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Ontario

BY E-MAIL

January 3, 2019

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Lakeland Power Distribution Ltd. (Lakeland Power)
Application for 2019 electricity distribution rates
OEB Staff Interrogatories
Ontario Energy Board File Number: EB-2018-0050

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. Lakeland Power and all intervenors have been copied on this filing.

Lakeland Power's responses to interrogatories are due by January 31, 2019.

Yours truly,

Original Signed By

Donald Lau
Project Advisor – Rates Major Applications

Attach.

OEB Staff Interrogatories
2019 Electricity Distribution Rates Application
Lakeland Power Distribution Ltd. (Lakeland Power)
EB-2018-0050
January 3, 2019

Exhibit 1 – Administration

1-Staff-1
Letters of Comment

Following publication of the Notice of Application, the OEB received a letter of comment. Sections 2.1.7 of the Filing Requirements state that distributors will be expected to file with the OEB their response to the matters raised within any letters of comment sent to the OEB related to the distributor's application. If the applicant has not received a copy of the letters or comments received at the community meetings, they may be accessed from the public record for this proceeding.

Please file a response to the matters raised in the letters of comment referenced above. Going forward, please ensure that responses to any matters raised in subsequent comments or letter are filed in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

1-Staff-2
Updated Revenue Requirement Work Form (RRWF)

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), 12 (Residential Rate Design) and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 Tracking Sheet, and may also be included on other sheets in the RRWF to assist understanding of changes.

1-Staff-3
Community Information Sessions
Ref: Exhibit 1 – Administrative Documents, p. 85-86

Lakeland Power hosted information sessions presenting the five year capital plan to customers and then had open discussions, questions, and input from customers.

a) Did Lakeland Power present specific capital projects to customers or was it a general presentation of capital spending?
b) If there was presentations for specific capital projects, what was the customers' feedback on each project?

1-Staff-4
Large User Information Sessions
Ref: Exhibit 1 – Administrative Documents, p. 88
Lakeland Power hosted a large user information session, which was similar to the community information sessions and included regional planning, review of system reliability, and identification of potential reliability mitigation measure.

a) Is there any documentation on the discussions large users had brought up or a list of questions/input from large users? If so, please provide

1-Staff-5
OEB Scorecard
Ref: Exhibit 1 – Administrative Documents, Table 30 – 2013-2017 OEB Scorecard for Lakeland Power
In Lakeland Power's scorecard the total cost per km of line has been trending upwards since 2014.

a) Please provide an explanation to the drivers that caused this increase and what has changed since 2013.

1-Staff-6
Current Ratio
Ref: Exhibit 1 – Administrative Documents, Table 27 – Financial Ratios from Scorecard
Ref: Exhibit 1 – Administrative Documents, p. 121
Lakeland Power's current ratio has been increasing year-over-year starting in 2012 and currently has a current ratio of 1.8 in 2017. Lakeland Power stated that a higher current ratio represents a higher safety margin for Lakeland Power to its short-term debt and financial obligations.

a) Does Lakeland Power assess the typical current ratio for an electric utility company? How does Lakeland Power's current ratio compare?
b) With an improved current ratio over the years due to improved receivable and cash management, is the increased current asset cash? If so, how does Lakeland Power assess the level of cash it should hold on hand?

c) Are there debt covenants for Lakeland Power's short-term debt that it must meet? If not, how does Lakeland Power assess the risk it can take to cover its short-term debt?

1-Staff-7
Return on Equity
Ref: Exhibit 1 – Administrative Documents, Table 31 – Return on Equity Table
Lakeland Power provided the approved return on equity (ROE) and the achieved ROE in Table 31.

a) Please provide the return on equity in terms of dollars for both approved and achieved and the equity base used for each year.

1-Staff-8
Distribution Consolidation
Ref: Exhibit 1 – Administrative Documents, p. 129-130
As a result of the amalgamation of Lakeland Power and Parry Sound there were forecasted annual savings of $354k. This included reduction in operations and administrative costs and renegotiated interest rates. Lakeland Power listed the forecasted cost synergies on p. 130.

a) Please provide a cross reference table for each cost synergy to an OM&A driver provided in Appendix 2-JC.
b) Please provide a table of forecasted savings and actual savings realized over the last five years.

Exhibit 2 – Rate Base
2-Staff-9
Service Quality Indicators
Ref: Exhibit 2 – Rate Base, p.71
The System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) appear to be trending upward, in particular outages including loss of supply.

a) The SAIDI for 2017 including loss of supply is 23.0, which is significantly higher than other years. Please provide an explanation for this.
b) What has Lakeland Power done to improve the reliability due to loss of supply from Hydro One?
c) Please provide plans that Hydro One has to improve reliability, if any, and the timeline on its expected in-service dates.

2-Staff-10
Overview of Projects
Ref: Overview of Projects/Initiatives to Address Customer Expectations (5.2.2): Distribution System Plan (DSP)/pp. 30-32.
It is indicated on page 31 that Lakeland Power has modified its tree-trimming program and shortened the cycle on this program from 7 to 6 years. Lakeland Power also indicated that this will assist in reducing outages due to tree contact.

a) Please provide the following information:
    1) When was the schedule shortened from 7 to 6 years?
    2) What have been the improvements in the SAIDI and SAIFI indices that could be ascribed to this modified schedule since the modification?
    3) What are the estimated projected yearly improvements in the SAIDI and SAIFI indices that you would ascribe to this modified schedule over the next 5 years?
    4) What is the projected yearly increase in O & M costs over the next 5 years as a result of the enhanced tree-trimming program?

2-Staff-11
O&M Costs
Ref: DSP Overview (5.2.1); DSP/p. 27/Table 2-2; DSP/pp. 28, 29; Justifying Capital Expenditure (5.4.2); DSP/pp. 188-189/Figure 4-13.

At DSP/p.27/Table 2-2, Lakeland Power proposes to increase capital spending over the period 2018 to 2023 for both “System Renewal”, and “System Service”.
On DSP/ p. 28, under “System Renewal”, Lakeland Power indicates that such investments will lead to reduced costs where it states in part:

> *These capital investments will meet LPDL’s following objectives:*
> *• provide customers with a safe and reliable supply of electricity;*
> *• consult with customers to ensure that customer priorities are identified and met;*
> *• operate effectively and efficiently, reducing costs and achieving lower rate where feasible;*
> *• continually improve methods, procedures and explore innovative ways to improve efficiencies, reduce outages, accelerate power restoration times.*

On DSP/ p. 29, addressing “System Service”, Lakeland Power indicates that such investments will lead to reduced costs where it states in part:

Other projects include investments into reclosers and SCADA technology. [..] These devices will reduce both length of outages and the number of customers affected by outages as well as minimizing resources required to restore power. LPDL plans to deploy a network of line sensors which will result in approximately 84 sensors to assist with outage management and improving grid efficiency. The line sensors provide a cost-effective solution in reporting and locating outages. This would result in faster response for trouble calls reducing outage statistics and saving resources required to locate the problem.

On DSP/p.188, Lakeland Power in addressing "Forecast Impact of System Investment on System O&M Costs" states in part that:

Over the historical period, LPDL's system O&M cost was fluctuating between $1.53M to $1.67M. Based on the proposed investment plan, system O&M costs have been forecast to have a slow increasing trend due to inflation.

Figure 4-13, at DSP/p. 189 titled "Actual and Forecast O&M Costs", covering the period 2013 to 2023, depicts increases that appears to be higher than normally forecasted inflation rates. The Table below is calculated using the amounts in the noted Figure 4-13, and shows the O&M Cost Change (+/-), Year-Over-Year, starting with Test Year-Over-2018.

Year-Over-Previous Year	2018/2017	2019/2018	2020/2019	2021/2020	2022/2021	2023/2022
Percentage Change in O&M	6.59%	3.37%	3.26%	3.68%	3.55%	3.43%

a) Please provide the source document of the inflation forecast that Lakeland Power relied on to justify Lakeland Power statement that "system O&M costs have been forecast to have a slow increasing trend due to inflation".
b) If it is Lakeland Power's position that the projected O & M spending already reflects proposed project efficiencies, what would have been the projected O & M spending if the proposed projects were not carried out?
c) Can Lakeland Power further breakdown its forecasted O & M spending into the reactive and planned components?

2-Staff-12
DSP Overview
Ref: DSP Overview (5.2.1); DSP/p. 29.
Lakeland Power indicates on page 29 that it plans to implement projects using SCADA technology, reclosers, line sensors and the necessary communication infrastructure in order to assist with and to improve outage management. In this regard Lakeland Power asserts that such projects will reduce the length of outages, reduce the number of

customers affected by outages and reduce the resources (crews, vehicles) needed to manage these outage occurrences.

a) Given these noted assertions, could Lakeland Power provide an estimate of the following:
    1) The projected reduction in customer outage minutes and the projected improvement in the SAIDI index;
    2) The projected reduction in crew time utilized to locate and manage these outages; and,
    3) The projected reduction in vehicle usage requirements to manage outages and trouble calls.

2-Staff-13
DSP Overview
Ref: DSP Overview (5.2.1); DSP/p. 33; Justifying Capital Expenditure (5.4.2); DSP/p. 191.
On DSP/p. 33, Lakeland Power stated in part that:

> *Over the forecast period, LPDL has budgeted for several voltage conversion projects. Once all 4.2 kV voltage conversion projects complete in Bracebridge, the MS3 substation will no longer be required.*

On DSP/p. 191, Lakeland Power states in part that:

> *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.*

OEB staff wishes to receive a more complete assessment of the value of these projects.

a) Please provide an estimate of the projected savings for all conversion projects where LV equipment is removed from service, whether such equipment are expected to be in-service within the 5 year DSP horizon (2019-2023) or beyond 2023.
b) Please provide an estimate of the projected reduction in line losses for all conversion projects where LV equipment is removed from service, whether these conversion projects are expected to be in-service within the 5 year DSP horizon (2019-2023) or beyond 2023.

2-Staff-14
Priority Ranking
Ref: Justifying Capital Expenditure (5.4.2); DSP/p. 193/Table 4-12;
Asset Lifecycle Optimization Policies and Practices (5.3.3); DSP/pp. 144-146;
Tools and Methods for Project Selection (5.4.1) DSP pp. 163-164.
At DSP/p, 193, with regard to the projects shown on Table 4-12, it is indicated in the System Service category that the project titled "Muskoka Road Bracebridge Manitoba St to Shire St" project has a Priority Ranking of 8 and that the project titled "Self Healing Components - SCADA " has a Priority Ranking of 10.

At DSP/pp. 144-146 and pp.163-164 Lakeland Power indicated that the Priority Rank is a product of the Health Index, the Risk Consequence of Failure and the Corporate Objectives Ranking.

a) Could Lakeland Power provide the detailed calculations showing all the components so as to show how the Priority Ranking for these two projects was established and to show specifically what differentiates these two projects as to rank.

2-Staff-15
Parry Sound Project
Ref: DSP Overview (5.2.1); DSP/p. 30; DSP/p.43.
On DSP/p.30, Lakeland Power stated in part that:

> *The Township of Parry Sound is seeking to become a sustainable community through the use of distributed energy resources (DER's). To address this request, LPDL has collaborated with a third party developer of flexible clean energy infrastructure. Both companies entered into a Memorandum of Understanding with the Town of Parry Sound, agreeing to collaborate in assisting Parry Sound in meeting its sustainability goals.*

On DSP/p. 43, Lakeland Power further confirmed the objective of the Township of Parry Sound of becoming a sustainable community through sourcing 100% of the electricity requirement for both its operations and the needs of its residents and business from renewable energy, and further stated in part that:

> *[..]With LPDL guidance the Town of Parry Sound signed an MOU with a third-party organization to initiate this plan/project. This project would include grid-modernization aspects, and would alleviate the constraints on the Parry Sound TS.*

a) In regard to the Township of Parry Sound and the MOU with the third party, please provide a summary of Lakeland Power's resources that were used in 2018 as well as for each year of the 5 year DSP.
b) In regard to grid-modernization being included as part of the "Project," is that noted third party acting as consultant to Lakeland Power or to the Township of Parry Sound? Please clarify the consultancy arrangement, and if the third party is retained as a consultant to Lakeland Power, please provide a scoping summary of the proposed "Project".

2-Staff-16
Customer Engagement
Ref: DSP Overview (5.2.2); DSP/pp. 44-47; Customer Engagement Report (Exhibit 2, Part 2/Appendix F/p.79 - pdf); Performance Measurement for Continuous Improvement (5.2.3); DSP/p. 61.
At DSP/pp. 44-47, Lakeland Power reported on the results of the 2017 "Customer Surveys". Lakeland Power further indicated that a telephone survey of about 400 randomly selected interviews of Lakeland Power customers was conducted by media professionals.

At Exhibit. 2, Part 2/Appendix F, it is reported that the response rate is about 10%. However, 400 respondents is less than 3% of Lakeland Power's customers. Using inferential statistics, samples from a population must be valid, i.e. non-respondents are assumed to fall into the same distribution as respondents. Normally, to address "non-response bias", practitioners use follow-up surveys of non-respondents.

On DSP-page 61, the Performance Measures listed are quite comprehensive, where 7 areas are identified under "Customer Satisfaction", including "Power Quality and Reliability".

a) Given the issue of non-respondents noted above, please provide information as to whether the hired media professionals that conducted the telephone survey raised that issue with Lakeland Power?
b) As reliability is generally better in higher density areas than in lower density areas, is it possible for the 2017 Survey, to summarize the results by separating the responses, into two groups? The first group of respondents would be those located within high-density areas (e.g., Towns) and the second group of respondents would be those located in Rural areas.

2-Staff-17
Outage Statistics
Ref: Performance Measurement for Continuous Improvement (5.2.3); DSP/p. 84/Table 2-18 and DSP/p. 68.
On DSP/p. 84/Table 2-18, titled "Major Event – Outage Statistics By Year", shows

Table 2-18: Major Event - Outage Statistics by Year

Major Event Code 10	Number of Interruptions	Number of Customer Hours Interrupted	Number of Customers Interrupted
2017	37	18544.000	168833

On DSP/p. 68, Lakeland Power states in part that:

> *In 2017, there were two Major events that occurred. The first major storm was May 18, 2017 with 8,990 customers affected, and a total of 35,697 customer hours interrupted. The second major storm was July 7, 2017 causing 9553 customers to be affected and a total of 133,134.48 customer hours interrupted. These numbers include Loss of Supply.*

a) Please clarify how the information in the two sources relate?

2-Staff-18
Performance Measurement
Ref: Performance Measurement for Continuous Improvement (5.2.3); DSP/p. 66.
On DSP/p. 66 Lakeland Power indicated that power system analysis was carried out to improve power factor and minimize system losses.

a) Did Lakeland Power consider the installation of switchable capacitors on its system in key areas to address this issue since such installations normally provide for cost-effective solutions to such concerns?

2-Staff-19
Outage by Cause
Ref: Exhibit 2 – Distribution System Plan, p.80
Lakeland Power provided outage by cause codes for the years 2014-2017. For Cause Code 1 – Scheduled Outages and Cause Code 6 – Adverse Weather, the number of customers and the number of customer hours interrupted has been trending upwards.

a) Please provide an explanation for the upwards trend.

b) Does Lakeland Power have the capability to back feed supplies during station outages? Are the scheduled outages during off hours to minimize inconvenience to customers?
c) Does Lakeland Power anticipate the scheduled outages interruptions to continue to increase? How has Lakeland Power tried to mitigate this?
d) What is the threshold for Major Events and what is the methodology Lakeland Power uses to calculate the Major Event threshold? When did Lakeland Power start reporting Major Events?
e) Does Lakeland Power anticipate the Adverse Weather interruptions to continue to increase? How has Lakeland Power tried to mitigate this?

2-Staff-20
Incorporating Performance Trends Into DSP
Ref: Exhibit 2 – Distribution System Plan, p. 97
Ref: Appendix J – System Loss Reduction Report - Bracebridge
Lakeland Power stated that a line loss study was completed for the Bracebridge area and going forward it may employ a third-party vendor to do line loss studies for other service areas. The Bracebridge report identified three methods to reduce losses: balancing the phases; switching network optimization; and placing capacitors.

a) Has Lakeland Power implemented any of the recommendations from the Bracebridge report? What were the outcomes?
b) Why has Lakeland Power only chosen Bracebridge to complete a line loss study and not all other service territories?
c) Does Lakeland Power have the capability to run CYME studies as provided in the report?
d) Has Lakeland Power implemented the three strategies identified for the Bracebridge area to other areas? If not, why?

2-Staff-21
Ranking Capital Projects
Ref: DSP Overview (5.2.2); DSP/pp. 44-47; DSP/p. 89; DSP Overview (5.2.1); DSP/p. 27/Table 2-2; DSP/p. 29; Performance Measurement for Continuous Improvement (5.2.3); DSP/p. 99; Asset Management Objectives (5.3.1); DSP/p. 99/Figure 3-1; Justifying Capital Expenditure (5.4.2); DSP/pp. 188-189/Figure 4-13.
In the DSP/pp. 44 – 47 dealing with the 2017 “Customer Surveys”, it indicates that price is the highest ranked in terms of importance to customers, followed closely by reliability as the second highest in rank. At DSP/p.89 reporting on previous surveys, it also indicates in part that in the 2016 survey, the issue of price had overtaken system reliability as the most important facet of Lakeland Power “business” to the consumer.

Referring to DSP/p. 27/Table 2-2, it is noted that the amount of the proposed investments following the 2019 test year included investments in discretionary projects (e.g., self-healing SCADA systems and computer software upgrades). On DSP/p. 29 the Lakeland Power narrative and rationale for discretionary investments include improvement in power restoration (e.g, reliability), yet the rate-payer appears not to be benefitting from an expected lowered increases in O&M costs, as evidenced at DSP/p.189/Figure 4-13. In that noted Figure 4-13, and the table below (based on that same Figure 4-13) shows that the O&M Cost Change (+/-), Year-Over-Year, starting with Test Year-Over-2018 is increasing at a rate that appears to be higher than inflation.

Year-Over-Previous Year	2018/2017	2019/2018	2020/2019	2021/2020	2022/2021	2023/2022
Percentage Change in O&M	6.59%	3.37%	3.26%	3.68%	3.55%	3.43%

a) Given the evidence noted above in regard to the 2017 “Customer Surveys” indicating that price is the highest ranked in terms of importance to customers, please elaborate on the apparent inconsistency evidenced in DSP/p. 99/Figure 3-1 where Lakeland Power’s Objectives lists “Replace end-of-life assets” and “Improves operational efficiency” ahead of “Mitigate rate impact to customers”.

2-Staff-22
Capital Expenditures
Ref: OEB Chapter 5 - Consolidated Distribution System Plan Filing Requirements, Section 5.4 Capital Expenditure Plan (page 16); OEB Chapter 5 - Consolidated Distribution System Plan Filing Requirements, Section 5.4.3.2, A. General information on the project/program (page 21); Lakeland Power Exhibit 2, Section 2.1.1 Key Elements of the DSP, Table 2-2 (page 27); DSP, Appendix A1 Capital Project Narratives Test Year 2019.
In the Filing Requirements OEB states “a DSP must include information on prospective investments over a minimum five year forecast period”. The OEB describes the information to be provided for any material project or program in section 5.4.3.2.
In section 2.1.1. of the DSP Lakeland Power has provided forecast capital expenditures for 2018 to 2023 organized by project category and totaled by year. In Appendix A1 Lakeland Power has provided a listing and project/activity narratives of material projects for the first year (2019) of the planning period from 2019 to 2023, but not for the remaining years from 2020 to 2023. From the information provided, it can be assumed that the project narratives provided for 2019 will equally apply for the projects or programs for each of the subsequent years. The project narratives also indicate the expected capital expenditures for each project for the forecast period from 2019 to 2023. However, the capital expenditures for the same period indicated for the System Renewal and System Service category of projects in section 2.1.1. is typically

significantly higher than the capital expenditures in Appendix A. The table below shows the difference between the capital expenditures projected in the project narratives in Appendix A1 and the capital expenditure summary in Table 2-2 for each category for each year.

	System Access	System Renewal	System Service	General Plant
2019 Project Total	$380,000	$1,210,000	$485,000	$625,000
2019 Summary	$380,000	$1,210,000	$485,000	$650,000
Difference	**$0**	**$0**	**$0**	**$25,000**
2020 Project Total	$350,000	$150,000	$190,000	$335,000
2020 Summary	$350,000	$830,000	$1,265,000	$375,000
Difference	**$0**	**$680,000**	**$1,075,000**	**$40,000**
2021 Project Total	$350,000	$150,000	$210,000	$360,000
2021 Summary	$350,000	$1,570,000	$560,000	$425,000
Difference	**$0**	**$1,420,000**	**$350,000**	**$65,000**
2022 Project Total	$350,000	$150,000	$190,000	$475,000
2022 Summary	$350,000	$1,200,000	$1,000,000	$515,000
Difference	**$0**	**$1,050,000**	**$810,000**	**$40,000**
2023 Project Total	$350,000	$150,000	$210,000	$438,000
2023 Summary	$350,000	$1,125,000	$1,360,000	$504,000
Difference	**$0**	**$975,000**	**$1,150,000**	**$66,000**

a) In Appendix A1, for the period from 2020 to 2023, please include descriptions (narratives) for all material System Renewal and System Service projects/programs that are not extensions of the projects or programs included, or if detailed planning is not available for this period, please provide the information used to justify the expected capital expenditure differences identified in the table above.
b) In Appendix A1, for General Plant projects, no material project capital expenditures are indicated for the Computer Hardware Updates project (GP 004) after 2019 implying that no material capital expenditures will be made in that area during that period. Please provide project/program narratives for any material General Plant capital expenditures expected for the period from 2020 to 2023.

2-Staff-23
System Renewal
Ref: Appendix A1 Capital Project Narratives Test Year 2019, SR-006
Ref: LPDL 2019_Filing_Requirements_Chapter2_Appendices_20180927, App.2 AA capital projects
Lakeland Power has forecasted a program for Reactive and Maintenance Based Replacement. The corresponding program is provided in Chapter 2 appendices 2-AA.

a) Please confirm that program name in appendix 2-AA is incorrect and should be Reactive and Maintenance Based Replacement.
b) Please provide a table of historical programs and costs that would fall under this program.

2-Staff-24
System Renewal
Ref: Appendix A1 Capital Project Narratives Test Year 2019, SS-001
Lakeland Power has forecasted $120k over 5 years to replace 13 Hydro One metering points with IESO meter points in Burk's Falls and Sunridge.

a) Will Lakeland Power be installing 13 IESO meter points?
b) What is the unit cost of each installations?

2-Staff-25
Performance Measures
Ref: Performance Measures for Continuous Improvement (5.2.3) DSP section 2.3.3.7 (pages 91-92) Figures 26 and 27; OEB Chapter 5 Filing Requirements for Electricity Distribution Rate Applications ("Filing Requirements"), 5.2.3 (a), page 10; OEB Statistical Yearbooks 2013-2017.

The Filing Requirements indicate that distributors are not limited to the metrics listed in section 5.2.3. Lakeland Power chooses to focus on costs/customer and costs/km. Lakeland Power notes that Fig 26 is not consistent with the benchmark methodology referred to in Appendix 5-A of the Filing Requirements. Looking instead at revenues, which represent the total cost to consumers, comparisons on the basis of different categories of costs may be avoided. The table below provides total revenues from 2013 to 2017, along with average revenues per delivered MWh. 2014 is highlighted as the first year in which Lakeland was merged with the former Parry Sound.

	2013	**2014**	**2015**	**2016**	**2017**
Revenues ($M)	8.599	8.508	8.416	7.986	8.141
% change		-1.06	-1.08	-5.11	1.94
Revenues/MWh	$29.3	$28.55	$29.2	$28.5	$29.3
% change		-2.77	2.28	-2.41	2.56

Total revenues have fallen over the past 5 years by 5.3%, or an average of 1.09% per annum, while average revenues per delivered MWh have remained unchanged. This, of course, simply reflects the decline of load. However, the annual changes reveal possible anomalies in terms of departures from the 5-year average. Revenues fell by 5.11% from 2015 to 2016 but increased by 1.94% from 2016 to 2017, while per MWh revenues changed by -2.41% and + 2.56%, respectively.

a) Please reconcile the above data with the metrics chosen by Lakeland Power.
b) In particular, what explains the 5.11% fall in revenues from 2015 to 2016 and the subsequent increase of 1.94% from 2016 to 2017?
c) Have there been corresponding changes to the revenues derived from the different customer classes?

2-Staff-26
Asset Management Plan
Ref: Exhibit 2, 2.4.2, Capital Expenditures – Required Information,p 49
Capital Expenditure Summary (5.4.2) DSP, p174; Case EB-2010-0140, Exhibit 2, Tab 3, Schedule 2, Appendix A
Lakeland Power states at Line 6, p49: “Appendix 2-AB, shown below in Table 32, includes capital expenditures from 2013 to 2017 and projections for 2018 to 2023. Lakeland Power or PSP did not file a DSP in their last CoS, however both did file an individual Asset Management Plan (“AMP”).”

Lakeland Power states at second last paragraph p174: “Appendix 2-AB, shown below, includes capital expenditures for 2013 to 2017 and projections for 2018 to 2023. Lakeland Power or PSP did not file a DSP in their last COS, however both did file an individual Asset Management Plan (“AMP”).”

a) Please explain whether an Asset Management Plan (AMP) was prepared and included with this DSP submission and, if so, please point to a section in this DSP, where it can be found.
b) The Asset Management Plan prepared for Parry Sound Power (PSP) on September 14, 2010 (by Rodan Energy Solutions People) contained specific recommendations for Inspections, Maintenance and Information Management. Please explain whether the recommendations included in this 2010 Asset Management Plan were incorporated in this DSP submission. If so, would you please describe the main changes reflected in this DSP?

2-Staff-27
Asset Management Process
Ref: Asset Management Process Overview (5.3.1.) DSP p99.
Lakeland Power states on page 99: Lakeland Power’s asset management program incorporates the organization’s Vision and Mission, which are summarized in Section 1.3.1. Lakeland Power's asset management methodology incorporates the objectives of the OEB's RRFE (see Section 1.1).

The following outlines the key objectives of Lakeland Power’s approach to asset management. These objectives aim to maximize the safety, capacity, reliability and security aspects of the distribution system by:

1. Public health & safety.
2. Environmental concerns.
3. Meet regulatory and legal obligations
4. Replace end-of-life assets.
5. Improve operational efficiency.
6. Mitigate rate impact to customers

Lakeland Power states on page 100: Replacing end of life assets is an objective that ties into all others. These tangible distribution assets make up the backbone of our service and their maintenance is central to providing safe reliable service.

Lakeland Power also states on page 100: Lakeland Power is currently examining the possibility of working with a consultant to create a formal Asset Condition Assessment,

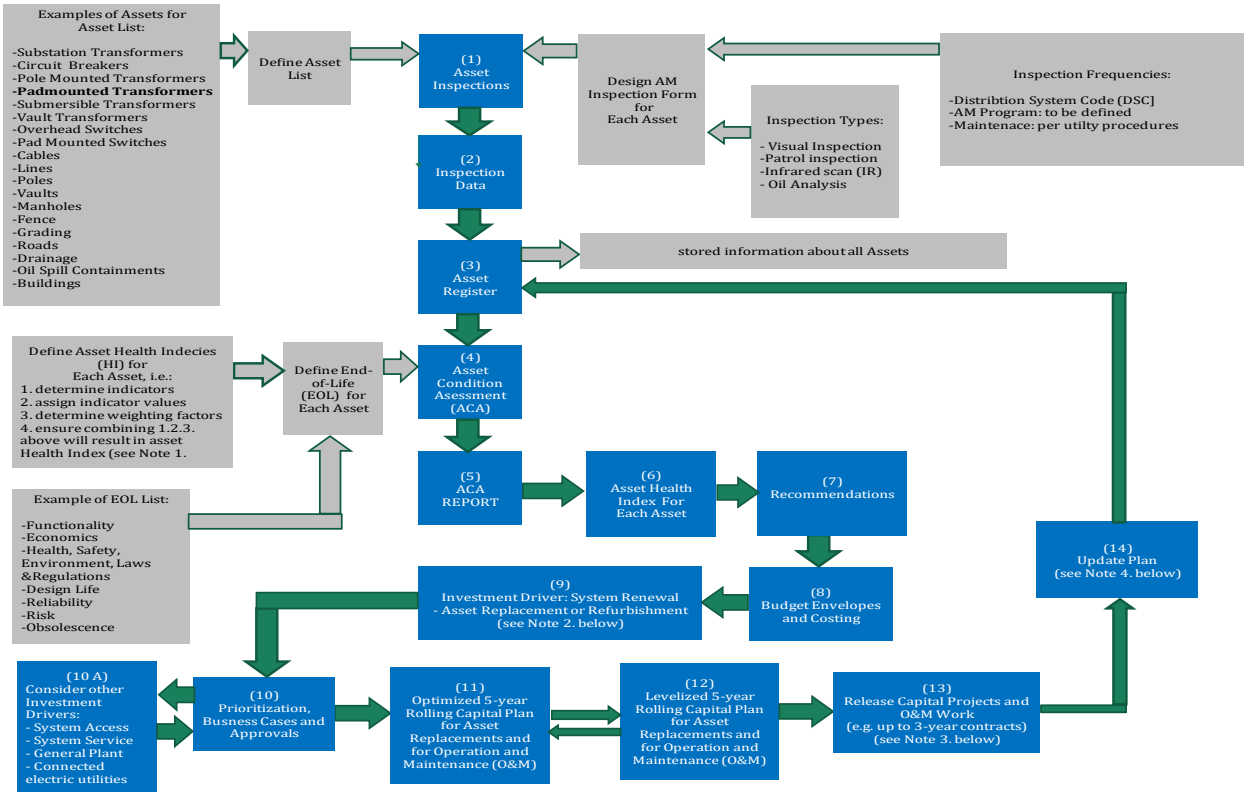
which would become the basis of future decision-making processes. While Lakeland Power has confidence in its current Asset Management and Project Prioritization strategy, it recognizes improvements can always be made.

a) It is not possible to simultaneously maximize multiple factors. Would Lakeland Power agree that the aim might be better stated here as “to optimize” rather than maximize, consistent with the scores and weightings proposed Lakeland Power for the various factors?
b) Would you please confirm that the following points have been included in asset management objectives:
    a. Employee safety
    b. Reliability
    c. Optimization of life cycle costs and replacement decisions
c) Bullet 4 refers to “Replace end of life assets”. Would you please confirm that this activity is part of an overall Lakeland Power process of “Optimizing the use of resources amongst maintenance, refurbishment/upgrading and replacement”?
d) In Figure 3-1 “Prioritization of Lakeland Power Objectives”, numerical values are assigned to the Lakeland Power Objectives. Please point to a discussion explaining how these weights were assigned. Maintenance is not included in Fig 3-1. Please explain its absence or confirm how it is included.
e) Please confirm whether reliability centered maintenance (RCM) has been included as one of the asset management tools within Lakeland Power, e.g. a process described in the SAE JA1011 Standard for Reliability Centered Maintenance (RCM)? If so, please point to a section in this DSP, where it can be found. If not, please explain whether Lakeland Power plans to initiate RCM and indicate the intended time frame?
f) With regards to Lakeland Power replacing end of life assets, please refer to the Lakeland Power AM investment objectives and to the list of asset types managed included in this DSP. Please advise whether there are Lakeland Power AM governance documents (i.e. policy, strategy, asset management plan) that include the end of life (EOL) criteria, criteria descriptions and EOL measures for each asset managed and point to this discussion. If not, please indicate if Lakeland Power plans to include this in future and the anticipated timeline.
g) Asset Condition Assessment is an essential enhancement to Asset Management. In general, Best Asset Management Practice involves systematic development and use of Asset Condition Assessment as the most appropriate means to define the health of assets and asset classes (System Health). See Figure 1, below. Please point to a discussion that describes and underpins Lakeland Power’s confidence in its current Asset Management. If Lakeland Power’s intent is to

formalize Condition Assessment, please provide the timeline for the Asset Condition Assessment implementation.

h) Is there an expectation that capital plans envisioned under the current submission will be impacted by the contemplated implementation of a formal Asset Condition Assessment (i.e. increase or reduce capital requirement plans)?

i) The Institute of Asset Management (IAH) makes available to its members a guide for self-administered evaluation of Asset Management (AM) maturity scale e.g. 0 to 5 (innocent, aware, developing, competent, optimizing and excellent). Please explain if Lakeland Power undertook this or any similar self-assessment and if so, what were the conclusions of this exercise? If not, would LDPL consider such self-evaluation in the future?



Notes

1. Health index of an asset is established from multiple factors that are then combined by weighting them.
2. To determine required rates of replacement over time in order to maintain or improve the overall health of the asset class (System Health), an appropriate sequence of steps would be to:
   1)Determine the “Health” of an individual asset
   2)Combine the indices for all assets in a class,
   3)Analyze the resultant curve
   4) Determine required rates of replacement over time
3. Carry out the work in-house and/or contract out
4. Include new asset information, work released but not started and work not completed.

Figure 1. **AM FLOWCHART: ILLUSTRATIVE EXAMPLE** (referred to in paragraph (vii), above)**.** [Source: Training Course "Meeting Chapter 5 Filing", The MEARIE Group, January 16, 2018]

2-Staff-28
Asset Management Process
Ref: Asset Management Process Overview (5.3.1) DSP p105, Figure 3-4: Asset Management Process Flowchart

Lakeland Power states on page 101: Lakeland Power's asset management plan requires a team effort and is the combined responsibility of the Manager of Operations, Lines Supervisor, engineering staff, lines department, GIS/IT support personnel and financial department. Generally, these responsibilities include:

- Ensuring schedules for inspection and maintenance are adhered to.
- Reviewing and ensuring the inspection data is complete and thorough in order to be useful.
- Reviewing and analyzing the inspection data to plan for system maintenance and upgrades.
- Analyzing inspection data and trouble call trends to identify and prioritize future areas for capital and operating and maintenance budgets.
- Reviewing and updating the inspection and maintenance program as required, to incorporate changing regulations, standards and system facilities and to enhance the value of the inspection result data.
- Ensure the proposed capital expenditures are financially feasible and support the established budgetary parameters

Lakeland Power states on page 102: This computerized work order system allows Lakeland Power to effectively plan, prioritize, allocate and schedule the appropriate labour, equipment and material resources to each job or work project. The availability of this work order data, with the querying/reporting tools, provides the ability to identify areas that show a trend of repeat visits or trouble calls from which high-risk areas or aging areas can be identified to be addressed in the capital asset plan.

Lakeland Power states on page 103: Lakeland Power uses Fulcrum, a mobile data collection platform that allows Lakeland Power to easily build mobile forms & collect data anywhere, anytime with our mobile devices. Lakeland Power uses Fulcrum to inspect poles, transformers, and substations.

Lakeland Power states on page 104: Figure 3-4 illustrates the Asset Management Process from technical data input through to several outcomes, including future review

or maintenance, and culminating in the creation of the capital plan, including plan drivers.

a) Please provide a current Lakeland Power organization chart, or point to a section in this DSP, which would include the Lakeland Power staff in the Asset Management organization as well as any external contractors with assigned roles in the organization. Please show the Asset Management reporting structure, descriptions of roles and responsibilities for all key personnel and identify who has the overall responsibility for the Asset Management Program development and application.
b) In the list of responsibilities (stated on page 101), asset replacement is not listed. Please confirm that this is included (e.g. in bullet 3).
c) There is no mention of Lakeland Power's effort to incorporate industry best-practice and lessons learned. Please confirm if this is part of the Lakeland Power's Asset Management process and explain (or point to) any efforts to share experience (and data) on asset performance with neighbouring utilities.
d) With reference to Fig 3-2 "Sample of SAIDI/SAIFI/CAIFI report", please confirm that SAIDI and SAIFI values are per customer per year. If so, please describe the process for tabulating and checking the values indicated, as the numerical values given seem quite low (e.g. < 1/5y interruptions per customer). If these refer only to those outages under Lakeland Power control, please make this clear in the text and describe the impact and sources of outages not included here.
e) Lakeland Power uses its Work Order system and mobile platform technology to track and integrate asset information. With regards to identifying "high risk areas or aging areas" is this capability exploited (or planned) for tracking individual assets and asset classes? In particular, please clarify if this capability has been fully integrated with GIS (p103) and if an asset's condition information inputs would be retrievable for Lakeland Power future asset condition assessments, along with its "physical characteristics such as age, make, model and serial number" as stated in the description of GIS.
f) With respect to Figure 3-4 Asset Management Process Flowsheet:
    1) The boxes for "Historical Failure Data on Similar Assets" and "Calculate Health Index Rating" are not connected. Please explain if they are (in fact) connected?
    2) An example of an Asset Management Flowchart is shown on Figure 1, above. This flowchart illustrates various components of asset management process as well as interconnections among the AM "process boxes", so that a common approach across all asset classes is possible and allows the use of collected information for renewal capital allocation. Would you please compare the LDPL Figure 3-4 "Asset Management

Process Flowchart" against Figure 1 above, and identify changes that would be need to Figure 3-4 to achieve agreement between the two flowcharts?

2-Staff-29
Assets Management
Ref: Overview of Assets Managed (5.3.2) DSP p106-7; Page 3 of the Muskoka Community Foundation Vital Signs® Report 2018[1]

Lakeland Power states on page 106:

> *Wind storms pose the greatest threat of LPDL's distribution system. Overhead lines run thoroughly heavily wooded areas. Tree trimming exercises occur on a rotating basis, but inclement weather can be unpredictable. LPDL has taken steps, through tree trimming and the identification of past problems area, to mitigate the effect of storms and to prepare for future issues.*
>
> *Environmental and climate change considerations are important to LPDL. Anticipating the results of Climate Change (more frequent extreme weather events) helps prepare LPDL to mitigate potential large outage events in the future. LPDL also takes its role as a utility that affects and influences the environment directly around it seriously and promotes conservation and sustainability efforts in the communities*

Lakeland Power states on page 107:

> *Muskoka is an area experiencing little growth in terms of permanent population. LDPL's six municipalities served have shown no significant population growth trends in the past 10 years according to recent data from Statistics Canada. LPDL is expecting minimal customer growth.*

a) Tree trimming occurs on a "rotating" basis (but the frequency and means to establish it is not described here). Has Lakeland Power analyzed the effectiveness/adequacy of existing tree-trimming in limiting outages and asset damage from storms? If so, please point to (or describe) these efforts. In particular would more frequent and aggressive tree trimming be cost-effective in mitigating outage and asset damage potential?
b) Has Lakeland Power attempted to determine if the frequency and intensity of storms (wind damage) is increasing with time, as might be expected from climate change? If so could you please add (or point to) discussion of this?

[1] http://muskokacommunityfoundation.ca/wp-content/uploads/2018/11/msk-vitalsigns-web.pdf

c) Regarding the stated low growth in permanent population, is there evidence of significant growth (or decline) in population (or other sources of load) in any of areas served by Lakeland Power? Does this correlate with feeder-loads? As input to this discussion, reference to the Muskoka District Plan (referenced in paragraph (iv), below) is suggested.
d) Page 3 of the Muskoka Community Foundation Vital Signs® Report 2018 includes information which seem to indicate a significant projected growth over the next 20 years in both permanent and seasonal population. Please indicate if the projected capital expenditures are adequate in each of the four categories to address these levels of growth in Table 1-5: "Capital investment drivers over the forecast period" on page 25 should such projected growth be realized?

2-Staff-30
Re: Overview of Assets Managed (5.3.2) DSP p114-5.
Lakeland Power states on page 114: Table 3-3 presents Lakeland Power's major asset types, their counts, and age distribution. Lakeland Power does not have an Asset Condition Assessment report and instead relies on asset age and inspection results, as presented below for each asset class.

a) Please explain whether each of the nine (9) asset types shown in Table 3-3 "Asset counts by age grouping as of Dec 17"will be considered for asset condition assessment, establishment of asset Health Indices and subsequently managed using asset management principles and methods?
b) Please provide an additional Table, similar to the Table 3-3 "Asset counts by age grouping as of Dec 17", which would indicate the proportions of LPDL data available to identify asset failures within each asset class and how many assets were inspected (e.g. columns showing asset class, % inspection data available to identify asset failure, and an additional column showing % assets inspected)?

2-Staff-31
Ref: Overview of Assets Managed (5.3.2) DSP p116 (substation transformers), p118 (pole mounted and pad mounted transformers) and p122 (overhead primary conductors)

Lakeland Power states on page 116: The TUL of substation transformers is 40 years.

Lakeland Power states on page 117: Substation transformer condition also largely depends upon operating conditions such as loading cycles and moisture ingress. Table 3-4 lists recommendations based on Dissolved Gas Analysis ("DGA"), oil quality and Furan Test results of substation transformers. MS4 and MS1 in Parry Sound are of

some concern indicating overheating. Using the age data and the recommendations information, a preliminary Health Index ("HI") analysis is performed. This analysis determined Parry Sound MS1 to be in Very Poor HI condition and Parry Sound MS4 and Bracebridge MS3 to be in Poor HI Condition, Parry Sound MS2 is showing signs of leaking and will be removed from service.

Lakeland Power states on page 117: Based on the inspection results (of 580 transformers), 15% of them have one or the other damages such as rust, cracks, etc. Figure 3-17 presents the timelines within a year to take necessary actions on pad-mount and pole-mount transformers with damages.

Lakeland Power states on page 123: Overhead conductors have a TUL of 60 years. Lakeland Power has 135,736 m of primary overhead conductors greater than forty years old (represents 63% of primary overhead conductor in service).The graph below shows more than 25,000 m of conductors exceeding 60 years of age. These conductors need to be replaced before they fail.

a) Please refer to the document from which the TUL of 40 years was established and explain how this 40 year value was adjusted for Lakeland Power systems, equipment and climatic conditions and how it correlates to the substation transformer remaining useful life?
b) Please explain (or point to a section in the DSP where it is explained) the differences are between the description of Very Poor HI (i.e. Very Poor Health Index), Poor HI (i.e. Poor Heath Index) conditions and the recommendations shown in Table 3-4 for Parry Sound MS1, MS2 and MS4 and Bracebridge MS3. In particular, Parry Sound MS2 has no mention of HI and in the text it is identified for replacement while a recommendation in Table 3-4 states “resume regular testing schedule”. Also, please explain (or point to a relevant section) how these differences between the HI ratings and recommendations in Table 3-4 have been resolved and included in the investment renewal costs of this DSP submission.
c) Figure 3-17 presents inspection results which may be considered for corrective maintenance. Please explain which of these inspections would LDPL consider relevant to the planned asset condition assessment, comparison with the end of life criteria (EOL) and subsequent trending of the transformers condition in future?
d) When summarizing the vertical bars on Figure 3-21 for the period until 1958 (i.e. 60 years TUL), the total is 49,000 m. Please explain how the 25,000 m of conductors exceeding 60 years of age was obtained?

2-Staff-32
Assets Managed
Ref: Asset Lifecycle Optimization Policies and Practices (5.3.3) DSP p127-39.
Lakeland Power states on page 127: Lakeland Power replaces wires, poles, and transformers that are over 40+ years old and have used that as a bench mark for planning the O&M work. Lakeland Power tends to prioritize voltage conversion to their capital expenditures but do budget a certain amount for each town for “Assets over 40 years old”.

Lakeland Power states on page 134: Since 2012 LPDL has worked to improve the quality of its asset evaluation data. Lakeland Power has implemented a system of in-field inspections and monitoring that combined with our knowledge of the age and status of assets allows us to plan for the replacement and updating of Lakeland Power infrastructure. Poles are inspected and given a HI rating, which can be compared to the importance of the pole in the overall distribution network. This determines pole status and priority. Transformers are visually inspected and replaced when they fail or appear to be damaged. They are given a HI rating that is a combination of inspection results and age.

Lakeland Power states on page 139: A perfect score would be 1. Transformer A is slightly lower than preferred but would not be given high priority for replacement

a) Does Lakeland Power make use of the statistical properties of the Age Distribution of assets (as discussed in the Kinectrics report referenced on page 129, section 3.3.1.2 below) to estimate the rates of replacement of assets in an asset class and their associated capital requirements based on remaining useful life?. For example, Figure 3-18: “Poles Count by Age”, and Figure 3-21 “Overhead Primary Conductor Length by Age” illustrate a steep ramp-up in number of poles reaching 50 years and 49 km of conductor reaching 60y over the upcoming 5 and 10y periods. Please point to the calculations showing how this was carried out, for which Asset Classes and the estimated impacts on capital spending
b) Health Indices for assets are shown for some Asset Classes, but it is not obvious that System Health is determined for all Asset Classes systematically. For example Poles appear to be assigned a Health Index based on Condition, number of circuits and configuration (par 1, p135) and pole component scores (Table 3-7). Elements of Condition appear to include physical tests (hammer impact, coring) for which correlation to remaining useful life is possible. By contrast, Transformer Condition Assessment involves a number of seemingly non life-limiting parameters such as paint, locks, grading and access (Table 3-

10). Please point to or explain how these diverse approaches are used to calculate consistent replacement rates and capital costs for the upcoming financial planning period.

c) Please confirm whether the scores resulting from the scoring method indicated on page 139 would be comparable across all Asset Classes, (for example would total overall score of 0.78 for transformer inspection be comparable to a score 0.78.) For other assets, please indicate whether the weight factors (e.g. Condition Assessment weigh of 0.6) will be periodically reviewed to reflect the latest experience within Lakeland Power and within other similar utilities and whether Lakeland Power intends to expand this scoring method to include additional end of life (EOL) criteria (e.g. function/purpose, economic, safety, design, reliability, risk, obsolescence) for replacement of the Lakeland Power assets.

2-Staff-33
Strategic Plan
Ref: Exhibit 1 – Administrative Documents, Page 13, Line 1.
Annually, senior management meet to brainstorm and prepare a 3-year strategic plan. It is unclear whether there is a separate overarching longer-term strategic plan, and within that plan, an annual business plan.

a) Please confirm whether there is an overarching long-term strategic document guiding the organization?
b) Please confirm whether there is a separate annual business plan that fits within the context of a longer-term strategic plan?

2-Staff-34
Capital Budget Variance reporting
Ref: Exhibit 1 – Administrative Documents, Page 52, Lines 5-7 and page 53, lines 20-23; Exhibit 2 - Distribution System Plan, Page 65, Table 2.5; Exhibit 2 - Distribution System Plan, Page 162.
Lakeland Power stated that *"If Lakeland Power anticipates exceeding the Capital Budget by $50,000 during a fiscal year, a Capital Expenditure Report must be prepared and presented to the Board of Directors for approval."* 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. Lakeland Power also maintains targets and metrics for capital project completion.

a) Does Lakeland Power also report budget shortfalls to its Board?

b) Is the $50,000 budget overage calculated on an aggregate basis, or on an item by item basis?
c) Is the Board only advised if total Capital Budget is exceeded, or if specific projects are exceeded?

2-Staff-35
Capital Justification
Ref: Exhibit 1 – Administrative Documents, Page 94, Lines 16-20.
Lakeland Power states *"Knowing customers' 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."*

a) Why is the replacement of assets at the end of their useful life classified as being related to customer expectations vs. system reliability?
b) Please explain how Lakeland Power makes the distinction between customer and system reliability classification of projects?

2-Staff-36
Customer Service - Capital Costs related to Parry Sound Office
Ref: Exhibit 1 – Administrative Documents, page 95, lines 7-14; Capital Expenditure Plan (5.4) DSP p157.
Lakeland Power states that keeping an office for walk-ins was requested by the Town of Parry Sound and its ratepayers. The hours of the office have since been scaled back.

a) Does Lakeland Power track the number of discrete drop ins at the Town of Parry Sounds office?
b) Has an assessment been made of the cost of keeping the office open on a per visitor cost basis?

2-Staff-37
Cyber Security
Ref: Exhibit 1 – Administrative Documents, Page 96, lines 19-20; Capital Expenditure Planning Process Overview, DSP p162.
Lakeland Power indicates that *"Investment in cyber security from 2018 through 2023 will allow LPDL to comply with OEB cyber security guidelines."* Lakeland Power also states, *"LPDL takes cyber-security very seriously and ensures that every digitally connected tool is connected with security in mind. LPDL is following the OEB Cyber Security*

guidelines and is investing the equivalent of one full time employee for two years to ensure that all recommended standards are exceeded."

a) Please confirm whether sufficient ongoing cyber security capital expenditures have been included in the application, beyond the initial two-year period.

2-Staff-38
Service Quality
Ref: Exhibit 1 – Administrative Documents, Page 104, lines 6-5; Exhibit 2 – Rate Base, Page 71, Lines 11 12 (table 40 below); Performance Measures for Continuous Improvement (5.2.3) DSP p62, section 2.3.1.5.
From the period of 2013-2017, Lakeland Power's service quality results have always exceeded OEB's targets and its trend is showing continuous improvements. The increase in the period 2015-2017 was the result of improved tracking and scheduling systems. Lakeland Power continues to update its work process and management system to maintain the OEB mandated threshold. This is demonstrated in the table below.

Service Quality

Indicator	OEB Minimum Standard	2013	2014	2015	2016	2017
Low Voltage Connections	90.0%	100.0%	94.6%	98.0%	99.2%	100.0%
High Voltage Connections	90.0%	N/A	N/A	N/A	100.0%	N/A
Telephone Accessibility	65.0%	97.5%	97.3%	92.7%	90.6%	88.2%
Appointments Met	90.0%	97.8%	99.8%	97.6%	98.6%	100.0%
Written Response to Enquires	80.0%	100.0%	100.0%	100.0%	95.9%	96.6%
Emergency Urban Response	80.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Emergency Rural Response	80.0%	100.0%	0.0%	100.0%	100.0%	100.0%
Telephone Call Abandon Rate	10.0%	0.4%	0.6%	1.3%	2.0%	1.7%
Appointment Scheduling	90.0%	99.2%	100.0%	94.3%	99.8%	100.0%
Rescheduling a Missed Appointment	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%
Reconnection Performance Standard	85.0%	100.0%	100.0%	100.0%	100.0%	100.0%

a) Has Lakeland Power assessed the incremental cost of exceeding vs. meeting OEB's standard?
b) Has an analysis been completed on what premium customers are prepared to pay for these higher ratings?

2-Staff-39
Planned Capital Expenditures
Ref: Exhibit 2 – Rate Base, Page 50, Table 32: Appendix 2-AB.
Table 32 does not present historical planned capital expenditures (2013-2018) on a category by category level, but rather only on an aggregate basis.

a) Please confirm whether the Lakeland Power board approved prior budgets on a category by category basis on or a cumulative basis.
b) Please confirm whether underspending vs. budget significantly impacted any one particular category, or whether it was generally spread across all categories.

2-Staff-40
Deferral of Capital Projects related to amalgamation
Ref: Exhibit 2 – Rate Base, Page 57, Lines 2-5.
In 2014, expenditures in the historical period were below budget. It was indicated that this was primarily due to the amalgamation with PSP, as some projects were either cancelled or deferred to a later date.

a) Please confirm whether all deferred or cancelled projects were completed within the previous historical period.
    1) If Projects were not completed with the previous period, what impact did the deferral or cancellation of projects in the 2013-2018 (due to amalgamation) period have on the current application period (were any projects deferred into the current application)?
    2) Were any projects deferred past 2023?
b) Please describe the impact of deferring/cancelling projects in the prior period projects on the Asset Management Plans.

2-Staff-41
Subject: Asset Counts
Ref: Overview of Assets Managed (5.3.2) DSP p115, Table 3-3 and p 121.
Asset Lifecycle Optimization Policies and Practices (5.3.3) p136, Table 3-9.
The figures presented in Table 3-3 and 3-9 do not match. In the case of the poles, the difference in poles over 40 years is approximately 4%.

	Table 3-3	Table 3-9	Sec 3.2.3.3
Poles (total)	6,411	6,475	
Poles (40+)	2,267	2,179	2,176

a) Please confirm correct figures and impact, if any, on capital plans resulting from incorrect figures.

b) Please validate whether there are other discrepancies in supporting tables for other assets.
c) Regardless of the specific numbers, approximately 35% of poles are in the range of qualifying for replacement. What percentage of poles over 40 years old are anticipated to be replaced in the current application period, and what percentage is deferred to the subsequent (i.e. post 2023) periods?

2-Staff-42
Variance in Capital Expenditures in Historical Period
Ref: Capital Expenditures Summary (5.4.2) DSP p176.
Over the 2013-2017 period, capital expenditures were below budget by $408,000.

a) Please confirm whether the work related to the budget deficit was cancelled altogether, or deferred to future period.
b) If deferred to future periods, please confirm if it will be completed in 2018, or in the application period.
c) What has been the operational impact of deferring $408,000 in capital projects?

2-Staff-43
Useful life of wood poles
Ref: Capital Expenditures Summary (5.4.2) DSP p 121; Justifying Capital Expenditures (5.4.3) DSP APPENDIX A1: Capital Project Narratives Test Year 2019, p12.
There are conflicting references to wood poles having a TUL of 45 years (which matches the amortization period in Lakeland Power's financial statements) (ref a), and that the typical useful life of poles is 40 years (ref b).

a) Please confirm which TUL (40 vs. 45 years) was utilised in formulating the plan, and please confirm the impact of using a 40 vs. 45 year TUL for poles.
b) Please confirm if other such differentials have been included in the application.

2-Staff-44
General Plant Investments
Ref: Justifying Capital Expenditures (5.4.3) DSP APPENDIX A1: Capital Project Narratives Test Year 2019 Project narrative – GP004: Investment Category: General Plant, Computer Hardware Upgrades, page 65; Exhibit 1 – Administrative Documents, Page 96, lines 19-20.
$26,000 in capital costs are planned for 2018 and $50,000 in capital costs are planned for 2019. There are no additional capital costs planned for the duration of the application period for computer hardware upgrades for overall computer upgrades

related to operations and cyber security, despite references in the Cost of Service document to investment in cyber security from 2018 through 2023.

a) Please confirm that no additional capital requirements are anticipated for the duration of the application period.
b) If no additional capital requirements are anticipated, please confirm the organization's plans to keep current with computer, privacy and cyber security requirements in accordance with OEB's requirements, and in particular, in the 2020-2023 period.
c) The 'Test Year Expenditure Timing' table (page 66) shows expenditures of $81,250 per quarter, or $325,000 for the year. This does not agree to the amounts referenced in the 'Historical and Future Capital and Related O&M Expenditures' table on page 65. Please confirm which figure is accurate, and whether the error has any impact on the rate application.

2-Staff-45
General Governance
Ref: Exhibit 1 – Administrative Documents, p 14 and 37.

All Board governance policies which listed approval dates, indicated approved between May 22, 2007 and Nov 23, 2010 (with exception of M&A committee, which was tied to the amalgamation date). Risk and asset management do not appear to be specifically identified.

a) As there does not appear to be a Risk Board committee, which Committee is responsible for Risk Management, and in particular cyber risk?
b) Which Board committee is responsible for oversight of the organization's asset management program?
c) Given that many Board policies have not been updated in over ten years, are there plans to review and update policies, and if so, when?

2-Staff-46
Amalgamation impact on Policy
Accounting and other policies, including asset management, were harmonized subsequent to the amalgamation of the utilities.

a) How did the harmonization of policies resulting from the amalgamation impacted accounting policies, asset values, cost of service, etc. for the amalgamated entity?

b) Were there other (non accounting) policies (replacement, asset management, etc.) which may have been impacted through the amalgamation, and specifically, what impact did these changes, if any, have on capital plans?

Exhibit 3 – Operating Revenue

3-Staff-47
Load Forecast
Ref: Exhibit 3, page 12; Load Forecast Model, Rate Class Customer Model sheet
Lakeland Power has forecasted that the number of residential customers in 2019 will remain at the year-end 2017 levels, and at 2018 levels for all rate classes.

a) Please explain why Lakeland has forecasted no growth in customer connections when it has experienced a growth of 936 residential customers and 99 General Service < 50 kW customers from 2008 to 2017.
b) Please provide customer counts by rate class for December 2018 if that is available, or the most recent month available.
c) Please explain the cause of the decrease in street lights from 2010 to 2016 during which time both Residential and General Service < 50 kW customer counts were increasing. Please also explain the driver of the subsequent increase in 2017.

3-Staff-48
Load Forecast
Ref: Exhibit 3, page 20
Lakeland Power has performed a regression model using heating degree days, cooling degree days, number of days in the month, a spring fall flag and CDM activity as explanatory variables.

a) Has Lakeland Power prepared a regression model which uses an economic indicator such as GDP or employment as an explanatory variable?
    a. If so, please provide the results and explain why it was rejected
    b. If not, please prepare a load forecast model and resulting class forecast where GDP is added as an explanatory variable.
b) Has Lakeland Power prepared a regression model which uses customer connections as an explanatory variable?
    a. If so, please provide the results and explain why it was rejected
    b. If not, please prepare as a scenario, a load forecast model and resulting class forecast where GDP is added as an explanatory variable.

3-Staff-49
Load Forecast
Ref: Exhibit 3, page 21
Lakeland Power states “Weather data was obtained from weather stations in the Muskoka area.”

a) Please list the weather stations used.
b) Please detail the method for determining which station or stations would be used in each day. If multiple stations are used in a day, please explain the method for calculating heating degree days and cooling degree days.

Exhibit 4 – Operating Expenses

4-Staff-50
Parry Sound Board Approved Proxy
Ref: Exhibit 4 – Operating Expenses, Table 2
Ref: EB-2010-0140, Decision and Order, p. 17
In Table 2, Lakeland Power provided the 2011 OEB approved values for its Operating, Maintenance, and Administration (OM&A) expenses.

a) Please provide the forecasted OM&A at the time of Parry Sound’s last cost of service for 2011, 2012, and 2013 and compare it to the actual operating expenses for the same time period.

In the Decision and Order, OEB noted that the approved OM&A was a 30.5% increase from 2010 actual levels. The OEB further stated that it normally would not approve such an increase but in this case, the OEB granted the increase because of the additional pressures of restructuring into a stand alone utility.

b) Since part of the OM&A approved in 2011 was related to restructuring into a stand alone company and the 2013 proxy is for an amalgamated utility, how has Lakeland Power taken this into account when creating the OEB approved proxy for 2013?
c) For comparison purposes, please provide the 2013 OEB approved proxy by using the 2010 Parry Sound actuals and applying inflation for each year until 2013.

4-Staff-51
Wireline Pole Attachment
Ref: Exhibit 4 – Operating Expenses, p.38
Lakeland Power stated part of the increase to OM&A in 2019 is due to the increase in Hydro One's pole line attachment rate. There is also an OM&A driver called Joint Use – Pole Rental.

a) Is the cost of Hydro One's pole line attachment charge the only cost in the Joint Use – Pole Rental driver?
b) Please provide a copy of the Joint Use agreement between Lakeland Power and Hydro One.

4-Staff-52
Other Drivers – Innovation programs with MaRS
Ref: Exhibit 4 – Operating Expenses, p.39
Lakeland Power stated that there is $20k for innovation programs with MaRS.

a) Is this a reoccurring cost and what is the scope of the program?
b) How does Lakeland Power benefit from this innovation program?

4-Staff-53
Community and Civic Co-ordination
Ref: Exhibit 4 – Operating Expenses, p.46
Lakeland Power stated that the increase in the Community and Civic Co-ordination program is due to the increase in customer engagement. This includes customer engagement meetings, customer satisfaction surveys, and safety surveys.

a) Are the customer engagement meetings held yearly? What are the topics of discussion at the customer engagement meetings?
b) What is the estimated average cost per customer engagement meeting?
c) How does Lakeland Power ensure the cost of the customer satisfaction surveys is the most economical? Does the customer satisfaction survey change significantly year-over-year?

4-Staff-54
Operations & Engineering, Supervision
Ref: Exhibit 4 – Operating Expenses, p.46
Lakeland Power stated that the largest increase in the Operations & Engineering, Supervision program is a result of moving the Lines Supervisor to the Operations/Engineering Manager position. Another increase was due to filling the

Engineering Technologist position for sophisticated processes/programs such as the implementation of SCADA and robust GIS.

a) What is the percentage salary difference between the Lines Supervisor position and the Operation/Engineering Manager position.
b) Please provide the difference in work duties of the Lines Supervisor position and the Operation/Engineering Manager position.
c) Please provide the number of direct reports for the Lines Supervisor position and the Operation/Engineering Manager position.
d) Please confirm if the Engineering Technologist position is different from previous engineering roles at Lakeland Power. If there is a difference, please provide a list of different responsibilities.
e) What is the percentage salary difference between the Engineering Technologist position and previous engineering roles, if applicable.

4-Staff-55
Cybersecurity Costs
Ref: Exhibit 4 – Operating Expenses, p.49
Lakeland Power has stated that a large portion of the increase for the IT support, software, telecommunications, and cybersecurity program is due to the start of cybersecurity solutions for Lakeland Power, the Written Information Security Program.

a) Please provide information about the Written Information Security Program.
b) Lakeland Power has stated that it will assess the level of risk within their systems and implement solutions that are deemed appropriate for the level of risk. Did Lakeland Power consider the risk of a reduced level of spending for this program compared to the risk of reduced spending on other OM&A programs? If so, please provide the analysis.
c) Please provide the reoccurring costs broken down by activities related to the cybersecurity solutions.
d) Has Lakeland Power completed its Cyber Security self certification requirement?
e) Is the cybersecurity infrastructure on-site or cloud based?

4-Staff-56
Regulatory Costs
Ref: Exhibit 4 – Operating Expenses, p. 95
Lakeland Power has stated that it included $150,000 in staff resources in 2019, which is intended for a regulatory accountant assigned specifically for regulatory related work.

a) What is the expected starting salary of the regulatory accountant?

b) Is Lakeland Power forecasting overtime work in 2019 for this position if it was filled?
c) What is the current status of this position? (i.e. advertised, interview process, or hired)

4-Staff-57
Executive, Financial, Legal, Professional and Insurance Services
Ref: Chapter 2 appendices – Tab App.2-JC_OMA Programs
Lakeland Power showed that there was approximately a 34% difference between the actual cost to proxy OEB approved value for the Executive, Financial, Legal, Professional and Insurance Services program in 2013.

a) Please explain the difference between the actual cost to proxy OEB approved value.
b) This program has also increased by approximately 25% year-over-year for 2018 and 2019. Please explain the reason for this increase.

4-Staff-58
Employee Costs
Ref: Chapter 2 appendices – Tab App.2-K_Employee Costs
Ref: Exhibit 4 – Operating Expenses, p. 70
On a per unit basis, the unit cost increases in 2015 and 2016 for management salary and wages were significant (11% and 33% respectively). The increase for management salary for 2019 compared to 2013 actuals is also a 36% increase or 6% per year on average.

a) Please explain the reasons for the increases in 2015 and 2016.
b) How does Lakeland Power conduct and assess fair negotiations for management salary?
c) Lakeland Power stated on p.70 of the evidence that wage increases were given to management that took on the additional scope after the elimination of the Vice President. Please provide approximately what percentage of the Vice President's salary was redistributed to remaining management for additional work and what percentage was reduced as savings from synergies.

4-Staff-59
OM&A per Customer
Ref: Chapter 2 appendices – Tab App.2-L OM&A per Cust FTE
For 2018 and 2019 the increase in OM&A has outpaced the increase in customers by approximately 7% in 2018 and 3% in 2019.

a) Please provide the OM&A programs that are not directly affected by the number of customers served.
b) For these programs, does Lakeland Power have a plan to find synergies to reduce the level of OM&A spend? If so, please provide the plan.

4-Staff-60
Regulatory Costs
Ref: Chapter 2 appendices – Tab App.2-M Regulatory Costs
Lakeland Power forecasted $58k for incremental operating expenses associated with other resources allocated to this application. Lakeland Power also forecasted $75k for intervenor costs.

a) Please provide details on the resources used for the $58k.
b) Please provide the number of assumed intervenors in estimating $75k.

4-Staff-61
Shared Services
Ref: Chapter 2 appendices – Tab App.2-N Corp Cost Allocation
Ref: Appendix C – LEL Shared Services Agreement
Lakeland Power receives three services from Lakeland Energy: GIS, ISP/Telephone, and IT Support. The cost for IT support in 2019 has increased by 90% since 2013 or 44% since 2014. The shared services agreement appears to be a lump sum agreement that encompasses a range of services offered.

a) Please provide the calculation or estimation method for the monthly compensation in the LEL Shared Services Agreement on p.9.
b) How does Lakeland Power and Lakeland Energy establish the market rate for the services offered?
c) Did Lakeland Power ever put the list of services offered on p.3 of the LEL Shared Services Agreement out for tender?

4-Staff-62
Corporate Cost Allocation
Ref: Chapter 2 appendices – Tab App.2-N Corp Cost Allocation
The unallocated corporate cost for Executive & Management services is $801k for 2013, $973k for 2014, and $1,206k for 2019. This represents a 34% increase since 2013.

a) Please explain the increase for Executive & Management services from 2013 to 2019.
b) What efforts has Lakeland Power done to minimize the Executive & Management costs paid to Lakeland Holding?

4-Staff-63
LRAMVA
Ref: Exhibit 4 – Operating Expenses, 4.11.2 – LRAMVA and associated LRAMVA Work Forms

Lakeland has requested approval of its LRAMVA in the total amount of $116,723. The LRAMVA is made up of lost revenues from CDM savings between 2011 to 2016, offset by any CDM already recovered in rates due to the inclusion in the load forecast.

The LRAMVA is made up of two components:

- Lakeland's LRAMVA amount of $92,014 related to CDM programs between 2013 to 2016
- Parry Sound's LRAMVA amount of $24,709 related to CDM programs between 2011 to 2016

a) Please indicate if the requested LRAMVA amount will be recovered on a combined basis from all customers, or if separate LRAMVA amounts will be collected from each rate zone.
b) Please provide the Final IESO Verified CDM Results Reports related to 2015 and 2016 programs.
c) Please confirm that no LRAMVA amount is being requested for CDM savings in 2017.
d) As part of the 2017 Final Verified CDM Results Report are adjustments to 2016 CDM savings. Please indicate if Lakeland would like to maintain its request for lost revenues in 2016. The OEB's policy indicates that LDCs cannot seek recovery of LRAMVA amounts related to savings adjustments for a year in which the corresponding LRAMVA amount has been approved by the OEB on a final basis.[2] As Lakeland has not included 2016 adjustments in this application, if it proceeds with requesting approval of its 2016 LRAMVA amount, it will be unable to claim 2016 adjustments in 2016 as part of a future application.
e) Please reconcile the following savings values included in the LPDL_LRAMVA Workform. The requested savings values were compared to the savings values shown in the IESO Verified CDM Results Reports found on the IESO website.[3]

[2] Chapter 2 Filing Requirements, Lost Revenue Adjustment Mechanism, 2.4.6.1
[3] Lakeland Power Distribution Ltd.'s 2015 CDM Results, 2016 CDM Results

2015 CDM Savings (LRAMVA WF Tab 5 (2015-2020 LRAM), IESO Verified Results LDC Progress Tab)

i. Appliance Retirement
    i. LRAMVA WF: 14,467 kWh (D44)
    ii. IESO Report: 18,029 kWh (BK10)
ii. HVAC Incentives
    i. LRAMVA WF: 32,577 kWh (D47)
    ii. IESO Report: 37,387 kWh (BK11)
iii. Equipment Replacement Incentive
    i. LRAMVA WF: 2,642,644 kWh (D57)
    ii. IESO Report: 3,780,980 kWh (BK17)
iv. Equipment Replacement Incentive – Adjustments (From 2016 IESO Verified Report)
    i. LRAMVA WF: 277,555 kWh (D58)
    ii. IESO Report: 285,759 kWh (CB98)
v. Direct Install Lighting and Water Heating
    i. LRAMVA WF: 144,108 kWh (D60)
    ii. IESO Report: 176,499 kWh (BK18)
vi. Low Income
    i. LRAMVA WF:84,934 (D80)
    ii. IESO Report: 98,540 kWh (BK30)

2016 CDM Savings

vii. Energy Coupon
    i. LRAMVA WF: 720,084 kWh (D288)
    ii. IESO Report: 973,086 kWh (CD8)
viii. Energy Audit
    i. LRAMVA WF: 13,143 kWh (D301)
    ii. IESO Report: 26,285 kWh (CD15)
ix. Energy Retrofit
    i. LRAMVA WF: 1,104,460 kWh (D304)
    ii. IESO Report: 1,231,374 kWh (CD16)
x. Small Business lighting
    i. LRAMVA WF: 115,748 kWh (D307)
    ii. IESO Report: 125,554 kWh (CD17)

f) Please update the Parry Sound LRAMVA workform. The LRAMVA threshold should reflect the OEB Decision in EB-2010-0140. The OEB indicated Parry Sound should use 10% of its 2011-2014 Cumulative Net Energy Savings target (or 416,000 kWh) as its CDM adjustment to its load forecast, as opposed to the originally proposed 1,000,000 kWh which has been used in the LRAMVA WF.

g) In the LRAMVA WF, new savings from programs implemented in 2015 and 2016 are included. However, no supporting documentation has been provided. Please provide all IESO Verified CDM Results Reports that fully document Parry Sound Power's new, incremental CDM activity in 2015 and 2016.

4-Staff-64
OM&A
Ref: Exhibit 4, Section 4.4.8 Benefit Program Costs
All Lakeland Power's employees are part of the OMERS pension plan. Lakeland Power is seeking to recover $191,016 in pension costs for the test period.

a) Please confirm that the amount of pension costs being sought for the test period represents the estimated employer contributions to the OMERS plan for 2019.
b) Using the OMERS pension contribution formula for 2019, please provide the calculation that underpins the test period contribution amount. Wherever possible, please reference the input to that formula (i.e. salaries and wages, headcount etc.) to the relevant sections of the application where the where the test period amount can be found.

4-Staff-65
OM&A
Ref: Exhibit 4, Section 4.4.9 Other Post Employment Benefits
At the above reference, Lakeland Power discusses its Other Post Employment Benefit costs. Lakeland Power has indicated that the cost of these post-retiree health and dental benefits is expensed once the employee retires and is eligible for the benefit.

a) Does Lakeland offer OPEBs to all of its employees and are they just limited to post retirement health and dental benefits?
b) Did Lakeland Power always offer OPEBs to its employees or were they only implemented recently?
c) How and when does an employee become eligible to participate in the OPEB plan?
d) Isn't an amount expensed annually over the service life of an employee with respect to OPEBs (accrual accounting) representing what the employee earned in that in that particular year? If so, why is the Applicant stating that these benefits are only expensed once the employee retires.
e) In section 4.4.9 Lakeland states that the initial set up for the value of the benefit was derived from a valuation report done in 2016 and totaled $104,488. Please clarify exactly what this amount is and what relates to. What needed to be set up

(is it referring to the life insurance benefit that only the PS employees had but was given to all employees upon merger, please clarify).

f) It is not clear if the Applicant is actually seeking to recover this $104K anywhere in this application. Please confirm if the Applicant is seeking to recover this amount in the test period revenue requirement.
g) It is also not clear what other amounts are being sought in this application with respect to OEPBs. Is the Applicant seeking to recover any amounts in the test period revenue requirement with respect to the annual service cost for the OPEB plan as dictated by an actuarial valuation? Please clarify what the Applicant is seeking to include in the test period revenue requirement.
h) Based on the response provided above, please also clarify how what the Applicant is seeking to recover in the revenue requirement with respect to its OPEB costs is consistent with the recent OEB Report on the Regulatory Treatment of Pension and Other Post-Employment Benefit Costs (EB-2015-0040)

4-Staff-66
OM&A
Ref: Exhibit 4, Section 4.10 PILs, PILs Workbook, Chapter 2 Appendices Workbook Tab 2-BA_FA Cont. 2019
For purposes of calculating taxable income for the test year in the tab "T1 Taxable Income Test Year", Lakeland Power has added back an amount of $1,652,955 associated with the amortization of tangible capital assets.

a) Per the test year capital asset continuity schedule filed in Tab 2-BA of the Chapter 2 Appendices Workbook, Lakeland Power shows test year depreciation expense of $1,337,805 compared to the $1,652,955 being added back in the taxable income calculation. Please explain why there would be a discrepancy. If this is an error, please update the PILs calculation to reflect the appropriate number.

Exhibit 5 – Cost of Capital

5-Staff-67
Debt Instruments
Ref: Chapter 2 appendices – Tab App.2-OB Debt Instruments
Lakeland Power has all of its long-term debt with TD Bank and most recently renewed $11.1M worth of loan at 3.62%.

a) Did Lakeland Power negotiate with other banks for a better rate for the most recently renewed load?

b) Are there cost savings for Lakeland Power by having all its debt at TD Bank?

Exhibit 6 – Revenue Deficiency/Sufficiency

6-Staff-68
Distribution Revenue at Proposed Rates
Ref: Exhibit 6 – Revenue Requirement, Table 3: Distribution Revenue at Proposed Rates – 2019 volumes
Ref: Exhibit 8 – Rate Design, Table 11: 2019 Proposed Rates at Proposed F/V split
Lakeland Power provided proposed rates in Exhibit 6 - Table 3 and Exhibit 8 - Table 11 but the rates do not match.

a) Please reconcile the two tables.

Exhibit 7 – Cost Allocation

7-Staff-69
Cost Allocation
Ref: Cost Allocation Model, Tab I3 TB Data
Lakeland Power has entered the Revenue Requirement of $8,340,985. The cost allocation model has calculated a revenue requirement of $8,339,235 based on the provided trial balance.

a) Please reconcile the $1750 difference.

7-Staff-70
Cost Allocation
Ref: Exhibit 7, page 10; Exhibit 8, page 12; Cost Allocation Model, Tab I6.1 Revenue
Lakeland Power states that “Sheet I6.1 Revenue has been populated with the 2019 Test Year forecast data as well as existing rates. However, the rates populated are neither the approved rates for the Lakeland Power except for the former Parry Sound Power service area, nor the former Parry Sound Power service area. For example, the 2018 approved residential fixed charge in the Lakeland Power except for the former Parry Sound Power service area is $30.51, the residential fixed charge in the former Parry Sound Power service area is $34.69, while the cost allocation model is populated with $31.61. At exhibit 8, Lakeland Power indicates that the existing charge for “former LPDL” is $33.48, and for “former PSP” is $34.69.

a) Please provide a source or derivation for the existing rates used in sheet I6.1 Revenue.
b) Please reconcile the rates in exhibit 8 with the rates from Lakeland Power's 2018 tariff of rates and charges.

7-Staff-71
Cost Allocation
Ref: Cost Allocation Model, Tab I6.2 Customer Data; EB-2012-0145 Cost Allocation Model, Tab I6.2 Customer Data
For the Street Light class, the provided Cost Allocation model has been populated with 2,849 for customers, connections, devices, and secondary customer base, and the number of bills has been populated with 34,188 reflecting one bill per month per customer. In the cost allocation model in support of its 2013 rate application, Lakeland Power indicated that it expected to issue 84 bills per year for street lighting.

a) Please confirm the number of customer accounts, and street lighting bills per month.
b) Please update the cost allocation model as required..

7-Staff-72
Cost Allocation
Ref: Cost Allocation Model, Tab I7.1 Meter Capital; Tab I7.2 Meter Reading
Lakeland Power has entered meter counts indicating that the General Service < 50 kW rate class uses a mix of single phase 200A meters and demand meters without instrument transformers while the General Service > 50 kW rate class uses demand meters with instrument transformers exclusively.

a) Please explain Lakeland Power's practice on the frequency and criteria for reclassification of customers between the General Service < 50 kW and General Service > 50 kW rate classes.
b) If Lakeland power routinely reclassifies customers, please explain how all customers in the General Service > 50 kW rate class use a different type of meters from all customers in the General Service < 50 kW rate class, or revise the cost allocation model as required.

7-Staff-73
Cost Allocation
Ref: Cost Allocation Model, Tab I7.2 Meter Reading

Lakeland power has assigned a weighting factor of 0.22 to the meter reads required for interval meters. This is applied to all meter reads for the General Service > 50 kW rate class, and not to meter reads for any other rate class.

a) Please provide a derivation of the meter reading weighting factor for interval.

7-Staff-74
Cost Allocation
Ref: Cost Allocation Model, Tab I8 Demand Data
The secondary non-coincident peaks (NCPs) entered in the cost allocation model are greater than line transformer NCP for the general service > 50 kW rate class. For example, the Line Transformer 4NCP has been entered as 32,360 kW while the Secondary 4NCP has been entered as 59,489 kW.

a) Please explain why the secondary NCPs are greater than the line transformer NCP and correct the model as required.

7-Staff-75
Cost Allocation
Ref: Exhibit 7, page 26; Revenue Requirement Work Form, Tab 11 Cost Allocation
Lakeland Power is proposing to reduce the revenue to cost ratio for the Residential rate class from 98.67% to 97.95%.

a) Please provide the rationale for reducing the revenue to cost ratio for the residential class when it is already below 100%, and necessitates a larger increase to the Street Lighting rate class.

Exhibit 8 – Rate Design

8-Staff-76
Specific Service Charges
Ref: Exhibit 8 – Rate Design, p. 35-37
Lakeland Power is proposing to apply the following formerly approved specific service charges for Parry Sound to all of Lakeland Power's service territories: account history, credit reference/credit check, charges to certify cheque, meter dispute charge, temporary service – install & remove – underground – no transformer, temporary service – install & remove – overhead – with transformer, and Service call – customer owned equipment.

a) Does Lakeland Power, except for the former Parry Sound, service territory currently provide the above services? If so, how does Lakeland Power currently recover costs?
b) What is the difference between Account History, a service offered by the former Parry Sound, and Statement of Account, a service offered by Lakeland Power?
c) What is the historical average time to install & remove a temporary service, the number of employees required, and the equipment required?

8-Staff-77
Specific Service Charges
Ref: Exhibit 8 – Rate Design, p. 35-37
Lakeland Power is proposing to apply the following formerly approved specific service charges for Lakeland Power, except Parry Sound, to all of Lakeland Power's service territories: statement of account, request for other billing information, income tax letter, collection of account charge – no disconnection – after regular hours, disconnect/reconnect at meter – after regular hours, disconnect/reconnect at pole – after regular hours, install/remove load control device – after regular hours.

a) Does the former Parry Sound service territory currently provide the above services? If so, how does the former Parry Sound currently recover costs?
b) What were Parry Sounds historical labour rates compared to Lakeland Power for the same time period?
c) What are Lakeland Power's overtime labour rates?
d) Please provide a breakdown of the costs for disconnects/reconnects and install/remove load control devices.

8-Staff-78
Low Voltage Charges
Ref: Exhibit 8 – Rate Design, Table 24: Calculation of Proposed Low Voltage Charges
Lakeland Power stated that the 2018-2019 estimates for low voltage charges were based on an average of 2014-2017 but the numbers provided in Table 24 appear to be a historical five year rolling average.

a) Please confirm the methodology used to forecast the 2018 and 2019 low voltage charges.
b) Please calculate the 2019 low voltage charge based the latest Hydro One tariff sheet and 2019 load forecast volumes.

8-Staff-79
Rate Design
Ref: Exhibit 8, page 14-18

Lakeland Power is proposing to increase the proportion of revenue to be collected from the fixed charge for all rate classes. It states that its process to adjust fixed to variable split involves:

1) Determining what the newly calculated rates would be if Lakeland Power maintained its existing fixed to variable split;
2) Look at each class individually to see if the fixed rate falls within the Minimum and Maximum range;
3) Adjusted rates for each class accordingly.[4]

After determining the fixed and variable charges for the General Service < 50 kW and General Service > 50 kW rate classes, in step 1), Lakeland Power "opted to stay with the current fixed rate"[5].

For the Street Lighting, Unmetered Scattered Load and Sentinel Lighting rate classes, Lakeland Power has decided to adjust the fixed charge to recover 100% of the required revenue. In each case, it explains that it "was set as to meet the maximum charge or existing rate from the Cost Allocation model (Minimum System with PLCC adjustment)."[6] For all three unmetered rate classes, the fixed charge that would result from maintaining the existing fixed charge would fall between the minimum and maximum fixed charges as calculated by the cost allocation model.

a) In explaining its chosen fixed to variable split for the General Service < 50 kW rate class and General Service > 50 kW rate class, Lakeland Power quoted the filing requirement statement "There is no requirement to lower the fixed charge to the ceiling".[7] Does Lakeland Power confirm it interprets that quotation as being prescriptive in that fixed charges must not be reduced from their current level?
b) If part a) is not confirmed, please explain why, after calculating the rates that would result from maintaining the existing fixed to variable split per step 1) in its process above; Lakeland Power decided increased the proportion of revenue to be collected from the fixed charge.
c) After calculating the rates that would result from maintaining the existing fixed to variable split per step 1) in its process above, why did Lakeland Power decide to go with fully fixed rates for the Street Lighting, Unmetered Scattered Load and Sentinel Lighting rate classes?

[4] Exhibit 8, page 15.
[5] Exhibit 8, page 16.
[6] Exhibit 8, page 17.
[7] Exhibit 8, pages 16, 17.

8-Staff-80
Bill Impacts
Ref: Tariff and Bill Impact Models (for Lakeland Power and PSP)
The proposed tariff and bill impact models (for both service areas) omit a volume count for the monthly service charge for Unmetered Scattered Load, Sentinel Lighting, and Street Lighting. This has the effect of excluding the impact in changes in the fixed charge from the bill impact calculation.
For the Street Light rate class, Lakeland Power has forecasted 2849 street light devices, 1.15 GWh and 3183 kW per year. This implies an average of 34 kWh and 0.093 kW per street light device per month. Lakeland Power has completed the tariff and bill impact models using 100 kWh and 0.25 kW per month.

a) Please revise the Tariff and Bill impact models as required to correct the issues identified above.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-81
Low Voltage Charges
Ref: Exhibit 9 – Deferral and Variance, p. 43
Ref: Chapter 2 filing guidelines, 3.2.5.4 Capacity Based Recovery
Lakeland Power stated that no rate rider was produced for the balance of the CBR Class B balance and requested the balance be transferred to Account 1595 for future disposition. In the Chapter 2 filing guidelines, it states that if the rate rider generated for the CBR Class B amount is zero at the fourth decimal place then the balance will be added to Account 1580 WMS control account for disposition with the general purpose Group 1 DVA rate riders.

a) Please explain why Lakeland Power has proposed to dispose the CBR Class B balance through Account 1595.
b) Please confirm if Lakeland Power filed the latest DVA model available from the OEB.

9-Staff-82
Deferral and Variance Accounts
Ref: DVA Continuity Schedule
The applicant is seeking OEB approval to harmonize its rates for the legacy Lakeland Power and Parry Sound Power service territories as part this application and has submitted a consolidated December 31, 2017 DVA continuity schedule in support of its request to dispose of these account balances.

a) Please confirm that the DVA balance and transactions up to the end of 2017 were actually compiled by service territory and not on a consolidated basis.

b) Please confirm that the IESO invoice had yet to be harmonized when the balances in the DVA continuity schedule were being compiled. If the IESO invoice has been harmonized, please indicate the date of harmonization.

c) From a cost causality perspective, please explain why the Applicant believes that it is more appropriate to calculate a single rate rider to be charged to customers across both rate territories when the underlying DVA account balances were accumulated by service territory[8].

d) Please prepare and submit a DVA continuity schedule for each service territory.

e) Please update the Bill Impacts to reflect the rate riders calculated by service territory.

9-Staff-83
Deferral and Variance Accounts
Ref: Exhibit 9, Section 9.2

The Applicant is seeking to dispose of a credit of $365,471 in Account 1576, representing the impact of adopting the OEB's capitalization and depreciation policies for the Parry Sound service territory effective from January 1, 2013, and includes a projected amount for 2018.

a) Why was the Parry Sound service territory not tracking the annual impact (excluding return) in account 1576?
b) Has the Applicant maintained both former and revised CGAAP detailed asset continuity schedules for the PSP service territory and were they used as the basis for the annual amounts and calculations presented in Appendix 2-EC?
c) Please provide the detailed asset continuity schedules that support the annual balances presented in Appendix 2-EC under both former CGAAP and revised CGAAP. If these continuity schedules have not been maintained, then please explain how the Applicant calculated the amounts included in Account 1576 and why these calculations are reasonable and accurate.
d) Can the revised CGAAP balances be reconciled to the audited financial statements and RRR filings for the respective years? If not, please explain why. Otherwise please provide this reconciliation.

[8] For example, in Section 9.2 of the application, the Applicant has indicated that the balance in Account 1576 relates entirely to the Parry Sound service territory. Therefore, is it reasonable to seek to refund that balance to all ratepayers when it relates entirely to the Parry Sound ratepayers.

e) In Appendix 2-EC, for years 2015-18, the applicant has not recorded any capital additions for purposes of calculating the annual difference between former and revised CGAAP. Please explain why given that the former Parry Sound had never rebased under the OEB's mandated capitalization and amortization policies.
f) Please confirm that only the impact of adopting the OEB's mandated capitalization and amortization policies is being tracked in Account 1576. If the impact of other PPE accounting policy changes is also being tracked in this account, such as de-recognition gains and losses on disposal of pooled assets or other, then please quantify the portion of the calculated annual difference that would relate to those.

9-Staff-84
Deferral and Variance Accounts
Ref: Exhibit 9, Appendix C
At the above reference the Applicant has submitted its GA Analysis Workforms and support GA Methodology description. The Applicant has prepared the GA Analysis Workfrom on a combined basis although the balances were actually accumulated by service territory.

a) Please prepare and submit a GA Analysis Workform by service area (legacy Lakeland and Parry Sound). A Workform must be prepared for each year since the service territory's last disposition of Account 1589. For Parry Sound that requires one for 2017 only, and for legacy Lakeland one for 2015, 2016, and 2017 is required. Please ensure each of the excel versions of the Workform are submitted.

b) The Applicant has presented reconciling adjustments in 1a and 1b of Note 5 in the versions GA Analysis Workforms that were submitted as part of this application.

    a. For 2015 and 2016, the Applicant has presented an adjustment in 1b related to a change in methodology for the calculation of Non-RPP GA. Please explain why the methodology needed to be changed. Please include details on how it was initially being done, what was changed and why, how the information required is compiled, and how the resulting adjustment was quantified. Provide the supporting calculation.

    b. Since the former Parry Sound service area previously disposed of its 2015 and 2016 balances in Account 1589 on a final basis, please confirm that

the above methodology adjustments proposed for 2015 and 2016 only relate to the legacy Lakeland Power GA balances for those years.

c. Please explain why the Applicant believes that the new methodology outlined above is more appropriate and results in a more accurate calculation of the GA.

d. Were the amounts presented in 1b for both 2015 and 2016 recorded in the Applicant's G/L? If so, what period were they recorded in?

e. In 2017 the Applicant has not recorded a similar adjustment in 1b for the change in methodology, please explain why one was not required for 2017.

f. Please provide further explanation and context for the adjustments recorded in 1a for both 2015 and 2016. Have these adjustments been recorded in the Applicant's G/L, if so, in what period.

9-Staff-85
Deferral and Variance Accounts
Ref: Exhibit 9, Appendix C, GA Methodology Description
Question 2b discusses the true-ups that are required for CT 1142, and in particular, a true up for the actual GA rate, which is done in the following month after initial settlement, and a true-up of the RPP consumption values used in the IESO settlement, which is trued up every quarter.

a) Please confirm that OEB Staff's understanding of the CT 1142 true-up, as outlined above, is correct.

b) If a true-up for RPP consumption is done quarterly, then please explain why the Applicant indicates in their response to 2d of Appendix A that November and December 2017 were trued up in January 2018? Based on OEB Staff's understanding, the GA rate used in the December 2017 settlement would have been trued up in their January settlement done on February 4th, and the RPP consumption true-up for the October – December 2017 settlements would also be done on this February 4th settlement. Please clarify.

c) Please confirm that both of the above true-ups have been accrued for all three years (2015, 2016, 2017) and are all reflected within the ending December 31, 2017 balance of account 1588.

d) Were these true-ups always done, or are they as a result of a new process that had been implemented.

9-Staff-86
Deferral and Variance Accounts
Ref: Exhibit 9, DVA Continuity Schedule
The Applicant is seeking disposition of approximately $534K credit in account 1588 (refund to ratepayers).

Given that any variance between the RPP revenue and the cost of energy and GA attributable to RPP customers is settled directly with the IESO on a monthly basis, the expectation is that any remaining amounts in account 1588 would be relatively small and close to zero (primarily comprised of the difference between amounts billed at the approved total loss factor versus actual system losses for the year).

a) Given the above expectation, please explain what comprises the balance in account 1588 as at December 31, 2017.

9-Staff-87
Deferral and Variance Accounts
Ref: Exhibit 9, Appendix C, GA Methodology Description
The response to Question 3a details how the Applicant splits CT 148 between accounts 1588 and 1589 (initially Accounts 4707 and 4705). The response to Question 3b provides detail as to how these initial splits are subsequently trued-up once a year after the year-end.

a) Please confirm if OEB Staff's understanding, as outlined below, is correct with respect to how the Applicant initially splits its CT 148 charge. If it is not correct, please clarify accordingly.

   For purposes of allocating CT 148 to Account 1589, the Applicant calculates the GA costs for its Class B Non-RPP customers based on actual meter readings (includes some estimated data for RPP eligible customers enrolled with retailers) for the month multiplied by the actual GA rate. The difference between the total CT 148 GA costs and the non-RPP customer calculated GA amount is deemed to be RPP related and allocated to Account 1588.

b) If the above is correct, then under this methodology won't any difference between the approved and actual loss factors be entirely allocated to RPP customers? Will the same also hold true for any prior period billing adjustments?

c) Would it be more appropriate to allocate CT 148 based on the actual sales volumes proportions for RPP and Non-RPP customers for each particular month, please explain why not?

d) Please provide a table that quantifies the monthly split of CT 148 based on the actual RPP vs Non-RPP consumption percentages and compare it to what was allocated based on the Applicant's existing methodology to determine if a material difference exists. This comparison should be done monthly for each year since the last disposition of accounts 1588 and 1589 (2015, 2016, 2017).

e) If the Applicant believes that their annual true-up process for CT 148 addresses this concern, please explain how it is achieved.

9-Staff-88
Deferral and Variance Accounts
Ref: Exhibit 9, Section 9.3.4, Account 1508, Sub-Account – OEB Annual Assessment.
The Applicant is seeking disposition of a debit of $46,326 in this account as at December 31, 2017.

a) Please provide a table that calculates the annual variance from 2016 to the end of 2017 between the OEB cost assessments that were built into rates compared to the actual cost assessments as a result of the new CAM.

9-Staff-89
Deferral and Variance Accounts
Ref: Exhibit 9, Section 9.3.4, Account 1592 PILs and Tax Variances for 2006 and Subsequent years.
The Applicant is seeking disposition of a debit of $174,184 in this account. During the former PSP EB-2012-0229, a PILs rate rider was established to return to customers the balance in Account 1562 Deferred PILs Variance Account over a 14-month period. The return to customers was over-returned and therefore a debit balance remains in this account at December 31, 2017.

a) In the EB-2012-0029 proceeding the OEB approved disposition of a credit balance of $182,992 in Account 1562 to be returned to ratepayers over a 14-month period. It appears as though the former PSP returned about double the approved amount,

please explain. Please also provide supporting calculations to arrive at the amount as at December 31, 2017.