix 2-Z
17	If a distributor expects test year consumption data to vary significantly, a distributor may provide a forecast of the expected split between Class A and Class B and the expected split between RPP, non-RPP eligible for modifier and non-RPP non eligible for modifier consumption data and provide brief explanation of the forecast	Yes	Appendix 2-Z
Capital Expenditures			
17	DSP filed as a stand-alone document; a discrete element within Exhibit 2	Yes	2.4.1
18	Complete Appendix 2-AB - four historical years must be actuals, forecasts for the bridge and test years; at a minimum, for historical years, applicants must provide actual totals for each DSP category. If no previous plan has been filed, applicants are only required to enter their planned total capital budget in the "plan" column for each historical year and for the bridge year including the OEB-approved amount for the last rebasing year	Yes	2.4.2
19	Distributor that has an approved ACM or ICM from a previous Price Cap IR application must file a schedule of the ACM/ICM capital asset amounts (ie PP&E and associated accumulated depreciation) it proposes be incorporated into rate base. Distributor must provide a comparison of actual capital spending with the OEB-approved amount and provide explanation for variances.	Yes	2.4.5
Policy Options for the Funding of Capital			
18	Distributor may propose ACM capital project coming into service during Price Cap IR (a discrete project documented in DSP). Provide cost and materiality calculations to demonstrate ACM qualification	N/A	2.4.4
18	Distributor must establish need for and prudence of these projects based on DSP information; identification that distributor is proposing ACM treatment for these future projects, preliminary cost information	N/A	
18	Complete Capital Module Applicable to ACM and ICM	N/A	
Addition of Previously Approved ACM and ICM Project Assets to Rate Base			
19	Distributor with previously approved ACM(s) and/or ICM(s) - schedule of ACM/ICM amounts proposed to be incorporated into rate base. The distributors must compare actual capital spending with OEB-approved amount and provide an explanation for variances	N/A	
19 & 20	Balances in Account 1508 sub-accounts, reconciliation with proposed rate base amounts; recalculated revenue requirement should be compared with rate rider revenue	N/A	
Capitalization Policy and Capitalization			
20	Changes to capitalization policy since its last rebasing application as a result of the OEB's letter dated July 17, 2012 or for any other reasons, the applicant must identify the changes and the causes of the changes.	Yes	2.4.6
20	Appendix 2-D complete; identification of burden rates and burden rates prior to changes, if any	N/A	
Costs of Eligible Investments for the Connection of Qualifying Generation Facilities			
21 & 22	Generation Facilities - If applicable, proposal to divide the costs of eligible investments between the distributor's ratepayers and all Ontario ratepayers per O.Reg. 330/09. Request for rate protection exceeds the materiality threshold in section 2.0.8 of the Filing Requirements - Appendices 2-FA through 2-FC identifying all eligible investments for recovery	Yes	2.4.8
Service Quality and Reliability Performance			
22	5 historical years of ESQRs, explanation for any under-performance vs standard and actions taken	Yes	2.4.9

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Filing Requirement Page # Reference		Yes/No/N/A	Evidence Reference, Notes
			27-Sep-18
22	5 historical years of SAIDI and SAIFI - for all interruptions, all interruptions excluding loss of supply, and all interruptions excluding major events. The applicant should also provide a summary of major events that occurred since last rebasing. For each interruption set out in section 2.1.4.2.5 of the RRR, for the last 5 years, a distributor must report on the following data: name of the Cause of Interruption, number of interruptions that occurred as a result of the Cause of Interruption, Number of Customer Interruptions that occurred as a result of the Cause of Interruption, and the Number of customer-hours of Interruptions that occurred as a result of the Cause of Interruption	Yes	2.4.9
22	Explanation for any under-performance vs 5 year average and actions taken	Yes	2.4.9
22	Distributors may propose SAIDI and SAIFI benchmarks different than 5 year average; provide rationale	N/A	
22	Completed Appendix 2-G	Yes	2.4.9
Ch 5 p6	Where applicable, explanation for section headings other than Chapter 5 headings; cross reference table	Yes	All Chapter 5 headings are listed in brackets
Ch 5 p7-8	Distribution System Plan Overview - key elements, sources of cost savings, period covered, vintage of information on investment drivers, changes to asset management process since last DSP filing, dependencies	Yes	2.1
Ch 5 p8-9	Coordinated Planning with 3rd parties - description of consultations - deliverables of the Regional Planning Process, or status of deliverables - IESO letter in relation to REG investments (Ch 5 p9) and Dx response letter	Yes	2.2
Ch 5 p9-11	Performance Measurement - identify and define methods and measures used to monitor DSP performance - summary of performance and trends over historical period. Must include SAIFI and SAIDI for all interruptions and all interruptions excluding loss of supply - explain how information has affected DSP	Yes	2.3
Ch 5 p11	Realized efficiencies due to smart meters -documented capital and operating efficiencies realized as a result of the deployment and operationalization of smart meters and related technologies. Both qualitative and quantitative descriptions should be provided	Yes	2.4
Ch5 p12	Asset Management Process Overview - description of AM objectives/corporate goals and how Dx ranks objectives for prioritizing investments	Yes	3.1
Ch5 p12	Inputs/Outputs of the AM process and information flow for investments; flowchart recommended	Yes	3.1.2
Ch 5 p13	Overview of Assets Managed - description of service area (including evolution of features in forecast period affecting DSP), - description of system configuration - service profile and condition by asset type (tables and/or figures) - date data compiled - assessment of degree the capacity of system assets is utilized	Yes	3.2
Ch 5 p13-14	Asset Lifecycle Optimization - description of asset lifecycle optimization policies and practices, including asset replacement and refurbishment, maintenance planning criteria and assumptions - description of asset life cycle risk management policies and practices, assessment methods and approaches to mitigation	Yes	3.3
Ch 5 p14-15	System Capability Assessment for REG - REG applications > 10 kW, number and MW of REG connections for forecast period, capacity of Dx to connect REG, connection constraints	Yes	3.4
Ch 5 p15	Capital Expenditure Plan Summary for significant projects and activities to be undertaken - capability to connect new load or Gx customers, total annual capex over forecast period by investment category, description of how AMP and Capex planning have affected capital expenditures for each category - list, description and total capital cost of material capital expenditures sorted by category (table recommended) - information related to Regional Planning Process (Needs Assessment Report, Regional Planning Status Letter, Regional Infrastructure Plan - as appropriate) - description of customer engagement - Dx expectations of system development over next 5 years - list, description and total capital cost of projects planned in response to customer preferences, to take advantage of technology based opportunities, to study innovative processes (table recommended)	Yes	4
Ch 5 p16-17	Capital Expenditure Planning Process Overview - description of capex planning objectives/criteria/ assumptions, relationship with AM objectives, policy on consideration of non-distribution alternatives, processes used to identify projects in each investment category, customer feedback and impact on plan, method and criteria used to priorities REG investments	Yes	4.3
Ch 5 p17	Rate-Funded Activities to Defer Distribution Infrastructure -CDM programs that target distributor-specific peak demand reductions to address a local constraint of the distribution system -demand response programs to reduce peak demand in order to defer capital investment -programs to improve the efficiency of the distribution system and reduce distribution losses -energy storage programs whose primary purpose is to defer specific capital spending for the distribution system	Yes	4.3.6 - 4.3.8
Ch 5 p18-19	Capital Expenditure Summary by Investment Category - completed Table 2 of Ch 5 for historical and forecast period, explanation of markedly different variances plan vs actual, explanation of markedly different variances year over year Table 2 of Ch 5 is provided in Excel format in Appendix 2-AB (must provide actual totals for historical years, as a minimum) - Must also complete Chapter 2 Appendix 2-AA, along with explanations of variances by project or category, the proposed accounting treatments, a statement should be provided that there are no expenditures for non-distribution activities in the applicant's budget	Yes	4.4

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Filing Requirement Page # Reference		Yes/No/N/A	Evidence Reference, Notes
Ch 5 p19	Justifying Capital Expenditures -filings must enable OEB to assess whether and how a distributor's DSP delivers value to customers, including by controlling costs in relation to its proposed investments through appropriate optimization, prioritization, and pacing of capital-related expenditures -distributors should also keep pace with technological changes and integrate cost-effective innovative projects and traditional planning needs such as load growth, asset condition and reliability	Yes	4.5
Ch5 p19-20	Overall Plan - comparative expenditures by category over historical period, forecast impact of system investment on O&M, drivers of investments by category, information related to Dx system capability assessment	Yes	4.5.1
Ch 5 p20-27	Material Investments - For each project that meets materiality threshold set in Ch 2 p5 - general information - total capital, customer attachments, dates, risks, variances, REG investments - evaluation criteria - may include: efficiency, customer value, reliability, etc. - category specific requirements for each project - system access, system renewal, system service, general plant (as applicable)	Yes	4.5.6
EXHIBIT 3 - OPERATING REVENUE			
Load and Revenue Forecasts			
22	Explanation of causes, assumptions and adjustments for volume forecast. Economic assumptions and data sources for customer and load forecasts	Yes	3.2.1
22	Explanation of weather normalization methodology	Yes	3.2.2
22	Quantification of any impacts arising from the persistence of historical CDM programs as well as the forecasted impacts arising from new programs in the bridge and test years through the current 6-year CDM framework by customer class	Yes	3.2.2 and 3.2.3
23	Completed Appendix 2-IB; the customer and load forecast for the test year must be entered on RRWF, Tab 10	Yes	3.2.2 and Appendix B
23 & 24	Multivariate Regression Model - rationale for choice, regression statistics, explanation of weather normalization methodology, sources of data for endogenous and exogenous variables, any binary variables used to either account for individual data points or to account for seasonal or cyclical trends or for discontinuities in the historical data, explanation of any specific adjustments made; data used in load forecast must be provided in Excel format, including derivation of constructed variables	Yes	3.2.2
24	NAC Model - rationale for choice, data supporting NAC variables, description of accounting for CDM including licence conditions, discussion of weather normalization considerations	N/A	
24 & 25	CDM Adjustment - account for CDM in 2019 load forecast. Consider impact of persistence of historical CDM and impact of new programs. Adjustments may be required for IESO reported results which are full year impacts	Yes	3.2.2 and 3.2.3
25	CDM savings for 2019 LRAMVA balance and adjustment to 2019 load forecast; data by customer class and for both kWh and, as applicable, kW. Provide rationale for level of CDM reductions in 2019 load forecast	Yes	3.2.3
25	Completed Appendix 2-I	Yes	Appendix C
Accuracy of Load Forecast and Variance Analyses			
25	Completed Appendix 2-IB	Yes	Appendix B
25	For customer/connection counts - identification as to whether customer/connection count is shown in year end or average format, year-over-year variances in changes of customer/connection counts with explanation of major changes, explanations of bridge and test year forecasts by rate class, for last rebasing variance analysis between last OEB-approved and actuals with explanations for material differences	Yes	3.2.1 and 3.3.1
25 & 26	For consumption and demand - explanation to support how kWh are converted to kW for applicable demand-billed classes, year-over-year variances in kWh and kW by rate class and for system consumption overall (kWh) with explanations for material changes in the definition of or major changes over time (should be done for both historical actuals against each other and historical weather-normalized actuals over time), explanations of the bridge and test year forecasts by rate class, variance analysis between the last OEB-approved and the actual and weather-normalized actual results	Yes	3.2.3 and 3.3.1
26	For revenues - calculation of bridge year forecast of revenues at existing rates, calculation of test year forecasted revenues at existing and proposed rates, year-over-year variances in revenues comparing historical actuals and bridge and test year forecasts	Yes	3.3.1
26	With respect to average consumption, for each rate class, distributors are to provide weather-actual and weather-normalized average annual consumption or demand per customer as applicable for the rate class for last OEB approved and historical, weather normalized average annual consumption or demand per customer for the bridge and test years, explanation of the net change in average consumption from last OEB-approved and actuals from historical, bridge and test years based on year-over-year variances and any apparent trends in data	Yes	3.3.1
Other Revenue			
26 & 27	Completed Appendix 2-H	Yes	3.4.1 and Appendix E

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Filing Requirement Page # Reference		Yes/No/N/A	Evidence Reference, Notes
27	Variance analysis - year over year, historical, bridge and test	Yes	3.4.2
27	Any new proposed specific service charges, or proposed changes to rates or application of existing specific service charges	Yes	3.4.3
27	Revenue from affiliate transactions, shared services, corporate cost allocation. For each affiliate transaction, identification of the service, the nature of the service provided to affiliate entities, accounts used to record the revenue and associated costs (Appendix 2-N)	Yes	3.4.4
28	Distributors must identify any discrete customer groups that may be materially impacted by changes to other rates and charges	Yes	3.4.1
EXHIBIT 4 - OPERATING COSTS			
Overview			
28 & 29	Brief explanation of test year OM&A levels, cost drivers, significant changes, trends, inflation rate assumed, business environment changes	Yes	4.1.4
Summary and Cost Driver Tables			
29	Summary of recoverable OM&A expenses; Appendix 2-JA	Yes	4.2.2
29	Recoverable OM&A cost drivers; Appendix 2-JB	Yes	4.2.4
29	OM&A programs table; Appendix 2_JC	Yes	4.3.2
29	Recoverable OM&A Cost per customer and per FTE; Appendix 2-L	Yes	4.2.3
29	Identification of change in OM&A in test year in relation to change in capitalized overhead.	N/A	
29	OM&A variance analysis for test year with respect to bridge and historical years; Appendix 2-D	N/A	
Program Delivery Costs with Variance Analysis			
29 & 30	Completed Appendix 2-JC OM&A Programs Table - completed by program or major functions; include variance analysis limited to variances that are outliers, between test year and last OEB approved and most recent actuals, including an explanation for each significant change whether the change was within or outside the applicant's control and explanation of why	Yes	4.3.2 and 4.3.4
30	For each significant change within the applicant's control describe business decision that was made to manage the cost increase/decrease and the alternatives	Yes	4.3.4
Workforce Planning and Employee Compensation			
30	Employee Compensation - completed Appendix 2-K	Yes	4.4.4
30	Description of previous and proposed workforce plans, including compensation strategy	Yes	4.4.2
30	Discussion of the outcomes of previous plans and how those outcomes have impacted their proposed plans including an explanation of the reasons for all material changes to headcount and compensation. Explanation for all years includes: - year over year variances - basis for performance pay, eligible employee groups, goals, measures, and review process for pay-for-performance plans, - relevant studies (e.g. compensation benchmarking)	Yes	4.4.2; 4.4.4; 4.4.5 and 4.4.6
30 & 31	Details of employee benefit programs including pensions for last OEB approved, historical, bridge and test; must agree with tax section	Yes	4.4.8
31	Most recent actuarial report on employee benefits, pension and OPEBs	Yes	4.4.9 and Appendix B
31	Accounting method for pension and OPEBs; if cash method, sufficient supporting rationale. If proposing to change the basis in which pension and OPEB costs included in OM&A, quantification of impact of transition	Yes	4.4.9
Shared Services and Corporate Cost Allocation			
31	Identification of all shared services among affiliates and parent company; identification of the extent to which the applicant is a "virtual utility"	Yes	4.5.1
31 & 32	Allocation methodology for corporate and shared services, list of costs and allocators, including any third party review	Yes	4.5.2
32	Completed Appendix 2-N for service provided or received for historical, bridge and test; including reconciliation with revenue included in Other Revenue	Yes	4.5.1 and 4.5.2.2
32	Shared Service and Corporate Cost Variance analysis - test year vs last OEB approved and most recent actual	Yes	4.5.2.1; 4.5.2.2; and 4.5.3.1; 4.5.3.2
32	Identification of any Board of Director costs for affiliates included in LDC costs	Yes	4.5.3
Non-Affiliate Services, One-Time Costs, Regulatory Costs			
32	Purchased Non-Affiliated Services - file a copy of procurement policy (signing authority, tendering process, non-affiliate service purchase compliance)	Yes	Appendix D
32	For material transactions that are not in compliance with procurement policy, or that were undertaken pursuant to exceptions contemplated within the policy, an explanation as to why as well as a summary of the nature and cost of the product, and a description of the specific methodology used for selecting the vendor	Yes	4.6
32 & 33	Identification of one-time costs in historical, bridge, test; explanation of cost recovery in test (or future years). If no recovery of one-time costs is being proposed in the test year and subsequent IRM term, an explanation must be provided	Yes	4.7.1 and 4.7.2
33	Regulatory costs - breakdown of actual and forecast, supporting information related to CoS application (e.g. legal fees, consultant fees), proposed recovery (i.e. amortized?) Completed Appendix 2-M	Yes	4.7.2

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LEAP, Charitable and Political Donations			
33	LEAP - the greater of 0.12% of forecasted service revenue requirement or $2,000 should be included in OM&A and recovered from all rate classes	Yes	4.8.1
33	Detailed information for all contributions that are claimed for recovery	Yes	4.8.1
33	Charitable Donations - the applicant must confirm that no political contributions have been included for recovery	Yes	4.8.2
Depreciation, Amortization and Depletion			
34	Explanations for any useful lives of an asset that are proposed that are not within the ranges contained in the Kinectrics Report	Yes	4.9.3.1
34	Depreciation, Amortization and Depletion details by asset group for historical, bridge and test years. Include asset amount and rate of depreciation/amortization. Must complete Appendix 2-C which must agree to accumulated depreciation in Appendix 2-BA under rate base	Yes	4.9.3.2
34	Identification of any Asset Retirement Obligations and associated depreciation, accretion expense	Yes	4.9.4
34	Identification of historical depreciation practice and proposal for test year. Variances from half year rule must be documented and supporting rationale provided	Yes	4.9.5
34 & 35	Copy of depreciation/amortization policy, or equivalent written description; summary of changes to depreciation/amortization policy since last CoS	Yes	4.9.6 and Appendix D
35	Explanation of any deviations from the practice of depreciating significant parts or components of PP&E separately	N/A	
35	For any depreciation expense policy or asset service lives changes since its last rebasing application: - identification of the changes and detailed explanation for the causes of the changes, including any changes subsequent to those made by January 1, 2013 -use of Kinectrics study or another study to justify changes in useful life - list detailing all asset service lives tied to USoA, detail differences in TUL from Kinectrics and explain differences outside of minimum and maximum TUL range from Kinectrics; Appendix 2-BB	Yes	4.9.3.1
PILs and Property Taxes			
36	Completed version of the PILs model (PDF and Excel); derivation of adjustments for historical, bridge, test years	Yes	Appendix F
36	Supporting schedules and calculations identifying reconciling items	N/A	
36	Most recent federal and provincial tax returns	Yes	Appendix E
36	Financial Statements included with tax returns if different from those filed with application	N/A	
36	Calculation of Tax Credits; redact where required (filing of unredacted versions is not required)	Yes	4.10.1.3
36	Supporting schedules, calculations and explanations for other additions and deductions	Yes	4.10.1.5
36	Completion of the integrity checks in the PILs Model	Yes	4.10.1.6
36	Explanation of how taxes other than income taxes or PILS (e.g. property taxes) are derived	Yes	4.10.2

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Non-recoverable and Disallowed Expenses			
36	Exclude from regulatory tax calculation any non-recoverable or disallowed expenses	Yes	4.10.1.4
Conservation and Demand Management			
37, 38 & 39	LRAMVA - disposition of balance. Distributors must provide new LRAMVA Work Form in a working Excel file and provide the following: - statement identifying the year(s) of new lost revenues and prior year savings persistence claimed in the LRAMVA disposition - statement confirming LRAMVA based on verified savings results supported by the distributors final CDM Report and Persistence Savings Report (both filed in Excel format) and a statement indicating use of most recent input assumptions when calculating lost revenue - summary table with principal and carrying charges by rate class and resulting rate riders - statement providing the disposition period; rationale provided for disposing the balance in the LRAMVA if one or more classes do not generate significant rate riders - statement confirming LRAMVA reference amounts, rationale for the distributors circumstances if LRAMVA threshold not used - rationale confirming how rate class allocations for actual CDM savings were determined by class and program (Tab 3-A of LRAMVA Work Form) - statement confirming whether additional documentation was provided in support of projects that were not included in distributors final CDM Annual Report (Tab 8 of LRAMVA Work Form as applicable) - for OEB-approved programs prior to 2014, a submission of a third party report that provides a review and verification of the LRAM calculation including: confirmation of use of correct input assumptions and lost revenue calculations, participation amounts, net and gross impacts of each program (kW and kWh) by class by year, and verification of any carrying charges requested	Yes	4.11 and Appendix K
EXHIBIT 5 - COST OF CAPITAL AND CAPITAL STRUCTURE			
Capital Structure			
40	Statement that LDC adopts OEB's guidelines for cost of capital and confirms that updates will be done. Alternatively - utility specific cost of capital with supporting evidence	Yes	5.1.1
40	Completed Appendix 2-OA for last OEB approved and test year	Yes	5.2
40	Completed Appendix 2-OB for historical, bridge and test years	Yes	5.3
40	Explanation for any changes in capital structure	N/A	5.4.1
Cost of Capital (Return on Equity and Cost of Debt)			
40	Calculation of cost for each capital component	Yes	5.4
40	Profit or loss on redemption of debt	N/A	N/A
40	Copies of promissory notes or other debt arrangements with affiliates	N/A	
40	Explanation of debt rate for each existing debt instrument	Yes	5.4.3
40	Forecast of new debt in bridge and test year - details including estimate of rate	Yes	5.4.4
40	If proposing any rate that is different from the OEB guidelines, a justification of the proposed rate(s), including key assumptions	Yes	5.4
41	Notional Debt - difference between actual debt thickness and deemed debt thickness attracts the weighted average cost of actual long-term debt rate (unless 100% equity financed)	Yes	5.4.6
Not-for-Profit Corporations			
41	Not for Profit Corporations - evidence that excess revenue is used to build up operating and capital reserves	N/A	
41	Detailed calculation for test year revenue requirement based on its Reserve Requirement	N/A	
41	The proposed reserves and rationale for the need to establish each reserve, the time period of building up the reserves, and the procedure and policy of each reserve	N/A	
42	Description of the governance of the not-for-profit corporation	N/A	
42	If there are approved reserves from previous OEB decisions provide the following: -the limits of any capital and/or operating reserves as approved by the OEB, and identifying the decisions establishing these reserve accounts and their limits -the current balances of any established capital and/or operating reserves	N/A	
EXHIBIT 6 - REVENUE DEFICIENCY/SUFFICIENCY			
42	Calculation of delivery-related Revenue Deficiency/Sufficiency (excluding cost of power and associated costs): net utility income, rate base, actual return on rate base, indicated rate of return, requested rate of return, deficiency/sufficiency, gross deficiency/sufficiency. Deficiency/sufficiency must also be net of other costs (e.g. LV costs, RSVAs, smart meter or MIST meter expenditures/revenues and other DVA balances).	Yes	6.2
42 & 43	Summary of drivers for test year deficiency/sufficiency, how much each driver contributes; references in application evidence mapped to drivers	Yes	6.3

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43	Impacts of any changes in methodologies to deficiency/sufficiency	Yes	6.3.2
Revenue Requirement Work Form			
43	RRWF - in PDF and Excel. Revenue requirement, def/sufficiency, data entered in RRWF must correspond with other exhibits	Yes	Appendix A
43	If the enhanced RRWF cannot reflect a distributor's proposed rates accurately, the distributor must file its rate generator model		N/A
43	Completed Appendices 2-JA, 2-JB, and 2-JC	Yes	4.2.2; 4.2.4 and 4.3.2
EXHIBIT 7 - COST ALLOCATION			
Cost Allocation Study Requirements			
44	Completed cost allocation study using the OEB-approved methodology or a comparable model must be filed reflecting future loads and costs and be supported by appropriate explanations and live Excel spreadsheets. Sheets 11 and 12 of the RRWF must also be completed. Live Excel version of 2017 cost allocation model will be filed (updated load profiles or scaled version of HONI CAIF). Model must be consistent with test year load forecast, changes to customer classes and load profiles.	Yes	7.1 and Appendix A and B
44	Explanation provided if a distributor is unable to update its load profiles and confirm that it intends to put plans in place to update its load profiles the next time a cost allocation model is filed	Yes	7.1.2
45	Description of weighting factors, and rationale for use of default values (if applicable)	Yes	7.1.3
45	Hard copy of sheets I-6, I-8, O-1 and O-2 (first page)	Yes	7.1.6
45 & 46	Host Distributor only - evidence of consultation with embedded Dx - statement regarding embedded Dx support for approach to allocation of costs - if embedded Dx is separate class - class in cost allocation study and RRWF, Sheet 11 - if new embedded Dx class - rationale and supporting evidence (cost of serving, load served, asset ownership information, distribution charges); include in cost allocation study and RRWF, Sheet 11 - if embedded Dx billed as GS customer - , include with the GS class in cost allocation model and Appendix 2-P. Provide cost of serving, load served, asset ownership information, distribution charges, appropriateness of rate class. File Appendix 2-Q.	N/A	
46	Unmetered Loads (including Street Lighting) - Confirmation of communication with unmetered load customers when proposing changes to the level of the rates and charges or the introduction of new rates and charges	Yes	7.1.5
46 & 47	microFIT - if the applicant believes that it has unique circumstances which would justify a certain rate, appropriate documentation must be provided	Yes	7.1.5
47	Standby Rates - if seeking approval on final basis, provide evidence that affected customers have been advised. If seeking changes to standby charges, provide rationale and evidence that affected customer have been advised.	N/A	7.1.5
47	New customer class or eliminated customer class - rationale and restatement of revenue requirement from previous CoS	N/A	7.1.5
Class Revenue Requirements			

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48	To support a proposal to rebalance rates, the distributor must provide information on the revenue by class that would apply if all rates were changed by a uniform percentage. Ratios must be compared with the ratios that will result from the rates being proposed by the distributor.	Yes	7.2.1
Revenue to Cost Ratios			
48	If R:C ratios outside deadband based on model - distributors must include cost allocation proposal to bring them within the OEB-approved ranges. In making any such adjustments, distributors should address potential mitigation measures if the impact of the adjustments on the rates of any particular class or classes is significant.	Yes	7.3.1
49	If Cost Allocation Model other than OEB model used - exclude LV, exclude DVA such as smart meters	N/A	
EXHIBIT 8 - RATE DESIGN			
50	Monthly fixed charges - 2 decimal places; variable charges - 4 decimal places	Yes	8.1.1
Fixed Variable Proportion			
50	The following is to be provided in relation to the fixed/variable proportion of proposed rates: -Current F/V with supporting info -Proposed F/V proportion with explanation for any changes (billing determinants from proposed load forecast) -Comparison between current and proposed monthly fixed charges with the floor and ceiling as in cost allocation study Analysis must be net of rate adders, funding adders, and rate riders	Yes	8.1.3
Rate Design Policy			
50 & 51	LDCs must propose changes to residential rates consistent with policy to transition to fully fixed monthly distribution service charge.	Yes	8.1.2
51	Proposal follows approach set out in Tab 12 of RRWF	Yes	8.1.1
51	If applicable, distributor with seasonal residential class must propose identical rate design treatment for such a class	N/A	
RTSRs			
51	Retail Transmission Service Rate Work Form - PDF and Excel	Yes	8.1.5 and Appendix E
51	RTSR information must be consistent with working capital allowance calculation	Yes	8.1.5
Retail Service Charges			8.1.5
51 & 52	If proposing changes to Retail Service Charges or introduction of new rates and charges - evidence of consultation and notice	N/A	8.1.6
Regulatory Charges			
52	Wholesale Market Service Rate - reflect current approved rate in application or justify otherwise	Yes	8.1.7 and 8.1.8
Specific Service Charges			
52 & 53	Specific Service Charge description/purpose/reason for new and revised SSC; calculations to support charges	Yes	8.1.11
53	Identification in the Application Summary all proposed changes that will have a material impact on customers, including charges that may affect a discrete group.	N/A	8.1.11
53	Identification of any rates and charges in Conditions of Service that do not appear on tariff sheet. Explain nature of costs, provide schedule outlining revenues or capital contributions 2012-2015, bridge and test years. Whether these charges should be included on tariff sheet	N/A	
53	Ensure revenue from SSCs corresponds with Operating Revenue evidence	Yes	8.1.11
Wireline Pole Attachment Charge			
53	LDC without a distributor-specific charge will charge the province-wide pole attachment charge of $28.09 from September 1, 2018 to December 31, 2018. This charge will increase to $43.63 effective January 1, 2019.	Yes	8.1.11
54	Record the excess incremental revenue as of September 1, 2018 until the effective date of its rebased rates in a new variance account related to pole attachment charge	Yes	also included in 2018 Bridge Year Revenue
54 & 55	If an LDC chooses to apply for a custom charge, it must file a completed version of the OEB's Wireline Pole Attachment Work Form, and include the following information as part of their application: statement confirming the proposed distributor-specific wireline pole attachment charge; statement discussing the main cost drivers, including rationale; a table summarizing key inputs in the rate calculation, and a statement confirming the RRR data and pre-tax weighted cost of capital are consistent; confirmation of the total number of poles and joint use poles in the rate calculation, and a table outlining the rate of pole replacements and percentage of poles depreciated over the past 5 years; confirmation of the number of attaches that are specific to the distributor's service territory, a description of the types of poles and discussion of contractual arrangements with other entities that affect the number of attachments, including overlashing attachments; explanation of changes to the power deduction factor, must complete Tab 4-A and explain methodology, LDCs should provide supporting data and analysis, as applicable; explanation of changes to the hybrid equal sharing allocation rate; explanation of changes to the allocation factor of pole maintenance, Table 8 in Tab 4 must be completed; description of activities performed by the distributor to directly accommodate third party attaches, should include discussion of methodology, costs and data sources to calculate each component of direct costs, detailed calculations of total administration and LOP costs, including staff time and labour rates, as applicable	N/A	
Low Voltage Service Rates			
55	Forecast of LV cost, sum of host distributors charges	Yes	8.1.12

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55	Low Voltage Cost (historical, bridge, test), variances and explanations for substantive changes	**Yes**	8.1.12
55	Support for forecast LV, e.g. Hydro One Sub-Transmission charges	**Yes**	8.1.12
55	Allocation of LV cost to customer classes (typically proportional to Tx connection revenue)	**Yes**	8.1.12
55	Proposed LV rates by customer class	**Yes**	8.1.12
Smart Meter Entity Charge			
55	Distributor must follow accounting guidance provided on March 23, 2018	**Yes**	8.1.10
Loss Factors			
55	Proposed SFLF and Total Loss Factor for test year	**Yes**	8.1.13
56	Statement as to whether LDC is embedded including whether fully or partially	**Yes**	8.1.13
56	Study of losses if required by previous decision	**N/A**	
56	3-5 years of historical loss factor data - Completed Appendix 2-R	**Yes**	8.1.13
56	If proposed loss factor >5%, explanation and action plan to reduce losses going forward	**N/A**	
56	Explanation of SFLF if not standard	**N/A**	
Tariff of Rates and Charges			
56	Current and proposed Tariff of Rates and Charges filed in the Tariff Schedule/Bill Impacts Model - each change must be explained and supported in the appropriate section of the application	**Yes**	Appendix A and B
56	Explanation of changes to terms and conditions of service if changes affect application of rates	**Yes**	8.1.14
Revenue Reconciliation			
56	Calculations of revenue per class under current and proposed rates; reconciliation of rate class revenue and other revenue to total revenue requirement (i.e. breakout volumes, rates and revenues by rate component etc.)	**Yes**	8.1.1 and 8.1.4
56 & 57	Completed RRWF - Sheet 13 - rates and charges entered on this sheet should be rounded to the same decimal places as tariff	**Yes**	Exhibit 6 Appendix A and 8.1.14
Bill Impact Information			
57	Completed Tariff Schedule and Bill Impacts Model. Bill impacts must identify existing rates, proposed changes to rates, and detailed bill impacts (including % change in distribution excluding pass through costs - Sub-Total A, % change in distribution - Sub-Total B, % change in delivery - Sub-Total C, and $ change in total bill)	**Yes**	8.1.15 and Appendix B, C and D
57	Impact of changes resulting from the as-filed application on representative samples of end-users (i.e. volume, % rate change and revenue). Commodity and regulatory charges held constant	**Yes**	8.1.15
57	Rates and charges input in the tariff schedule and Bill Impacts Model rounded to the decimal places as shown on the existing tariff	**Yes**	Appendix B, C and D
57	Bill impacts provided for typical customers and consumption levels. Must provide residential 750 kWh, residential at the lowest 10th percentile and GS<50 2,000 kWh. Bill impacts must be provided for a range of consumption levels relevant to the service territory.	**Yes**	8.1.15
57	If applicable, for certain classes where one or more customers have unique consumption and demand patterns, the distributor must show a typical impact and provide an explanation	**N/A**	8.1.15
Rate Mitigation			

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58	Evidence showing that the monthly service charge would not rise by more than $4 per year due only to the rate design change, and that the total bill impact, reflecting all proposed changes in the application, will not exceed 10%. If either of these criteria is not met, some form of mitigation may be required (i.e. extending transition period).	Yes	8.1.2 and 8.1.16
58	Evaluation of bill impact for residential customer at 10th consumption percentile. Describe methodology for determination of 10th consumption percentile. File mitigation plan for whole residential class if impact >10% for these customers.	Yes	8.1.15 and 8.1.16
59	Mitigation plan if total bill increase for any customer class is >10% including: specification of class and magnitude of increase, description of mitigation measures, justification, revised impact calculation. The Tariff Schedule and Bill Impacts Model must reflect any mitigation plan proposed.	Yes	8.1.16
59	Rate Harmonization Plans, if applicable - including impact analysis	Yes	8.1.17
EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS			
60	List of all outstanding DVA and sub-accounts; provide description of DVAs that were used differently than as described in the APH	Yes	9.1.1 and 9.1.2
60	Completed DVA continuity schedule for period following last disposition to present - live Excel format	Yes	9.1.1 and Appendix A
60	Confirm use of interest rates established by the OEB by month or by quarter for each year	Yes	9.1.6
60	Explanation if account balances in continuity schedule differs from trial balance in RRR and AFS	Yes	9.1.1, 9.1.3 and 9.1.4
60	Identification of Group 2 accounts that will continue/discontinue going forward, with explanation	Yes	9.3.3
60	Statement as to any new accounts, and justification.	Yes	9.1.1 and 9.6.1
60 & 61	Statement whether any adjustments made to DVA balances previously approved by OEB on final basis; explanation, amount of adjustment and supporting documents	Yes	9.1.1
61	Breakdown of energy sales and cost of power by USoA - as reported in AFS mapped and reconciled to USoA. Provide explanation if making a profit or loss on commodity.	Yes	9.1.5
61	Statement confirming that IESO GA charge is pro-rated into RPP and non-RPP; provide explanation if not pro-rated.	Yes	9.1.1 and 9.5.1
Account 1575, IFRS-CGAAP Transitional PP&E Amounts			
61	1575 IFRS-CGAAP PP&E account - Account 1575 and 1576 can't be used interchangeably - breakdown of balance, including explanation for each accounting change; Appendix 2-EA - listing and quantification of drivers - volumetric rate rider to clear 1575; separate rider must be on a fixed basis for the residential class; - rate of return component is to be applied to 1575 but not recorded in 1575 - statement confirming no carrying charges applied to 1575 - explanation for the basis of the proposed disposition period to clear Account 1575 rate rider - show the balance in DVA continuity schedule	N/A	9.2.2
Retail Service Charges			
61 & 62	Retail Service Charges - material balance in 1518 or 1548 - confirm variances are incremental costs of providing retail services; identify drivers for balances - provide schedule identifying all revenues and expenses listed by USoA for 2013, actual/forecast for bridge and test year - state whether Article 490 of APH has been followed; explanation if not followed	Yes	9.3.5
62	Retail Service Charges - zero balance in 1518 or 1548 - state whether Article 490 of APH has been followed; explanation if not followed	N/A	9.3.5
Disposition of Deferral and Variance Accounts			
62	Identify all accounts for which LDC is seeking disposition; identify DVA for which LDC is not proposing disposition and the reasons why	Yes	9.3.1 and 9.4.1
62	Statement whether DVA balances before forecasted interest match the last AFS; explain any variances	Yes	9.3.1 and 9.4.1
62	Provide an explanation of variance > 5% between amounts proposed for disposition and amounts reported in RRR for each account.	Yes	9.1.3, 9.1.4, 9.2.1 and 9.4.1
62	Provide explanations if variances are < 5% threshold if the variances in question relate to: (1) matters of principle (i.e. conformance with the APH or prior OEB decisions, and prior period adjustments); and/or, (2) the cumulative effect of immaterial differences over several accounts total to a material difference between what is proposed for disposition in total before forecasted interest and what is recorded in the RRR filings	Yes	9.4.1
62	For any utility specific accounts requested for disposition, supporting evidence showing how balance is derived and relevant accounting order	N/A	
62	Disposition of residual balances for vintage Account 1595 are only done once - distributors expected to seek disposition of the balance a year after a rate rider's sunset date has expired. No further dispositions of these accounts are generally expected unless justified by the distributor	Yes	9.3.2
62	Proposed mechanisms for disposition with all relevant calculations: allocation of each account (including rationale), billing determinants for recovery purposes in accordance with Rate Design Policy	Yes	9.4.2

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62	Rate riders where volumetric rider is $0.0000 for one or more classes not included in the tariff for those classes	Yes	9.3.2 and 9.4.2
63	Propose rate riders for recovery or refund of balances that are proposed for disposition. The default disposition period is one year; if the applicant is proposing an alternative recovery period must provide explanation.	Yes	9.4.2
63	Establish separate rate riders to recover balances in the RSVA's from Market Participants who must not be allocated the RSVA balances related to charges for which the MP's settle directly with the IESO.	Yes	9.4.2 and 9.5.2
63 & 64	Proposed disposition of Account 1580 sub-account CBR Class B in accordance with the CBR Accounting Guidance. - embedded distributors who are not charged CBR (therefore no balance in sub-account CBR Class B) must indicate this is the case for them - In the DVA continuity schedule, applicants must indicate whether they serve any Class A customers during the period where Account 1580 CBR Class B sub-account balance accumulated. - Account 1580 sub-account CBR Class A is not to be disposed through rates proceedings but rather follow the OEB's accounting guidance. - The DVA continuity schedule will allocation the portion of Account 1580 sub-account CBR Class B allocated to customers who transitioned between Class A and Class B based on consumption levels	Yes	9.3.2 and 9.5.2
Global Adjustment			
64	Establishment of a separate rate rider included in the delivery component of the bill that would apply prospectively to Non-RPP Class B customers when clearing balances from the GA Variance Account	Yes	9.3.2 and 9.5
65	GA Analysis Workform in live Excel format- complete GA Analysis Workform; explain discrepancies	Yes	9.5.3 and Appendix C
65 & 66	Description of settlement process with IESO or host distributor, specify GA rate used for each rate class, itemize process for providing estimates and describe true-up process, details of method for estimating RPP and non-RPP consumption, treatment of embedded generation/distribution. If distributor uses the actual GA rate to bill non-RPP Class B customers, a proposal must be made to exclude these customer classes from the allocations of the balance of Account 1589 and the calculation of the resulting rate riders	Yes	9.5.3
66	RPP Settlement True-Up - distributors to follow guidance in May 23, 2017 letter pertaining to the period that is being requested for disposition for Accounts 1588 and 1589	Yes	9.5.3
66 & 67	Certification by the CEO, CFO or equivalent that distributor has robust processes and internal controls in place for the preparation, review, verification and oversight of account balances being proposed for disposition	Yes	9.7
Establishment of New Deferral and Variance Accounts			
67	New DVA - information provided which addresses that the requested DVA meets the following criteria: causation, materiality, prudence; include draft accounting order.	N/A	9.6.1
	TOTAL "NO"	0	