EXHIBIT 1 – APPLICATION OVERVIEW AND ADMINISTRATIVE DOCUMENTS

2025 Cost of Service

Lakeland Power Distribution Ltd.
EB-2024-0039

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1.1 APPLICATION SUMMARY AND BUSINESS PLAN

1.1.1 APPLICATION

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B, as amended (the "OEB Act"):

AND IN THE MATTER OF an Application by Lakeland Power Distribution Ltd. under Section 78 of the OEB Act to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of May 1, 2025.

a) The Applicant is Lakeland Power Distribution Ltd. ("LPDL"), a corporation incorporated pursuant to the *Ontario Business Corporations* Act with its head office in the Town of Huntsville. The Applicant carries on the business of distributing electricity, under distribution license ED-2002-0540, within the Town of Bracebridge, Town of Huntsville, Town of Parry Sound, Village of Burk's Falls, Village of Sundridge and Municipality of Magnetawan.
b) The Application has been prepared pursuant to the OEB's *Renewed Regulatory Framework for Electricity Distributors* as detailed in the Report of The Board dated October 18, 2012 ("RRFE").
c) Unless specifically stated otherwise in the Cost of Service Application ("COS"), this application is made in accordance with Chapter 2 of the OEB's *Filing Requirements for Electricity Distribution Rate Applications* last revised on December 15, 2022 and with consideration for the letter released by the Board on April 11, 2024, *Filing Requirements for Electricity Distribution Rate Applications for 2025 Rates*, which directs filers to use the version of the filing requirements issued for 2024 rates for 2025 rate applications as well.

d) The Applicant has prepared a Consolidated Distribution System Plan ("DSP") in accordance with Chapter 5 the OEB's *Filing Requirements for Electricity Distribution Rate Applications* last revised on December 15, 2022.

e) The Applicant acknowledges that the OEB will publish an update to the Deemed Return on Equity ("ROE") and Short-term Debt Rate, and that these matters will affect the Revenue Requirement that the Applicant has requested in this Application.

f) LPDL's application consists of the following Exhibits and Excel live models in support of the evidence presented in this application:

- Exhibit 1: Application Overview and Administrative Documents
- Exhibit 2: Rate Base and Capital
- Exhibit 3: Customer and Load Forecast
- Exhibit 4: Operating Expenses
- Exhibit 5: Cost of Capital and Capital Structure
- Exhibit 6: Revenue Requirement and Revenue Deficiency or Sufficiency
- Exhibit 7: Cost Allocation
- Exhibit 8: Rate Design
- Exhibit 9: Deferral and Variance Accounts

- LPDL 2025 1592 Accelerated CCA 2024
- LPDL 2025 Benchmarking Model
- LPDL 2025 COS Load Forecast Model
- LPDL 2025 COS Load Profiles
- LPDL 2025 COS Checklist
- LPDL 2025 Cost Allocation Model 1.0
- LPDL 2025 DVA Continuity Schedule COS 1.0

- LPDL 2025 Filing Requirements Chapter 2 Appendices 1.0
- LPDL 2025 GA Analysis Workform 1.0
- LPDL 2025 Rev Reqt Workform 1.0
- LPDL 2025 RTSR Workform 1.0
- LPDL 2025 Tariff Schedule and Bill Impact Model
- LPDL 2025 Test year Income Tax PILS 1.0

g) All documents have been submitted to the OEB via their website. The completed 2025 COS Checklist can also be found at Appendix K of this Exhibit.

1.1.2 BUSINESS PLAN

LPDL has a service area of 147 square kilometers that provides electricity distribution to approximately 14,700 residential, commercial and industrial customers. LPDL is incorporated under the Ontario Business Corporations Act and is 100% municipally owned by the Town of Bracebridge, Town of Huntsville, Town of Parry Sound, Village of Burk's Falls, Village of Sundridge and Municipality of Magnetawan.

Effective July 1, 2014 the former Lakeland Power Distribution Ltd. ("LPDL") and Parry Sound Power ("PSP") amalgamated, in accordance with the provisions of the Ontario Business Corporation Act, to continue as one corporation under the name of Lakeland Power Distribution Ltd. LPDL's last COS was approved for May 1, 2019 rates which included harmonized rates, with the exception of Group 1 and Group 2 Deferral and Variance Account ("DVA") balances. Group 1 and Group 2DVA balances for 2017 were disposed of on a non-harmonized basis in 2019 (EB-2018-0050). Group 1 and Group 2 DVA amounts for 2018 were disposed of on a non-harmonized basis with LPDL's 2020 approved Incentive Rate-Setting Mechanism ("IRM") application (EB-2019-0051). Group 1 and Group 2 DVA transactions from January 1, 2019 onwards were then transacted on a harmonized basis and are being requested for disposal in this COS application on a harmonized basis.

LPDL's vision: To be the Leader in sustainable solutions and a catalyst for improving the lives of our customers and the communities we serve. LPDL also strives to:

- Provide a safe environment for our employees;
- Provide safe, reliable and economic services for our customers;
- Continue to prosper and be a good place to work;
- Provide a safe environment for and maintain good relations with the general public and suppliers;
- Respect, protect and nourish the Natural Environment; and,
- Be one of Ontario's top performing distribution companies in customer service and reliability.

LPDL's mission: Leveraging our Team, LPDL is dedicated to growing responsibly and serving our shareholders, customers and communities with safe, reliable and quality sustainable solutions. LPDL is committed to meeting the needs of its customers through effective customer engagement and ensuring the safe and reliable delivery of electricity through efficient operations, strong fiscal management and ongoing system renewal.

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

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

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

LPDL has filed its 2025 Strategic Plan in this application. Highlights from the Strategic Plan are provided below, and the full document can be found at Appendix A.

LPDL's strategic goals and priorities for 2024 onwards are:

- **Environmental Health & Safety**
  - Zero loss time accidents annually
  - Zero loss of customer information or money due to cyber attacks
  - Waste reduction committee membership
  - Maintain > 95% training review successfully completed annually
- **Team**
  - Technical apprenticeship
  - Achieve and maintain full staff complement
  - Innovation Advancement Training
- **Customers/Investments**
  - Improve Customer Communication through PowerAssist 24 outage assistance and Text Power
  - Implement Customer Education Plan
  - Improve Customer Satisfaction Survey score
  - CIS upgrade
  - Achieve top 10% of most reliable distribution companies in Ontario by:
    - Decreasing Annual Number of Outages Per Customer
    - Decreasing Annual Number of Outage Hours per Customer
  - Improve smart grid operations by installing at least 2 new Smart Switches annually

  - Improve system operations by continuing porcelain switch replacements, Infra-red scanning, tree trimming and asset management
  - New M3 substation replacement to connect more customers to local Bracebridge TS from Utterson TS to improve reliability
- **Financial**
  - OEB approval of Cost of Service Rate Application
  - Increase number of Customers on Paperless billing
  - Attain position within 10% of the lowest controllable cost per customer of distribution companies in Ontario
  - Achieve Annual Days Sales Outstanding <= 30 days
  - Achieve Deemed Return on Equity >= 8%

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

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

These key indicators are used as a tool to determine the effectiveness of a given goal and how it was implemented. During the process, a review is done of current accomplishments and potential improvements, allowing the team to assess if previously established strategies continue to be relevant and important areas of focus. Information derived from various forms of customer and employee engagement are incorporated into LPDL's discussions.

1.1.3 APPLICATION SUMMARY

The proposals of this Application have been summarized below.

1.1.3.1 REVENUE REQUIREMENT

LPDL's requested Service Revenue Requirement for the 2025 Test Year is $11,174,660 which provides for recovery of the following;

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

Table 1 below shows LPDL's 2019 Board Approved revenue requirement compared to the proposed 2025 Test Year.

Table 1 - Revenue Requirement

Particular	2019 Board Approved	2025 Proposed Test Year	Inc/(Dec) $	Compound Annual Growth Rate %
Average Net Fixed Assets	$26,786,047	$32,577,671	$5,791,624	3.3%
Working Capital Allowance	$2,889,625	$3,163,383	$273,758	1.5%
Rate Base	**$29,675,671**	**$35,741,053**	**$6,065,382**	**3.1%**
OM&A	$5,012,968	$6,580,856	$1,567,888	4.6%
Depreciation Expense	$1,319,554	$2,032,770	$713,215	7.5%
Property Tax	$56,828	$68,670	$11,842	3.2%
Return on Rate Base	$1,065,950	$1,316,700	$250,750	3.6%
PILs	$177,312	$133,457	-$43,855	-4.6%
Deemed Interest	$535,349	$1,042,207	$506,858	11.7%
Service Revenue Requirement	**$8,167,961**	**$11,174,660**	**$3,006,698**	**5.4%**
Less: Revenue Offsets	-$678,864	-$1,140,879	-$462,015	9.0%
Base Revenue Requirement	**$7,489,097**	**$10,033,781**	**$2,544,684**	**5.0%**

The proposed Base Revenue Requirement for the 2025 test year of $10,033,781 reflects an increase of $2,544,684 or 5.0% annually over the 2019 Board Approved. The revenue requirement between 2019 and 2025 has increased at a steady rate representing a deliberate pace of capital and operational investment.

In comparison to 2019 Board Approved, the changes reflected in the 2025 Service Revenue Requirement of $3,006,698 can be broken down as follows:

- Return on Equity as rate base has increased with new capital additions, $250,750
- Increase in deemed interest expense due to a significant increase in long term debt rate, $506,858
- Increase in OM&A costs due to increased staffing for succession planning, cloud computing costs, and improved maintenance practices, by 4.6% annually, $1,567,888
- Increase in depreciation expense due to type of capital investment and contributed capital, $713,215
- Increase in Property Tax due to revaluations on buildings and properties through MPAC, $11,842

- PILs decrease primarily due to tax adjustments $(43,855)

Table 2 below, shows the derivation of the variances described above.

Table 2 – 2019 Board Approved vs 2025 Test Year Parameters

Particular	2019 Board Approved	2025 Proposed	Diff
Long Term Debt	3.02%	4.76%	1.74%
Short Term Debt	2.82%	6.23%	3.41%
Return on Equity	8.98%	9.21%	0.23%
Weighted Debt Rate	3.01%	4.86%	1.85%
Regulated Rate of Return	**5.40%**	**6.60%**	**1.20%**
Controllable Expenses	$5,069,796	$6,345,727	$1,275,931
Power Supply Expense	$33,458,532	$35,832,710	$2,374,178
Total Eligible Distribution Expenses	$38,528,328	$42,178,437	$3,650,109
Working Capital Allowance Rate	7.50%	7.50%	0.00%
Total Working Capital Allowance ("WCA")	**$2,889,625**	**$3,163,383**	**$273,758**
Fixed Asset Opening Bal Bridge Year	$26,315,800	$31,807,857	$5,492,057
Fixed Asset Opening Bal Test Year	$27,256,293	$33,347,484	$6,091,191
Average Fixed Asset	$26,786,047	$32,577,671	$5,791,624
Working Capital Allowance	$2,889,625	$3,163,383	$273,758
Rate Base	**$29,675,671**	**$35,741,053**	**$6,065,382**
Regulated Rate of Return	5.40%	6.60%	1.20%
Regulated Return on Capital	**$1,601,299**	**$2,358,907**	**$757,608**
Deemed Interest Expense	$535,349	$1,042,207	$506,858
Deemed Return on Equity	$1,065,950	$1,316,700	$250,750
OM&A	$5,012,968	$6,580,856	$1,567,888
Depreciation Expense	$1,319,554	$2,032,770	$713,215
Property Tax	$56,828	$68,670	$11,842
PILs	$177,312	$133,457	-$43,855
Revenue Offset	-$678,864	-$1,140,879	-$462,015
Base Revenue Requirement	**$7,489,097**	**$10,033,781**	**$2,544,684**
Service Revenue Requirement	**$8,167,961**	**$11,174,660**	**$3,006,698**

Based on the projected load forecast for the 2025 Test Year, as provided for in Exhibit 3, LPDL has estimated a revenue deficiency of $797,356 or 8.63% relative to distribution revenue at current rates.

Table 3 below, outlines the contributors to the revenue deficiency by revenue requirement component. The first column is the 2019 Board Approved. The second column is the 2025 Test Year revenue at existing rates allocated in the same proportion as the 2019 Board Approved in order to represent the breakout in current rates. The third column lists the 2025 Test Year proposed components. The difference between the 2025 existing rates column and the 2025 proposed column gives rise to the revenue deficiency by component.

The revenue deficiency of $797,356 for the 2025 Test Year is primarily due to the effect of:

(i) Increased interest expense of $362,052 as explained in Exhibit 5.
(ii) Increased OM&A costs of $211,936 as explained in Exhibit 4.
(iii) Increased depreciation expense of $356,290 as explained in Exhibit 2.

The return on rate base has increased as a result of an increase in the 2025 Rate Base of $6,065,382 over 2019 Board Approved as well as an increase in total working capital allowance ("WCA") of $273,758. The WCA has increased due to increased controllable expenses and cost of power expenses while the WCA percentage has remained the same at 7.50% as in 2019. PILs has decreased as a result of LPDL tax adjustments.

Table 3 - Revenue Deficiency by Revenue Requirement Component

Particular	2019 Board Approved	2025 Revenue at Existing Rates Allocated in Proportion	2025 Proposed	Revenue Deficiency
OM&A	$5,012,968	$6,368,920	$6,580,856	$211,936
Depreciation Expense	$1,319,554	$1,676,479	$2,032,770	$356,290
Property Tax	$56,828	$72,199	$68,670	-$3,529
Return on Rate Base	$1,065,950	$1,354,278	$1,316,700	-$37,577
PILs	$177,312	$225,273	$133,457	-$91,816
Deemed Interest	$535,349	$680,155	$1,042,207	$362,052
Service Revenue Requirement	**$8,167,961**	**$10,377,304**	**$11,174,660**	**$797,356**
Rate base	$29,675,671		$35,741,053	$6,065,382

1.1.3.2 LOAD FORECAST SUMMARY

LPDL used a multivariate regression analysis consistent with numerous COS applications approved by the OEB over the past two decades. The regression analysis includes 10 years of actual data from 2014 to the end of 2023 and relies on statistically valid independent variables to forecast future results.

The regression analysis was done on historical electricity purchases to produce an equation to predict future purchases. Utilizing a regression analysis, these purchases can then be related to other monthly explanatory variables, producing an equation that predicts the purchases based on the explanatory variables. This prediction model is then used as the basis to forecast the total level of weather normalized purchases for the Bridge and Test Years, which is converted to billed kWh by rate class.

The multivariate regression model has determined the drivers of year-over-year changes in LPDL's load growth are: weather (heating degree days), days in the month, a spring/fall flag, a summer flag and a Trend variable. A detailed explanation of the process is provided in Exhibit 3.

Table 4 provides the summary of the total load forecast.

Table 4 – Summary of Total Load Forecast

	2019 Board Approved	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge Weather Normal	2025 Test Weather Normal
Purchases								
Actual kWh Purchases		309,952,095	304,387,702	309,941,422	322,673,989	315,137,434		
Predicted kWh Purchases	302,020,231	315,495,988	311,243,705	309,366,915	314,197,405	310,731,968	317,256,029	317,983,860
% Difference between actual and predicted purchases		1.8%	2.3%	(0.2%)	(2.6%)	(1.4%)		
Loss Factor							1.0678	1.0678
Total Billed	278,140,292	289,860,629	286,230,671	290,240,292	303,102,277	296,977,680	297,109,186	297,790,797
Billing Determinants								
Residential								
Customers	11,368	11,430	11,566	11,726	11,912	12,125	12,262	12,400
kWh	104,102,897	110,765,686	112,437,412	112,958,103	116,633,398	113,498,414	115,790,918	118,317,067
General Service < 50 kW								
Customers	2,165	2,154	2,155	2,191	2,205	2,206	2,218	2,229
kWh	58,088,237	59,276,659	54,635,310	56,374,252	59,995,612	59,565,733	60,404,777	61,352,783
General Service > 50 to 4999 kW								
Customers	138	137	136	131	129	130	126	122
kWh	114,585,590	118,495,415	117,859,877	119,633,612	125,207,062	122,653,645	119,652,398	116,858,492
kW	278,531	289,524	290,763	285,432	308,241	316,961	291,506	284,699
Unmetered Scattered Load								
Connections	51	55	56	65	64	63	64	65
kWh	166,068	172,797	173,568	178,362	172,344	169,785	172,555	175,370
Sentinel Lighting								
Connections	44	41	40	40	38	33	31	29
kWh	42,775	39,114	37,289	37,046	34,937	31,176	29,308	27,553
kW	119	109	104	103	97	87	81	77
Street Lighting								
Connections	2,849	2,849	2,851	2,851	2,851	2,851	2,852	2,853
kWh	1,154,724	1,110,958	1,087,215	1,058,917	1,058,924	1,058,927	1,059,230	1,059,533
kW	3,183	3,074	3,080	3,082	3,082	3,083	2,994	2,994
Total								
Customer/Connections	16,615	16,666	16,804	17,003	17,199	17,409	17,552	17,698
kWh	278,140,292	289,860,629	286,230,671	290,240,292	303,102,277	296,977,680	297,109,186	297,790,797
kW	281,833	292,707	293,947	288,617	311,420	320,130	294,581	287,770

Based upon a geometric mean analysis, the expected number of customers/connections for the 2025 Test Year is 17,698, a 6.52% increase over the 2019 Board Approved as shown in Table 5 . LPDL is at its service territory borders in all municipalities causing slow customer growth, an average increase of 0.84% annually, over the past 11 years.

Table 5 – Summary of Load and Customer/Connection Growth Forecast Change

Year	Billed Actual (GWh)	Growth (GWh)	Billed Actual Change %	Billed Weather Normal (GWh)	Growth (GWh)	Billed Weather Normal Change %	Customer/ Connection Count	Growth	Customer Connection/Count Change %
Billed Energy (GWh) and Customer Count / Connections									
2019 Board Approved	278.1						16,615		
2014	297.4			292.6			16,197		
2015	288.8	(8.6)	-2.9%	286.9	(5.6)	-1.9%	16,181	(16.6)	-0.1%
2016	280.5	(8.2)	-2.9%	282.9	(4.0)	-1.4%	16,148	(32.7)	-0.2%
2017	279.6	(0.9)	-0.3%	281.5	(1.5)	-0.5%	16,396	248.0	1.5%
2018	289.6	10.1	3.6%	287.8	6.3	2.2%	16,529	133.1	0.8%
2019	289.9	0.2	0.1%	285.2	(2.6)	-0.9%	16,666	136.8	0.8%
2020	286.2	(3.6)	-1.3%	287.1	1.9	0.7%	16,804	138.4	0.8%
2021	290.2	4.0	1.4%	293.6	6.5	2.3%	17,003	198.8	1.2%
2022	303.1	12.9	4.4%	303.1	9.5	3.2%	17,199	196.0	1.2%
2023	297.0	(6.1)	-2.0%	301.5	(1.6)	-0.5%	17,409	209.6	1.2%
2024 Bridge	297.1	0.1	0.0%	297.1	(4.4)	-1.5%	17,552	143.8	0.8%
2025 Test	297.8	0.7	0.2%	297.8	0.7	0.2%	17,698	145.6	0.8%
versus 2019 Board Approved		19.65	7.06%					1,083	6.52%

Based on the load forecast methodology, the 2025 Test Year kWh forecast is 297,790,797, an increase of 19,650,505 kWh or 7.06% from the 2019 Board Approved as shown in Table 6. The limited load growth is primarily due to established conservation and demand management ("CDM") and minimal customer growth.

Table 6 – 2025 Test Year Compared to 2019 Board Approved

Rate Class	2019 Board Approved	2019 Board Approved	2019 Board Approved	2025 Test Year	2025 Test Year	2025 Test Year	Variance	Variance	Variance
	#	kWh	kW	#	kWh	kW	#	kWh	kW
Residential	11,368	104,102,897		12,400	118,317,067		1,032	14,214,170	-
General Service < 50 kW	2,165	58,088,237		2,229	61,352,783		64	3,264,546	-
General Service > 50 to 4999 kW	138	114,585,590	278,531	122	116,858,492	284,699	(16)	2,272,901	6,168
USL	51	166,068		65	175,370		14	9,302	-
Sentinel Lighting	44	42,775	119	29	27,553	77	(15)	(15,223)	(43)
Street Lighting	2,849	1,154,724	3,183	2,853	1,059,533	2,994	4	(95,191)	(188)
Total	16,615	278,140,292	281,833	17,698	297,790,797	287,770	1,083	19,650,505	5,937

1.1.3.3 RATE BASE AND DISTRIBUTION SYSTEM PLAN

The proposed Rate Base for the 2025 Test Year of $35,741,053, as detailed in Exhibit 2, reflects an increase of $6,065,382, or 20.44 % (3.15% annually), from 2019 Board Approved.

Table 7 provides a trend for rate base for the period 2019 through 2025 Test Year.

Table 7 - Rate Base Trend

Particulars	2019 Board Approved	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test	2019 Board Approved vs 2025 $	2019 Board Approved vs 2025 %
Net Capital Assets in Service:										
Opening Balance	26,315,801	26,315,801	27,482,085	27,578,020	28,413,748	29,375,415	30,662,017	31,807,857		
Ending Balance	27,256,293	27,482,085	27,578,020	28,413,748	29,375,415	30,662,017	31,807,857	33,347,484		
Average Balance	26,786,047	26,898,943	27,530,052	27,995,884	28,894,582	30,018,716	31,234,937	32,577,671	5,791,624	21.62%
Working Capital Allowance	2,889,625	3,105,931	3,443,670	3,042,783	3,174,562	3,182,915	3,382,379	3,163,383	273,758	9.47%
Total Rate Base	**29,675,672**	**30,004,875**	**30,973,723**	**31,038,667**	**32,069,144**	**33,201,631**	**34,617,316**	**35,741,053**	**6,065,382**	20.44%

The increase from 2019 Board Approved to 2025 Test Year is attributable to capital investments made in the distribution system and general plant over six years as well as an increase to the cost of power which increased the working capital allowance.

The increase in the Average Net Capital Assets of $5,791,624 or 21.62% was due to the net capital investment in the distribution system, including general plant. The details surrounding the various investments can be found in detail in LPDL's Distribution System Plan ("DSP") found in Exhibit 2, Appendix A and in summary later in this Exhibit.

The increase in the Working Capital Allowance of $273,758 or 9.47% is shown in Table 8 below. The change from 2019 Board Approved is predominately due to an increase in Power Supply Expenses of $2,374,178 from $33,458,532 to $35,832,710 or 7.1% and in OM&A costs of $1,275,932 from $5,069,795 to $6,345,727 or 25.17%.

Table 8 - Working Capital Allowance

Expenses for Working Capital	2019 Board Approved	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test	2019 Board Approved	2019 Board Approved
Eligible Distribution Expenses:										
5000-Distribution Expenses - Operation	360,081	370,938	489,384	424,454	375,552	436,101	476,700	500,535		
5100-Distribution Expenses - Maintenance	1,473,726	1,339,716	1,642,609	1,619,030	2,062,665	2,016,403	2,189,040	2,310,892		
5300-Billing and Collecting	971,160	936,607	1,346,742	871,019	979,184	1,037,652	1,116,150	1,171,958		
5400-Community Relations	75,000	38,436	7,183	17,638	6,639	14,519	34,500	36,225		
5600-Administrative and General Expenses	2,120,000	2,070,437	1,870,032	1,856,254	2,008,057	2,279,911	2,393,568	2,548,246		
6205 - Donations - LEAP	13,000	13,000	13,000	13,000	13,000	19,832	13,000	13,000		
6105 - Taxes	56,828	57,787	59,441	59,485	60,426	62,817	65,400	68,670		
Less Allocated Depreciation in OM&A		- 105,356	- 134,206	- 169,827	- 210,752	- 234,230	- 270,129	- 303,799		
Total Eligible Distribution Expenses	5,069,795	4,721,566	5,294,185	4,691,054	5,294,773	5,633,003	6,018,229	6,345,727	1,275,932	25.17%
4700-Power Supply Expenses	33,458,532	36,690,851	40,621,419	35,879,385	37,032,723	36,805,861	39,080,163	35,832,710	2,374,178	7.10%
Total Expenses for Working Capital	38,528,327	41,412,416	45,915,604	40,570,439	42,327,496	42,438,864	45,098,392	42,178,437	3,650,110	9.47%
Working Capital factor	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	-	0.00%
Total Working Capital Allowance	**2,889,625**	**3,105,931**	**3,443,670**	**3,042,783**	**3,174,562**	**3,182,915**	**3,382,379**	**3,163,383**	**273,758**	**9.47%**

LPDL has developed its Distribution System Plan ("DSP") to balance the needs and preferences of its customers and the needs of the distribution system. The DSP incorporates matters pertaining to asset condition, asset management, renewable energy generation, and regional planning. The DSP can be found in Exhibit 2, Appendix A. LPDL's DSP identifies the capital projects that are planned to be completed over a five year period, based on the best information available at this time. Using GIS and Operational software, LPDL has completed a high level review of current assets and their age and has reviewed strategies supporting maintenance and capital improvements. From this review and system inspection results, LPDL has identified various aged assets that require replacement to ensure safe and reliable delivery of electricity. The capital budget forecast is influenced by growth, customer requests, reliability, support systems, and the conversion of significantly aging infrastructure. LPDL acknowledges that, where priority of projects change, or outside factors influence change, LPDL may be required to re-evaluate its capital forecast.

The capital projects planned represent prudent and reasonable investment in distribution assets in order to meet regulatory requirements such as the "obligation to connect", new growth and the need to maintain the highest electrical safety standards in service and reliability. Table 9 and Table 10 below summarize planned capital expenditures for the period 2025-2029 as well as historical expenditures over the 2019 through 2024 Bridge Year period.

Table 9 – Future Capital Expenditure Summary (000's)

Category (including Capital Contributions)	2025	2026	2027	2028	2029
System Access	330	435	440	445	445
System Renewal	1335	1300	850	1210	1280
System Service	775	1755	3105	810	860
General Plant	1030	485	565	565	475
TOTAL EXPENDITURES	**3,470**	**3,975**	**4,960**	**3,030**	**3,060**

Table 10 – Historical Capital Expenditure Summary (000's)

Category (including Capital Contributions)	2019	2020	2021	2022	2023	2024
System Access	547	623	589	347	409	700
System Renewal	1254	408	920	1326	1416	1220
System Service	410	194	239	288	506	240
General Plant	360	347	640	633	691	840
TOTAL EXPENDITURES	**2,571**	**1,572**	**2,388**	**2,594**	**3,022**	**3,000**

Table 11 below displays LPDL's 2025 Test Year projected capital expenditures of $3,470,000 compared to the 2019 Board Approved of $2,375,000, representing an increase of $1,095,000 or 46%.

Table 11 – 2019 Board Approved vs 2025 Test Year (000's)

Category (including Capital Contributions)	2019 Board Approved	2025 Test Year	$ Change	% Change
System Access	130	330	200	154%
System Renewal	1110	1335	225	20%
System Service	485	775	290	60%
General Plant	650	1030	380	58%
TOTAL EXPENDITURES	**2,375**	**3,470**	**1,095**	**46%**

LPDL's annual capital expenditures increase request for the 2025 Test Year is explained below, with full details described in the DSP of Exhibit 2.

2025 Test Year Project Drivers:

System Access

LPDL's System Access investments are modifications (including the relocation of assets) to the distribution system that LPDL is obligated to perform to provide a customer or group of customers with access to electricity services via its distribution system. The proposed investments under this category over the forecast period include costs associated with:

- Connecting residential, commercial, and industrial customers, including subdivision and townhouse lots.
- Metering investment to connect new customers and comply with Measurement Canada guidelines.
- Meter replacements made due to failure, technology limitations requiring upgrades, or seal expiry. The forecast budget is based on the expected number of smart meters approaching seal expiry date along with normal investments.

System Renewal

System Renewal investments address assets at risk of failure, impacting reliability. LPDL uses its Asset Condition Assessment (ACA) to plan necessary renewal investments.

Replacing old assets offers numerous benefits, including reduced maintenance costs and enhanced safety. Modern systems are more reliable, require less frequent repairs, and pose fewer hazards like electrical faults and fires. Additionally, new infrastructure supports environmental sustainability by being more energy efficient.

In 2025, LPDL will continue the systematic conversion of systems from 4.16kV to 27.6kV in Bracebridge, ultimately decommissioning its last remaining 4.16kV substation. While these projects offer several advantages, the 4.16kV conversions in Bracebridge are classified as System

Renewal due to the replacement of LPDL's oldest and most at-risk assets. This initiative aims to reduce line losses, increase capacity to meet rising electricity demands, enhance redundancy between feeders, and improve the flexibility of the 27.6kV system.

In the Underground Renewal project primary underground cable replacements are planned for 2025, as well as the years 2028 and 2029. These strategic replacements will not only ensure the continued reliability and resilience of the electrical distribution network but also significantly enhance the overall safety and efficiency of LPDL's infrastructure by mitigating the risks associated with aging and potentially faulty cables.

Underground Renewal in 2025 includes the Westvale Dr. project. Westvale Dr. is primarily driven by LPDL's ACA, which has identified several high-risk cables in need of urgent attention. Additionally, this initiative will provide the secondary benefit of reducing the load on HONI-owned substations, thereby optimizing the distribution network's performance and capacity.

System Service

LPDL is committed to ongoing investments in distribution automation, both at its substations and at the feeder level. These strategic investments have already demonstrated significant benefits, including enhanced switching capabilities and reduced restoration times.

Moreover, the implementation of advanced automation technologies ensures a higher degree of operational efficiency and reliability. By automating routine tasks and enabling remote monitoring and control, LPDL can swiftly address potential issues, thereby minimizing service disruptions and improving overall grid stability.

In addition to operational improvements, these upgrades contribute significantly to cost savings by reducing the need for manual interventions and lowering maintenance expenses. The integration of smart-switches and automated systems also paves the way for future innovations, allowing for seamless incorporation of emerging technologies and adaptive responses to evolving energy demands.

Through feeder-modelling and consultation with developers and Electric Vehicle Supply Equipment ("EVSE") installers, LPDL has identified critical areas in the north end of Parry Sound that require new conductors to meet the increasing demand. This includes a new subdivision, a high school, a recreation center, two level three EVSE charger locations, and several vehicle dealerships installing EVSEs. LPDL plans to commence this essential work in 2025.

In addition to large Capacity Upgrade projects, LPDL budgets for small capacity upgrade projects to account for new growth that is not known at the time of budgeting.

General Plant

In 2025, the majority of LPDL's General Plant budget will be spent in Transportation Equipment to pay for the outstanding costs of a new double-bucket truck.

LPDL will also be investing in upgrading its existing GIS system from the geometric model to the Utility Network Model.

LPDL is also investing in advanced cybersecurity measures, deemed highly critical for maintaining operations and customer data integrity. These investments include the installation of upgraded firewalls at substations, the deployment of immutable backup servers—designed to be tamper-proof unlike conventional backup solutions—and a network vulnerability assessment tool. In addition to being prudent investments reflecting utility best practice, these cybersecurity expenditures also encompass requirements from LPDL's insurance provider, which has highlighted these measures as top priorities.

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

1.1.3.4 OPERATIONS, MAINTENANCE AND ADMINISTRATION EXPENSE

LPDL is proposing recovery through distribution rates of $6,580,856 in Operating, Maintenance and Administration costs ("OM&A") for the 2025 Test Year.

The increase in OM&A spending (including LEAP) from 2019 Board Approved to 2025 Test Year is $1,567,888 or 31.28%. When compared to 2024 Forecast, the 2025 Test Year OM&A spending is an increase of $357,898, or 5.8%, which is the lowest annual increase since 2020/2021. The proposed OM&A cost expenditures for the 2025 Test Year are the result of a planning and work prioritization process that ensures that the most appropriate, cost-effective solutions are put in place.

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

Table 12 below outlines the year-over-year movement in OM&A costs.

Table 12 - Summary of Recoverable OM&A Expenses

	2019 Last Rebasing Year OEB Approved	2019 Last Rebasing Year Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
Reporting Basis								
Operations	$ 360,081	$ 370,938	$ 489,384	$ 424,454	$ 375,552	$ 436,101	$ 476,700	$ 500,535
Maintenance	$ 1,473,726	$ 1,339,716	$ 1,642,609	$ 1,619,030	$ 2,062,665	$ 2,016,403	$ 2,189,040	$ 2,310,892
SubTotal	**$ 1,833,808**	**$ 1,710,655**	**$ 2,131,993**	**$ 2,043,484**	**$ 2,438,217**	**$ 2,452,503**	**$ 2,665,740**	**$ 2,811,427**
%Change (year over year)		-6.7%	24.6%	-4.2%	19.3%	0.6%	8.7%	5.5%
%Change (Test Year vs Last Rebasing Year - Actual)								64.3%
Billing and Collecting	$ 971,160	$ 936,607	$ 1,346,742	$ 871,019	$ 979,184	$ 1,037,652	$ 1,116,150	$ 1,171,958
Community Relations	$ 75,000	$ 38,436	$ 7,183	$ 17,638	$ 6,639	$ 14,519	$ 34,500	$ 36,225
Administrative and General	$ 2,133,000	$ 2,083,437	$ 1,883,032	$ 1,869,254	$ 2,021,057	$ 2,299,743	$ 2,406,568	$ 2,561,246
SubTotal	**$ 3,179,160**	**$ 3,058,480**	**$ 3,236,957**	**$ 2,757,911**	**$ 3,006,881**	**$ 3,351,913**	**$ 3,557,218**	**$ 3,769,429**
%Change (year over year)		-3.8%	5.8%	-14.8%	9.0%	11.5%	6.1%	6.0%
%Change (Test Year vs Last Rebasing Year - Actual)								23.2%
Total	**$ 5,012,968**	**$ 4,769,134**	**$ 5,368,950**	**$ 4,801,396**	**$ 5,445,098**	**$ 5,804,416**	**$ 6,222,958**	**$ 6,580,856**
%Change (year over year)		-4.9%	12.6%	-10.6%	13.4%	6.6%	7.2%	5.8%

The OM&A Cost Drivers from the 2019 Board Approved to 2025 Test Year are summarized below in Table 13 . Detailed explanations of the material cost drivers are provided in Exhibit 4.

Table 13 - Overall OM&A Cost Drivers

OM&A - Summary of Changes	
2019 Board Approved - Opening Balance	5,012,968
Wages/Merit increase & FTE changes	380,325
Vacant positions - Offset Corp Allocation	223,778
Bad Debt	- 8,250
OH/UG Maintenance and Storm Trouble Calls	537,245
General Plant Expenses, Information System Technology	178,824
Tree trimming better contract pricing	9,431
Joint Use Pole rental charge	23,350
Regulatory charges - intervenor charges/rate applications/OEB assessment	73,700
U/G Locates	149,485
2025 Test Year Balance	**6,580,856**

1.1.3.5 COST OF CAPITAL

In this application, LPDL seeks to recover a weighted average cost of capital of 6.6% through rates in the 2025 Test Year. In calculating the applicable cost of capital, as detailed in Exhibit 5, LPDL has used the OEB's deemed capital structure of 56% long-term debt, 4% short-term debt and 40% equity, as well as the Cost of Capital parameters specified in the OEB's letter of October 31, 2023, for the allowed ROE and Short Term Debt rate. LPDL is not seeking any changes in its deemed Capital Structure from its 2019 Board Approved Structure.

LPDL's long-term debt instruments are held with TD Bank with a resulting weighted debt cost rate of 4.76% for 2025 Test Year. LPDL is requesting a short-term debt rate of 6.23% and an ROE of 9.21% for the 2025 Test Year in accordance with Cost of Capital parameters in the OEB's letter of October 31, 2023.

LPDL understands that the Board will provide future updates to the Cost of Capital Parameters applicable to 2025 Cost of Service Applications. LPDL commits to updating its Cost of Capital forecast in accordance with applicable OEB updates to the Board's cost of capital parameters. Table 14 summarizes LPDL's proposed deemed capital structure for 2025 Test Year of $35,741,053 comprised of: (i) Deemed Short-term Debt $1,429,642; (ii) Deemed Long-term Debt $20,014,990; and (iii) Deemed Equity $14,296,421.

Table 14 - Overview of Capital Structure

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	($)	(%)	($)
Debt				
Long-term Debt	56.00%	$20,014,990	4.76%	$953,140
Short-term Debt	4.00% (1)	$1,429,642	6.23%	$89,067
Total Debt	60.0%	$21,444,632	4.86%	$1,042,207
Equity				
Common Equity	40.00%	$14,296,421	9.21%	$1,316,700
Preferred Shares		$ -		$ -
Total Equity	40.0%	$14,296,421	9.21%	$1,316,700
Total	100.0%	$35,741,053	6.60%	$2,358,907

1.1.3.6 COST ALLOCATION AND RATE DESIGN

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

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

LPDL has prepared a Cost Allocation Study for 2025 based on an allocation of the 2025 Test Year costs (i.e., the 2025 Forecast Revenue Requirement) to the various customer classes using allocators derived from the OEB's Cost Allocation Model. The coincident and non-coincident peak demand allocators used as inputs to the Cost Allocation Model were prepared using the Historical Average method described in Section 2.7.1.1 of the Filing Requirements, relying on actual hourly data from 2021 through 2023. Further description of the load profiles and demand allocator methodology can be found in Exhibit 7.

Table 15 shows LPDL's proposed Revenue to Cost reallocation based on an analysis of the results from the Cost Allocation Study compared to the Board imposed floor and ceiling ranges for each rate class. The Street Lighting customer class is the only class that fell outside of the board range with a revenue-to-cost ratio of 1.54. Consequently, the Street Lighting class was readjusted to the maximum of 1.20 to bring it back into policy range. The revenue-to-cost ratio of the GS>50 kW class was increased slightly to maintain revenue neutrality.

Table 15 – Revenue to Cost Ratios

Customer Class Name	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Policy Range
Residential	0.99	0.99	-	0.85 - 1.15
General Service < 50 kW	1.07	1.07	-	0.80 - 1.20
General Service 50 to 4999 kW	0.90	0.92	0.02	0.80 - 1.20
Sentinel Lighting	1.01	1.01	-	0.80 - 1.20
Street Lighting	1.54	1.20	(0.34)	0.80 - 1.20
Unmetered Scattered Load	1.10	1.10	-	0.80 - 1.20

Further details on Cost Allocation can be found in Exhibit 7.

Table 16 presents LPDL's existing 2024 and proposed 2025 rates. The GS>50 kW and Street Lighting current fixed rates were maintained at current levels, the GS<50kW fixed rate was set at the ceiling identified in the Cost Allocation Model, and all other rate classes fixed charges were established at levels maintaining LPDL's current split between fixed and variable revenue by rate class.

Table 16 – Current and Proposed Rates

	Existing Rates		Proposed Rates		
Customer Class Name	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate	Per
Residential	$ 39.61	$ -	$ 43.03	$ -	kWh
General Service < 50 kW	$ 45.05	$ 0.0132	$ 45.48	$ 0.0158	kWh
General Service 50 to 4999 kW	$ 271.06	$ 3.1033	$ 271.06	$ 3.5765	kW
Sentinel Lighting	$ 6.49	$ 22.5503	$ 7.05	$ 24.4982	kW
Street Lighting	$ 2.40	$ 11.0008	$ 2.40	$ 3.7512	kW
Unmetered Scattered Load	$ 12.90	$ 0.0252	$ 14.01	$ 0.0274	kWh

In this application, LPDL confirms there are no new customer classes or new charges being proposed. As discussed in Section 1.1.3.8 below, LPDL is not proposing any mitigation plans as no specific customer classes will be impacted by proposed rate increases greater than 10%. Further details on Rate Design can be found in Exhibit 8.

1.1.3.7 DEFERRAL AND VARIANCE ACCOUNTS

LPDL proposes to dispose of a debit of $13,568 for Group 1 and a credit of $(503,649) for Group 2 Variance/Deferral Accounts. The balances in Group 1 and Group 2 accounts are as of December 31, 2023, adjusted for carrying charges to April 30, 2025, and are consistent with the utility's audited financial statements, with the exception of four accounts.

Account 1592 PILs and Tax Variance for 2006 and Subsequent Years – Sub-Account – CCA Changes has been adjusted to reflect the Accelerated CCA that LPDL claimed from 2018 through to 2023. In preparing this COS application, it came to LPDL's attention that it had not made the appropriate entries to Account 1592 – Accelerated CCA in prior RRR filings and IRM Models. As such, the entire principal and interest amounts up to December 31, 2023 have been entered as adjustments to 2023 Principal and Interest balances and adjusted for carrying charges to April 30, 2025. LPDL proposes to dispose of this credit balance of $(701,729) as part of the approved Group 2 rate rider. Details of this can be found in Exhibit 9 Section 9.2.4

Account 1595 Account Disposition and Recovery/Refund of Regulatory Balances for 2019, 2020 and 2021 have been adjusted to reflect amounts that Class A customers were charged for Rate Riders for Disposition of Global Adjustment – Applicable only for Non-RPP customers for May 2019 through to January 2022 in error. LPDL proposes to recover the above billing error of $121,068 over a one-year period from each of the Class A customers as incurred. Details of this can be found in Exhibit 9 Section 9.1.4.

LPDL is also proposing to dispose of a credit of $(6,793), for the final residual balance in Account 1576 Accounting Changes under CGAAP, by offsetting it against the Group 2 requested balance and combining it with the approved Group 2 rate rider. Details of this can be found in Exhibit 9 Section 9.2.4.

LPDL is not requesting any new accounts or sub-accounts at this time. LPDL will continue or discontinue using the Group 2 and Other Variance Accounts on a go-forward basis as outlined in Table 17 below.

Table 17 - Group 2 Continuance / Discontinuance

Account Description	U SoA	Continue or Discontinue	Explanation
Group 2 Accounts			
Green Button Initiative Costs	1508	Continue	LPDL is seeking recovery and balances may continue to accumulate in this account
Other Regulatory Assets, Sub-account ULO Implementation Cost	1508	Discontinue	LPDL is seeking recovery and no balance will accumulate past 2023
Other Regulatory Assets - Sub-Account - Other - OEB Assessment	1508	Discontinue	LPDL is seeking recovery and no balance will accumulate past 2023
Other Regulatory Assets - Sub-Account - Other - Customer Choice Initiative	1508	Continue	LPDL is seeking recovery and balances may continue to accumulate in this account
Other Regulatory Assets - Sub-Account - Other - Pole Attachment Revenue Var	1508	Discontinue	LPDL is seeking recovery and no balance will accumulate past April 2025
Retail Cost Variance Account - Retail	1518	Discontinue	LPDL is seeking recovery and no balance will accumulate past 2023
Retail Cost Variance Account - STR	1548	Discontinue	LPDL is seeking recovery and no balance will accumulate past 2023
Deferred Rate Impact Amounts	1574	Discontinue	LPDL is seeking recovery and no balance will accumulate past 2023
RSVA - One-time	1582	Discontinue	LPDL is seeking recovery and no balance will accumulate past 2023
PILs and Tax Variance for 2006 and Subsequent Years	1592	Continue	LPDL is seeking recovery and balances may continue to accumulate in this account
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account - CCA Changes	1592	Continue	LPDL is seeking recovery and balances may continue to accumulate in this account
Other Accounts			
Accounting Changes Under CGAAP Balance + Return Component	1576	Discontinue	LPDL is seeking recovery and no balance will accumulate past 2023
Impacts Arising from the COVID-19 Emergency	1509	Discontinue	LPDL is not seeking recovery in this application and will write off this balance in 2024

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

All DVA’s being sought for disposition are identified in Table 18 below.

Table 18 – Deferral and Variance Account Balances for Disposition/Recovery

Account Description	USoA	Total Proposed for Disposition	Allocator
Group 1 Accounts			
LV Variance Account	1550	(28,735)	kWh
Smart Metering Entity Charge Variance Account	1551	(30,152)	# of cust
RSVA - Wholesale Market Service Charge	1580	(355,123)	kWh
Variance WMS – Sub-account CBR Class B	1580	4,682	kWh
RSVA - Retail Transmission Network Charge	1584	41,679	kWh
RSVA - Retail Transmission Connection Charge	1586	105,732	kWh
RSVA - Power (excluding Global Adjustment)	1588	(244,297)	kWh
Disposition and Recovery/Refund of Regulatory Balances (2018 and pre-2018)	1595	(19)	kWh
Disposition and Recovery/Refund of Regulatory Balances (2019)	1595	(69,808)	kWh
Disposition and Recovery/Refund of Regulatory Balances (2020)	1595	5,548	kWh
Disposition and Recovery/Refund of Regulatory Balances (2021)	1595	454,613	kWh
Total Group 1 Accounts (excluding 1589)		**(115,881)**	
RSVA - Global Adjustment	1589	**129,449**	Non-RPP kWh
Total Group 1 Accounts		13,568	
Group 2 Accounts			
Green Button Initiative Costs	1508	37,220	kWh
Other Regulatory Assets, Sub-account ULO Implementation Cost	1508	3,991	kWh
Other Regulatory Assets - Sub-Account - Other - OEB Assessment	1508	18,468	kWh
Other Regulatory Assets - Sub-Account - Other - Customer Choice Initiative	1508	16,388	kWh
Other Regulatory Assets - Sub-Account - Other - Pole Attachment Revenue Var	1508	166,014	kWh
Retail Cost Variance Account - Retail	1518	(42,954)	# of cust
Retail Cost Variance Account - STR	1548	(1,096)	# of cust
Deferred Rate Impact Amounts	1574	119	kWh
RSVA - One-time	1582	(48)	kWh
PILs and Tax Variance for 2006 and Subsequent Years	1592	(21)	kWh
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account - CCA Changes	1592	(701,729)	kWh
Total Group 2 Accounts		**(503,649)**	
Other Accounts			
Accounting Changes Under CGAAP Balance + Return Component	**1576**	**(6,793)**	kWh

1.1.3.8 BILL IMPACTS

A summary of the bill impacts by class is presented below in Table 19. Detailed explanations of the bill impacts are presented in Exhibit 8.

The bill impacts are based on commodity rates based on time-of-use and regulatory charges that are held constant. As calculated in *Tab 6. Bill Impacts* of the OEB's Tariff Schedule and Bill Impact Model, the total bill impacts for LPDL's residential customers are an increase of 1.8% for low volume (10^{th} percentile) customers and a decrease of 0.4% for Residential customers using 750 kWh per month. For GS<50 kW customers, the total bill impact has a decrease of 1.3%. The balance of the bill impacts, ranging from a decrease of 2.4% to an increase of 1.3% for other rate classes, can be seen in Table 19 below.

LPDL submits that the bill impacts of its proposed 2025 electricity distribution rates are reasonable and do not require rate mitigation. All customer classes show rate increases of less than 10%.

Although the overall bill impacts have decreased for most, LPDL's proposed 2025 revenue requirement is expected to meet compliance with its regulators and meet its mandate and commitment to providing safe, reliable, cost-effective services and products achieving sustainable growth while respecting the community and the environment.

All LPDL's customers will be affected by this application.

Table 19 - Total Bill Impacts

Table 1

RATE CLASSES / CATEGORIES *(eg: Residential TOU, Residential Retailer)*	**Units**	**RPP? Non-RPP Retailer? Non-RPP Other?**	**Current Loss Factor** (eg: 1.0351)	**Proposed Loss Factor**	**Consumption (kWh)**	**Demand kW (if applicable)**	**RTSR Demand or Demand-Interval?**	**Billing Determinant Applied to Fixed Charge for Unmetered Classes (e.g. # of devices/connections).**
RESIDENTIAL SERVICE CLASSIFICATION	kwh	RPP	1.0723	1.0652	750		CONSUMPTION	
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kwh	RPP	1.0723	1.0652	2,000		CONSUMPTION	
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	kw	RPP	1.0723	1.0652	79,821	194	DEMAND	
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kwh	RPP	1.0723	1.0652	225		CONSUMPTION	1
SENTINEL LIGHTING SERVICE CLASSIFICATION	kw	RPP	1.0723	1.0652	79	0	DEMAND	1
STREET LIGHTING SERVICE CLASSIFICATION	kw	Non-RPP (Other)	1.0723	1.0652	31	0	DEMAND	2,853
RESIDENTIAL SERVICE CLASSIFICATION	kwh	RPP	1.0723	1.0652	215		CONSUMPTION	
RESIDENTIAL SERVICE CLASSIFICATION	kwh	Non-RPP (Retailer)	1.0723	1.0652	215		CONSUMPTION	
RESIDENTIAL SERVICE CLASSIFICATION	kwh	Non-RPP (Retailer)	1.0723	1.0652	750		CONSUMPTION	
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kwh	Non-RPP (Retailer)	1.0723	1.0652	2,000		CONSUMPTION	
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	kw	Non-RPP (Other)	1.0723	1.0652	79,821	194	DEMAND	
Add additional scenarios if required								
Add additional scenarios if required								
Add additional scenarios if required								
Add additional scenarios if required								
Add additional scenarios if required								
Add additional scenarios if required								
Add additional scenarios if required								
Add additional scenarios if required								
Add additional scenarios if required								

Table 2

RATE CLASSES / CATEGORIES *(eg: Residential TOU, Residential Retailer)*	**Units**	**Sub-Total**						**Total**	
		A		**B**		**C**		**Total Bill**	
		$	**%**	**$**	**%**	**$**	**%**	**$**	**%**
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kwh	$ 2.10	5.3%	$ (0.14)	-0.3%	$ (0.63)	-1.0%	$ (0.62)	-0.4%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - RPP	kwh	$ 5.83	8.2%	$ (3.35)	-3.4%	$ (4.62)	-3.6%	$ (4.41)	-1.3%
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION - RPP	kw	$ 94.86	10.9%	$ (194.74)	-14.6%	$ (239.93)	-9.4%	$ (346.21)	-2.4%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP	kwh	$ 1.65	8.9%	$ 0.66	3.1%	$ 0.52	2.1%	$ 0.48	1.0%
SENTINEL LIGHTING SERVICE CLASSIFICATION - RPP	kw	$ 1.04	9.1%	$ 0.35	2.8%	$ 0.31	2.3%	$ 0.29	1.3%
STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	kw	$ (0.62)	0.0%	$ (0.86)	0.0%	$ (0.88)	0.0%	$ (0.99)	0.0%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kwh	$ 2.10	5.3%	$ 1.46	3.4%	$ 1.32	2.8%	$ 1.23	1.8%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	kwh	$ 2.10	5.3%	$ 2.16	5.1%	$ 2.02	4.4%	$ 1.88	3.0%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	kwh	$ 2.10	5.3%	$ 2.30	4.8%	$ 1.82	3.0%	$ 1.67	1.3%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - Non-RPP (Retail	kwh	$ 5.83	8.2%	$ 3.16	3.4%	$ 1.90	1.5%	$ 1.70	0.6%
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION - Non-RPP (Other)	kw	$ 94.86	10.9%	$ 52.71	4.3%	$ 7.51	0.3%	$ (52.39)	-0.4%

1.2 ADMINISTRATION

1.2.1 PRIMARY CONTACT INFORMATION

Application contact information is as follows:

Applicant:	Lakeland Power Distribution Ltd.
Applicants Address:	200 – 395 Centre St N Huntsville, ON P1H 2M2
Applicants Contact:	Darren Bechtel Chief Financial Officer 705-789-5442 ext. 227 dbechtel@lakelandholding.com
Alternative Contact:	Chris Litschko Chief Executive Officer 705-789-5442 ext. 224 chris@lakelandholding.com

1.2.2 LEGAL REPRESENTATION

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

1.2.3 INTERNET ADDRESS AND SOCIAL MEDIA ACCOUNTS

The application and related materials will be posted on LPDL's website address at: www.lakelandpower.on.ca .

LPDL also communicates with its customers using the following social media accounts:

- Instagram (instagram.com/lakelandpower)
- Facebook (facebook.com/LakelandPower)
- X (@LakelandPower)

1.2.4 STATEMENT OF PUBLICATION

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

LPDL will follow the OEB's instructions regarding the publication of notice in relation to this Application. LPDL proposes that the Notice of Application be published in the: Bracebridge Examiner (MuskokaRegion.com), Huntsville Forester (MuskokaRegion.com), and Parry Sound Beacon Star (ParrySound.com), which covers the majority of LPDL's service area when combined.

1.2.5 MATERIALITY THRESHOLD

Per the OEB's response to the Very Small Utilities Working Group Report, issued March 28, 2024, the materiality threshold for cost of service applications for 2025 rates has been restored to $50,000 for distributors with less than 30,000 customers and a base revenue requirement less than or equal to $10 million or 0.5% of base revenue requirement greater than $10 million.

LPDL's proposed base revenue requirement in this application is $10,033,782 so the materiality threshold has been determined as 0.5% of $10,033,782 which equates to $50,169. LPDL has applied a materiality of $50,000 throughout this application.

1.2.6 REQUESTED FORM OF HEARING

The rate impacts resulting from this Application are below the materiality threshold of 10% on the total bill for all rate classes. LPDL therefore requests this proceeding be conducted by way of a written hearing in an effort to minimize costs.

1.2.7 REQUESTED EFFECTIVE DATE OF RATE ORDER

LPDL hereby applies to the Board for an Order or Orders approving or fixing just and reasonable distribution rates effective May 1, 2025. In the event that the OEB is unable to provide a Decision and Order in this Application for implementation by the Applicant as of May 1, 2025, the Applicant requests that the OEB declare its current rates interim, effective May 1, 2025.

1.2.8 CHANGE IN METHODOLOGY

The methodologies used in this Application are consistent with those applied in LPDL's last COS Application in 2019 (EB-2018-0050). The projections for the 2025 Test Year were prepared in accordance with LPDL's budget process as described in Exhibits 2 and 4. All processes are compliant with policies, directives and rules and guidelines issued by the OEB.

1.2.9 OEB DIRECTIONS FROM PREVIOUS DECISIONS/ORDERS

LPDL had one utility specific direction from the Board in or since its last COS Application in 2019 (EB-2018-0050). In LPDL's approved 2019 Decision and Rate Order, EB-2018-0050 issued April 18, 2019, LPDL was issued two directives.

1) LPDL's settlement proposal highlighted that the agreed to costs resulted in an Efficiency Assessment of 17.1% below LPDL's predicted costs. Therefore, LPDL agreed to have a full asset condition assessment in place and to implement a project prioritization process prior to its next cost of service application. LPDL confirms this has been implemented and documented in the DSP filed as part of this Application.
2) LPDL also agreed to increase funding to its Low Income Emergency Assistance Program ("LEAP") in light of the party's willingness to dispose of Account 1576 on the basis of an estimate. LPDL confirms LEAP donations were increased from $9,175 per year prior to 2019, to $13,000 per year in 2019 and onward.

1.2.10 CONDITIONS OF SERVICE

LPDL's current Conditions of Service can be found on its website at: https://www.lakelandpower.on.ca/policies-and-regulatory-affairs.

LPDL updated its Conditions of Service in 2019 and most recently in 2021. The details of these changes are explained in Exhibit 8 Section 8.1.14.

LPDL confirms that there are no rates or charges linked to the Conditions of Service that are not in LPDL's Tariff of Rates and Charges.

1.2.11 CORPORATE OVERVIEW AND GOVERNANCE

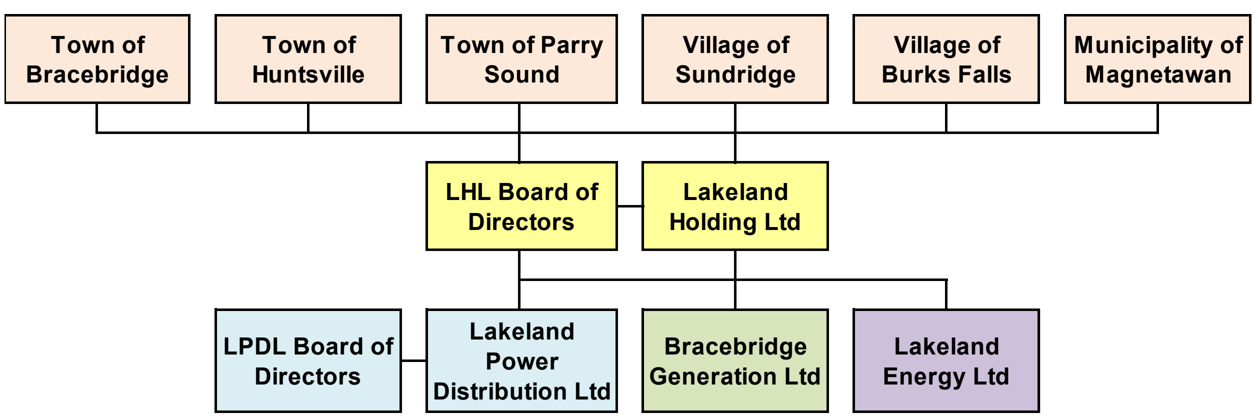
LPDL is a subsidiary of Lakeland Holding Ltd. ("LHL") and is an affiliate of Bracebridge Generation Ltd. and Lakeland Energy Ltd. LHL provides the executive and senior management, finance and accounting, payroll, health and safety, training and human resource functions for LPDL. By utilizing a corporate allocation model, the synergies of sharing costs between the subsidiaries lends itself to cost reductions versus having the executive, HR, and financial functions as stand-alone functions in each company. Details of the Shared Services/Corporate Cost Allocations are provided in Exhibit 4. In addition to the in-house support, LPDL utilizes the co-operative efforts of Cornerstone Hydro Electric Co-operative (CHEC) in order to leverage expertise, knowledge base, training forums and a collective voice with regulatory bodies, all in an effort to control costs.

LHL is owned by the Town of Bracebridge (54.97%), Town of Huntsville (21.22%), Town of Parry Sound (15.57%), Village of Sundridge (3.66%), Village of Burk's Falls (3.34%) and Municipality of Magnetawan (1.24%).

LPDL recognizes the importance of corporate governance and has ensured that the appropriate structure, mandates, processes and controls are in place. The Board of Directors for all of Lakeland's respective companies are elected on a skills base. LPDL, however, has its own Board of Directors which consists of five members, three of which are independent while two members also serve on the board of LHL.

Table 20 illustrates the corporate and governance structure.

Table 20 - Corporate Structure Chart



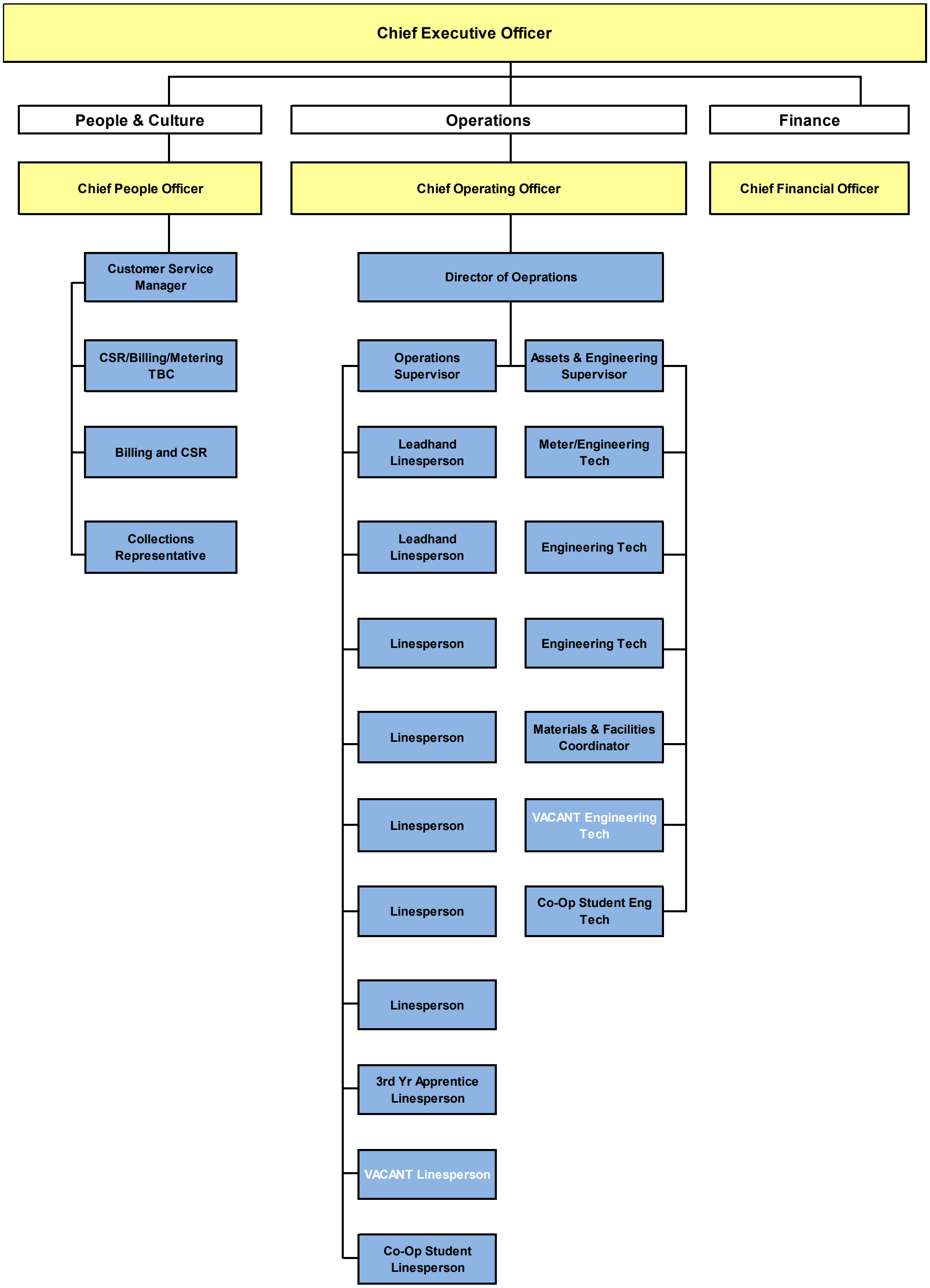
LHL's executive team, comprised of Chief Executive Officer ("CEO"), Chief Operating Officer ("COO"), Chief Financial Officer ("CFO") and Chief People Officer ("CPO") hold the same position, roles and responsibilities in LPDL as well as the other two affiliate companies.

While LPDL currently employs a workforce of 22 people specifically, it has access to more than 75 other staff across the parent and affiliate companies that lend support and expertise. Within LPDL specifically, the following positions are directly attributable to the LDC:

- Director of Operations
- Assets & Engineering Supervisor
- Operations Supervisor
- Customer Service Manager
- 2 Billing/CSR and 1 Collections/CSR
- 2 Leadhand Linesperson
- 5 Lineperson and 1 Vacant Linesperson
- 3rd Year Apprentice Linesperson
- Co-Op Linesperson Student each semester
- Meter Technician
- 2 Engineering Technicians and 1 Vacant Linesperson
- Material & Facilities Co-Ordinator
- Co-Op Engineering Technician Student each semester

Table 21 represents LPDL's organizational chart which includes the Executive team (LHL employees) and all LPDL employees. All finance, regulatory, accounting, and payroll functions are performed by LHL employees, that report directly to the CFO and are not included in the chart.

1 **Table 21 - Organizational and Corporate Structure Chart**



2

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

1.2.12 LIST OF APPROVALS REQUESTED

In this proceeding, LPDL is requesting the following approvals:

1. Approval to charge distribution rates, effective May 1, 2025, to recover a Base Revenue Requirement of $10,033,781 which includes a Revenue Deficiency of $797,356 as detailed in Exhibit 6. The schedule of proposed rates is set out in Exhibit 8.
2. Approval of the 2025 Capital Expenditures of $3,470,000 as supported by the Distribution System Plan outlined in Exhibit 2.
3. Approval to adjust the Retail Transmission Rates – Network and Connection as detailed in Exhibit 8.
4. Approval of the Low Voltage rates as described in Exhibit 8.
5. Approval of the proposed Loss Factors as detailed in Exhibit 8.
6. Approval to continue to charge Wholesale Market Services (including CBR) and Rural Rate Protection Charges as directed by the Board.
7. Approval of the Rate Riders for a one-year disposition of the Group 1, Group 2 and Other Deferral and Variance Accounts, including Account 1576, as detailed in Exhibit 9.
8. Approval to continue the Specific Service Charges and Transformer Allowance as previously approved by the OEB and outlined in Exhibit 8.
9. Approval to continue applying the MicroFit monthly service charge as outlined in Exhibit 8.
10. Acceptance of the Cost Allocation and Demand Profile methodology to determine the Non-Coincident Peak and Coincident Peak Demand Allocators, as applied in the Cost Allocation model and described in Exhibit 7.
11. Approval to continue to use Account 1592 – PILS and Tax Variance in the event future tax changes are implemented as described in Exhibit 9.
12. Other items or amounts that may be requested by LPDL during this proceeding and as may be granted by the OEB.

1.2.13 CERTIFICATION OF ACCURACY

I, Chris Litschko, CEO, hereby certify that, to the best of my knowledge the evidence filed in support of LPDL's Cost of Service Application (EB-2024-0039):

- Is accurate, consistent and complete.
- The practice direction has been followed for confidential information.
- Does not include any personal information that is not otherwise redacted in accordance with Rule 9A of the OEB's Rule of Practice and Procedure.
- The appropriate processes and internal controls are in place for the preparation, review, verification and oversight of all deferral and variance account balances, regardless of whether the accounts are proposed for disposition.

This certification is provided pursuant to the OEB's Chapter 2 and Chapter 5 Filing Requirements for Electricity Distribution Rate Applications, as issued on December 15, 2022.

Chris Litschko, CEO, Lakeland Holding Ltd.

1.3 DISTRIBUTION SYSTEM OVERVIEW

1.3.1 APPLICANT OVERVIEW

LPDL is a for-profit private corporation carrying on the business of distributing electricity within six geographically separate service territories: Town of Bracebridge, Town of Huntsville, Town of Parry Sound, Village of Burk’s Falls, Village of Sundridge and Municipality of Magnetawan.

Table 22 shows a map of LPDL’s service area followed by accompanying figures that illustrate each town/municipality that is served.

Table 22 –Service Area Map

Figure 1. Bracebridge

Figure 2. Huntsville

Figure 3. Parry Sound

Figure 4. Burk's Falls

Figure 5. Sundridge

Figure 6. Magnetawan

LPDL provides electrical distribution services to approximately 14,700 customers. Over 83% are residential and 17% are small businesses or industrial based. LPDL owns, maintains and operates the distribution system covering 147 sq. kms of service territory, 128 sq. km of which is rural.

As of December 2023, LPDL's territory was serviced by 290 circuit kms of primary overhead line, 95 circuit kms of primary underground line, 6,366 poles and 2,989 lines transformers. LPDL owns a total of ten municipal substations ("MS") with a combined installed capacity of 75.5 MVA. Four of the substations are in Bracebridge (Bracebridge MS3, Centennial MS, Douglas MS and Golden Beach MS), two are in Huntsville (Huntsville MS1 and Huntsville MS2) and the remaining four are in Parry Sound (Parry Sound MS1, Parry Sound MS3, Parry Sound MS4 and Parry Sound MS5).

LPDL is a Registered Market Participant for the purposes of settlement with the Independent Electricity System Operator ("IESO"). However, LPDL is considered a partially embedded distributor because it receives some of its electricity from Hydro One Networks Inc's ("HONI") low voltage distribution system for customers serviced in Bracebridge, Huntsville, Sundridge and Magnetawan. LPDL is fed from several 44 kV feeders supplied by HONI from Muskoka TS, Bracebridge TS and Parry Sound TS. In addition, some parts of its service territory in Bracebridge, and all customers in Burks Falls, Sundridge, and Magnetawan, are serviced by HONI 12.5kV distribution feeders. LPDL often communicates and meets with HONI with the primary objective of providing reliable and cost-effective service to LPDL's customers.

LPDL's service territory is surrounded by HONI and neighbors Elexicon to the South in Gravenhurst.

LPDL does not have any embedded distributors within its territory.

1.4 CUSTOMER ENGAGEMENT

1.4.1 OVERVIEW OF CUSTOMER ENGAGEMENT

Customer engagement has consistently played a role in LPDL's business plans. In preparing the DSP, LPDL has considered the needs and preferences of its customers, municipal shareholders, Hydro One, as well as provincial regulations and directives. LPDL strives to align its operational plans and goals with its customers' needs and expectations through all engagement endeavors. The utility is also becoming more customer-centric by investing in new programs and technologies that allow LPDL to communicate more effectively and efficiently with its customers. Some of LPDL's current initiatives to maintain or improve its level of customer engagement are outlined on the next few pages. LPDL is meeting this challenge of enhanced customer engagement through different means and forums to identify customer priorities. Examples of activities LPDL has used to engage with its customers are listed below.

- Surveys - Customer Satisfaction and Safety Awareness
- Customer Care
- Education
- DSP engagement survey

LPDL confirms there are no new rate classes, changes to existing rate classes or changes in charges that would require specific customer engagement.

Table 23 summarizes LPDL's customer engagements and Appendix 2-AC has also been provided as Appendix F.

Table 23 – Summary of Appendix 2-AC

Provide a list of customer engagement activities	Provide a list of customer needs and preferences identified through each engagement activity	Actions taken to respond to identified needs and preferences. If no action was taken, explain why.
ESA Public Safety Awareness Survey	LPDL safety awareness index good at 84%	- Surveys reviewed to identify safety knowledge gaps - Continue with current education - Continue to add/improve Safety page on website, messaging on various media

		- Visit local schools for safety talks
Customer Satisfaction Survey	Identified key preferences of bill reduction, improved reliability (infrastructure upgrades, tree trimming), Improved outage communication	- Surveys reviewed to understand customers' priorities of cost, reliability, and outage communication. - Promoted assistance programs (LEAP/OESP/CEAP), local District office for other funding options and community supports - Promoted online portal for usage review to improve load shifting and choosing best rate plan - Improve website for accessibility standards - Promoted fraud protection re hydro scams - Conversion work =line-losses reduction-> lower bills =reduced kW charges on monthly HONI bills, lowering operating costs - Investments in enhanced outage communication
Customer Care	Identified - need for more information/support on high bill inquiries, usage/load shifting education, rates, understanding the bill, outage information	- Assessed our website, improved navigation, self-serve options, forms, rates, and billing content, added more safety awareness content. - Monthly education theme, consistent messaging across comms channels - Invested in 24/7 outage management solution - New customer portal
Education	Customer responses to bill messaging, bill inserts, social media,	- Update website to communicate more details from education campaigns; industry messaging on programs (OESP, LEAP), rate changes, conservation, electrical safety. - Add to bill insert messaging.
DSP engagement survey	Key areas identified - Affordable cost of electricity - Maintaining and upgrading equipment to ensure a safe and reliable electricity supply - Storm hardening (physical infrastructure improvements increasing resistance to weather) - New technology to support renewable energy generation, electric vehicles, etc. - Improved outage communication (outage map, social media, etc.)	Affordable cost of electricity - Continued education on bill reduction through gov't & local programs, usage management, website education content - Capital work, conversions/upgrades - Tree trimming - Investment in outage communication solution - Asset Condition Assessment (ACA) – identify at-risk assets - Conversions – increased affordability through reduced line loss Maintaining and upgrading - Conversions/capacity upgrades – to meet growth capacity & stay reliable - Asset replacement – use ACA to prioritize at-risk infrastructure - SCADA improvements – increases visibility, reduces response times/outage duration, Storm Hardening - Infrared scanning of switches & connections, porcelain switch replacement to reduces fires & increase reliability New technology - SCADA improvements – increases flexibility to add renewable generation, facilitates comms with Hydro One Improved outage communication - Investment in 24/7 outage management solution
Community Involvement through sponsorship	- Customers respond positively to LPDL support in the community - Small communities like local connections	- Pay it Forward campaign - Continue local sports sponsorships, supporting co-op/summer students - School visits - Look for engagement opportunities in the community

Bill Inserts	- Inquiries on Ebill, EPP, and OESP content	- Created online EPP form - Increased E-bill/OESP content in bill msg and social media

LPDL has differentiated its customer engagement activities into Ongoing Customer Engagement and Application Specific engagement. The results of LPDL's engagement efforts are outlined below.

1.4.2 ONGOING CUSTOMER ENGAGEMENT

Surveys

LPDL engages a third-party provider to facilitate a Customer Satisfaction Survey (CSS) and an Electrical Safety Awareness Survey (ESA) every two years, alternating the two surveys year over year. LPDL's surveys, completed by Advanis (previously RedHead Media) and coordinated by CHEC, are attached as Appendix G and Appendix H. The CHEC membership offers a more cost-effective avenue through group savings on the survey engagements, rather than carrying out these surveys individually. LPDL reports the results of these surveys in its scorecard to the OEB. Typically, around 400 randomly selected LPDL customers are contacted and respond to the survey questions.

The CSS survey results are used to better hear and understand LPDL's customer's voice. In its satisfaction surveys with residential and GS<50 kW customers, conducted in 2019, 2021, and 2023, customers were asked a wide range of questions on topics including:

(a) power quality and reliability
(b) price
(c) billing and payment
(d) communications
(e) the customer service experience.

The objective of the ESA survey is to provide a Public Safety Awareness (PSA) index score for LPDL to gauge customers awareness of electrical safety. This is a calculated aggregate value based on the responses of individuals to six core measures in the survey.

Most of the current satisfaction and electrical safety awareness percentages from the 2023 ESA and CSS surveys demonstrate LPDL's success in customers being satisfied overall, and well educated on electrical safety. The most recent scores are highlighted below:

- 75% Indexed customer satisfaction
- 82% Overall satisfaction of LPDL services
- 89% Convenient bill payment options
- 85% Customer service satisfaction
- 84% Overall electrical safety awareness
- 82% Quality of power satisfaction level
- 82% Accurate billing satisfaction level
- 74% Satisfaction of reliability of service
- 71% Quickly restores power
- 64% Communication satisfaction level
- 64% Ontario electricity system satisfaction
- 41% The cost of my electric bill has a major impact
- 29% Familiarity with the portion of bill that goes to LPDL

In DSP planning, LPDL focuses on its customers' priorities of infrastructure reliability, cost, and outage communications. To do this, LPDL must plan maintenance programs that mitigate reliability issues, while ensuring assets are reaching their full useful life and replaced at the most efficient time to reduce costs.

The customer feedback for "familiarity with the portion of bill that goes to LPDL" had the lowest rating for customer awareness at 29%. This indicates LPDL will also need some additional focus on customer education to help customers better understand their bills and what finances LPDL has available to work with in addressing power reliability while keeping costs to customers low. LPDL plans to improve customers' understanding of their payment through education on various communication channels such as social media, bill messages and inserts, and website updates. There will also be improvements made to bill print and layout including colour graphics and a more seamless presentment, and in the next year, a new customer portal to allow for more enhanced bill management and usage tracking.

LPDL also sought customer feedback though the CSS surveys by asking the question, "Is there anything in particular you would like Lakeland to do to improve its services to you?". The ideas and requests were amalgamated into some of the key areas of interest, which also line up with the CSS results listed above. These customer priorities have been listed below, along with a description of what has been put in place and what is being worked on to address them:

1. Bill reduction
2. Improved Reliability (infrastructure upgrades, tree trimming)
3. Outage Communication

1.Bill reduction

Through LPDL's website, education inserts, bill messaging, social media, and through daily customer inquiries, LPDL has and will continue to:

- Promote the Ontario Electricity Support Program (OESP)
    - LPDL has over 1,000 customers seeing savings on their bills due to OESP
- Promote the Customer Choice program for RPP rate plans
    - LPDL has over 485 accounts enrolled in the Tiered program and 11 enrolled in the Ultra-low program.
- Educate customers on other financial assistance options such as CEAP and CEAP-SB during COVID, LEAP, as well as the local District office for other funding options and other community support.

- Promote/improve its online portal where customers can review their usage to better understand their usage patterns, improve load shifting to lower rate times, and determine the best rate plan for them.
- Promote/improve its website to meet accessibility standards so all customers can more readily access their billing information.
- Promote fraud protection to help educate customers on ongoing frauds involving hydro scams on their bills.
- Invest in a more robust customer portal for enhanced bill and usage management.
- Complete 4.16kV-27.6kV conversion work to continue to reduce system line losses and lower costs.
- Complete 12.5kV-27.6kV conversion work to reduce additional demand charges from its monthly Hydro One bills thus lowering costs.

2. Improved Reliability (infrastructure upgrades, tree trimming)

All ongoing infrastructure upgrades, including asset replacement programs and conversion work (see detail in Engagement Specific Engagement section below) have helped with and continue to help with hardening LPDL's systems and improving reliability.

With regards to tree trimming and outages, LPDL has 6 non-contiguous service territories located in densely forested areas. Given the prevalence of trees around its infrastructure, tree trimming is very important to LPDL customers as they are aware of the impact of tree trimming on power reliability. Outages caused by tree contact on lines in LPDL's service territory is second only to loss of supply from Hydro One. To ensure minimal impact of trees affecting power reliability, LPDL practices a 6-year tree trimming cycle. LPDL provides customer notification of what areas tree trimming will take place in for any given year through bill messaging and social media, with full details and maps on LPDL's website.

3. Outage Communication

In Q4 of 2021, LPDL began using the PowerAssist solution offered by Util-Assist, to help manage afterhours outage calls. PowerAssist offers an automated outage 'billboard' message when calls come in, describing known outages and restoration times. These same features are available through an outage Chatbot functionality on LPDL's website's 'Outages and Safety' page. Should a caller require further assistance, they can speak with a PowerAssist representative who is able to triage calls, ping a meter, assess voltage, notify LPDL's Operations center, dispatch a crew, and log a ticket in LPDL's SmartView system for display on its outage map. PowerAssist also sends social media notifications regarding the outage, based on pre-planned thresholds and messaging. This service is very successful in processing afterhours outage calls in an efficient and effective manner.

In Q4 of 2022, LPDL moved to using PowerAssist outage services 24/7.

In Q2 of 2024, LPDL further expanded its outage communication measures by again using a Util-Assist solution, TextPower. This application allows LPDL to have outage communications sent via text to customers. Initial outage texts, restoration time texts, and power restoration texts all provide customers with further information and visibility into the outage affecting them. LPDL's enrollment campaign was successful in adding approximately 1/3 of its customers to this platform, with a minimal 1% opt-out percentage. While this TextPower offering is still being fine-tuned, LPDL has found that it is providing significant improvement in outage communication, being one of the top five items of interest to its customers.

Customer Care

LPDL maintains a dedicated and caring internal Customer Care team, who take all customer inquiries seriously, and provide excellent customer service. With strong interpersonal skills, LPDL's staff listen to and assist customers to the best of their ability. LPDL's Customer Care staff meet daily to discuss, among other things, what customers are inquiring about, allowing the staff to identify common complaints, requests, and compliments. This team has addressed topics such as high bill inquiries, usage/load shifting education, rates, understanding the bill, and outage information. This process helps LPDL to better serve its customers and drive system planning and maintenance by identifying areas of weakness, putting new resources in place, or continuing with successful offerings. Based on reviewing customer inquiries from Customer Care, LPDL has assessed its website and improved navigation, self-serve options, forms, rates, and billing content, while adding more safety awareness content. LPDL has also invested in its 24/7 outage management solution with Util-Assist to overhaul its customer outage communications.

Education

LPDL takes advantage of bill messaging, bill inserts, social media, and its website as opportunities to communicate information and educate its customers on various topics. Many of these messages are coordinated with announcements from the OEB, IESO, and other agencies, and include information about retailers, rate changes, conservation, electrical safety, and provide references to LPDL's website for more details. On a monthly basis, LPDL also chooses a theme related to that month, such as RPP rate change or Electrical Safety Awareness month, and creates a message with consistent verbiage across bill messages, social media, and its website to make customer education on a given theme more impactful.

1.4.3 APPLICATION SPECIFIC CUSTOMER ENGAGEMENT

DSP Engagement Survey

Between January and March 2024, LPDL proceeded to complete a COS application specific customer engagement survey for both residential and business customers and was successful in soliciting 462 responses. This survey's script is attached as Appendix I. The purpose of this engagement was to consolidate and consider the feedback received on LPDL's upcoming DSP filing and its proposed investment plan. LPDL sought direct input from customers to determine if LPDL's operational and capital plans aligned with customer preferences and whether customers would ultimately support LPDL's decision-making in providing the best, optimized and effective plan for its customers. Below is a list of the top projects deemed most important to LPDL's customers as well as more detailed information on the projects included in the DSP which support the customer's preferences.

1. Affordable cost of electricity
2. Maintaining and upgrading equipment to ensure a safe and reliable electricity supply
3. Storm hardening (physical infrastructure improvements increasing resistance to weather)
4. New technology to support renewable energy generation, electric vehicles ("EV's"), etc.
5. Improved outage communication (outage map, social media, etc.)

1. Affordable cost of electricity

In addition to continuing with customer education on bill reduction, listed above in the Bill Reduction section of Ongoing Customer Engagement, there are several projects in the DSP that also support LPDL's commitment to pursuing affordable cost of electricity for its customers:

- ACA: LPDL's Asset Condition Assessment (ACA) supports affordable costs by helping LPDL focus on the most at-risk assets in its system. This reduces costly failures and reactive replacements, in favour of planned replacement.
- Conversions: 4.16kV-27.6kV conversions are expected to increase affordability over time as they reduce line losses. Additionally, 27.6kV systems typically require less circuits and/or smaller conductor. For this reason, savings may be achieved by:
    - Installing lesser class poles.
    - Installing shorter poles.
    - Decreasing cost of new conductor and associated materials and labour.
    - In turn, poles are subject to significantly less wind and ice loading stress when less circuits are installed, potentially reducing pole failures.

<u>2. Maintaining and upgrading equipment to ensure a safe and reliable electricity supply</u>

- Conversions: 4.16kV-27.6kV conversions ensure that LPDL is continuously meeting the growth capacity needs of its customers, especially over the next few years with the rise of EV's.
- ACA: Asset replacements, utilizing Asset Condition Assessment and project prioritization, ensure a reliable system by allowing LPDL to focus on the most at-risk infrastructure in its system.
- Capacity upgrades: capacity upgrades, such as reconductoring in Parry Sound, allow LPDL to ensure it is meeting the growth capacity needs of its customers, especially over the next few years with the rise of EVs.
- SCADA: LPDL's ongoing investments into SCADA and related devices gives greater real-time visibility to its distribution system. This improves reliability by reducing response times, reducing outage durations, and increasing awareness of system faults.

<u>3. Storm hardening (physical infrastructure improvements increasing resistance to weather)</u>

- Infrared scanning: LPDL has been conducting annual infrared scanning on all overhead switches and connections since 2019. This scanning helps identify potential hotspots and prevent fires. Since the inception of these programs, LPDL has observed a significant reduction in the frequency of pole fires.
- Porcelain switch changes: Broken and/or tracking porcelain switches and insulators are the leading cause of pole fires in LPDL's territory. To address this issue, LPDL initiated a porcelain switch replacement program in 2020. Over the past few years, approximately 700 porcelain switches have been proactively replaced with more resilient polymer switches.
- ACA: Asset replacements, utilizing Asset Condition Assessment and project prioritization, ensure a reliable system by allowing LPDL to focus on the most at-risk infrastructure in its system.

- Conversions: 4.16kV-27.6kV conversions have the additional benefit of replacing predominantly old assets (poles & transformers) in the 4.16kV system, which improves storm hardening.

4. New technology to support renewable energy generation, electric vehicles ("EV's"), etc.

- SCADA: LPDL's ongoing investments into SCADA provide increasing flexibility to add new renewable generation to the grid. Part of the investment is in Micro-processor-controlled switches (i.e. Viper reclosers controlled by SEL 651R relays), which can communicate directly to DER facilities. LPDL's SCADA system also facilitates required communication between its host distributor Hydro One and the customer, by acting as the medium between customer devices and Hydro One's control room.

5. Improved outage communication (outage map, social media, etc.)

- SCADA: LPDL's ongoing investments into SCADA and related devices provides greater real-time visibility to its distribution system. Substations that have telemetered switches (i.e. Viper reclosers controlled by SEL 651R relays) communicate directly to LPDL's SCADA system. LPDL's SCADA system feeds into the customer-facing OMS system, which is populated in real time.
- TextPower: LPDL continues to improve its outage communications with customers on the TextPower platform including scheduled outage communications and increased automation. Also, on its PowerAssist platform, LPDL is looking at breaking out more specific and localized outage map updates and improving on information response times and content to customers affected by power disruptions.
- LPDL's parent company has recently hired a new Director of Marketing that will assist LPDL with connecting to its customers including planning more cohesive customer education content for social media, bill inserts, website pages, surveys, etc. This will assist with improved customer education on the industry and ultimately make LPDL more effective at meeting its customers concerns.

1.4.4 OTHER ENGAGEMENT ACTIVITIES

Community Involvement

It is important to LPDL and its Shareholders that its employees support and give back to their community. LPDL has participated and continues to support its communities through programs such as:

- Pay it Forward campaign in September 2019: LPDL staff spent the day, with teams in each municipality, to 'pay-it-forward'. The LPDL teams visited, gave accolades, donated money, and spent time with staff and residents at establishments in its communities such as local food banks, hospices, retirement residences, and outreach organizations. It was a well-received campaign, leaving LPDL and the communities it serves more connected. A copy of the local news article is attached as Appendix J.
- Sponsoring local youth soccer.
- Completing staff organized outside spring clean-up in LPDL's communities.
- Visiting schools to promote electrical safety awareness and work opportunities in the hydro industry.
- Hiring summer and co-op students to help support and educate youth in its communities.
- Provide a Touch-a-Truck kids experience at Canada Day celebrations and Fall Fair events in all LPDL's municipalities.
- Assist towns with installation of Christmas Lights.
- Assisted Parry Sound with installing their Hometown Hockey Banner.
- Assisted Rotary Club with flag installation.
- Assisted Town of Bracebridge with flood response.

1.4.5 LETTER OF COMMENT

LPDL has not received any letters of comment as a result of its pre-COS customer engagement activities.

1.5 PERFORMANCE MEASUREMENT

1.5.1 SCORECARD RESULTS

LPDL's 2023 Scorecard reflects the operational and financial performance of LPDL and is presented in Table 24. LPDL has continued to reflect a customer focused, financially sound, safe and reliable LDC. Customer satisfaction and feedback inform and influence LPDL's operations, which are reflected in the continued low number of dissatisfied customers. LPDL continues to be a financially strong company that reinvests in technology that will bring improvements to customer interactions, system reliability and safety.

In this Application, LPDL has presented its performance for each of the Board's performance outcomes over the last five years, including discussions on current performance, and projections for continuous improvements over the term of the Application.

As discussed in Section 1.1.2 above, LPDL updates a Strategic Plan each year, identifying specific goals and targets for the upcoming year to meet its four scorecard indicators and improve upon performance scorecard measures. The 2024-2027 Strategic Plan Scorecard is attached as Appendix A in this exhibit.

LPDL's scorecard with accompanying Management Discussion and Analysis can also be found at: https://www.lakelandpower.on.ca/scorecard/

Table 24 – 2023 Scorecard

Scorecard - Lakeland Power Distribution Ltd. 8/14/2024

Performance Outcomes	Performance Categories	Measures		2019	2020	2021	2022	2023	Trend	Target: Industry	Target: Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time		100.00%	100.00%	100.00%	100.00%	100.00%		90.00%	
		Scheduled Appointments Met On Time		100.00%	100.00%	100.00%	100.00%	100.00%		90.00%	
		Telephone Calls Answered On Time		89.61%	89.90%	90.81%	90.21%	93.38%		65.00%	
	Customer Satisfaction	First Contact Resolution		99.97	99.97%	99.96%	99.96%	99.93			
		Billing Accuracy		99.94%	99.92%	99.92%	99.64%	99.92%		98.00%	
		Customer Satisfaction Survey Results		75.5	77%	77%	77%	75			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness		83.80%	82.40%	82.40%	82.60%	82.60%			
		Level of Compliance with Ontario Regulation 22/04 [1]		C	C	C	C	C			C
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0			0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000			0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]		1.29	5.79	2.62	3.84	1.30			1.81
		Average Number of Times that Power to a Customer is Interrupted [2]		0.66	1.40	1.48	1.30	0.66			0.85
	Asset Management	Distribution System Plan Implementation Progress		In Progress	In Progress	In Progress	In Progress	In Progress			
	Cost Control	Efficiency Assessment		2	2	2	2	2			
		Total Cost per Customer [3]		$730	$718	$715	$795	$893			
		Total Cost per Km of Line [3]		$28,074	$28,361	$27,856	$29,642	$33,833			
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	New Micro-embedded Generation Facilities Connected On Time								90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		1.69	1.58	0.92	1.31	0.72			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.18	1.24	1.14	1.15	1.33			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.98%	8.98%	8.98%	8.98%	8.98%			
			Achieved	11.51%	6.07%	12.06%	11.82%	11.02%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
2. An upward arrow indicates decreasing reliability while downward indicates improving reliability.
3. A benchmarking analysis determines the total cost figures from the distributor's reported information.

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

1.5.2 PERFORMANCE IMPROVEMENT TARGETS

The Scorecard Approach is the benchmarking tool the Board uses to monitor and assess a distributor's effectiveness and improvement in achieving the four performance outcomes: Customer Focus, Operational Effectiveness, Public Policy Responsiveness and Financial Performance. These outcomes are broken down further into performance categories. The Board has set industry targets for Service Quality, Customer Satisfaction and Connection of Renewable Generation performance categories while Safety and System Reliability categories have trend indicators to identify how each LDC is trending in comparison to previous years. LPDL reviews these metrics quarterly and annually to identify positive trending results and those that may require areas of improvement.

Customer Focus – Service Quality: In this service quality category, LPDL has exceeded OEB industry targets for all three measures.

- **New Residential/Small Business Services Connected on Time**

In 2023, LPDL connected 100% (245 of 245) of residential and small business customers (those utilizing connections under 750 volts) to its system within the five-day timeline prescribed by the Board. This is the same achievement as the previous year and above the OEB-mandated threshold of 90%. This achieved standard is the result of improved tracking and scheduling systems. LPDL continues to update its work process and management system to maintain the OEB mandated threshold.

- **Scheduled Appointments Met on Time**

LPDL scheduled 708 appointments with its customers in 2023 to complete work requested by customers, read meters, reconnect, or otherwise necessary to perform. LPDL met 100% of these appointments on time, which significantly exceeds the industry target of 90% and is the same achievement as the previous year. This can be attributed to a continued commitment to maintain the industry target by continuing to update LPDL's work management systems and work processes.

- **Telephone Calls Answered on Time**

In 2023, LPDL's customer contact center agents received just over 9,000 calls from its customers, an average of 35 calls per working day. 93.38% of these calls were answered by an agent in 30 seconds or less, which is a 3.5% increase over the previous year (at 90.21%). This result continues to significantly exceed the OEB-mandated target of 65%. LPDL has seen success in promoting online self-serve features, internal process improvements and increased customer preference to contact LPDL via email.

LPDL's target for these metrics in 2025 is to continue to exceed the industry target and to maintain current performance.

Customer Focus – Customer Satisfaction: In this category, LPDL has exceeded the OEB industry target (where they have been established).

- **First Contact Resolution**

For LPDL, First Contact Resolution was measured based on calls taken and emails received by customer contact center agents, calls elevated to a supervisor for response and OEB complaints logged by customers. In 2023, LPDL customer contact center agents answered over 11,100 customer inquiry calls and emails. In 2023, only 8 inquiries were escalated to a supervisor for response when the customer was not satisfied with the CSR's response, an increase of 3 from the prior year. Although it is recognized that some of the inquiries are customers making contact more than once about a given inquiry, the limited number of escalated calls equates to a reported First Contact Resolution of 99.93%. LPDL will strive for continued success with First Contact Resolution by identifying areas in customer service improvements through Customer Satisfaction Surveys.

- **Billing Accuracy**

In 2023, LPDL issued more than 175,250 bills and achieved a billing accuracy of 99.92%, a 0.3% increase from the previous year. LPDL continues to monitor its billing accuracy results and processes to identify opportunities for improvement to continue to achieve a result higher than the prescribed OEB target of 98%.

- **Customer Satisfaction Survey Results**

For more than ten years now, LPDL has engaged a third party to conduct biennial customer satisfaction surveys. These customer satisfaction surveys provide information that supports discussions surrounding improving customer service at all levels and departments within LPDL. The survey asks customers questions on a wide range of topics including: overall satisfaction with LPDL, power quality and reliability, billing accuracy, payment options, customer service experience, communication options, understanding of bills and prices, bill cost impacts and satisfaction with overall power grid. In addition, LPDL provides input to this third party to enable them to develop questions that will aid in gathering data about customer expectations and needs. This data is then incorporated into LPDL's planning process and forms the basis of plans to improve customer satisfaction and meet the needs of customers. The final report on these customer satisfaction surveys evaluates the level of customer satisfaction and identifies areas of improvement. It also helps to identify the most effective means of communication. LPDL's 2023/2024 survey reported an overall Customer Satisfaction Index Score of 75%. LPDL will continue to use the survey results to identify additional improvement opportunities and strive to improve the Customer Satisfaction score each year the survey is conducted.

Operational Effectiveness – Safety: This category consists of three measures in which LPDL has successfully achieved consistent results.

- **Component A – Public Awareness of Electrical Safety**

Beginning in 2018, a provincial standardized survey was conducted that focused on public awareness relating to electrical incidents involving utility equipment that had most frequently occurred in Ontario in the last decade. LPDL's 2022/2023 survey resulted in a Public Safety Awareness Index Score of 82.6% indicating that a large percentage of LPDL's customers are very aware of electrical safety. LPDL's 2022/2023 Public Safety Awareness Index Score showed a 0.24% increase over the previous survey conducted in 2020. This survey will be conducted biennially and LPDL's target is to continually improve this score through customer engagement, school safety presentations and website information.

- **Component B – Compliance with Ontario Regulation 22/04**

In 2023, LPDL's annual Electricity Safety Association (ESA) audit confirmed LPDL was Compliant with Ontario Regulation 22/04 and has been for the past 13 years. LPDL's target is continued Compliance with O.Reg. 22/04. as safety is a core value of LPDL.

- **Component C – Serious Electrical Incident Index**

For 2023, LPDL continued its trend of zero Serious Electrical Incidents. LPDL has experienced zero incidents over the past 13 years and is expecting to continue this trend through safety awareness training for staff and the public.

LPDL's target for these metrics in 2025 is to continue to have zero electrical incidents.

Operational Effectiveness – System Reliability:

- **Average Number of Hours that Power to a Customer is Interrupted**

LPDL's average number of hours that power to a customer is interrupted (i.e. duration) of 1.30 in 2023 is a significant decrease from 2022's average of 3.84. LPDL did not experience any major event storms in 2023 luckily, the lowest in 4 years, even though storms tend to be increasing in severity and incurring damage to equipment. LPDL's continued investments in new technologies such as SCADA, truck tracking, and mobile devices will continue to improve its response times and reporting accuracy within the set guidelines. LPDL's SPIDACALC software works in conjunction with its construction standards to ensure any new capital builds meet the current construction standards. LPDL's tree trimming cycle has been enhanced to a 6-year cycle thus maintaining or lowering outages caused by tree contact in LPDL's heavily forested service territory. LPDL will continue to invest in system renewal projects which identify and replace old, aging assets. LPDL continues to upgrade and implement its SCADA system by investing in reclosers, communication infrastructure and line sensor technology which help to identify and respond to outages more quickly and reduce restoration resources. Line sensor technology will improve grid efficiency and stabilize voltages which assist in reporting and locating outages as well.

- **Average Number of Times that Power to a Customer is Interrupted**

LPDL's average number of times that power to a customer is interrupted (i.e., frequency) of 0.66 in 2023 is another decrease from 2022's average of 1.30. LPDL did not experience any major event storms in 2023 luckily, the lowest in 3 years, even though storms tend to be increasing in severity and incurring damage to equipment. LPDL will continue investments in new technologies such as SCADA, truck tracking, and mobile devices that will aid in decreasing interruption times and improving reporting accuracy within the set guidelines. LPDL's tree trimming cycle has been enhanced to a 6-year cycle thus maintaining or lowering outages caused by tree contact in its heavily forested service territory. LPDL continues to base its capital projects on customer needs, end of life assets as well as maintaining a safe and reliable delivery of electricity.

Section 5.2.3 of LPDL's DSP, submitted as Appendix A in Exhibit 2, provides a more in depth analysis of these measures and is intended to heavily weigh this current challenge while targeting to improve this metric.

Operational Effectiveness – Asset Management:

- **Distribution System Plan Implementation Progress**

LPDL's Distribution System Plan and Asset Management process proactively address risks in its electricity distribution system, enabling LPDL to serve its customers and communities with cost-effective, reliable, and safe electric power. The previous DSP, which covered the five-year period 2014-2018, was filed with the OEB as part of LPDL's 2019 COS Application. The current DSP, submitted as part of this Application, outlines the forecasted 2025-2029 capital expenditures required to maintain, improve and expand LPDL's distribution system. LPDL has reported the progress of its DSP implementation as 'In Progress' each year. LPDL targets to improve the reporting of this measure as a ratio of actual total capital expenditures over the total amount of planned capital expenditures for the five-year DSP forecast.

Operational Effectiveness – Cost Control:

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. In 2016 LPDL was placed in Group 3, where a Group 3 distributor is defined as having actual costs within +/-10 percent of predicted costs. However, in 2017, LPDL's rank improved and was moved to Group 2 which is defined as having actual costs that average 10%-25% below predicted costs. LPDL has maintained this Group 2 ranking again in 2023 for a seventh consecutive year. Group 2 is considered "more efficient" – in other words, LPDL's costs are better/within the average cost range for distributors in the Province of Ontario. In 2023, 59% (32 distributors) of the Ontario distributors were ranked as "more efficient"; 32% (17 distributors) were ranked as "average efficiency"; and 9% (5 distributors) were ranked as "least efficient". LPDL continues to focus on improving cost savings and efficiencies in order to maintain their rank within the "more efficient" group.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of LPDL's capital and operating costs divided by the total number of customers that LPDL serves. The cost performance result for 2023 is $893/customer which is a 12.3% increase from 2022. LPDL's Total Cost per Customer increased due to distribution system and station maintenance for issues identified through increased inspections and infrared scanning program; inflationary increases on raw material/equipment specifically transformers; and increased capital expenditures for Bell's Fiber to the Home expansion. LPDL remains committed to implementing all new directives in the most cost conscious manner possible.

- **Total Cost per Km of Line**

This measure used the same total cost that is used in the Cost per Customer calculation above. The Total cost is divided by the kilometers of line that LPDL operates to serve its customers. LPDL's 2023 rate is $33,833 per km of line, a 14.1% increase from 2022. Similar to the Total Cost per Customer discussion above, km of line remained at 385 kms while costs were burdened with inflationary pressure and increased repairs. Cost per Km of line will increase with inflationary pressures, however, LPDL continues to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to its customers.

Public Policy Responsiveness – Connection of Renewable Generation:

- **New Micro-embedded Generation Facilities Connected on Time**

LPDL has continued to consistently meet these targets of conducting Connection Impact Assessments ("CIA's") within 60 days of receiving ESA authorization and connecting micro-embedded generation facilities within 5 business days of receiving all required authorizations, fees and approvals. LPDL's target is to continue to complete all assessments with the prescribed timelines.

Financial Performance – Financial Ratios:

LPDL has included the analysis and discussion on financial performance and ratios in Section 1.7.1 below.

1.5.3 PEG MODEL AND EFFICIENCY ASSESSMENT

LPDL has summarized its PEG Efficiency Assessment Projection in Table 25. The table shows the forecasted benchmarking calculations from the OEB model, which is being filed along with this application. The annual OEB-approved IRM increases are also included.

Table 25 - PEG Model Efficiency Assessment Projection

	2019 History	2020 History	2021 History	2022 History	2023 History	2024 Bridge	2025 Test
Cost Benchmarking Summary							
Actual Total Cost	10,050,502	10,011,356	10,139,728	11,412,287	13,019,009	13,764,993	14,674,782
Predicted Total Cost	11,581,093	11,849,635	12,332,818	13,499,333	15,295,772	16,153,900	17,297,423
Difference	(1,530,591)	(1,838,279)	(2,193,090)	(2,087,046)	(2,276,763)	(2,388,907)	(2,622,641)
Percentage Difference (Cost Performance)	**-14.18%**	**-16.86%**	**-19.58%**	**-16.79%**	**-16.12%**	**-16.00%**	**-16.44%**
Three-Year Average Performance	**-13.20%**	**-13.40%**	**-16.87%**	**-17.74%**	**-17.50%**	**-16.30%**	**-16.19%**
Stretch Factor Cohort							
Predicted Total Cost	2	2	2	2	2	2	2
Difference	2	2	2	2	2	2	2
IRM Increase	1.85%	1.85%	2.05%	3.15%	3.55%	4.65%	

Based on the inputs in this Application, LPDL is projected to remain in Group 2. LPDL's rank has continued to remain as Group 2 since 2017 when it's rank improved from Group 3 to Group 2. LPDL continues to focus on improving cost savings and efficiencies in order to maintain their rank within this 'more efficient group'.

The efficiency variance is considered during the budgeting process and reviewed prior to the finalization of the Business Plan and Test Year Budget to ensure LPDL continues to achieve the Group 2 ranking.

1.5.4 ACTIVITY AND PROGRAM-BASED BENCHMARKING (APB)

The OEB published the Activity and Program-based Benchmarking (APB) – 2022 Unit Cost Report on October 11, 2023. This report includes the average of the latest five-year (2018-2022) trend for all LDC's and the industry, for each of the ten APB programs.

Table 26 compares LPDL's average unit costs to the industry's unit costs for the latest five-year trend (2018-2022) from this report.

Table 26 – APB Results: LPDL vs Industry Average 2018-2022

Activity	Measure	LPDL Average Unit Cost (2018-2022) $	Industry Average Unit Cost (2018-2022) $	Variance $	Variance %
Billing O&M	$/customer	34.72	26.43	8.29	31%
Metering O&M	$/customer	12.77	13.96	(1.19)	-9%
Vegetation O&M	$/pole	29.77	68.27	(38.50)	-56%
Lines O&M	$/primary circuit km	2,750.70	1,073.10	1,677.60	156%
Stations O&M	$/MVA	920.24	1,397.49	(477.25)	-34%
Poles & Towers O&M	$/pole	6.48	11.90	(5.42)	-46%
Stations CAPEX	$/MVA	682.88	3,234.89	(2,552.01)	-79%
Poles & Towers CAPEX	$/poles installed	10,788.56	24,157.90	(13,369.34)	-55%
Lines Transformers CAPEX	$/lines transformers installed	7,507.19	16,976.24	(9,469.05)	-56%
Meters CAPEX	$/customer	15.26	27.30	(12.04)	-44%

As seen in the table above, LPDL has lower average unit costs in 8 of the 10 categories and is above the average industry unit cost in only Billing O&M and Lines O&M. Each activity is analyzed below in Table 27 through to Table 36.

Table 27 – Billing O&M

	Cost ($1,000)						Scale (1,000 Customers)						Unit Cost ($/Customer)					
	2018	2019	2020	2021	2022	Avg	2018	2019	2020	2021	2022	Avg	2018	2019	2020	2021	2022	Avg
LPDL	475.6	487.1	486.9	467.3	508.9	**485.1**	13.6	13.8	13.9	14.2	14.4	**14.0**	34.86	35.39	34.94	32.95	35.46	**34.72**
Chg by Year $		11.49	(0.11)	(19.69)	41.60			0.12	0.17	0.24	0.17			0.54	(0.45)	(1.99)	2.51	
Chg by Year %		2.4%	0.0%	-4.0%	8.9%			0.9%	1.3%	1.8%	1.2%			1.5%	-1.3%	-5.7%	7.6%	

LPDL's 5-year average unit cost for Billing O&M is $34.72/customer which is 31% higher than the industry average of $26.43. LPDL does not have insight into what others are doing in this space, however LPDL's costs have increased marginally over the years. COVID and bad debt are the drivers for the cost abnormalities, however LPDL submits the average OM&A are necessary systems to complete the billing for a small LDC.

Table 28 – Metering O&M

	Cost ($1,000)						Scale (1,000 Customers)						Unit Cost ($/Customer)					
	2018	2019	2020	2021	2022	Avg	2018	2019	2020	2021	2022	Avg	2018	2019	2020	2021	2022	Avg
LPDL	176.6	168.8	220.3	153.9	172.1	**178.3**	13.6	13.8	13.9	14.2	14.4	**14.0**	12.94	12.26	15.81	10.85	12.00	**12.77**
Chg by Year $		(7.80)	51.50	(66.39)	18.26			0.12	0.17	0.24	0.17			(0.68)	3.54	(4.95)	1.14	
Chg by Year %		-4.4%	30.5%	-30.1%	11.9%			0.9%	1.3%	1.8%	1.2%			-5.2%	28.9%	-31.3%	10.5%	

LPDL's 5-year average unit cost for Metering O&M is $12.77/customer which is 9% lower than the industry average of $13.96. LPDL's lower-than-average cost for Metering O&M is attributable to the predominantly residential customer base, at 84%. The metering requirements for residential customers are significantly less complex and costly compared to commercial and industrial customers.

Residential meters typically cost approximately $150 per unit and can be installed within approximately 30 minutes. Conversely, commercial and industrial metering systems cost approximately $800 per unit, often necessitating the inclusion of six instrument transformers, test blocks, and other auxiliary equipment. Furthermore, the installation process for these systems can extend from four to eight hours. The cost associated with residential metering installations is less than one-tenth of that for three-phase industrial customer installations.

Table 29 – Vegetation Management O&M

	Cost ($1,000)						Scale (1,000 Poles)						Unit Cost ($/Pole)					
	2018	2019	2020	2021	2022	Avg	2018	2019	2020	2021	2022	Avg	2018	2019	2020	2021	2022	Avg
LPDL	193.6	180.4	208.1	203.8	160.2	**189.2**	6.3	6.3	6.4	6.4	6.4	**6.4**	30.51	28.47	32.71	31.95	25.21	**29.77**
Chg by Year $		(13.22)	27.63	(4.24)	(43.61)			(0.01)	0.02	0.02	(0.02)			(2.04)	4.24	(0.77)	(6.74)	
Chg by Year %		-6.8%	15.3%	-2.0%	-21.4%			-0.2%	0.4%	0.3%	-0.4%			-6.7%	14.9%	-2.3%	-21.1%	

LPDL's 5-year average unit cost for Vegetation Management O&M is $29.77/pole which is 56% lower than the industry average of $68.27. LPDL has outsourced its vegetation management to contractors who provide competitive pricing without compromising on quality. Presently, LPDL employs a contractor recognized for offering highly competitive rates.

In response to the DSP Customer Survey, LPDL anticipates a moderate increase in expenditure on vegetation management in the forthcoming years. Historically, LPDL has tried to balance perceived customer preferences, which often lean towards less intrusive tree trimming. Nonetheless, LPDL now identifies that a more proactive approach—encompassing more aggressive trimming and removal of fast-growing species that pose potential risks to the power lines—constitutes the most effective strategy for enhancing system reliability and is beneficial to its customer base as a whole.

While this shift will necessitate some additional investment, LPDL does not expect this increase to elevate its costs to the current industry average.

Table 30 – Lines O&M

	Cost ($1,000)						Scale (Circuit km of Primary Line)						Unit Cost ($/Circuit km Primary Line)					
	2018	2019	2020	2021	2022	Avg	2018	2019	2020	2021	2022	Avg	2018	2019	2020	2021	2022	Avg
LPDL		763.5	1,007.9	1,001.6	1,256.3	**1,007.3**		358.0	353.0	364.0	385.0	**365.0**		2,132.72	2,855.34	2,751.57	3,263.17	**2,750.70**
Chg by Year $			244.42	(6.36)	254.75				(5.00)	11.00	21.00				722.63	(103.77)	511.60	
Chg by Year %			32.0%	-0.6%	25.4%				-1.4%	3.1%	5.8%				33.9%	-3.6%	18.6%	

LPDL's 5-year average unit cost for Lines O&M is $2,751/circuit km of primary line which is 156% higher than the industry average of $1,073

LPDL links much of the average increase to its current use of Account 5130 for customer disconnect/reconnect requests. Moving forward, it will use Account 5070, as this pertains to handling customer secondary wires from the pole to the house.

Moreover, LPDL has been actively replacing failure-prone porcelain switches and conducting annual infrared scans, which have contributed to a rise in Lines O&M since 2019.

Due to LPDL's rural service territory, major storms in any given year play a large role in the expenses required to maintain LPDL's distribution system.

Table 31 – Stations O&M

	Cost ($1,000)						Scale (Total MVA)						Unit Cost ($/MVA)					
	2018	2019	2020	2021	2022	Avg	2018	2019	2020	2021	2022	Avg	2018	2019	2020	2021	2022	Avg
LPDL	55.3	67.3	74.6	73.5	80.1	**70.2**	80.5	75.5	76.0	75.5	75.0	**76.5**	686.61	891.72	981.56	972.95	1,068.38	**920.24**
Chg by Year $			7.27	(1.14)	6.67				0.50	(0.50)	(0.50)			205.11	89.85	(8.61)	95.43	
Chg by Year %			10.8%	-1.5%	9.1%				0.7%	-0.7%	-0.7%			29.9%	10.1%	-0.9%	9.8%	

LPDL's 5-year average unit cost for Stations O&M is $920/MVA which is 34% lower than the industry average of $1,397. LPDL's lower average cost is likely attributed to a less frequent testing and maintenance schedule on substations. Historically, substations underwent maintenance and testing every six years. However, LPDL plans to increase the frequency to a four-year cycle. This more frequent cycle is considered more prudent and aligns better with the criticality of LPDL's most valuable assets. As a result, LPDL expects to see a slight increase in Stations O&M spending over the forecast period, ensuring enhanced reliability and efficiency of its operations.

Table 32 - Poles, Towers & Fixtures O&M

	Cost ($1,000)						Scale (1,000 Poles)						Unit Cost ($/Pole)					
	2018	2019	2020	2021	2022	Avg	2018	2019	2020	2021	2022	Avg	2018	2019	2020	2021	2022	Avg
LPDL	3.6	27.1	50.5	32.9	92.0	**41.2**	6.3	6.3	6.4	6.4	6.4	**6.4**	0.57	4.27	7.93	5.16	14.48	**6.48**
Chg by Year $			23.41	(17.52)	59.08				0.02	0.02	(0.02)			3.70	3.67	(2.77)	9.32	
Chg by Year %			86.5%	-34.7%	179.4%				0.4%	0.3%	-0.4%			653.5%	85.9%	-34.9%	180.5%	

LPDL's 5-year average unit cost for Poles, Towers & Fixtures O&M is $6.48/pole which is 46% lower than the industry average of $11.90. LPDL primarily handles pole work in capital and opts for full asset replacements instead of practices like pole bracing, as it's usually more economical. Asset inspections are conducted by internal staff during unsuitable outside work days (i.e. heavy rain), which is typically cheaper than using external contractors. With LPDL's plan to expand its ACA and data collection practices, a slight increase in costs is anticipated.

Table 33 – Stations CAPEX

	Cost ($1,000)					
	2018	2019	2020	2021	2022	Avg
LPDL	-	-	8.1	95.1	-	**51.6**
Chg by Year $			8.08	87.02	(95.09)	
Chg by Year %			#DIV/0!	1077.6%	-100.0%	

	Scale (Total MVA)					
	2018	2019	2020	2021	2022	Avg
LPDL	80.5	75.5	76.0	75.5	75.0	**76.5**
Chg by Year $			0.50	(0.50)	(0.50)	
Chg by Year %			0.7%	-0.7%	-0.7%	

	Unit Cost ($/MVA)					
	2018	2019	2020	2021	2022	Avg
LPDL	-	-	106.25	1,259.51	-	**682.88**
Chg by Year $				1,153.26	(1,259.51)	
Chg by Year %				1085.4%	-100.0%	

LPDL's 5-year average unit cost for Stations CAPEX is $683/MVA which is 79% lower than the industry average of $3,235. LPDL's low average cost is partially attributed to the number of shared substations that are HONI-owned and maintained, specifically at six shared stations. Additionally, LPDL has not faced any major required expenditures over the historical period for substations. However, it is important to note that expenditure is expected to grow significantly with the planned construction of a new 27.6kV substation over the forecast period. This new substation is anticipated to enhance the reliability and efficiency of LPDL's network, accommodating future growth and increasing demand.

Table 34 – Poles, Towers and Fixtures CAPEX

	Cost ($1,000)					
	2018	2019	2020	2021	2022	Avg
LPDL	756.5	989.5	733.4	1,556.5	2,215.2	**1,250.2**
Chg by Year $			(256.11)	823.10	658.73	
Chg by Year %			-25.9%	112.2%	42.3%	

	Scale (Pole Additions)					
	2018	2019	2020	2021	2022	Avg
LPDL	94.0	95.0	95.0	128.0	142.0	**110.8**
Chg by Year $			-	33.00	14.00	
Chg by Year %			0.0%	34.7%	10.9%	

	Unit Cost ($/Pole Addition)					
	2018	2019	2020	2021	2022	Avg
LPDL	8,047.37	10,415.62	7,719.77	12,159.97	15,600.06	**10,788.56**
Chg by Year $		2,368.25	(2,695.85)	4,440.20	3,440.09	
Chg by Year %		29.4%	-25.9%	57.5%	28.3%	

LPDL's 5-year average unit cost for Poles, Towers & Fixtures CAPEX is $10,789/Pole Addition which is 55% lower than the industry average of $24,158. LPDL almost exclusively utilizes in-house staff to install poles, except for Fibre-To-The-Home projects. Many other companies outsource their large capital projects, which results in larger dollar amounts to capital pole accounts.

LPDL's per-pole cost to install is cheaper because of its location in a rural area and installing predominantly wood poles. Other larger LDC's may be investing in composite poles, or possible steel and concrete poles.

The increase in cost for urban and suburban distributors is likely impacted by the need to work on busy roads, large intersections, and multi-circuit poles which is substantial.

Table 35 – Lines Transformer CAPEX

	Cost ($1,000)					
	2018	2019	2020	2021	2022	Avg
LPDL	454.8	482.0	294.2	762.4	590.8	**516.8**
Chg by Year $			(187.84)	468.20	(171.57)	
Chg by Year %			-39.0%	159.2%	-22.5%	

	Scale (Lines Transformer Additions)					
	2018	2019	2020	2021	2022	Avg
LPDL	50.0	62.0	60.0	91.0	80.0	**68.6**
Chg by Year $			(2.00)	31.00	(11.00)	
Chg by Year %			-3.2%	51.7%	-12.1%	

	Unit Cost ($/Lines Transformer Addition)					
	2018	2019	2020	2021	2022	Avg
LPDL	9,096.02	7,774.42	4,902.88	8,377.70	7,384.95	**7,507.19**
Chg by Year $		(1,321.60)	(2,871.54)	3,474.82	(992.75)	
Chg by Year %		-14.5%	-36.9%	70.9%	-11.8%	

LPDL's 5-year average unit cost for Lines Transformer CAPEX is $7,507/Lines Transformer Addition which is 56% lower than the industry average of $16,976. LPDL's lower than average cost is due to multiple factors. During supply chain issues, LPDL installed some older transformers that were procured before the recent surge in transformer prices. Additionally, between 2018 and 2022, LPDL predominantly installed single-phase transformers, which are significantly less expensive compared to three-phase transformers.

Looking forward, LPDL anticipates that its capital expenditures per transformer will increase over the forecast period. This is because the company will be utilizing newer, more costly transformers and will install a greater ratio of three-phase transformers.

Table 36 - Meters CAPEX

	Cost ($1,000)						Scale (1,000 Customers)						Unit Cost ($/Customer)					
	2018	2019	2020	2021	2022	Avg	2018	2019	2020	2021	2022	Avg	2018	2019	2020	2021	2022	Avg
LPDL	260.2	355.9	133.5	151.0	159.8	**212.1**	13.6	13.8	13.9	14.2	14.4	**14.0**	19.07	25.86	9.58	10.65	11.14	**15.26**
Chg by Year $			(222.35)	17.45	8.85				0.17	0.24	0.17			6.79	(16.28)	1.07	0.49	
Chg by Year %			-62.5%	13.1%	5.9%				1.3%	1.8%	1.2%			35.6%	-63.0%	11.1%	4.6%	

LPDL's 5-year average unit cost for Meters CAPEX is $15.26/customer which is 44% lower than the industry average of $27.30. Capital expenditures consist mostly of purchasing new meters for new customers. The vast majority of meters purchased by LPDL between 2019 and 2023 were residential meters.

As mentioned in Meters O&M, the cost of residential metering is a small fraction compared to commercial and industrial metering. From 2019 to 2023, LPDL's residential customer count has grown by 695, but its General Service customer count has only increased by 64. Additionally, we saw a decrease in GS>50 kW customers over the historical period.

1.6 FACILITATING INNOVATION

LPDL is committed to staying at the forefront of technological advancements to ensure both the organization and its customers can leverage the efficiencies and benefits these innovations bring. This commitment to modernization is essential not only for meeting customer expectations for reliability and communication but also for safeguarding their privacy in an increasingly digital world.

GIS: To enhance its capabilities, LPDL is upgrading its GIS from the existing geometric model to the Utility Network Model ("UNM"). This upgrade will allow for more accurate mapping and asset management, which in turn supports better decision-making and operational efficiency.

Distribution Automation & SCADA: LPDL continues to make significant investments in Distribution Automation and its SCADA system. These technologies are crucial for remote monitoring and control of the distribution network, leading to improved reliability and faster response times during outages.

Outage Management: Recognizing the importance of communication during power outages, LPDL is also enhancing its outage management system. This includes implementing near real-time communication capabilities to keep customers informed about outage statuses and estimated restoration times. Customer surveys have consistently identified outage communication as one of their top five priorities, and LPDL is dedicated to meeting this need.

Cybersecurity: Cybersecurity remains a top priority as LPDL works to protect its distribution system from the growing threat of cyber-terrorism. LPDL's ongoing investments in cybersecurity measures are designed to match the scale and sophistication of potential threats, ensuring the integrity and reliability of its services.

Voltage Conversions: LPDL continues to undertake voltage conversions, a critical component of maintaining and improving the efficiency and reliability of its electrical infrastructure. LPDL is also investing in new technologies to support these conversions, which will facilitate the integration of future DER connections, aligning with its long-term sustainability goals.

Realized Efficiencies due to Smart Meters: LPDL is able to assist with growth planning by utilizing smart meter data where no existing recording devices exist. Customers gain value by having more transparent access to their usage data. In addition, smart meters are able to notify LPDL of concerning conditions such as tampering and high voltage.

By embracing these technological advancements, LPDL not only addresses current challenges but also positions itself to meet future demands, ensuring a robust, efficient, and secure electricity distribution network for all stakeholders.

1.7 FINANCIAL INFORMATION

LPDL strives to be financially responsible in controlling capital and OM&A expenditures to provide a rate of return within the OEB allowed return on equity. This meets LPDL's shareholder's expectations while continuing to reinvest in its distribution system to meet customer expectations and operation efficiently to ensure safe and reliable delivery of electricity.

1.7.1 SCORECARD AND MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

Table 37 reflects LPDL's Financial Ratios for the last five years, as reported on the Scorecard, followed by the MD&A for each section.

Table 37 – LPDL Scorecard: Financial Ratios

Scorecard - Lakeland Power Distribution Ltd.

Measures		2019	2020	2021	2022	2023
Liquidity: Current Ratio (Current Assets/Current Liabilities)		1.69	1.58	0.92	1.31	0.72
Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.18	1.24	1.14	1.15	1.33
Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.98%	8.98%	8.98%	8.98%	8.98%
	Achieved	11.51%	6.07%	12.06%	11.82%	11.02%

Liquidity: Current Ratio (Current Assets/Current Liabilities)

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

LPDL's current ratio decreased from 1.69 in 2019 to 0.92 in 2021, followed by an increase to 1.31 in 2022 and then again decreased to 0.72 in 2023 due to the reclassification of long-term debt to current debt in 2023. LPDL strives to achieve a healthy current ratio through improved receivable and cash management.

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

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

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

The 2023 indicator of 1.33 is a representation of total debt in relationship to equity. This is a significant improvement over 2019-2022 (1.18 – 1.24 – 1.14 – 1.15 respectively) through improved cash management, cost efficiencies and capital stability. LPDL retains a potential opportunity for borrowing funds for innovation and Smart Grid projects for the future as well as to hedge unexpected costs in the future.

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

LPDL's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 8.98%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor's revenue and cost structure by the OEB.

LPDL's return achieved in 2019 was 11.51%, which was within the +/-3% range allowed.

LPDL's return achieved in 2020 dropped significantly to 6.07%, which was below the +/-3% range allowed. LPDL achieved returns lower than the deemed rate in 2020, mainly due to very high costs surrounding COVID 19 in the form of bad debt, PPE (personal protective equipment), and safety protocols to keep staff separate both in the field and in the office.

LPDL's return achieved in 2021 was 12.06%, which was 0.08% above the +/-3% range allowed. LPDL achieved returns higher than the deemed rate in 2021, mainly due to staff being deployed on capital projects due to customer paid projects, approved rate increases and slight customer count increases for the past 2 years as well as cost decreases due to staff redeployment.

LPDL's return achieved in 2022 was 11.82%, which was within the +/-3% range allowed. LPDL achieved returns higher than the deemed rate in 2022, due to a current year tax receivable of $42,664 based on prior year tax credits.

LPDL's return achieved in 2023 was 11.02%, which was within the +/-3% range allowed by the OEB.

As explained in detail within Exhibit 6, LPDL implemented the Accelerated Investment Incentive Program ("AIIP") and Designated Immediate Expensing Property ("DIEP") for the tax years of 2019 to 2023. LPDL did not allocate the tax deferral in the actual year incurred, therefore the achieved ROE reported each year was overstated.

1.7.2 AUDITED FINANCIAL STATEMENTS

LPDL's 2023 and 2022 audited financial statements, with 2021 historical information for comparison, have been included as Appendix C and D respectively.

1.7.3 ACCOUNTING STANDARDS

LPDL uses International Financial Reporting Standards ("IFRS") for general purpose financial statements and Modified IFRS for ratemaking purposes, adopted by LPDL before it's last COS Application in 2019.

1.7.4 ANNUAL REPORT

LPDL does publish an annual report to its shareholders and an excerpt pertaining to Lakeland Power only can be found in Appendix E. Information related to LPDL's parent company is deemed confidential and not included as a public document.

1.7.5 PROSPECTUS AND RECENT DEBT/SHARE ISSUANCE UPDATE

LPDL does not issue debt or shares nor do they publish any prospectus.

1.7.6 CHANGE IN TAX STATUS

LPDL has not had a change in tax status since it's last COS Application. As of 2023, as explained in detail within Exhibit 6, LPDL's taxable capital is greater than $50 Million, therefore LPDL does not qualify for a small business deduction.

1.7.7 EXISTING ACCOUNTING ORDERS AND UNIFORM SYSTEM OF ACCOUNTS

There are no existing Accounting Orders specific to LPDL.

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

1.7.8 ACCOUNTING TREATMENT OF NON-UTILITY RELATED BUSINESSES

LPDL confirms that the accounting treatment it has used in this Application does not include any costs related to Non-Utility Business proposed for recovery in this Application. LPDL records the revenue and expenses for non-utility business to OEB Account 4375 'Revenues from Non-Rate Regulated Utility Operations' and OEB Account 4380 'Expenses from Non-Rate Regulated Utility Operations'. Any non-utility capital assets are recorded in OEB Account 2075 'Non-Rate Regulated Utility Property Owned' and OEB Account 2180 'Accumulated Depreciation of Non-Rate Regulated Utility Property'. The above accounts are excluded for rate making purposes and as such, no amounts are included in the 2025 Test Year.

Lakeland Holding Ltd. provides certain corporate services, Bracebridge Generation Ltd. provides on-call assistance, and Lakeland Energy Ltd. provides IT, GIS, Telecom and Fibre Optic services. These are further explained in Exhibit 6.

1.8 DISTRIBUTOR CONSOLIDATION

On March 27, 2014, the OEB approved the amalgamation of Lakeland Power Distribution Ltd. ("LPDL") with Parry Sound Power Corporation ("PSP"), (EB-2013-0427 and EB-2013-0428) which took effect on July 1, 2014. LPDL's last COS Application in 2019 harmonized LPDL's rates following that amalgamation. LPDL has had no further acquisitions nor amalgamations since its last rebasing application.

LPDL has a long history of collaboration with other utilities and is a long standing member of CHEC and Utility Standards Forum ("USF") groups.

The CHEC group is a collaborative organization that includes mainly small LDC's in the province. Resources and support are delivered by the association through member participation, full-time CHEC staff and shared consultants. Shared resources are provided across the board including Operations/Health & Safety, Finance & Regulatory, Billing and Customer Information Systems, Human Resources, Communications and Customer Engagement. Participation results in substantial efficiencies and workload reduction for each member. Specific examples of CHEC shared resources that resulted in savings and efficiencies include:

- Group purchase of the biennial Customer Satisfaction and Electrical Safety Awareness surveys by members reduce the cost of the reports and the standardization allows for easier comparisons of results between LDC's.
- A Disconnection Process Working Group developed a calendar tool and communication templates to assist LDC's disconnection processes and ensure the DSC rules are being followed and accurate information was being shared with customers.
- The Green Button All-Member Working Group allowed for the successful implementation of the provincially mandated program. The group led the vetting and evaluation of third-party vendors and facilitated collaboration within members. The extended group ensured the project was guided by the experience and knowledge of a larger pool of expertise that allowed for a smoother implementation with assurance of success.

- Shared training across all portfolios provides a more robust experience, leaning on more expertise than individual LDC's can produce alone. Members share the cost of professional trainers that may otherwise be inaccessible. Training sessions educate members on the changes and requirements within the industry with recent courses such as Basic & Advanced regulatory training, Leadership Training, Basics of Electricity and Electrical Safety Awareness, Managing Customer Relationships, Effective Business Communication, Safety Sessions, Privacy & Information Access Training and HR Training.
- CHEC as a recognized organization within the industry and a voice of small LDC's in Ontario has facilitated improved communication between regulatory bodies, such as the OEB, the Ministry of Energy, and the CHEC members, resulting in more informed staff and the opportunity to provide feedback.
- CHEC encourages networking and members are in constant communication with each other, sharing ideas and opportunities for savings and mutual support. Members work together to develop and share policies, COS models, processes, studies and integral documents such as Conditions of Service for customers.
- CHEC members support each other through the sharing of material and equipment and a mutual aid agreement that has allowed for area assist during extreme weather events as well as supporting LDC's capital projects construction to completion.
- CHEC members have the flexibility to collaborate as a whole group or spin off groups that require specific needs that other members are not in need of.

The USF group is a forum of Ontario electricity distributor members for collaboration, mutual support and industry representation. USF originally started out as an engineering operations group, developing a shared set of design standards to meet the requirements of the Ontario Regulation 22/04 legislation and to promote distribution system safety. Today, USF has grown both in membership and focus and encompasses Engineering, IT, Customer Service, Regulatory and Finance and Management to collaborate on meeting changing regulatory requirements and general business needs. USF operates with staff and voluntary participation from LDC members, forming Working Groups to achieve a particular project or tackle industry changes that need to be addressed by the membership. Examples of the support offered through the USF group are:

- In each community forum, USF hosts a schedule of events, providing networking opportunities and support from industry peers.
- Receiving updates from industry stakeholders and LDC's that spur discussion forums on current issues that fosters group discussion and sharing of practices, experiences and interpretations.
- Members have access to common design, construction and material standards to reduce redundancy and create efficiencies.

LPDL is a member of the Electricity Distributors Association ("EDA") that brings together LDC's, affiliates and commercial companies that work closely with LDC's. Their staff provide government advocacy, policy analysis, training and networking opportunities. Participation results in substantial efficiencies, access of knowledge and additional resources, as well as active participation in shaping legislation with the province. Shared resources include areas similar to CHEC and USF noted above, as well as Conservation, Sustainability and Electrification.

LPDL collaborates with the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE") Group. Mearie provides an array of financial, insurance and risk management solutions to Ontario's energy sector. Participation results in group purchasing power, sector knowledge and insights, industry relations and compensation benchmarking services.

LPDL will continue to look for opportunities to leverage internal offerings, partner with other LDC's on innovative projects and shared services where practical.

1.9 IMPACTS OF COVID-19 PANDEMIC

The World Health Organization declared the COVID-19 outbreak a global pandemic in March of 2020 which impacted LPDL's departments, staff and business continuity plan. LPDL immediately took several steps in response to the pandemic which included remote working environments for its staff that were able to work from home. LPDL also implemented several new policies for its crews in order to protect the safety of its staff while continuing to operate a safe and reliable distribution system. LPDL's operating and capital spending plans were strategically adjusted to accommodate the uncertainty of the pandemic.

LPDL noted additional operating costs related to cleaning costs, personal safety equipment, a one-person per vehicle fleet policy, and in home materials for those working remotely. OM&A was also slightly affected by regulatory and billing mandates issued by the OEB. However, these incremental costs were offset by LPDL's decrease in office expenses, training costs, and conference travel expenses. As a result, LPDL was successful in managing all incremental COVID related expenses within its current level of operating expenses and is not seeking recovery related to COVID.

LPDL incurred a significant bad debt write-off from one large use Class A customer, which was not recovered by LPDL's credit risk insurance policy. LPDL also incurred lost revenue for overdue interest on past due accounts that LPDL waived during the initial months of COVID. During this rate application process, LPDL has carefully reviewed its COVID Account 1509 balance and after considering its customers' best interest, has decided to write off this balance in 2024.

From a capital perspective, due to the uncertainty during the pandemic, changes to internal policies, and delays related to contractors and materials, LPDL strategically deferred projects. LPDL is still experiencing impacts related to the pandemic in regard to supply constraints, inflation on materials, increased pricing from contractors and labour shortages in its service territory. All of these challenges have been explained within the Application.

APPENDICES

Appendix A	LHL Strategic Plan-Scorecard 2023-2027
Appendix B	Charter for Corporate Governance
Appendix C	LPDL IFRS Financial Statements - 2023
Appendix D	LPDL IFRS Financial Statements - 2022
Appendix E	LPDL Annual Shareholder Update - 202406
Appendix F	OEB Appendix 2-AC Customer Engagement
Appendix G	Customer Satisfaction Surveys 2019 2021 2023
Appendix H	Electrical Safety Awareness Surveys 2020 2022 2024
Appendix I	DSP Customer Engagement Survey on Website - 2024
Appendix J	Community Involvement - Pay it Forward 2019
Appendix K	OEB COS Checklist

Appendix A **LHL Strategic Plan-Scorecard 2023-2027**

LAKELAND HOLDING LTD.

Strategic Plan 2023-2027

PREFACE

Lakeland Holding Ltd. is a leader in green, smart energy and broadband and is a company known for its solid safety record, reliable service and exceptional customer service. With an eye to the future, Lakeland Holding Ltd. has developed a new Intelligent Corporate Strategic Plan that will see the company expand the value it offers to shareholders, customers and the communities it serves.

Lakeland Holding Ltd. will rely on this Strategic Plan to position the company as a catalyst for transformative change and ensure Lakeland remains at the helm as a leader in a dynamic and smart broadband and energy world.

Land Acknowledgement

Lakeland respectfully acknowledges that we work and live on lands that are the traditional territories of Indigenous Communities. We offer gratitude to Indigenous peoples for their care for, and teachings about, our earth and our relations.

Message from the Chair & CEO

On behalf of Lakeland Holding Ltd., we are pleased to present the updated Lakeland Holding Ltd. Strategic Plan. This plan includes goals and strategies to expand our partnerships and collaborations and leverage technology in ways that will position the company, our shareholders, our customers, and our communities to thrive.

The last three years have been defined by seismic change and looking forward, we anticipate that this accelerated pace of change will only continue. Lakeland must be anticipatory and fully prepared to exceed expectations. We recognize the critical role we play in providing essential services and moreover that we will have to work harder to meet the needs of our shareholders, customers and our communities. While we will continue to provide safe, reliable and accessible services and products, wherever we operate, we will ensure that we are providing the safest, most reliable and highest level of quality and service. We will continue to evolve as a leading innovator in the management and operations of electricity transmission and telecommunication networks and we will remain committed to being the driving force and backbone for universal connectivity and smart operations.

We are exceptionally proud of the many accomplishments that have been realized in Lakeland's 23-year history. We are, and will remain, a company of firsts. In the next four years and beyond, we will focus our efforts on maximizing the impact we have on our shareholders, customers and communities, We will ensure we are a trusted partner of choice and that we remain steadfast in our commitment to continually improve operational efficiencies and effectiveness. We will work to maintain the trust and confidence that has been placed in us as solid corporate citizens and we will be driven to improve the quality of life in the communities we serve.

Chris Litschko
CEO

Roger Alexander
Chair, Board of Directors

Introduction

This 2023-2027 Strategic Plan provides an overview of Lakeland Holding Ltd.'s strategic priorities and directions for the next four years. It is designed to inform our shareholders, partners, customers and community members about the most critical trends shaping our business environment, and how the company intends to respond to them.

This Strategic Plan builds on the solid record of success that has been realized by Lakeland Holding Ltd. over its 23 years in business. Signature achievements since last strategic plan 3 years ago have included 7 years of excellent safety record, the purchase of the Wasdell Falls Generating Station, hiring of 30 team members, $35M in capital investments, record number of fibre connections, the approval of a 25-year Chute Blanche contract, and notably, creation of the first microgrid for which Lakeland received the Electricity Distributors Association 2022 Innovation Excellence Award for the SPEEDIER and DEMOCRASI projects. Lakeland has improved Hydro One reliability at the Bracebridge Transformer Station, as well as undertaken the implementation of a digital CHATBOT platform to improve customer experience and service.

Building on this record of achievement, Lakeland is looking to the future and has identified strategic priorities that will continue to place the company at the forefront of smart energy innovation and service. Continuing to put safety and system reliability first, Lakeland intends to expand its service offerings through partnership and collaboration while ensuring its commitment to a gold standard of customer service remains top of mind. Lakeland will continue to lead as an innovator and partner in a smart energy future.

Lakeland Holding Ltd…reliable service…safety first…future focused.

The Vision

VISION STATEMENT

BE THE LEADER IN SUSTAINABLE SOLUTIONS AND CATALYST FOR IMPROVING THE LIVES OF OUR CUSTOMERS AND COMMUNITIES WE SERVE.

The Mission

MISSION STATEMENT

LEVERAGING OUR TEAM, WE ARE DEDICATED TO GROWING RESPONSIBLY, SERVING OUR SHAREHOLDERS, CUSTOMERS AND COMMUNITIES WITH SAFE, RELIABLE, AND QUALITY SUSTAINABLE SOLUTIONS.

Corporate Values

RECOMMENDATIONS FOR THE CORPORATE VALUES STATEMENT

SAFETY: WE ARE DEDICATED TO THE SAFETY OF OUR EMPLOYEES AND COMMUNITIES.

ENVIRONMENTAL STEWARDSHIP: WE ARE CONCERNED FOR THE ENVIORNMENT IN EVERYTHING WE DO. WE ARE COMMITTED TO PROTECTING AND NOURISHING THE ENVIRONMENT BY DOING BETTER FOR OUR PLANET WHILE WE GROW.

RELIABILITY: WE PROVIDE DEPENDABLE, CONSISTENT AND RELIABLE SERVICE.

ACCOUNTABILITY: WE ARE SERIOUS AND RESPONSIBLE FOR OUR ACTIONS AND ACCOUNTABLE TO THOSE WE SERVE.

PARTNERSHIPS: WE DRAW ON ONE ANOTHER AND OUR PARTNERS TO ACHIEVE SUCCESS.

PROFESSIONALISM: WE ARE DEDICATED TO EXCELLENCE IN MANAGEMENT AND SERVICE DELIVERY. WE ARE INCLUSIVE AND ARE COMMITTED TO PROVIDING EQUITABLE SERVICES AND TREATING ALL WITH RESPECT.

CONTINUOUS IMPROVEMENT: WE CONSTANTLY SEEK NEW IDEAS, ARE FUTURE FOCUSED AND RESULTS ORIENTED. WE ARE EFFICIENT, EFFECTIVE, INNOVATIVE AND WE OFFER VALUE-ADDED.

RELATIONSHIP BUILDING & RECONCILIATION: WE ARE COMMITTED TO RELATIONSHIP BUILDING AND RECONCILIATION. WE ARE DRIVEN BY TRUST AND INTEGRITY AND WE VALUE THE KNOWLEDGE AND EXPERIENCE OF ALL.

Corporate Goals

<u>Goals</u>:

At the very core of our Strategic Plan is the commitment to provide safe, reliable and smart broadband and energy solutions. The critical foundation upon which our key goals depend is Organizational Excellence. We will continue to be known as an employer of excellence.

Strategic Goals, Objectives & Actions

The Foundation of the Strategic Plan: Lakeland Holding Ltd.: An Exceptional Organizational

Objectives:

- A safe and healthy workplace
- An engaged, prepared and diverse workforce
- Efficient and effective operations

Objectives	Strategic Actions
A Safe & Healthy Workplace	✚ Continue to place priority emphasis on the health and safety of our employees and our communities
An Engaged, Prepared & Diverse Workforce	✚ Develop and implement a Human Resource Strategy (Talent Management Strategy) that is directly tied to the Strategic Plan (recruitment, retention, succession safety, training) ✚ Develop and implement an Employee Engagement Strategy ✚ Continually review-improve-update Diversity, Equity and Inclusion policies and procedures ✚ Identify opportunities to enhance corporate social responsibility, rewards and recognition, employee wellness, and professional development ✚ Undertake an organizational review to determine whether a Vice President can bring innovative products and services to market
Efficient & Effective Operations	✚ Implement new HRIS system to streamline processes and procedures ✚ Implement new Enterprise Resource Planning software (ERP) to reduce duplications, triplication, etc. associated with manual input ✚ Continue to leverage leading technology and assets to advance digital transformation and modernization to enable sustainable business practices (generative AI, etc.), improve organizational agility, increase automation and enable employees to make faster and more informed decisions ✚ Continue to identify opportunities to increase operational reliability ✚ Identify opportunities to improve reporting and transparency

Goal 1: Maximize Shareholder Value

Lakeland Holding Ltd. Commitment Statement:

- We will make smart and strategic organizational decisions that maximize the anticipated return and expected value of our shareholders.
- We will deliver superior performance and, as Board Members, Senior Executives and Senior Managers, will bear the risk of ownership just as our shareholders do.
- We will provide investors with value-relevant information and focus on value-creating growth.
- We will create sustainable growth in our business and in our earnings.

Objectives:

- Maintain and enhance profitability
- Manage Costs
- Increase Revenue
- Maintain Reliability & Grow the Company

Objectives	Strategic Actions
Maintain and Enhance Profitability	✚ Continue to demonstrate solid financial performance ✚ Amplify opportunities to grow Lakeland's social license to operate
Manage Costs & Increase Revenue	✚ Identify opportunities for sustainable growth across all business lines and through earnings ✚ Identify opportunities to diversify revenue sources ✚ Identify opportunities to reduce costs
Maintain Reliability & Grow the Company	✚ Focus on organic growth at Lakeland Power and improve system reliability through the: ✚ Installation of smart switches (smart grid) with software to reduce outage time and enhance outage reaction ✚ Installation of new municipal station in Bracebridge to take advantage of Hydro One transformer station reliability

Goal 2: Enhance Community Prosperity & Quality of Life

Lakeland Holding Ltd. Commitment Statement:

- We will be a force for good across the communities we serve.
- We will provide jobs and local opportunity, offer goods and services, and bring innovation to the marketplace.
- We will provide services that are inclusive and accessible.

Objectives:

- An engaged community
- Environmental sustainability and stewardship
- A Well-Known & Trusted Organization

Objectives	Strategic Actions
An Engaged Community	Undertake a comprehensive stakeholder/influencer analysis (employees, customers, suppliers, community leaders and community members) to better understand requirements, perceptions and areas of opportunity Identify opportunities to increase community, stakeholder and rights holder engagement
Commitment to Environmental Sustainability & Stewardship	Continue to commit to the principles of environmental stewardship. Identify opportunities to demonstrate environmental stewardship and sustainability in Lakeland operations, policies and practices
A Well-Known & Trusted Organization	Continue to invest at the community level and identify opportunities to maximize impact and align with Lakeland's role in the communities it serves

Goal 3: Grow & Evolve Through Innovation & Partnerships

Lakeland Holding Ltd. Commitment Statement:

- We will continue to grow and evolve the company through innovation and partnerships.
- We will make innovation a top priority and seek opportunities to gain competitive advantage and enhance value.
- We will promote a culture of innovation within the workplace and we will explore opportunities to expand our product and service lines to meet the demands of a larger audience.
- We will also track our performance, measure improvements and focus on achieving our full potential.
- We will think of innovation as a critical aspect of our business that must be managed and executed methodically.
- We will work collaboratively to strengthen our relationships and advance reconciliation.

Objectives:

- Strengthen existing and build new partnerships
- Learn from Others

Objectives	Strategic Actions
Strengthen Existing & Build New Partnerships	- Identify opportunities to strengthen existing and forge new partnerships with others who bring complementary competencies and resources - Identify opportunities to build the relationship with Indigenous partners and communities and to support their energy needs (i.e., Community Net Metering once available) - Identify opportunities to partner with partners including municipalities beyond the current service area, universities, schools and hospitals -
Learn from Others	- Explore good practices with a view to replicating existing models that have proven to be of value

Goal 4: Amplify Exceptional Customer Service

Lakeland Holding Ltd. Commitment Statement:

- We will stand out from our competitors by focusing on the customer experience.
- We will be a customer-centric organization, adopting a ‘painless, personalized, productive and proactive approach.

Objectives:

- Improved Customer Experience
- Enhanced Visibility

Objectives	Strategic Actions
Improved Customer Experience	✚ Advance a ‘whole company’ customer experience by continuing to commit to a customer-centric culture ✚ Identify opportunities to invest in leading-edge services, technologies and processes to enhance the customer experience, with a view to improving choice and convenience ✚ Identify opportunities to work collaboratively with customers to develop services and products that empower them to manage their energy use and associated costs ✚ Identify opportunities to improve customer service at Lakeland Power ✚ Advance Community Net Metering once available

Top Five Strategic Priorities

Over the next four years, Lakeland Holding Ltd. will focus its efforts in the following key strategic priority areas:

Business Line	Focus	Specific Details
LAKELAND HOLDING LTD.	Implement HR Strategy	Develop and implement a Human Resource Strategy (Talent Management Strategy) that is directly tied to the Strategic Plan

		(recruitment, retention, succession safety, training)

Lakeland Holding Ltd. will continue to emphasize its commitment to operational efficiency and effectiveness, improved reliability and enhanced customer service.

Business Line	**Focus**	**Specific Details**
LAKELAND HOLDING LTD.	Continued efficient operations	New Human Resource Information System to streamline processes and procedures. Implement new Enterprise Resource Planning software (ERP) to reduce duplication, triplication, etc. to manual input. Utilize BOTS, etc. where practical.
LAKELAND POWER	Improve Reliability	Install smart switches (smart grid) with software to increase reaction to outage and decrease outage time. Improve outage management system. Install new municipal station in Bracebridge – take advantage of Hydro One transformer station reliability.
	Improve Customer Service	OEB satisfaction survey result of 75% did not meet improvement goal of 77%.

2024, 2025, 2026 BALANCED SCORECARD

1 Environmental Health & Safety

	Key Performance Indicator	Timeline	Improvement Same/Yes/No	Responsibility	Update
a	Zero Loss Time Accidents Annually	2024-2027		Brian/Andrew/ Jordan/Sharon	
b	Cyber attack - no loss of customer information and/or money	2024-2027		Brian/Andrew/ Jordan/Sharon	
c	Waste reduction committee membership	2024-2027		Brian/Andrew/ Jordan/Sharon	
d	Compliance Science at least 95%	2024-2027		Brian/Andrew/ Jordan/Sharon / Taylor	

2 Team

	Key Performance Indicator	Timeline	Improvement Same/Yes/No	Responsibility	Update
a	1 Vacant linesperson?	2024		Brian/Andrew	
b	New Meter Technician Apprenticeship?	2024		Brian/Jordan / Taylor	
c	2 Retiring CSRs?	2025&2026		Sharon/Taylor	

3 Customer Service & Investments

	Key Performance Indicator	Timeline	Improvement Same/Yes/No	Responsibility	Update
a	Ensure in top 10% of most reliable distribution companies in Ontario. Annual average number of times that power to a customer is interrupted = <0.77	2024-2027		Brian/Andrew/ Jordan	
b	Ensure in top 10% of most reliable distribution companies in Ontario. Annual average number of hours that power to a customer is interrupted = <1 hour34 minutes	2024-2027		Brian/Andrew/ Jordan	
c	Improve PowerAssist 24-hour outage assistance - TextPower	2024		Sharon/Brian / Andrew	
d	Implement Customer Education Plan to improve satisfaction	2024-2025		Sharon/Brian	
e	Customer Satisfaction Survey OEB requirement minimal score	2025 = 79%		Sharon/Brian	
f	Install at least 2 new Smart Switches annually to increase smart grid operations	2024-2027		Jordan/Andrew/ Brian	
g	Annual operations: continue porcelain switch replacements, IR scanning, implement asset management plan, tree trimming	2024-2027		Andrew/Brian / Jordan	
h	Northstar Billing Upgrade	2024/2025		Sharon	

i	New M3 Substation replacement to connect more customers to local Bracebridge TS improving reliability vs Utterson	2024 = engineering 2025 = material order 2026 = installation		Jordan/Brian/ Andrew	

4 Financial

	Key Performance Indicator	Timeline	Improvement Same/Yes/No	Responsibility	Update
a	Complete Cost of Service Application to Ontario Energy Board	2024		Darren/Brian/ Sharon / Jordan / Andrew	
b	Defend Cost of Service Application and implement new rates	2025		Darren/Brian/ Sharon / Jordan	
c	Annually ensure are in 10% lowest controllable cost per customer distribution companies in Ontario	2024 = <$339 2025 = <$346 2026 = <$353		Brian/Andrew/ Jordan/Sharon	
d	Annually increase Ebilling - reducing costs by proactively engaging customers to enroll	2024 = 44% 2025 = 47% 2026 = 51%		Sharon	
e	Annual Days Sales Outstanding = <30	2023-2025		Sharon	
f	Annual Deemed Return on Equity = >8%	2024-2027		Brian/Darren	

Appendix B	**Charter for Corporate Governance**

LAKELAND HOLDING LTD.
LAKELAND POWER LTD.

Corporate Governance Charters

Last Revised: February 24, 2021

LAKELAND HOLDING LTD.

Corporate Governance

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LAKELAND HOLDING LTD.
Corporate Governance

Executive Committee

MANDATE

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

- Shall be responsible for supervising the management of the day to day operations of the Corporation.

MAJOR RESPONSIBILITIES AND FUNCTIONS

In carrying out its mandate, the Committee shall:

- Assist in setting agenda items for the Board of Director meetings.
- Shall act on behalf of the whole Board in such times of emergency that the whole Board cannot be assembled to react to the emergency.

OPERATION OF COMMITTEE

Reporting
The Committee is accountable to and shall report to the Board.

Composition of the Committee
The Executive Committee shall be comprised of directors in a number as determined by the Board from time to time.
The Chair and Vice -Chair shall be a member of the Executive Committee; and
The members of the Executive Committee shall meet at least once a month or as otherwise determined by the Executive Committee. Members of the Executive Committee may serve for a term not to exceed three (3) years. Members of the Executive Committee may serve successive terms on the Executive Committee.

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

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

Chairman
The Board will appoint the Chairman of the Board as Chairman of the Executive Committee.
If the Chairman of the Committee is not present at any meeting of the committee, the Vice-Chairman will preside. The Chairman presiding at any meeting shall not have a casting vote.

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

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

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

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

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

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

Approved, by the Board, the _ of February, 2021.

______________________ ______________________
Chair of Board LHL Chair of Committee

LAKELAND HOLDING LTD.

Corporate Governance

Governance Committee

MANDATE

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

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

MAJOR RESPONSIBILITIES AND FUNCTIONS

In carrying out its mandate, the Committee shall:

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

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

OPERATION OF COMMITTEE

Reporting
The Committee shall report to the Board.

Composition of the Committee
This is a Committee of directors in a number as determined by the Board from time to time.

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

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

Chairman
The Board will appoint an independent director as Chairman of the Committee. A director shall be considered independent if the director is neither an employee nor a director of an affiliated corporation or subsidiary (which shall include, without limitation, parent or holding companies) nor an employee of any of the Corporation's shareholders.
If the Chairman of the Committee is not present at any meeting of the committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside. The Chairman presiding at any meeting shall not have a casting vote.

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

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

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

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

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

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

Approved, by the Board, the_ day of February, 2021.

______________________	______________________
Chair of Board - LHL	Chair of Committee
______________________	______________________
Chair of Board - LPL	Chair of Committee

LAKELAND HOLDINGS LTD.

Corporate Governance

Nominating Committee

MANDATE

The primary functions of the Nominating Committee of the Board of Directors (the “Board”) is to recommend to the Shareholders concerning candidates for nomination as directors based on selection criteria and individual characteristics. Also, for the compensation for members of the Board, the Chair, Vice-Chair and Board Committee members and chairpersons.

MAJOR RESPONSIBILITIES AND CONSIDERATIONS

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

- The minimum requirements for selecting potential candidates to the Board are set out in the Shareholders Agreement. Additional requirements to rate individual characteristics will be utilized as agreed to by the Board. It is understood by all Shareholders that under the USA 3.2 (e) (xiv) that a director shall not be an employee, director, officer or member of Council of any municipal Shareholder.
- The Nominating Committee will interview and recommend Board candidates for election to all boards of the Corporation and its subsidiaries.
- The Chair of the Nominating Committee will keep track of the expiry of the current Board members’ terms and any extensions thereto approved by the shareholders. The Chair of the Nominating Committee will inform the Board of these expirations.
- All new nominees and term extensions once approved by the Board must be submitted to the shareholders for their approval.
- Subject to the terms of the Shareholders Agreement and any Ontario Energy Board guidelines, both as amended from time to time. The Board will agree to the number of board members elected based on their recommendations and approval of the shareholders.
- The process for interviewing candidates and the time and location for the interview will be decided by the Board.
- The Nominating Committee Chair is historically the Vice Chair of the Board. The Board may revise this responsibility from time to time.
- All Board members are to participate in the interviewing of candidates.

- Once the nominee has been approved by both the Board and Shareholders, arrange for a comprehensive orientation program for the candidate.
- Annually, remuneration of the Directors.
- Annually, the compensation of the non-executive Chairman of the Board.

OPERATION OF COMMITTEE

Reporting
The Committee shall report to the Board.

Composition of Committee
The Committee shall consist of the directors in a number as determined by the Board from time to time

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

Chairman
The Vice- Chair shall be a member of the Nominating Committee and is recommended, but not required to be the chair of the Nominating Committee.

The Board is to nominate the Vice Chair of the Board soon after the Annual General Meeting of the shareholders.

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

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

Secretary
The Nominating Committee Chair shall act as Secretary of the interview process and inform the Secretary of the Board and the shareholders the selection of a nominee as a director.

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

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

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

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

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

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

Approved, by the Board, the__ day of February, 2021

____________________	____________________
Chair of Board LHL	Chair of Committee
____________________	____________________
Chair of Board LPL	Chair of Committee

LAKELAND HOLDING LTD.
Corporate Governance

Human Resources Committee

MANDATE

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

MAJOR RESPONSIBILITIES

Review and recommend to the Board for approval:

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

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

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

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

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

OPERATION OF COMMITTEE

Reporting

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

Composition of Committee

This is a committee of directors in a number as determined by the Board from time to time.

Vacancies

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

Chairman

The chair of the Human Resources Committee is recommended to be a member of the Board other than the Chair or Vice- Chair.

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

Secretary

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

Committee Meetings

Committee meetings are held during regularly scheduled board meetings.

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

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

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

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

Approved, by the Board, the__ day of February, 2021.

__________________	__________________
Chair of Board LHL	Chair of Committee
_________________	__________________
Chair of Board LPL	Chair of Committee

LAKELAND HOLDING LTD.
Corporate Governance

Finance Committee

MANDATE

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

The Committee's primary duties and responsibilities are to:

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

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

MAJOR RESPONSIBILITIES AND FUNCTIONS

Review Procedures

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

Annual Financial Statements

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

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

Monthly Financial Statements

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

Internal Control Environment

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

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

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

External Auditors

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

2. *Review*:

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

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

Other matters

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

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

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

Composition of Committee
The Finance Committee shall be comprised of directors in a number as determined by the Board from time to time. Each member of the committee should be financially literate and at least one member shall have accounting or related financial experience.

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

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

Chairman
The chair of the Finance Committee shall be member of the Board other than the Chair or Vice-Chair.

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

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

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

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

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

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

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

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

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

Approved, by the Board, the__day of February, 2021.

____________________	____________________
Chair of Board LHL	Chair of Committee
____________________	____________________
Chair of Board LPL	Chair of Committee

LAKELAND HOLDING LTD.
Corporate Governance

ENVIRONMENTAL, HEALTH & SAFETY COMMITTEE

MANDATE

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

MAJOR RESPONSIBILITIES

Review and recommend to the Board for Board approval:

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

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

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

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

OPERATION OF COMMITTEE

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

Composition of Committee
This is a committee of directors in a number as determined by the Board from time to time..

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

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

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

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

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

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

Minutes

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

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

Approved, by the Board, this__day of February, 2021.

___________________	___________________
Chair of Board LHL	Chair of Committee
___________________	___________________
Chair of Board LPL	Chair of Committee

LAKELAND HOLDING LTD.
Corporate Governance

MERGERS AND ACQUISITIONS COMMITTEE

MANDATE

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

The Committee acts in an advisory capacity to the Board.

MAJOR RESPONSIBILITIES

Review and recommend to the Board for Board approval:

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

OPERATION OF COMMITTEE

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

Composition of Committee
This committee is comprised of directors in a number as determined by the Board from time to time. The Finance Chair shall be a member of the Mergers and Acquisitions Committee.

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

Chairman
The Finance Chair shall be the chair of the Mergers and Acquisitions Committee.

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

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

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

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

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

Minutes

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

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

Approved, by the Board, this__ day of February, 2021.

____________________	____________________
Chair of Board LHL	Chair of Committee

LAKELAND HOLDING LTD.
Corporate Governance

Board of Directors Mandate and Responsibilities

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

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

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

MAJOR RESPONSIBILITIES AND FUNCTIONS

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

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

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

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

1. Management of the business and affairs of Holdco;
2. The establishment of appropriate reserves and a dividend policy consistent with sound financial principals, all with the intention of providing the shareholders with a reasonable rate of return on their investment while maintaining reasonable rates for customers;
3. Provide continuing education opportunities for all directors to enhance their skills as directors and to ensure their understanding of the Business remains current;
4. Declaration of any dividend or distribution of capital in respect of the Shares.
5. The Board should consider the implementation of the following committees - Executive, Finance and Human Resources and Nominating.
6. The Directors are required to adhere to and operate under the articles set out in The Shareholders Agreement.

OPERATION OF THE BOARD OF DIRECTORS

Reporting

The Board of Directors shall report to the Shareholders.

Appointment and Composition of the Board of Directors

Members of the Board shall be determined by the requirements identified in a skills matrix developed by the Nominating Committee and as described in the Shareholder Agreement Section 3.2c and e.

Vacancies

Where a vacancy occurs at any time in the in the membership of the Board, it will be filled by recommendations from the Board and election by the shareholders as described in Section 3.2f of the Shareholder Agreement.

Chairman

The Board will elect an independent director as Chairman of the Board. Traditionally this person is the sitting Vice Chair of the Board.

Secretary

The Board will choose a member to act as Secretary. The Secretary shall keep minutes of the meetings of the Board.

Board Meetings

Board meetings shall be held in accordance with the Shareholder Agreement Section 3.2h or as issues arise that require special attention by the Board.

Notice of Meeting

At least five (5) days' written notice of the time and place of the meeting and of the business to be transacted at the meeting in sufficient detail to enable each director to assess reasonably the importance of such business to the affairs of Holdco shall be given to each director.

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

Quorum

A majority of Board members present in person, by video-conference, by telephone or by a combination thereof, shall constitute a quorum. Quorum is described in Section 3.2g of the Shareholder Agreement.

Minutes

Minutes of Board meetings shall be taken by the Secretary, distributed to the Board members prior to and presented for motion of acceptance at the next scheduled Board meeting.

Engaging Outside Resources

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

Approved, by the Board, this__ day of February, 2021.

____________________ ____________________

Chair of Board LHL Chair of Governance Committee

LAKELAND HOLDING LTD.
Corporate Governance

CEO Mandate and Responsibilities

MANDATE

The Chief Executive Officer (CEO) is appointed by the Lakeland Holding Ltd Board of Directors by way of a transparent competitive hiring process and has the following mandate:

- " to run the company well, in a manner that builds value for the shareholders who have entrusted the CEO with their confidence"
- Develop and implement high level strategies, make major corporate decisions, manage the overall operations and resources and act as the main point of contact between the board of directors and the corporate operations.
- The CEO is to be accountable for his / her performance, champion a high standard of ethical conduct by all employees, and ensure that the values of the corporation are reflected in the way the enterprise interacts with the broader community.

MAJOR RESPONSIBILITIES AND FUNCTIONS

In carrying out his/ her mandate the CEO shall:

- Develop and maintain a process to collect, assemble and generate information to prepare accurate periodic financial statements.
- Ensure skilled staff is installed in every position within the company and that they are properly trained and fairly compensated. To also develop a clear succession plan for all key positions within the corporation.
- Generate policies and operational activity that foster good working conditions to reduce employee turnover.
- Prepare strategic plans looking out one and five years, including risk assessment, opportunities, resource implications and financial statements. To develop growth strategies for all subsidiaries.
- Engage in industry Associations and advisory groups in order to have an eye on the business environment.
- Develop and maintain contacts with other industry leaders to maintain knowledge of current events.

- Be fully engaged with the market to be able to take advantage of business opportunities as they present themselves.
- Leadership in Ethical Conduct - Establish and update a meaningful Code of Ethics and ensure it is actively used within the corporation.
- Personal Certification of Corporate Reports - Ensure that the operation of the enterprise complies with all federal, provincial and municipal laws and by-laws and be prepared to sign a confirmation letter to that effect.
- Ensure there is a potent health and safety culture inculcated into every employee at all levels within the corporation.
- To manage and maintain the resources of the corporation to maximize efficiency and return.

Approved, by the Board, this__day of February, 2021.

____________________	__________________________
Chair of Board LHL	Chair of Governance Committee

LAKELAND HOLDING LTD.
Corporate Governance

Code Of Ethics

POLICY

It is the policy of Lakeland Holding Ltd. to conduct its business affairs in compliance with all applicable laws, statutes, rules and regulations and expects Employees acting on its behalf to do likewise. In addition, business dealings among Employees with customers, suppliers, governmental and regulatory authorities, communities and shareholders ("Stakeholders") must be based on principles of honesty, integrity and the ethical standards outlined below.

PROCEDURE

This Code of Ethics and Business Conduct (sometimes referred to heron as the "Code") applies to all directors, officers and employees (collectively "Employees") of Lakeland Holding Ltd. and its subsidiaries ("Lakeland" or the "Company") in all locations where Lakeland does its business. The principles outlined in this document are intended to:

- establish a minimum standard of conduct by which all Employees are expected to abide,
- protect the business interests of Lakeland, its Employees and customers,
- maintain Lakeland's reputation for integrity, and
- ensure that Lakeland, through its Employees, complies with applicable legal and regulatory obligations.

The principles in the Code are the individual and collective responsibility of all Employees.

The principles in the Code are extremely important because they establish a minimum standard of conduct for all Employees at all levels and ensure a consistent and high standard of ethical conduct no matter where a customer, supplier or other person or entity may have contact with Lakeland. Employees must familiarize themselves with and carefully follow these principles in their daily activities. All Employees must act, and must also be seen by Stakeholders to be acting, in accordance with these principles. Employees are also responsible for managing risk effectively and preventing losses.

The Code is not meant to be a complete listing of business conduct and ethics covering every eventuality. Consequently, should an Employee be confronted with a situation where further guidance is required, the matter should be discussed with their immediate supervisor or senior management.

The Code is an addition to and does not detract from any other agreements, manuals, guidelines and policies that may also be applicable to Employees and which may deal with items also dealt with in the Code.

I. REPORTING VIOLATIONS OF THE CODE

Employees have a duty to report situations of non-compliance with respect to this Code of which they become aware including any violation of the laws, rules, regulations or policies that apply to the Company, to their immediate supervisor, the CEO, or to the Chairman of the Audit Committee of the Board of Directors of Lakeland (the "Board") by mail, telephone or e-mail. Aside from instances of non-compliance, Employees may also report concerns relating to business conduct and ethics in the same manner. All reports of known or suspected violations of the law or this Code will be handled sensitively and with discretion. Your supervisor, the CEO and the Company will protect your confidentiality to the extent possible, consistent with the law and the Company's need to investigate your concern. A failure to comply with the Code will result in disciplinary actions up to and including termination. All violations will be reported to the CEO.

II. POLICY AGAINST RETALIATION

Retaliation in any form against an individual who, in good faith, seeks help or reports known or suspected violations of this Code or of the law, even if the report is mistaken, or who assists in the investigation of a reported violation, is itself a serious violation of this Code. Acts of retaliation should be reported immediately and will be disciplined appropriately, including potential termination of employment. Lakeland does not tolerate retaliation on any form against Employees who honestly and accurately report a concern. At the same time, it is serious and unacceptable to make false allegations.

III. INTEGRITY OF RECORDS AND SOUND ACCOUNTING PRACTICES

Lakeland takes very seriously the accuracy of its financial records and financial statements. All Company records are to be prepared with care and honesty and in compliance with Lakeland's accounting and internal control procedures, record keeping policy and with Canadian generally accepted accounting principles and all standards, laws and regulations for accounting and financial reporting of transactions, estimates and forecasts.

All Employees involved in preparing or providing information for inclusion in any reports or documents which Lakeland is required to file with any governmental or regulatory agency or any public communications are responsible for ensuring that (i) information provided is complete, accurate and current, and (ii) reports and documents are prepared in a timely manner. If an Employee becomes aware of a materially inaccurate or misleading statement in a public communication, the Employee must report it immediately to the Chief Executive Officer of Lakeland or the chairman of the Audit Committee of the Board.

Making false or misleading statements to external auditors can be a criminal act that can result in severe penalties. No Employee may directly or indirectly take any action to fraudulently influence, coerce, manipulate or mislead Lakeland's independent public auditors for the purpose of rendering Lakeland's financial statements misleading.

IV. MAINTENANCE OF ASSETS

All Employees have a responsibility to protect Lakeland's assets against loss, theft, abuse and unauthorized use or disposal. Lakeland's assets include all property whether tangible, intangible or electronic in form, which includes the Company's products, equipment, vehicles, computers, and software and telephone systems. All Lakeland's assets must only be used for legitimate business purposes.

Employees should report any suspected incident of fraud or theft to their immediate supervisor for investigation. Company assets should not be used for non-Company business, though incidental personal use is permitted, provided that such use is not in violation of applicable law or in advancement of any illegal purpose, personal or financial gain. There should be no expectation of personal privacy in respect of the use of any of the Company's assets.

V. CONFIDENTIALITY

Employees must preserve and protect the confidentiality of information entrusted to them by the Company, Stakeholders and third parties, except when disclosing information is approved or legally mandated. Confidential information encompasses proprietary information which is not in the public domain that could be of use to investors or competitors, or that could harm the Company, its employees, its customers or suppliers if disclosed. Employees must be aware that the responsibility to protect confidential information continues outside the workplace. Employees should not discuss confidential information in public places, such as elevators, public transportation or restaurants.

Employees must also not use or disclose to the Company any proprietary information or trade secrets of any former employer or other person or entity with whom obligations of confidentiality exist.

VI. CONFLICT OF INTEREST

The Company requires that each Employee disclose any situations that reasonably would be expected to give rise to a conflict of interest. If you suspect that you have a conflict of interest, or something that others could reasonably perceive as a conflict of interest, you must report it to your supervisor, the CEO, or Chairman of the Finance Committee who will work with you to determine where you have a conflict of interest and, if so, how best to address it. Employees must take care to ensure that they identify and avoid any situation of actual or apparent conflict of interest, whether the situation involves the Employee directly or a member of the Employee's immediate family.

A “conflict of interest” occurs when an Employee’s personal interests interfere, or appear to interfere, in any way with the interests of the Company. Business decisions and actions must be made in the best interests of the Company and should not be influenced by personal considerations or relationships. A conflict situation can arise when an Employee of Lakeland takes actions or has interest that may make it difficult to perform his or her Company work objectively and effectively. Conflicts of interests may also arise when an Employee, or members of his or her family, receives improper gifts, entertainment or personal benefits as a result of his or her position in the Company. Improper gifts, entertainment or personal benefits of greater than nominal value or that are material to the Employee. One item on its own may not be material but a series from the same person or company may be material and therefore, improper.

Giving gifts and entertainment to customers, suppliers and other business associates is also prohibited by Lakeland when the gifts or entertainment are of greater than nominal value or are intended to bribe or influence the recipient, or when the law prohibits them. An employee may not give or receive a gift, benefit or entertainment when they know that doing so will violate the business practices of the other party.

It is almost always a conflict of interest for an Employee to be a director of, obtain loans or guarantees of personal obligations from, work simultaneously for, provide services to or have a personal or family financial interest (ownership or otherwise) in a competitor, customer or supplier. Employees are not permitted to work for a consultant or Board member. The best policy is for Employees to avoid any direct or indirect business contact with Lakeland’s customers, suppliers or competitors, except on behalf of Lakeland. This guideline does not prohibit arms-length transactions with banks, brokerage firms or other financial institutions.

No Employee should serve on a board of directors or trustees or on a committee of any entity (whether for profit or not) whose interests reasonably would be expected to conflict with those of Lakeland’s.

Conflicts of interest are prohibited as a matter of Company policy, unless waived by the Board.

VII. COMPETITION AND FAIR DEALING

Lakeland seeks to outperform its competition fairly and honestly and to obtain competitive advantages through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was wrongfully obtained, or inducing such disclosures by past or present employees of other companies, is prohibited. Each Employee should respect the rights of and deal fairly with Lakeland’s customers, suppliers, competitors and other Employees. No Employee should take improper advantage of anyone through manipulation, concealment, abuse of proprietary information, misrepresentation of material facts, or any other intentional improper-dealing practice.

VIII. CORPORATE OPPORTUNITIES

Employees owe a duty to Lakeland to advance its legitimate interests when the opportunity to do so arises. Employees are prohibited from taking for themselves personal opportunities that properly belong to Lakeland or that are discovered through the use of Lakeland property, information or position. Employees must not use corporate property, information or position for personal gain or to compete with Lakeland.

IX. LAWS, STATUTES AND REGULATIONS

It is the policy of Lakeland to comply, not merely with the letter, but also with the spirit of the law. Violation of the law can affect Lakeland's reputation and ability to carry on business. Each employee is responsible for knowing and understanding the laws, rules and regulations applicable to the performance of his or her duties at Lakeland and complying with both the letter and spirit of these laws, rules and regulations. Ignorance of the law is not a valid defense if the law has been contravened. Employees must not knowingly or actively assist in activity that is criminal in the jurisdictions in which Lakeland Holding conducts business. Employees who encounter situations where the requirements of the Code appear to conflict with local requirements must advise their supervisor.

X. WAIVERS AND INTERPRETATION OF THE CODE

Any waiver of this Code may be only by the Board of Directors of Lakeland Holding Ltd. and will be promptly disclosed as required by law or regulation. The Board has the exclusive responsibility for the final interpretation of this Code. This Code may be revised, changed or amended at any time by the Board.

XI. RELATIONSHIP TO OTHER POLICIES

If you are an Employee of Lakeland, all Company policies apply to you. If you are a director, the guidelines of the Board of Directors will guide you procedurally in your position as a director.

XII. COMPLIANCE PROCEDURES

All employees have a responsibility to understand and follow this Code of Ethics and Business Conduct. In addition, all Employees are expected to perform their work with honesty and integrity in any areas not specifically addressed by the Code. A violation of this Code may result in appropriate disciplinary action including the possible termination from employment with the Company, without additional warning. This determination will be based upon the facts and circumstances of each particular situation. An Employee accused of violating this Code will be given an opportunity to present his or her version of the events at issue prior to any determination of appropriate discipline. Employees who violate the law or this Code may expose themselves to substantial civil damages, criminal fines and prison terms. The Company may also face substantial fines and penalties and may incur damage to its reputation and standing in the community. Your conduct as a representative of the Company, if it does not comply with the law or with this Code, can result in serious consequences for both you and the Company. The Company may be required to report certain types of breaches of the Code to regulatory authorities in which case the Employee may be subject to criminal or civil penalties. Nothing in this Code prohibits or restricts the Company from taking any disciplinary action on any matters pertaining to employee conduct, whether or not they are expressly discussed in this Code.

Failure to read the Code does not exempt an Employee from his or her responsibility to comply with the Code, applicable laws, rules, regulations, and all Lakeland policies and guidelines.

Questions concerning this Code should be referred to an Employee's immediate supervisor, the CEO, or Chairman of the Finance Committee. In the case of directors, questions should be directed to the Chairman of the Board.

Approved, by the Board, the__day of February, 2021.

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Chair of Board LHL	CEO

Appendix C **LPDL IFRS Financial Statements - 2023**

Lakeland Power Distribution Ltd.
Financial Statements
For the Year Ended December 31, 2023
(Expressed in Canadian Dollars)

Lakeland Power Distribution Ltd.
Financial Statements
For the Year Ended December 31, 2023
(Expressed in Canadian Dollars)

Contents

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BDO Canada LLP
300 Lakeshore Drive, Suite 300
Barrie, ON L4N 0B4
Canada

Independent Auditor's Report

To the Shareholder of Lakeland Power Distribution Ltd.

Opinion

We have audited the financial statements of Lakeland Power Distribution Ltd. (the "Company"), which comprise the statement of financial position as at December 31, 2023, the statements of comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on April 28, 2023.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Barrie, Ontario
April 29, 2024

Lakeland Power Distribution Ltd.
Statement of Financial Position
(Expressed in Canadian Dollars)

December 31	2023	2022
Assets		
Current		
Cash (Note 16)	**$ 3,698,026**	$ 1,857,118
Accounts receivable (Note 5 and 7)	**4,352,546**	3,856,878
Unbilled revenue (Note 5)	**3,821,807**	3,826,515
Payment in lieu of taxes receivable	**85,100**	267,465
Inventory (Note 8)	**585,954**	846,418
Prepaid expenses	**368,890**	300,163
Total current assets	**12,912,323**	10,954,557
Non current		
Capital assets (Note 9)	**42,747,054**	39,873,445
Intangible assets (Note 10)	**668,174**	628,855
Goodwill (Note 11)	**1,150,014**	1,150,014
Total non current assets	**44,565,242**	41,652,314
Total assets	**57,477,565**	52,606,871
Regulatory deferral account debit balances and related deferred tax (Note 12)	**873,877**	788,415
Total assets and regulatory deferral account debit balances	**$ 58,351,442**	$ 53,395,286

The accompanying notes are an integral part of these financial statements.

Lakeland Power Distribution Ltd.
Statement of Financial Position
(Expressed in Canadian Dollars)

December 31	2023	2022
Liabilities		
Current		
Accounts payable and accrued liabilities (Notes 6 and 7)	**$ 7,150,270**	$ 7,243,509
Current portion of long-term debt (Note 20)	**10,698,887**	1,162,500
Current portion of contributions in aid of construction (Note 14)	**375,608**	329,051
Total current liabilities	**18,224,765**	8,735,060
Non current		
Contributions in aid of construction (Note 14)	**12,377,605**	10,797,837
Customer deposits (Note 15)	**483,551**	531,905
Deferred taxes (Note 18)	**766,593**	428,178
Employee future benefits (Note 19)	**39,891**	49,492
Long-term debt (Note 20)	**10,487,500**	17,023,887
Total non current liabilities	**24,155,140**	28,831,299
Total liabilities	**42,379,905**	37,566,359
Shareholder's Equity		
Share Capital (Note 21)	**9,226,787**	9,226,787
Contributed surplus	**4,986,711**	4,986,711
Retained earnings	**1,684,200**	1,541,084
Accumulated other comprehensive loss	**73,839**	73,839
Total shareholder's equity	**15,971,537**	15,828,421
Total liabilities and shareholder's equity	**58,351,442**	53,394,780
Regulatory deferral account credit balances and related deferred tax (Note 12)	**-**	506
Total liabilities and shareholder's equity and regulatory deferral account credit balances	**$ 58,351,442**	$ 53,395,286

Contingencies (Note 16) **and Commitments** (Note 17)

On behalf of the Board:

DocuSigned by: Philip Matthews 8543B1DADE5741F... Director

DocuSigned by: C4B004F1C40E4C5... Director

The accompanying notes are an integral part of these financial statements.

Lakeland Power Distribution Ltd.
Statement of Comprehensive Income
(Expressed in Canadian Dollars)

For the year ended December 31	2023	2022
Revenue		
Electricity revenue	**$ 37,183,199**	$ 37,356,182
Distribution revenue	**8,711,263**	8,339,575
Other revenue	**1,020,177**	1,008,197
Gain on disposal of property, plant and equipment	**35,000**	-
	46,949,639	46,703,954
Expenses		
Purchased power	**36,981,656**	37,502,658
Operating expenses (Note 23)	**5,806,416**	5,447,098
Depreciation and amortization (Note 22)	**1,853,806**	1,729,698
Property taxes	**62,817**	60,426
	44,704,695	44,739,880
Income from operating activities	**2,244,944**	1,964,074
Other income (expense)		
Finance income	**159,014**	56,357
Finance costs	**(951,779)**	(616,437)
	(792,765)	(560,080)
Income before provision for payments in lieu of taxes	**1,452,179**	1,403,994
Provision (recovery) for payments in lieu of taxes		
Current (Note 18)	**2,487**	(42,664)
Deferred (Note 18)	**338,415**	377,884
	340,902	335,220
Profit before net movements in regulatory deferral account balances	**1,111,277**	1,068,774
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement (Note 12)	**(168,161)**	103,825
Profit and net movements in regulatory deferral account balances	**943,116**	1,172,599
Other comprehensive income:		
items that will not be reclassified to profit or loss, net of tax:		
Remeasurements of defined benefit plan, net of tax $Nil (2022 - $7,774) (Note 19)	**-**	21,560
Total comprehensive income	**$ 943,116**	$ 1,194,159

The accompanying notes are an integral part of these financial statements.

Lakeland Power Distribution Ltd.
Statement of Changes in Equity
(Expressed in Canadian Dollars)

For the year ended December 31, 2023

	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
Balance, January 1, 2022	$ 9,226,787	$ 4,986,711	$ 1,618,485	$ 52,279	$ 15,884,262
Profit for the year	-	-	1,172,599	-	1,172,599
Dividends paid	-	-	(1,250,000)	-	(1,250,000)
Other comprehensive income	-	-	-	21,560	21,560
Balance, December 31, 2022	9,226,787	4,986,711	1,541,084	73,839	15,828,421
Profit for the year	-	-	943,116	-	943,116
Dividends paid	-	-	(800,000)	-	(800,000)
Balance, December 31, 2023	$ 9,226,787	$ 4,986,711	$ 1,684,200	$ 73,839	$ 15,971,537

The accompanying notes are an integral part of these financial statements.

Lakeland Power Distribution Ltd.
Statement of Cash Flows
(Expressed in Canadian Dollars)

For the year ended December 31	2023	2022
Cash flows from operating activities		
Comprehensive income	$ **943,116**	$ 1,194,159
Adjustments for items not affecting cash:		
Depreciation of property, plant, equipment, and intangible assets (Note 22)	**2,088,035**	1,940,450
Employee future benefits (Note 19)	**(9,601)**	(54,140)
Finance costs paid	**951,779**	616,437
Finance income received	**(159,014)**	(56,357)
Provision for payment in lieu and deferred taxes (Note 18)	**340,902**	374,871
	4,155,217	4,015,420
Adjustments for non-cash working capital items:		
Accounts receivable (Note 5 and 7)	**(495,668)**	454,279
Inventory (Note 8)	**260,464**	(517,073)
Prepaid expenses	**(68,727)**	34,512
Unbilled revenue	**4,708**	(268,680)
Accounts payable and accrued liabilities (Note 6)	**(93,239)**	258,694
Customer deposits (Note 15)	**(48,354)**	50,237
Cash generated from operations	**3,714,401**	4,027,389
Payment in lieu of taxes paid	**179,878**	(182,388)
Net cash provided by operating activities	**3,894,279**	3,845,001
Cash flows from investing activities		
Finance income received	**159,014**	56,357
Purchase of property, plant, and equipment (Note 9)	**(4,914,991)**	(4,307,782)
Purchase of intangible assets	**(85,972)**	(65,472)
Regulatory deferral account balances	**(85,968)**	(896,726)
Net cash used in investing activities	**(4,927,917)**	(5,213,623)
Cash flows from financing activities		
Finance costs paid	**(951,779)**	(616,437)
Dividends paid	**(800,000)**	(1,250,000)
Contributions in aid of construction	**1,626,325**	1,471,138
Proceeds from issuance of long-term debt	**3,000,000**	-
Net cash provided by (used in) financing activities	**2,874,546**	(395,299)
Net increase (decrease) in cash	**1,840,908**	(1,763,921)
Cash at beginning of year	**1,857,118**	3,621,039
Cash at end of year	$ **3,698,026**	$ 1,857,118

The accompanying notes are an integral part of these financial statements.

1. Corporate Information

The Company was incorporated under the Canada Business Corporations Act in 2000, and has continued as a Company under the Business Corporations Act of Ontario. The Company distributes electricity to residents and businesses in the towns of Bracebridge, Huntsville, Parry Sound, Sundridge, Burk’s Falls and Magnetawan under a license issued by the Ontario Energy Board (“OEB”). The Company is regulated by the OEB and adjustments to the Company’s distribution and power rates require OEB approval.

The sole shareholder of the Company is Lakeland Holding Ltd.

2. Basis of Presentation

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

The financial statements were authorized for issue by the Board of Directors on April 29, 2024.

b) Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following items:

1. Financial instruments - fair value through profit and loss
2. Financial instruments - fair value through other comprehensive income
3. Employee future benefits - fair value through other comprehensive income

The financial statements are presented in Canadian dollars (CDN$), which is also the Company's functional currency

c) Judgement and estimates

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. Material Accounting Policy Information

a) Explanation of Activities Subject to Rate Regulation

Operating in a regulated environment exposes the company to regulatory and recovery risk.

Regulatory Risk

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the electricity distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations including the recovery of expenses incurred for the benefit of other market participants in the electricity industry such as transition costs and other regulatory assets. All requests for changes in electricity distribution charges require the approval of the OEB.

Recovery Risk

Regulatory developments in Ontario’s electricity industry, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. Lakeland Power Distribution Ltd. is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

3. Material Accounting Policy Information (continued)

b) Regulatory Deferral Accounts

Regulatory deferral account debit balances represent future recoveries associated with certain costs incurred in the current period or in prior period(s) that are expected to be recovered from consumers in future periods through the rate-setting process. Management continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made. Regulatory deferral account credit balances are associated with the collection of certain revenues earned in the current period or in prior period(s) that are expected to be returned to consumers in future periods through the rate-setting process. Regulatory deferral account balances can arise from differences in amounts collected from customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by the Company in the wholesale market administered by the Independent Electricity Operator (the "IESO") after May 1, 2002. The amounts have been accumulated pursuant to regulation underlying the Electricity Act (the "EA") and deferred in anticipating of their future recovery or expense in electricity distribution service charges.

Explanation of recognized amounts

Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other non-financial assets as described below. Management continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

3. Material Accounting Policy Information (continued)

c) **Revenue**

Sale and distribution of energy

The Company is licensed by the OEB to distribute electricity. As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers. The Company has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

Revenues from the sale and distribution of electricity are recognized upon delivery and provision of services over the period in which the delivery and service is performed and collectability is reasonably assured and includes unbilled revenues accrued in respect of electricity delivered but not yet billed in the reporting period. Sale and distribution of energy revenue is comprised of customer billings for distribution service charges. Customer billings for distribution service charges are recorded based on meter readings.

Other

Other revenues, which include revenues from pole use rental, collection charges and other miscellaneous revenues are recognized at the time services are provided. Where the Company has an ongoing obligation to provide services, revenues are recognized as the service is performed and amounts billed in advance are recognized as deferred revenue.

Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements. Since the contributions will provide customers with ongoing access to the supply of electricity, these contributions are classified as contributions in aid of construction and are recorded as revenue on a straight-line basis over the useful life of the constructed or contributed asset.

3. **Material Accounting Policy Information (continued)**

d) Financial Instruments

Financial instruments are comprised of cash, accounts receivable, unbilled revenues, accounts payable and accrued liabilities, customer deposits and long-term debt.

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are initially measured at fair value adjusted for transaction costs where applicable.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss ("FVTPL"); and
- fair value through other comprehensive income ("FVOCI").

The classification is determined by both:

- the Company's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

In the periods presented, the Company does not have any financial assets measured at FVOCI.

Subsequent measurement of financial assets

<u>Financial assets at amortized cost</u>

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Material Accounting Policy Information (continued)

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash, accounts receivable, and unbilled revenues fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at fair value through profit and loss. Further, irrespective of the business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

In the periods presented, the Company does not have any financial assets measured at FVTPL.

Impairment of financial assets

The Company assesses impairment using forward-looking information to recognize expected credit losses - the "expected credit loss (ECL) model." The Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

- ("Stage 3") would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognized for the first category while "lifetime expected credit losses" are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

3. Material Accounting Policy Information (continued)

Accounts receivable

The Company makes use of a simplified approach in accounting for accounts receivable and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the expected credit losses, the Company uses its historical experience and adjusts historical rates to reflect current and forward looking macroeconomic factors affecting the client's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of macroeconomic factors has not been considered significant within the reporting period.

The Company assesses impairment of accounts receivable on a collective basis as they possess shared credit risk characteristics.

Based on historical experience of low credit losses, management has determined that there are no impairments during the current and prior year.

Classification and measurement of financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities, customer deposits, and long term debt.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3. Material Accounting Policy Information (continued)

e) **Fair Value Measurements**

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Expressed in Canadian Dollars)

3. Material Accounting Policy Information (continued)

f) Property, Plant and Equipment

Recognition and measurement

Property, plant and equipment (PP&E) are recognized at cost or deemed cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including eligible borrowing costs.

Depreciation of PP&E is recorded in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives are as follows:

Distribution plant	
Buildings and fixtures	50 years
Conductors and devices	60 years
Distribution station equipment	40 years
Line transformers	40 years
Meters	15 years
New services distribution	45 years
Poles, towers and fixtures	45 years
Underground conduits	40 to 45 years
General plant	
Building and fixtures	50 years
Communication equipment	5 to 10 years
Computer hardware	5 years
Office furniture and equipment	10 years
Tools and garage equipment	10 years
Transportation equipment	5 to 8 years

Major spare parts

Major spares such as spare transformers and other items kept as standby/back up equipment are accounted for as PP&E since they support the Company’s distribution system reliability.

Contributions in aid of construction

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction.

3. Material Accounting Policy Information (continued)

Gains and losses on disposal

Gains and losses on disposal of an item of PP&E are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are included in the Statement of Comprehensive Income when the asset is disposed of.

g) Borrowing Costs

The Company capitalizes interest expenses and other finance charges directly relating to the acquisition, construction or production of assets that take a substantial period of time to get ready for its intended use. Capitalization commences when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization will be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

h) Intangible Assets

Computer software

Computer software that is acquired or developed by the Company, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

Land rights

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Company does not hold title. Land rights are not amortized and are tested for impairment on an annual basis.

Amortization

Amortization is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, and those with indefinite lives, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date. The estimated useful lives for the current and comparative years are:

Land rights	Indefinite
Computer software	5 years

3. Material Accounting Policy Information (continued)

i) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs').

Impairment charges are included in the Statement of Comprehensive Income, except to the extent they reverse gains previously recognized in other comprehensive income. No impairment loss has been charged to income in 2023 (2022 - $Nil).

3. Material Accounting Policy Information (continued)

j) Employee Future Benefits

Defined contribution plan
The employees of the Company participate in the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan. The Company also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. However, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The Company is only one of a number of employers that participates in the plan and the financial information provided to the Company on the basis of the contractual agreements, is usually insufficient to reliably measure the Company's proportionate share in the plan assets and liabilities.

The Company provides certain unfunded health, dental and life insurance benefits on behalf of its retired employees. These benefits are provided through a group defined benefit plan. The Company's net obligation for these benefits is calculated by estimating the amount of future benefits that are expected to be paid out discounted to determine its present value. Any unrecognized past service costs are deducted.

The cost of these benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions.

Due to the complexity of the valuation and its long-term nature, the funding valuation is highly sensitive to changes in the assumptions, which are reviewed at each reporting date. Recent changes in interest rates and inflation has created uncertainty which could impact assumptions going forward. This uncertainty could create volatility in the funding status of the plan.

The calculation is performed by a qualified actuary using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities. The valuation is performed every third year or when there are significant changes to workforce.

Remeasurements of the defined benefit obligation are recognized directly within equity in other comprehensive income. The remeasurements include actuarial gains and losses.

Service costs are recognized in the Statement of Comprehensive Income in operating expenses, and include current and past service costs as well as gains and losses on curtailments.

3. Material Accounting Policy Information (continued)

Net interest expense is recognized in the Statement of Comprehensive Income in finance expense, and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of benefit payments during the period. Gains or losses arising from changes to defined benefits or plan curtailment are recognized immediately in the Statement of Comprehensive Income.

Settlements of defined benefit plans are recognized in the period in which the settlement occurs.

3. Material Accounting Policy Information (continued)

k) Payment in Lieu of Taxes

Tax status

The Company is a Municipal Electricity Utility ("MEU") for purposes of the payments in lieu of taxes ("PILs") regime contained in the Electricity Act, 1998. As an MEU, the Company is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the Company is required to make, for each taxation year, PILs to Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

Current and deferred tax

Provision for payments in lieu of taxes comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to items recognized directly in equity (see Note 18). Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities/(assets) are settled/(recovered).

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

At the end of each reporting period, the Company reassesses both recognized and unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. Material Accounting Policy Information (continued)

l) Inventories

Cost of inventories comprise of direct materials, which typically consists of distribution assets, streetlight repair parts and fibre optic cable not deemed as major spares, unless purchased for specific capital projects in process or as spare units. Costs, after deducting rebates and discounts, are assigned to individual items of inventory on the basis of weighted average cost.

Decommissioned assets that are transferred to inventory are tested for impairment once they are removed from service and placed in inventory. Inventory is recognized at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

m) Standards, Amendments and Interpretations Not Yet Effective

Standards and amendments that are not yet effective and have not been adopted early by the Company and are expected to be relevant include:

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements); and
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements)

The Company is currently assessing the impact of these amendments. The Company does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

At the date of authorization of these financial statements, all accounting pronouncements which became effective on January 1, 2023 and have therefore been adopted do not have a material impact on the Company's financial results or position.

4. Use of Estimates and Judgements

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are:

• The determination of useful lives of property, plant and equipment and intangible assets (Note 3 f), 3 h), 9 and 10);
• The determination of impairment of accounts receivable and the incorporation of forward-looking information into the measurement of the expected credit loss ("ECL") (Note 3 d) and 5);
• The determination for the provision for Payment in Lieu of Taxes since there are many transactions and calculations for which the ultimate tax determination is uncertain (Note 18); and
• The calculation of the net future obligation for certain unfunded health, dental and life insurance benefits for the Company's retired employees (Note 19).

In addition, in preparing the financial statements, the notes to the financial statements were ordered such that the most relevant information was presented earlier in the notes and the disclosures that management deemed to be immaterial were excluded from the notes to the financial statements. The determination of the relevance and materiality of disclosures involved significant judgment.

(Expressed in Canadian Dollars)

5. Receivables and Unbilled Revenue

	2023	2022
Related party receivables (Note 7)	**$ 38,862**	$ 89,667
Accounts receivables	**4,313,684**	3,767,211
Unbilled revenue	**3,821,807**	3,826,515
	$ 8,174,353	$ 7,683,393

The related party receivables are unsecured, non-interest bearing and have no specific repayment terms.

Credit risk

Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as customer deposits, which are reported separately from the Company's own cash (Note 15). Deposits to be refunded to customers within the next fiscal year are classified as a current liability. Interest rates paid on customer deposits are based on the Bank of Canada's prime business rate less 2%.

Due to its short-term nature, the carrying amount of the receivables approximates its fair value. Unbilled revenue reflects the electricity delivered but not yet billed to customers. Customer billings generally occur within 30 days of delivery. The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. The Company distributes electricity to over 14,000 customers within its licensed service territory in the Town of Bracebridge, Town of Huntsville, Town of Parry Sound, Town of Sundridge, Village of Burk's Falls and Municipality of Magnetawan which is comprised of 85% residential customers while approximately 12% are small business or industrial based. The Company considers an account receivable to be in default when the customer is unlikely to pay its credit obligations in full, without recourse by the Company, such as realizing security (if any is held). Accounts are past-due (in default) when the customers have failed to make the contractually requirements payments when due, which is generally within 30 days of the billing date.

The Company considered an account receivable to be credit-impaired when the customer had amounts more than 90 days past the billing date. The Company reviews commercial and industrial customer accounts on an individual basis and considers historical loss, payment experience, payment arrangements and economic conditions, as well as the aging and arrears status of the account in the determination of impairment.

(Expressed in Canadian Dollars)

5. Receivables and Unbilled Revenue (continued)

	December 31, 2023			December 31, 2022		
	Gross	Loss Allowance	Net	Gross	Loss Allowance	Net
Less than 31 days past billing date	$ 3,915,379	$ (1,520)	$ 3,913,859	$ 3,628,087	$ (4,673)	$ 3,623,414
31-60 days past billing date	267,321	(2,615)	264,706	28,926	(3,737)	25,189
61-90 days past billing date	9,043	(1,355)	7,688	35,828	(2,743)	33,085
More than 90 days past billing date	151,090	(23,659)	127,431	112,577	(27,054)	85,523
	$ 4,342,833	**$ (29,149)**	**$ 4,313,684**	**$ 3,805,418**	**$ (38,207)**	**$ 3,767,211**

(Expressed in Canadian Dollars)

6. Accounts Payable and Accrued Liabilities

Major components of accounts payable and accrued liabilities consist of the following:

	2023	2022
Accounts payable and accrued liabilities	**$ 4,186,479**	$ 4,229,293
Purchased power	**1,710,823**	1,863,494
Related party payables	**1,252,968**	1,150,722
	$ 7,150,270	$ 7,243,509

The related party payables are unsecured, non-interest bearing and have no specific repayment terms.

(Expressed in Canadian Dollars)

7. Related Party Transactions

The related party transactions below are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties) which approximates the arm's length equivalent value. Bracebridge Generation Ltd. (BGL), Lakeland Energy Ltd. (LEL) and Lakeland Power Distribution Ltd. (LPDL) are all wholly-owned subsidiaries of Lakeland Holding Ltd. (LHL) and are therefore, related by common control.

The following table summarizes the Company's related party transactions for the year:

	2023	2022
Lakeland Energy Ltd.		
Information technology expenses, in administration and general	**$ 337,763**	$ 372,309
Communication expenses, in administration and general	**$ 74,265**	$ 65,400
Building rent revenue	**$ 42,000**	$ 42,000
Other operating revenue	**$ 8,378**	$ 14,388
Other operating and maintenance expenses	**$ 768**	$ 768
Bracebridge Generation Ltd.		
Building rent	**$ 6,000**	$ 6,000
Other operating revenue	**$ 5,934**	$ 4,662
Other operating and maintenance expenses	**$ -**	$ 595
Lakeland Holding Ltd.		
Management fee paid, in administration and general	**$ 949,333**	$ 859,778
Purchases		
Town of Bracebridge	**$ 31,492**	$ 29,853
Town of Parry Sound	**$ 23,502**	$ 23,273
Town of Huntsville	**$ 27,102**	$ 11,653
Village of Sundridge	**$ -**	$ 1,000
Sales		
Town of Bracebridge	**$ 719,519**	$ 703,472
Town of Parry Sound	**$ 765,742**	$ 719,933
Town of Huntsville	**$ 482,124**	$ 401,440
Village of Burk's Falls	**$ 140,960**	$ 136,643
Village of Sundridge	**$ 120,179**	$ 112,108
Municipality of Magnetawan	**$ 22,804**	$ 28,342
Accounts receivable		
BGL	**$ 18,322**	$ 18,486
LEL	**$ 8,659**	$ 6,284
LHL	**$ 11,881**	$ 64,897
Accounts payable		
BGL	**$ 1,087,497**	$ 987,623
LEL	**$ 16,388**	$ 10,789
LHL	**$ 149,085**	$ 152,310

7. Related Party Transactions (continued)

Key management personnel compensation:

The management fee paid to Lakeland Holding Ltd. is comprised of reimbursements for management and administrative expenses incurred by Lakeland Holding Ltd. Key management compensation for the Lakeland group of companies is paid by Lakeland Holding Ltd. The total management fee paid from Lakeland Power Distribution Ltd. to Lakeland Holding Ltd. was $949,333 (2022 - $859,778).

8. Inventory

	2023	2022
Inventory expensed during the year	$ 58,665	$ 72,948

Inventory during the year was not impaired, further there were no reversals of impairment.

(Expressed in Canadian Dollars)

9. Property, Plant and Equipment

	Land and building	Distribution equipment	Other fixed assets	Total
Cost				
At January 1, 2022	$ 2,854,741	$ 59,638,548	$ 4,907,763	$ 67,401,052
Additions	7,271	3,689,756	610,755	4,307,782
At January 1, 2023	2,862,012	63,328,304	5,518,518	71,708,834
Additions	6,971	4,257,854	650,166	4,914,991
Disposals	-	-	(239,907)	(239,907)
At December 31, 2023	$ 2,868,983	$ 67,586,158	$ 5,928,777	$ 76,383,918
Accumulated depreciation				
At January 1, 2022	$ 1,092,174	$ 25,350,582	$ 3,473,576	$ 29,916,332
Depreciation for the year	81,545	1,534,656	302,856	1,919,057
At January 1, 2023	1,173,719	26,885,238	3,776,432	31,835,389
Depreciation for the year	77,778	1,630,406	333,198	2,041,382
Disposals	-	-	(239,907)	(239,907)
At December 31, 2023	$ 1,251,497	$ 28,515,644	$ 3,869,723	$ 33,636,864
Carrying amount December 31, 2022	$ 1,688,293	$ 36,443,066	$ 1,742,086	$ 39,873,445
Carrying amount December 31, 2023	$ 1,617,486	$ 39,070,514	$ 2,059,054	$ 42,747,054

(Expressed in Canadian Dollars)

10. Intangible Assets

	Computer Software	Land rights	Total
Cost			
Balance at January 1, 2022	$ 1,102,050	$ 567,931	$ 1,669,981
Additions	65,472	-	65,472
Balance at January 1, 2023	1,167,522	567,931	1,735,453
Additions	85,972	-	85,972
Balance at December 31, 2023	$ 1,253,494	$ 567,931	$ 1,821,425
Accumulated depreciation			
Balance at January 1, 2022	$ 1,020,007	$ 50,055	$ 1,070,062
Depreciation for the year	36,516	20	36,536
Balance at January 1, 2023	1,056,523	50,075	1,106,598
Depreciation for the year	46,633	20	46,653
Balance at December 31, 2023	$ 1,103,156	$ 50,095	$ 1,153,251
Carrying amount December 31, 2022	$ 110,999	$ 517,856	$ 628,855
Carrying amount December 31, 2023	$ 150,338	$ 517,836	$ 668,174

(Expressed in Canadian Dollars)

11. Goodwill

The Company is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

	2023	2022
Carrying amount		
Balance at January 1, 2022	$ 1,150,014	$ 1,150,014
Impairment losses	-	-
Balance at December 31, 2023	**$ 1,150,014**	**$ 1,150,014**

On March 27, 2014 in proceeding EB-2013-0427/EB-2013-0428, the Ontario Energy Board granted leave to Parry Sound Power Corporation and Lakeland Power Distribution Ltd. to amalgamate. On July 3, 2014, the companies notified the Board that the transaction had been completed. Parry Sound Power Corporation's Electricity distribution licence ED-2003-0006 was cancelled effective July 3, 2014 and Lakeland Power Distribution Ltd.'s electricity distribution licence was amended to include the service areas formerly served by Parry Sound Power Corporation. Goodwill arose on this transaction.

12. Regulatory Deferral Account Balances

The Company applies IFRS 14, Regulatory Deferral Accounts, to reflect the impact of regulation on its operations. In accordance with IFRS 14, the Company continues to apply the accounting policies it applied in accordance with the pre-changeover Canadian GAAP for the recognition, measurement and impairment of assets and liabilities arising from rate regulation. These are referred to as regulatory deferral account balances. Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other non-financial assets.

Regulatory deferral account credit balances are associated with the collection of certain revenues earned in the current period or in prior period(s) that are expected to be returned to consumers in future periods through the rate-setting process.

Regulatory deferral account debit balances represent future recoveries associated with certain costs incurred in the current period or in prior period(s) that are expected to be recovered from consumers in future periods through the rate-setting process. Management continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

All amounts deferred as regulatory deferral account debit balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators and the actual recovery or settlement periods could differ based on OEB approval. Due to previous, existing or expected future regulatory articles or decisions, the Company has the following amounts expected to be recovered by customers (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

(Expressed in Canadian Dollars)

12. Regulatory Deferral Account Balances (continued)

Regulatory deferral account debit/(credit)	Note	Expected recovery /reversal period (years)	Balance January 1, 2023	Balances arising in the period	Recovery /reversal	Balance December 31, 2023
Settlement variances	i)	1-4	$ 354,093	$ (342,845)	$ 304,488	$ 315,736
Retail cost variances	ii)	1-4	(506)	93,701	9,767	102,962
COVID-19 emergency costs	iii)	1-4	434,322	20,857	-	455,179
		$ -	$ 787,909	$ (228,287)	$ 314,255	$ 873,877

Regulatory deferral account debit/(credit)	Note	Expected recovery /reversal period (years)	Balance January 1, 2022	Balances arising in the period	Recovery /reversal	Balance December 31, 2022
Settlement variances	i)	1-4	$ (468,242)	$ 526,365	$ 295,970	$ 354,093
Retail cost variances	ii)	1-4	(66,408)	361,872	(295,970)	(506)
COVID-19 emergency costs	iii)	1-4	425,829	8,493	-	434,322
		$ -	$ (108,821)	$ 896,730	$ -	$ 787,909

12. Regulatory Deferral Account Balances (continued)

i) Settlement Variances

This account is comprised of the variances between amounts charged by the Company to customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the Company. The settlement variances relate primarily to service charges, non-competitive electricity charges, imported power charges and the global adjustment.

The Company has recognized a settlement variance asset of $315,736 (2022 - asset of $354,093) arising from the recognition of regulatory deferral account balances. The settlement variance asset balance is presented within the total regulatory deferral account debit balance presented in the statement of financial position. Annually the Company makes an application for the recovery of the settlement variances for its customers in its rate application.

ii) Retail Cost Variances

The Company has recognized a cost asset of $102,962 (2022 - liability of $506) mainly for costs in excess of the amount requested in the Company's last Cost of Service Application. Included are Green Button implementation costs and pole attachment revenue variances. The other cost (liability) balance is presented within the total regulatory deferral account (credit) debit balances presented in the statement of financial position.

iii) COVID-19 Emergency Costs

The Company has recognized a cost asset of $455,179 (2022 - asset of $434,322) related to the foregone revenue due to legislative directives and associated costs incurred from March 2020 to December 2020 surrounding COVlD-19. On March 25, 2020, the OEB established the COVID-19 Emergency Deferral Account in recognition that distributors will incur incremental costs and lost revenues resulting from the COVID-19 pandemic.

iv) Disposition/Recovery – 2023, 2022

Disposition/recovery – On October 13, 2021, the Company filed an IRM application for 2022 distribution rates (EB-2021-0040) with the OEB which included a request seeking disposition of the Group 1 balances for regulatory assets and liabilities. On March 24, 2022, the OEB issued a decision approving the disposition of net regulatory liabilities of $289,096. The amounts consisted of principal balances as of December 31, 2020 with carrying charges projected to April 30, 2022. The OEB approved disposition over a one-year period commencing May 1, 2022 and ending April 30, 2023.

On October 18, 2022, the Company filed an IRM application for 2023 distribution rates (EB-2022-0047) with the OEB which included a request seeking disposition of the Group 1 balances for regulatory assets and liabilities. On March 23, 2023, the OEB issued a decision approving the disposition of net regulatory liabilities of $307,860. The amounts consisted of principal balances as of December 31, 2021 with carrying charges projected to April 30, 2023. The OEB approved disposition over a one-year period commencing May 1, 2023 and ending April 30, 2024.

(Expressed in Canadian Dollars)

13. Credit Facility Agreements

The Company maintains a Credit Facility Agreement with $Nil funds utilized as at year-end (2022 - $Nil). The credit limit under this agreement stands at $5,500,000.

14. Contributions in Aid of Construction

Contributions in aid of construction consists of capital contributions received from electricity customers to construct or acquire property, plant and equipment which has not yet been recognized as revenue, and also includes revenue not yet recognized from demand billable activities. Contributions in aid of construction are amortized into revenue over the average life of the assets which is 43 years.

	2023	2022
Deferred contributions, net, beginning of year	**$ 11,126,888**	$ 9,655,750
Contributions in aid of construction received	**1,978,654**	1,779,257
Contributions in aid of construction recognized as distribution revenue	**(352,329)**	(308,119)
Deferred contributions, net, end of year	**12,753,213**	11,126,888
Deferred contributions	**12,753,213**	11,126,888
Less current portion	**375,608**	329,051
	$ 12,377,605	$ 10,797,837

15. Customer Deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers. Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

	2023	2022
Customer deposits	**$ 483,551**	$ 531,905

(Expressed in Canadian Dollars)

16. Contingencies

The Company has a bank letter of credit outstanding for $452,305 (2022 - $452,305) which represents a hold on this amount of the Company's cash balance. Purchasers of electricity in Ontario, through the Independent Electricity Systems Operator (IESO) are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if the Company fails to make a payment required by default notice issued by the IESO. The maximum potential payment is the face value of the bank letters of credit.

The Company belongs to the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a self insurance plan that pools the risks of all of its members. Any losses experienced by MEARIE are shared amongst its members. As at December 31, 2023 the Company has not been made aware of any outstanding claims.

17. Commitments

The Company is committed to quarterly payments for rental of office printing equipment under a lease agreement that expires in 2029. The minimum annual lease payments for the next five years is as follows:

2024	$	**7,167**
2025		**7,167**
2026		**7,167**
2027		**7,167**
2028		**7,167**
	$	**35,835**

18. Payments in Lieu of Income Taxes and Deferred Taxes

The significant components of the provision for payments in lieu of taxes expense are as follows:

		2023		2022
Current tax				
Based on current year taxable income	$	**2,487**	$	(42,664)
Deferred tax				
Origination and reversal of temporary differences		**338,415**		385,658
		340,902		342,994

The payments in lieu of taxes varies from amounts which would be computed by applying the Company's combined statutory federal and provincial income tax rate. Reconciliation of the payments in lieu of taxes at the statutory income tax rate to the provision for payments in lieu of taxes is as follows:

(Expressed in Canadian Dollars)

18. Payments in Lieu of Income Taxes and Deferred Taxes (continued)

a. Rate reconciliation before net movement in regulatory balances and OCI

	2023	2022
Statutory tax rate	26.50%	26.50%
Profit before provision for payments in lieu of taxes and OCI and movement in regulatory balances	$ 1,452,179	$ 1,387,922
Expected payments in lieu of taxes:	$ 384,827	$ 367,799
Increase (decrease) from:		
Items not deductible for tax purposes	637	379
Other	(44,562)	(32,958)
Provision for payment in lieu of taxes	$ 340,902	$ 335,220

b. Rate reconciliation after net movement in regulatory balances and OCI

	2023	2022
Statutory tax rate	26.50%	26.50%
Profit before provision for payments in lieu of taxes and after net movement in regulatory balances and OCI	$ 1,284,018	$ 1,580,379
Expected payments in lieu of taxes	$ 340,265	$ 418,800
Increase (decrease) from:		
Items not deductible for tax purposes	637	379
Other	-	(32,958)
Provision for payment in lieu of taxes	$ 340,902	$ 386,221

(Expressed in Canadian Dollars)

18. Payments in Lieu of Income Taxes and Deferred Taxes (continued)

c. Rate reconciliation for payments in lieu of taxes

		2023		2022
Provision for payments in lieu of taxes before movement in regulatory balances and OCI	**$**	**384,827**	$	335,220
Provision for payments in lieu of taxes recorded in net movement in regulatory balances		**(44,562)**		43,227
Provision for payments in lieu of taxes after net movement in regulatory balances and OCI	**$**	**340,265**	$	378,447
Provision for payments in lieu of taxes recorded in OCI		**-**		7,774
Items not deductible for tax purposes		**637**		-
	$	**340,902**	**$**	**386,221**

d. Deferred taxes		Balance January 1, 2023		Recognized in net income		Recognized in OCI		**Balance December 31, 2023**
Deferred tax assets (liabilities)								
Property, plant and equipment	$	(461,681)	$	(315,508)	$	-	**$**	**(777,189)**
Intangible assets		13,268		5		-		**13,273**
Employee future benefits		13,117		(2,544)		-		**10,573**
General reserves		10,125		(2,401)		-		**7,724**
Credits		(3,007)		(17,967)		-		**(20,974)**
	$	(428,178)	$	(338,415)	$	-	**$**	**(766,593)**

		Balance January 1, 2022		Recognized in net income		Recognized in OCI		Balance December 31, 2022
Deferred tax assets (liabilities)								
Property, plant and equipment	$	(93,409)	$	(368,272)	$	-	$	(461,681)
Intangible assets		13,263		5		-		13,268
Employee future benefits		27,465		(6,574)		(7,774)		13,117
General reserves		10,161		(36)		-		10,125
Credits		-		(3,007)		-		(3,007)
	$	(42,520)	$	(377,884)	$	(7,774)	$	(428,178)

(Expressed in Canadian Dollars)

19. Employee Future Benefits

(a) Defined contribution plan

The contribution payable in exchange for services rendered during a period is recognized as an expense during that period. The employer portion of amounts paid to OMERS during the year was $211,904 (2022 - $204,145). The contributions were made for current service and these have been recognized in net income.

Expected contributions to the plan for the next annual reporting period amount to $221,227, which is based on payments made to the multi-employer plan during the current fiscal year.

As at December 31, 2023, the OMERS plan was 97% funded on a smoothed basis (December 31, 2022 - 95%). OMERS has a strategy to return the plan to a fully funded position. The Company is not able to assess the implications, if any, of this strategy or of the withdrawal of other participating entities from the OMERS plan on its future contributions.

(b) Defined benefit plan

The plan is exposed to a number of risks, including:

Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation.

Longevity risk: changes in the estimation of mortality rates of current and former employees.

Health care cost risk: increases in cost of providing health, dental and life insurance benefits.

Information about the group unfunded defined benefit plan as a whole and changes in the present value of the unfunded defined benefit obligation and the accrued benefit liability are as follows:

	2023	2022
Balance January 1	$ 49,492	$ 80,532
Current service costs	2,474	4,642
Interest cost	2,145	1,985
Included in profit or loss	4,619	6,627
Actuarial (gain) loss from financial assumptions	-	(12,315)
Actuarial (gain) loss arising from changes in demographics	-	(461)
Actuarial (gain) loss from experience adjustments	-	(16,558)
Included in other comprehensive income	-	(29,334)
Benefits paid during the year	(14,220)	(8,333)
Balance, end of year	$ 39,891	$ 49,492

(Expressed in Canadian Dollars)

19. Employee Future Benefits (continued)

The main actuarial assumptions underlying the valuation are as follows:

	2023 Projected	2022	Reasonable possible change
Discount rate	5.05%	5.05%	+/- 1%
Health care and dental costs	4.90%-5.10%	4.70%-4.90%	+/- 1%
Retirement age - males	60	60	-
Retirement age - females	60	60	-

An actuarial valuation must be obtained at least every three years, but may occur more frequently. For example, a new actuarial valuation would be required when a significant event takes place.

The Company has an actuarial valuation performed every three years. In the years between valuations, the actuarial estimates the defined benefit obligation by performing a roll-forward technique.

The most recent full valuation was prepared for December 31, 2022, with the final report dated January 18, 2023.

(Expressed in Canadian Dollars)

20. Long-Term Debt

	2023	2022
TD bank debt, fixed interest rate 3.62%, maturing March 2023	**$ -**	$ 1,162,500
TD bank debt, fixed interest rate 5.00%, maturing March 2033	**1,162,500**	-
TD bank debt, TD prime rate + 0.75%, (2022 - fixed interest rate 3.04%), maturing July 2024	**2,698,887**	2,698,887
TD bank debt, fixed interest rate 6.57% (2022 - fixed interest rate 2.94%), maturing August 2024	**8,000,000**	8,000,000
TD bank debt, fixed interest rate 5.768%, maturing October 2026	**2,325,000**	2,325,000
TD bank debt, fixed interest rate 2.98%, maturing February 2026	**4,000,000**	4,000,000
TD bank debt, fixed interest rate, 5.95%, maturing July 2027	**3,000,000**	-
	21,186,387	18,186,387
Less current portion	**10,698,887**	1,162,500
	$ 10,487,500	$ 17,023,887

The bank debts are secured by a general security agreement conveying a first charge over all of the Company's present and after acquired personal property, as well as evidence of adequate liability insurance issued to the Company, Lakeland Holding Ltd., Lakeland Energy Ltd., and Bracebridge Generation Ltd.

The Company is subject to financial covenants, specifically a Debt Service Coverage Ratio and a Debt to Capitalization Ratio. At present, the Company is in compliance with these covenants.

Management intends to renegotiate the debts as they come due in order to further extend the principal payments.

Principal payments over the next five years and thereafter are as follows:

2024	$ 10,698,887
2025	-
2026	6,325,000
2027	3,000,000
2028	-
Subsequent years	1,162,500
	$ 21,186,387

(Expressed in Canadian Dollars)

21. Share Capital

a) Ordinary shares

An unlimited number of common shares are authorized for issue.

As of December 31, 2023, the Company has issued and fully paid 7,428 (2022 - 7,428) common shares. The shares have no par value.

All shares are ranked equally with regards to the Company's residual assets.

b) Movement in ordinary share capital

No movement in ordinary share capital has occurred during 2023.

22. Amortization of Property, Plant and Equipment and Intangible Assets

The transportation amortization is not included in the amortization on the Statement of Comprehensive Income as it has been expensed to operating lines or capitalized where the equipment was used in constructing an asset. Refer to the reconciliation below:

	2023	2022
Amortization of property, plant and equipment and intangible assets	**$ 2,088,035**	$ 1,940,450
Amortization on the statement of comprehensive income	**(1,853,806)**	(1,729,698)
Transportation amortization	**$ 234,229**	$ 210,752
Transportation amortization - capitalized	**126,483**	109,591
Transportation amortization - expensed in operating expenses	**107,746**	101,161
	$ 234,229	$ 210,752

23. Expenses by Nature

	2023	2022
Repairs and maintenance	**$ 1,369,496**	$ 1,234,673
Staff costs (including post-employment benefits)	**1,805,048**	1,792,930
General administration and overhead	**2,604,232**	2,384,439
Bad debts	**27,640**	35,056
	$ 5,806,416	$ 5,447,098

(Expressed in Canadian Dollars)

24. Staff Costs

	2023	2022
Wages, salaries and short-term employee benefits	**$ 2,775,743**	$ 2,693,210
Wages, salaries and short-term employee benefits in revenue	**(67,387)**	(55,735)
Wages, salaries and short-term employee benefits capitalized	**(895,382)**	(842,839)
Post-employment benefits	**(7,926)**	(1,706)
	$ 1,805,048	$ 1,792,930

25. Financial Instruments and Risk Management

Fair value disclosure

The carrying values of cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate their respective fair values because of the short maturity of these instruments.

The fair value of the term loans (Level 2) is $21,186,387 (2022 - $18,186,387). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date.

Risk management

The Company's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

(i) Credit risk:

Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Company, such as cash and accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers located in six municipalities. No single customer accounts for revenues in excess of 10% of total revenue.

(ii) Market risk:

The Company is not exposed to significant market risk.

(iii) Interest rate risk:

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually at fixed rates. At December 31, 2023, the Company is not exposed to any material changes in market interest rates on its long-term borrowing.

(Expressed in Canadian Dollars)

25. Financial Instruments and Risk Management (continued)

(iv) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

The following table sets out the contractual maturities (representing undiscounted contractual cashflows) of financial liabilities:

	Due within 1 year	Due between 1-2 years	Due past 2 years
At December 31, 2023			
Accounts payable and accrued liabilities	$ 5,897,302	$ -	$ -
Customer deposits	483,551	-	-
Related party payables	1,252,968	-	-
Long-term debt	10,698,887	-	10,487,500
At December 31, 2022			
Accounts payable and accrued liabilities	$ 6,092,787	$ -	$ -
Customer deposits	-	531,805	-
Related party payables	1,150,722	-	-
Long-term debt	1,162,500	10,698,887	6,325,000

(Expressed in Canadian Dollars)

26. Capital Management

The Company's definition of capital is shareholder's equity, and total debt. As at December 31, 2023, shareholder's equity and total debt amounts to $37,157,924 (2022 - $34,014,808).

In managing its capital, the Company's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholder through a combination of capital growth and through the payment of periodic dividends to its common shareholder. The Company also seeks to ensure that access to funding is available in order to maintain and improve the equipment used in operations and maintain financial ratios within the recommended guidelines as prescribed by the OEB. In order to achieve these objectives, the Company develops detailed annual operating budgets and seeks to maintain distribution revenue levels and control costs to enable the Company to meet its working capital requirements and strategic investment needs. In making decisions to adjust its capital structure to achieve these objectives, the Company considers both its short-term position and long-term operational and strategic objectives.

The Company monitors capital based on the debt-to-equity ratio calculated as total debt divided by the sum of total debt plus equity, as shown in the following table. For purposes of comparing the measures below to benchmarks, the Company is evaluated by the Ontario Energy Board based on a 60/40 structure. A debt-to-equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. A debt-to-equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure.

	2023	2022
Current portion of long-term debt	**$ 10,698,887**	$ 1,162,500
Long-term debt	**10,487,500**	17,023,887
Total debt	**$ 21,186,387**	$ 18,186,387
Total shareholder's equity	**$ 15,971,537**	$ 15,828,421
Debt-to-equity ratio	**1.33**	1.15

Appendix D	**LPDL IFRS Financial Statements - 2022**

Grant Thornton

Financial Statements

Lakeland Power Distribution Ltd.

December 31, 2022

(Expressed in Canadian Dollars)

Contents

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Independent Auditor's Report

To the Directors of
Lakeland Power Distribution Ltd.

Opinion

We have audited the financial statements of Lakeland Power Distribution Ltd. (the "Company"), which comprise the statement of financial position as at December 31, 2022, and the statements of comprehensive income, changes in equity and accumulated other comprehensive income, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Barrie, Canada
April 28, 2023

Chartered Professional Accountants
Licensed Public Accountants

Lakeland Power Distribution Ltd.
Statement of Comprehensive Income

(Expressed in Canadian Dollars)

Year ended December 31	2022	2021
Revenue		
Electricity revenue	**$ 37,356,182**	$ 36,265,800
Distribution revenue	**8,339,575**	8,073,608
Other revenue	**1,008,197**	967,563
Gain on disposal of property, plant and equipment	**-**	20,140
	46,703,954	45,327,111
Expenses		
Purchased power	**37,502,658**	36,022,281
Operating expenses (Note 22)	**5,447,098**	4,838,398
Depreciation and amortization (Note 21)	**1,729,698**	1,779,788
Taxes other than payment in lieu of taxes	**60,426**	59,485
	44,739,880	42,699,952
Income from operating activities	**1,964,074**	2,627,159
Other income		
Finance income	**56,357**	21,147
Finance costs	**(616,437)**	(571,125)
	(560,080)	(549,978)
Income before provision for payment in lieu of taxes	**1,403,994**	2,077,181
Provision for payments in lieu of taxes (recovery)		
Current (Note 17)	**(42,664)**	251,430
Deferred (Note 17)	**377,884**	289,981
	335,220	541,411
Profit before net movements in regulatory deferral account balances	**1,068,774**	1,535,770
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement (Notes 3, 12 and 17)	**103,823**	(182,108)
Profit and net movements in regulatory deferral account balances	**1,172,597**	1,353,662
Other comprehensive income: items that will not be reclassified to profit or loss, net of tax		
Remeasurements of defined benefit plan, net of tax of $7,774 (2021 - Nil) (Note 18)	**21,560**	-
Total comprehensive income	**$ 1,194,157**	$ 1,353,662

Lakeland Power Distribution Ltd.
Statement of Financial Position

(Expressed in Canadian Dollars)

December 31		2022		2021
Assets				
Current				
Cash and cash equivalents	**$**	**1,857,118**	$	3,621,039
Receivables (Notes 6 and 7)		**3,856,878**		4,311,157
Inventory (Note 8)		**846,418**		329,345
Prepaid expenses		**300,163**		334,675
Payment in lieu of taxes receivable		**267,465**		74,292
Unbilled revenue		**3,826,515**		3,557,835
Total current		**10,954,557**		12,228,343
Non current				
Property, plant and equipment (Note 9)		**39,873,445**		37,484,720
Intangible assets (Note 10)		**628,855**		599,919
Goodwill (Note 11)		**1,150,014**		1,150,014
Total non current		**41,652,314**		39,234,653
Total assets		**52,606,871**		51,462,996
Regulatory deferral account debit balances and related deferred tax (Note 12)		**787,907**		(10,019)
Total assets and regulatory deferral account balances	**$**	**53,394,778**	$	51,452,977

See accompanying notes to the financial statements.

Lakeland Power Distribution Ltd.
Statement of Financial Position

(Expressed in Canadian Dollars)

December 31		2022		2021
Liabilities				
Current				
Accounts payable and accrued liabilities (Notes 7 and 14)	**$**	**7,243,509**	$	6,999,959
Current portion of long-term debt (Note 19)		**1,162,500**		6,325,000
Current portion of contributions in aid of construction (Note 15)		**329,051**		287,186
Total current		**8,735,060**		13,612,145
Non current				
Contributions in aid of construction (Note 15)		**10,797,837**		9,368,564
Customer deposits (Note 16)		**531,905**		481,668
Deferred payments in lieu of taxes (Note 17)		**428,178**		42,520
Employee future benefits (Note 18)		**49,492**		103,632
Long-term debt (Note 19)		**17,023,887**		11,861,387
Total non current		**28,831,299**		21,857,771
Total liabilities		**37,566,359**		35,469,916
Shareholder's equity				
Share capital (Note 20)		**9,226,787**		9,226,787
Contributed surplus		**4,986,711**		4,986,711
Retained earnings		**1,541,082**		1,618,485
Accumulated other comprehensive income		**73,839**		52,279
Total shareholder's equity		**15,828,419**		15,884,262
Total liabilities and shareholder's equity		**53,394,778**		51,354,178
Regulatory deferral account credit balances and related deferred tax (Note 12)		**-**		98,799
Total liabilities and shareholders' equity and regulatory deferral account credit balances	**$**	**53,394,778**	$	51,452,977

Contingency (Note 25)

On behalf of the Board

DocuSigned by:
Philip Matthews
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Director

DocuSigned by:
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Director

Lakeland Power Distribution Ltd.
Statement of Changes in Equity and Accumulated Other Comprehensive Income
(Expressed in Canadian Dollars)
Year ended December 31, 2022

	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
Balance, January 1, 2021	$ 9,226,787	$ 4,986,711	$ 342,823	$ 52,279	**$ 14,608,600**
Net income	-	-	1,353,662	-	**1,353,662**
Dividends paid	-	-	(78,000)	-	**(78,000)**
Balance, December 31, 2021	9,226,787	4,986,711	1,618,485	52,279	**15,884,262**
Net income	-	-	1,172,597	-	**1,172,597**
Other comprehensive income	-	-	-	21,560	**21,560**
Dividends paid	-	-	(1,250,000)	-	**(1,250,000)**
Balance, December 31, 2022	**$ 9,226,787**	**$ 4,986,711**	**$ 1,541,082**	**$ 73,839**	**$ 15,828,419**

See accompanying notes to the financial statements.

Lakeland Power Distribution Ltd.
Statement of Cash Flows

(Expressed in Canadian Dollars)

Year ended December 31	2022	2021
Increase (decrease) in cash and cash equivalents		
Operating		
Comprehensive income	**$ 1,194,157**	$ 1,353,662
Items not affecting cash		
Depreciation and amortization of property, plant and equipment and intangible assets (Note 21)	**1,955,593**	1,949,615
Gain on sale of property, plant and equipment	**-**	(20,140)
Employee future benefits	**(54,140)**	(6,388)
Finance income	**616,437**	(21,147)
Finance costs	**(56,357)**	571,125
Provision for payment in lieu of taxes	**374,871**	475,753
	4,030,561	4,302,480
Change in non-cash working capital items		
Receivables	**454,279**	184,317
Inventory	**(517,073)**	(52,450)
Prepaid expenses	**34,512**	21,278
Unbilled revenue	**(268,680)**	150,243
Accounts payable and accrued liabilities	**243,551**	16,558
Contributions in aid of construction	**1,471,138**	1,876,740
Customer deposits	**50,237**	95,679
Regulatory deferral account balances	**(896,724)**	456,437
	571,240	2,748,802
Payment in lieu of taxes received (paid)	**(182,388)**	(166,038)
	4,419,413	6,885,244
Financing		
Finance costs paid	**(616,437)**	(571,125)
Dividends paid	**(1,250,000)**	(78,000)
	(1,866,437)	(649,125)
Investing		
Finance income received	**56,357**	21,147
Purchase of property, plant and equipment	**(4,307,782)**	(4,689,109)
Proceeds on disposal of property, plant and equipment	**-**	32,024
Purchase of intangible assets	**(65,472)**	-
	(4,316,897)	(4,635,938)
(Decrease) increase in cash and cash equivalents	**(1,763,921)**	1,600,181
Cash and cash equivalents		
Beginning of year	**3,621,039**	2,020,858
End of year	**$ 1,857,118**	$ 3,621,039

1. Corporate information

Lakeland Power Distribution Ltd.'s (the “Company”) main business activity is the distribution of electricity. The Company owns and operates an electricity distribution system. The address of the Company's corporate office and principal place of business is 200-395 Centre St N, Huntsville, Ontario, Canada, P1H 2M2.

The sole shareholder of the Company is Lakeland Holding Ltd.

The Company was incorporated under the Canada Business Corporations Act in 2000, and has continued as a Company under the Business Corporations Act of Ontario. The Company distributes electricity to residents and businesses in the towns of Bracebridge, Huntsville, Parry Sound, Sundridge, Burk’s Falls and Magnetawan under a license issued by the Ontario Energy Board (“OEB”). The Company is regulated by the OEB and adjustments to the Company’s distribution and power rates require OEB approval.

2. Basis of presentation

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations as issued by the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB.

The financial statements were authorized for issue by the Board of Directors on April 28, 2023.

b) Basis of measurement

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars (CDN$), which is also the Company’s functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It is also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

2. Basis of presentation (continued)

c) Explanation of Activities subject to Rate Regulation

The Company, as an electricity distributor, is both licensed and regulated by the Ontario Energy Board "OEB" which has a legislative mandate to oversee various aspects of the electricity industry. The OEB exercises statutory authority through setting or approving all rates charged by the Company and establishing standards of service for the Company's customers.

The OEB has broad powers relating to licensing, standards of conduct and service and the regulation of rates charged by the Company and other electricity distributors in Ontario. The Ontario government enacted the Energy Competition Act, 1998, to introduce competition to the Ontario energy market. Rates are set by the OEB on an annual basis.

Regulatory risk

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the electricity distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations including the recovery of expenses incurred for the benefit of other market participants in the electricity industry such as transition costs and other regulatory assets. All requests for changes in electricity distribution charges require the approval of the OEB.

Recovery risk

Regulatory developments in Ontario's electricity industry, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. The Company is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

3. Summary of significant accounting policies

a) Regulatory Deferral Accounts

Regulatory deferral account debit balances represent certain costs incurred in the current period or in prior period(s) that are expected to be recovered from consumers in future periods through the rate-setting process. Regulatory deferral account credit balances are associated with the collection of certain revenues earned in the current period or in prior period(s) that are expected to be returned to consumers in future periods through the rate-setting process. Regulatory deferral account balances can arise from differences in amounts collected from customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by the Company in the wholesale market administered by the Independent Electricity System Operator (the "IESO") after May 1, 2002. These amounts have been accumulated pursuant to regulation underlying the Electricity Act (the "EA") and deferred in anticipation of their future recovery or expense in electricity distribution service charges.

3. Summary of significant accounting policies (continued)

a) Regulatory Deferral Accounts (continued)

Explanation of recognized amounts

Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other non-financial assets as described below.

Management continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

b) Revenue

Revenue is recognized to the extent that it is probable those economic benefits will flow to the Company and that the revenue can be reliably measured. Revenue comprises of sales and distribution of energy, pole use rental, collection charges, investment income and other miscellaneous revenues.

Sale and distribution of energy

The Company is licensed by the OEB to distribute electricity. As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers. The Company has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

Revenues from the sale and distribution of electricity are recognized upon delivery and provision of services over the period in which the delivery and service is performed and collectability is reasonably assured and includes unbilled revenues accrued in respect of electricity delivered but not yet billed in the reporting period. Sale and distribution of energy revenue is comprised of customer billings for distribution service charges. Customer billings for distribution service charges are recorded based on meter readings.

Other

Other revenues, which include revenues from pole use rental, collection charges and other miscellaneous revenues are recognized at the time services are provided.

Where the Company has an ongoing obligation to provide services, revenues are recognized as the service is performed and amounts billed in advance are recognized as deferred revenue.

3. Summary of significant accounting policies (continued)

b) Revenue (continued)

Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements. Since the contributions will provide customers with ongoing access to the supply of electricity, these contributions are classified as contributions in aid of construction and are recorded as revenue on a straight-line basis over the useful life of the constructed or contributed asset.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

d) Financial instruments

Financial instruments are comprised of cash and cash equivalents, accounts receivable, unbilled revenues, amounts due to/from related parties, accounts payable, customer deposits and term loans.

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are initially measured at fair value adjusted for transaction costs where applicable.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss ("FVTPL"); and
- fair value through other comprehensive income ("FVOCI").

The classification is determined by both:

- the Company's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

In the periods presented, the Company does not have any financial assets measured at FVOCI.

3. Summary of significant accounting policies (continued)

d) Financial instruments (continued)

Subsequent measurement of financial assets

Financial assets at amortized cost
Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, accounts receivable, due from related parties, and unbilled revenues fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)
Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at fair value through profit and loss. Further, irrespective of the business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

In the periods presented, the Company does not have any financial assets measured at FVTPL.

Impairment of financial assets

The Company assesses impairment using forward-looking information to recognize expected credit losses – the "expected credit loss (ECL) model." The Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognized for the first category while "lifetime expected credit losses" are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of

3. Summary of significant accounting policies (continued)

d) Financial instruments (continued)

credit losses over the expected life of the financial instrument.

Accounts receivable and due from related parties

The Company makes use of a simplified approach in accounting for accounts receivable and due from related parties and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the expected credit losses, the Company uses its historical experience and adjusts historical rates to reflect current and forward looking macroeconomic factors affecting the client's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of macroeconomic factors has not been considered significant within the reporting period.

The Company assesses impairment of accounts receivable on a collective basis as they possess shared credit risk characteristics. Due from related parties are assessed on an individual basis. Based on historical experience of low credit losses, management has determined that there are no impairments during the period.

Classification and measurement of financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities, customer deposits, and term loans.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

The Company does not have any financial assets or liabilities designated as a hedging instrument.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

e) Fair value measurements

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

e) Fair value measurements (continued)

The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

f) Property, plant and equipment

Recognition and measurement

Property, plant and equipment (PP&E) are recognized at cost or deemed cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including eligible borrowing costs.

Depreciation of PP&E is recorded in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives are as follows:

Distribution plant	
Buildings and fixtures	50 years
Conductors and devices	60 years
Distribution station equipment	40 years
Line transformers	40 years
Meters	15 years
New services distribution	45 years
Poles, towers and fixtures	45 years
Underground conduits	40 to 45 years
General plant	
Building and fixtures	50 years
Communication equipment	5 & 10 years
Computer hardware	5 years
Office furniture and equipment	10 years
Stores equipment	10 years
Tools and garage equipment	10 years
Transportation equipment	5 & 8 years

3. Summary of significant accounting policies (continued)

f) Property, plant and equipment (continued)

Major spare parts

Major spares such as spare transformers and other items kept as standby/back up equipment are accounted for as PP&E since they support the Company's distribution system reliability.

Contributions in aid of construction

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction.

Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are included in the Statement of Comprehensive Income when the asset is disposed of. When an item of property, plant and equipment with related contributions in aid of construction is disposed, the remaining amount is recognized in full in the Statement of Comprehensive Income.

g) Borrowing costs

The Company capitalizes interest expenses and other finance charges directly relating to the acquisition, construction or production of assets that take a substantial period of time to get ready for its intended use. Capitalization commences when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization will be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

h) Intangible assets

Computer software

Computer software that is acquired or developed by the Company, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

Land rights

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Company does not hold title. Land rights are measured at cost less accumulated amortization and accumulated impairment losses.

3. Summary of significant accounting policies (continued)

Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, and those with indefinite lives, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date. The estimated useful lives for the current and comparative years are:

Land rights	Indefinite
Computer software	5 years

i) Impairment of non-financial assets

Non-financial assets are tested for impairment when facts and circumstances indicate that the carrying amount of non-financial assets may not be recoverable. Where the carrying value exceeds its recoverable amount, which is the higher of value in use and fair value less costs of disposal, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (‘CGU’), which is the lowest group of assets to which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed. An impairment loss is charged to the Statement of Comprehensive Income, except to the extent it reverses gains previously recognized in other comprehensive income. No impairment loss has been charged to income in 2022.

j) Employee future benefits

Defined contribution plan

The employees of the Company participate in the Ontario Municipal Employees Retirement System (“OMERS”). The Company also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. The Company is only one of a number of employers that participates in the plan and the financial information provided to the Company on the basis of the contractual agreements is usually insufficient to measure the Company’s proportionate share in the plan assets and liabilities on defined benefit accounting requirements. Therefore, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company’s net obligation on behalf of its retired employees unfunded extended medical and dental benefits as well as life insurance and is calculated by estimating the amount of future benefits that are expected to be paid out discounted to determine its present value. Any unrecognized past service costs are deducted.

3. Summary of significant accounting policies (continued)

j) Employee future benefits (continued)

The calculation is performed by a qualified actuary using the projected unit credit method every three years or when there are significant changes to workforce. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Defined benefit obligations are measured using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities.

Remeasurements of the defined benefit obligation are recognized directly within equity in other comprehensive income. The remeasurements include actuarial gains and losses.

Service costs are recognized in the Statement of Comprehensive Income in operating expenses, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense is recognized the Statement of Comprehensive Income in finance expense, and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of benefit payments during the period. Gains or losses arising from changes to defined benefits or plan curtailment are recognized immediately in the Statement of Comprehensive Income. Settlements of defined benefit plans are recognized in the period in which the settlement occurs.

k) Payment in lieu of taxes

Tax status

The Company is a Municipal Electricity Utility (“MEU”) for purposes of the payment in lieu of taxes (“PILs”) regime contained in the Electricity Act, 1998. As an MEU, the Company is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the Company is required to make, for each taxation year, PILs to Ontario Electricity Financial Corporation ("OEFC"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

3. Summary of significant accounting policies (continued)

k) Payment in lieu of taxes (continued)

Current and deferred tax

Provision for payment in lieu of taxes comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances (see Note 17). Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities (assets) are settled (recovered).

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

At the end of each reporting period, the Company reassesses both recognized and unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

l) Inventories

Cost of inventories comprise of direct materials, which typically consists of distribution assets, streetlight repair parts and fiber optic cable not deemed as major spares, unless purchased for specific capital projects in process or as spare units. Costs, after deducting rebates and discounts, are assigned to individual items of inventory on the basis of weighted average cost. Decommissioned assets that are transferred to inventory are tested for impairment once they are removed from service and placed in inventory. Inventory is recognized at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

m) Standards, amendments and interpretations not yet effective

Standards and amendments that are not yet effective and have not been adopted early by the Company and are expected to be relevant include:

- Definition of Accounting Estimates (Amendments to IAS 8).
- Disclosure of Accounting Policies (Amendments to IAS 1).
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IFRS 1 and IAS 12)

3. Summary of significant accounting policies (continued)

m) Standards, amendments and interpretations not yet effective (continued)

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore the disclosures have not been made.

4. Changes in accounting policies and recent accounting pronouncements

At the date of authorization of these financial statements, all accounting pronouncements which became effective on January 1, 2022 and have therefore been adopted do not have a material impact on the Company's financial results or position.

5. Use of estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment

The Company relies on a third party independent study to componentize and determine the estimated useful lives of its distribution system assets. The useful life values from the study were derived from industrial statistics, research studies, reports and past utility experience. Actual lives of assets may vary from estimated useful lives. For the remaining assets, management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets and past utility experience. Actual lives of assets may vary from estimated useful lives.

Employee future benefits

The costs of post-employment medical and insurance benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions. Due to the complexity of the valuation, the underlying assumptions and its long term nature, post-employment medical and insurance benefits are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. See Note 18 Employee Future Benefits.

5. Use of estimates and judgements (continued)

Payment in lieu of taxes

The Company is required to make payment in lieu of tax calculated on the same basis as income taxes on taxable income earned and capital taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for payment in lieu of taxes based on its understanding of the current tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Receivables

In determining the allowance for doubtful accounts, the Company considers historical loss experience of account balances based on the aging and arrears status of accounts receivable balances.

6. Receivables

	2022	2021
Intercompany receivables	**$ 89,667**	$ 302,018
Receivables	**3,767,211**	4,009,139
	$ 3,856,878	$ 4,311,157

The intercompany receivables are unsecured and have no specific interest or repayment terms.

7. Related company transactions

These transactions below are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties) which approximates the arm's length equivalent value. Bracebridge Generation Ltd. (BGL), Lakeland Energy Ltd. (LEL) and Lakeland Power Distribution Ltd. (LPDL) are all wholly-owned subsidiaries of Lakeland Holding Ltd. (LHL) and are therefore, related by common control.

The following table summarizes the Company's related party transactions for the year:

(Expressed in Canadian Dollars)

7. Related company transactions (continued)

		2022		2021
Lakeland Energy Ltd.				
Information technology expenses, in administration and general	**$**	**372,309**	$	403,116
Communication expenses, in administration and general		**65,400**		65,400
Building rent revenue		**42,000**		42,000
Other operating revenue		**14,388**		8,795
Other operating and maintenance expenses		**768**		768
Bracebridge Generation Ltd.				
Building rent	**$**	**6,000**	$	6,000
Other operating revenue		**4,662**		202,571
Other operating and maintenance expenses		**595**		2,518
Lakeland Holding Ltd.				
Management fees paid, in administration and general	**$**	**859,778**	$	759,827
Purchases				
Town of Bracebridge	**$**	**29,853**	$	136,243
Town of Parry Sound		**23,273**		22,725
Town of Huntsville		**11,653**		11,535
Village of Sundridge		**1,000**		-
Municipality of Magnetawan		**-**		6,421
Sales				
Town of Parry Sound	**$**	**719,933**	$	719,715
Town of Bracebridge		**703,472**		835,992
Town of Huntsville		**401,440**		357,125
Village of Burk's Falls		**136,643**		121,375
Village of Sundridge		**112,108**		104,157
Municipality of Magnetawan		**28,342**		24,983

Accounts receivable

		2022		2021
BGL	**$**	**18,486**	$	7,680
LEL		**6,284**		4,484
LHL		**64,897**		289,854
	$	**89,667**	$	302,018

Accounts payable

		2022		2021
BGL	**$**	**987,623**	$	1,188,721
LEL		**10,789**		14,643
LHL		**152,310**		107,750

(Expressed in Canadian Dollars)

7. Related company transactions (continued)

	$ 1,150,722	$ 1,311,114

Key management personnel compensation comprised:

The management fee paid to Lakeland Holding Ltd. comprises of reimbursements for management and administrative expenses incurred by Lakeland Holding Ltd. Key management compensation for all the Lakeland group of companies is paid by Lakeland Holding Ltd. The total management fees paid from Lakeland Power Distribution Ltd. to Lakeland Holding Ltd. were $859,778 (2021 - $759,827). Additionally, director fees of $67,419 (2021 - $62,969) were also paid during the year.

8. Inventory

	2022	**2021**
Inventory expensed during the year	$ 87,543	$ 90,035

(Expressed in Canadian Dollars)

9. Property, plant and equipment

	Land and buildings	Distribution equipment	Other fixed assets	Total
Cost				
At January 1, 2021	$ 2,854,741	$ 55,751,482	$ 4,200,428	**$ 62,806,651**
Additions	-	3,887,066	802,041	**4,689,107**
Disposals	-	-	(94,706)	**(94,706)**
At January 1, 2022	2,854,741	59,638,548	4,907,763	**67,401,052**
Additions	7,271	3,689,756	610,755	**4,307,782**
At December 31, 2022	$ 2,862,012	$ 63,328,304	$ 5,518,518	**$ 71,708,834**
Accumulated depreciation				
At January 1, 2021	$ 1,010,701	$ 23,905,975	$ 3,167,843	**$ 28,084,519**
Depreciation for the year (Note 21)	81,473	1,444,607	388,556	**1,914,636**
Disposals	-	-	(82,823)	**(82,823)**
At January 1, 2022	1,092,174	25,350,582	3,473,576	**29,916,332**
Depreciation for the year (Note 21)	81,545	1,534,656	302,856	**1,919,057**
At December 31, 2022	$ 1,173,719	$ 26,885,238	$ 3,776,432	**$ 31,835,389**
Carrying amount at December 31, 2021	$ 1,762,567	$ 34,287,966	$ 1,434,187	**$ 37,484,720**
Carrying amount at December 31, 2022	$ 1,688,293	$ 36,443,066	$ 1,742,086	**$ 39,873,445**

(Expressed in Canadian Dollars)

10. Intangible assets

	Computer software	Land rights	Total
Cost			
Balance at January 1, 2021	$ 1,102,050	$ 567,931	**$ 1,669,981**
Disposals	-	-	**-**
Balance at January 1, 2022	1,102,050	567,931	**1,669,981**
Additions	65,472	-	**65,472**
Disposals	-	-	**-**
Balance at December 31, 2022	$ 1,167,522	$ 567,931	**$ 1,735,453**
Accumulated depreciation			
Balance at January 1, 2021	$ 985,048	$ 50,035	$ 1,035,083
Depreciation for the year (Note 21)	34,959	20	34,979
Balance at January 1, 2022	1,020,007	50,055	1,070,062
Depreciation for the year (Note 21)	36,516	20	36,536
Balance at December 31, 2022	$ 1,056,523	$ 50,075	$ 1,106,598
Carrying amount			
At December 31, 2021	$ 82,043	$ 517,876	$ 599,919
At December 31, 2022	$ 110,999	$ 517,856	$ 628,855

11. Goodwill

Goodwill of $1,150,014 (2021 - $1,150,014) is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of the workforce and expected cost synergies. Goodwill has been allocated to the power segment and is not expected to be deductible for income tax purposes.

(Expressed in Canadian Dollars)

12. Regulatory deferral account balances

All amounts deferred as regulatory deferral account debit balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators and the actual recovery or settlement periods could differ based on OEB approval. Due to previous, existing or expected future regulatory articles or decisions, the Company has the following amounts expected to be recovered by customers (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

Regulatory deferral account debit/(credit)	Note	Expected recovery/ reversal period (years)	Balance January 1, 2022	Balances arising in the period	Recovery/ reversal	**Balance, December 31, 2022**
Settlement variances	i)	1	$ (458,221)	$ 568,756	$ 295,970	**$ 406,505**
Retail cost variances	iii)	1	(76,428)	319,477	(295,970)	**(52,921)**
COVID-19 costs	iv)	1	425,831	8,492	-	**434,323**
			$ (108,818)	$ 896,725	$ -	**$ 787,907**

Regulatory deferral account debit/(credit)	Note	Expected recovery/ reversal period (years)	Balance January 1, 2021	Balances arising in the period	Recovery/ reversal	**Balance, December 31, 2021**
Settlement variances	i)	1	$ (454,848)	$ 98,264	$ (101,637)	**$ (458,221)**
Renewable generation	ii)	1	257,558	(257,558)	-	**-**
Retail cost variances	iii)	1	40,782	(218,847)	101,637	**(76,428)**
COVID-19 costs	iv)	1	504,128	(78,297)	-	**425,831**
			$ 347,620	$ (456,438)	$ -	**$ (108,818)**

12. Regulatory deferral account balances (continued)

(i) Settlement variances

This account is comprised of the variances between amounts charged by the Company to customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the Company. The settlement variances relate primarily to service charges, non-competitive electricity charges, imported power charges and the global adjustment.

The Company has recognized a settlement variance asset of $406,505 (2021 - liability of $458,221) arising from the recognition of regulatory deferral account balances. The settlement variance asset balance is presented within the total regulatory deferral account debit balance presented in the statement of financial position. Annually the Company makes an application for the recovery of the settlement variances for its customers in its rate application.

(ii) Renewable generation

The Company has recognized a cost asset of $Nil (2021 - $Nil) for costs related to the Green Energy Act with the distributor being responsible for the cost of expansion up to the value of the generators renewable energy expansion cost of $90 per MW generation capacity. These amounts were recovered during 2021.

(iii) Retail cost variances

The Company has recognized a cost liability of $52,,921 (2021 - liability of $76,428) mainly for costs in excess of the amount requested in the Company's last Cost of Service Application. Included is lost revenue as a result of CDM programs, IFRS conversion costs and a corporate tax true up from 2001 to 2006. The other cost (liability) balance is presented within the total regulatory deferral account (credit) debit balances presented in the statement of financial position.

(iv) COVID-19 costs

The Company has recognized a cost asset of $434,323 (2021 - asset of $425,831) related to the foregone revenue due to legislative directives and associated costs incurred from March 2020 to December 2020 surrounding COVID-19. The deferral of the rate approval for May 1, 2020 until November 1, 2020 gave rise to foregone revenue to be recovered in future years.

(Expressed in Canadian Dollars)

13. Bank indebtedness

The Company has bank indebtedness of $Nil (2021 - $Nil), out of $5,500,000 credit limit. The facility is secured by a general security agreement conveying a floating and fixed charge over all assets and evidence of adequate liability insurance and bears interest at the prime rate.

14. Accounts payable and accrued liabilities

Major components of accounts payable and accrued liabilities consist of the following:

	2022	2021
Purchased power	**$ 1,863,494**	$ 1,825,944
Accounts payable and accrued liabilities	**4,229,293**	3,862,901
Intercompany payables	**1,150,722**	1,311,114
	$ 7,243,509	$ 6,999,959

The intercompany payables are unsecured and have no specific interest or repayment terms.

15. Contributions in aid of construction

Contributions in aid of construction consists of capital contributions received from electricity customers to construct or acquire property, plant and equipment which has not yet been recognized as revenue, and also includes revenue not yet recognized from demand billable activities. Contributions in aid of construction are amortized into revenue over the life of the assets which is 43 years.

	2022	2021
Deferred contributions, net, beginning of year	**$ 9,655,750**	$ 7,779,010
Contributions in aid of construction received	**1,779,257**	2,138,764
Contributions in aid of construction recognized as distribution revenue	**(308,119)**	(262,024)
Deferred contributions, net, end of year	**$ 11,126,888**	$ 9,655,750

	2022	2021
Deferred contributions	**$ 11,126,888**	$ 9,655,750
Less current portion	**329,051**	287,186
	$ 10,797,837	$ 9,368,564

(Expressed in Canadian Dollars)

16. Customer deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers.

Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

	2022	2021
Customer deposits	**$ 531,905**	$ 481,668

17. Payment in lieu of income taxes

The significant components of the provision for payment in lieu of taxes expense are as follows:

	2022	2021
Current tax		
Based on current year taxable income	**$ (42,664)**	$ 251,430
Deferred tax		
Origination and reversal of temporary differences	**385,658**	289,981
	$ 342,994	$ 541,411

The payment in lieu of taxes varies from amounts which would be computed by applying the Company's combined statutory federal and provincial income tax rate. Reconciliation of the payment in lieu of taxes at the statutory income tax rate to the provision for payment in lieu of taxes is as follows:

Rate reconciliation before net movements in regulatory balances and OCI

	2022	2021
Statutory tax rate	**26.5%**	26.5%
Income for the year before net movements in regulatory deferral account balances and OCI	**$ 1,387,922**	$ 2,077,181
Anticipated income tax	**$ 367,799**	$ 550,453
Tax effect of the following:		
Items not deductible (taxable) for tax purposes	**379**	486
Adjustment of taxes relating to previous years	**-**	(3,734)
Other	**(32,958)**	(5,794)
Provision for income taxes	**335,220**	541,411
	-	-
Provision for payment in lieu of taxes	**$ 335,220**	$ 541,411

(Expressed in Canadian Dollars)

17. Payment in lieu of income taxes (continued)

Rate reconciliation after net movements in regulatory balances and OCI

	2022	2021
Profit for the year after net movements in regulatory deferral account balances and OCI	**$ 1,580,379**	$ 1,829,414
Expected payment in lieu of taxes	**$ 418,800**	$ 484,795
Increase (decrease) resulting from:		
Items not deductible (taxable) for tax purposes	**379**	486
Adjustment of taxes relating to previous years	**-**	(3,734)
Other	**(32,958)**	(5,794)
Provision for payment in lieu of taxes	**$ 386,221**	$ 475,753

	2022	2021
Provision for payment in lieu of taxes before net movements in regulatory deferral account balances and OCI	**$ 335,220**	$ 541,411
Provision for payment in lieu of taxes recorded in net movement in regulatory balances	**43,227**	(65,658)
Provision for payment in lieu of taxes after net movement in regulatory balances and before OCI	**378,447**	475,753
Provision for payment in lieu of taxes recorded in OCI	**7,774**	-
Provision for payments in lieu of taxes	**$ 386,221**	$ 475,753

	Balance at January 1, 2022	Recognized in net income	Recognized in OCI	**Balance at December 31, 2022**
Deferred tax assets (liabilities)				
Property, plant and equipment	$ (93,409)	$ (368,272)	$ -	**$ (461,681)**
Intangible assets	13,263	5	-	**13,268**
Employee future benefits	27,465	(6,574)	(7,774)	**13,117**
General reserves	10,161	(36)	-	**10,125**
Credits	-	(3,007)	-	**(3,007)**
	$ (42,520)	$ (377,884)	$ (7,774)	**$ (428,178)**

(Expressed in Canadian Dollars)

17. Payment in lieu of income taxes (continued)

	Balance at January 1, 2021	Recognized in net income	Recognized in OCI	Balance at December 31, 2021
Deferred tax assets (liabilities)				
Property, plant and equipment	$ 92,168	$ (185,577)	$ -	$ (93,409)
Intangible assets	13,258	5	-	13,263
Employee future benefits	29,157	(1,692)	-	27,465
General reserves	112,878	(102,717)	-	10,161
	$ 247,461	$ (289,981)	$ -	$ (42,520)

At December 31, 2022, a deferred tax liability of $422,194 (2021 - liability of $42,520) has been recorded. The utilization of deferred tax assets, if any, is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences.

18. Employee future benefits

(a) **Defined contribution plan**

The employees of the Company participate in the Ontario Municipal Employees Retirement System (“OMERS”). Although the plan has a defined retirement benefit plan for employees, the related obligation of the Company cannot be identified. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant. The employer portion of amounts paid to OMERS during the year was $204,145 (2021 - $186,309). The contributions were made for current service and these have been recognized in net income.

(b) **Defined benefit plan**

The Company pays post-retirement life insurance premiums and health & dental benefits for a defined group of employees (previously with Parry Sound group of companies). The Company recognizes these post-retirement costs in the period in which the employees render the services.

An actuarial valuation is prepared every third year or when there are significant changes to the workforce. A valuation based on management information was performed in accordance with IAS 19 for the 2022 fiscal period.

The plan is exposed to a number of risks, including:

Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation.

Longevity risk: changes in the estimation of mortality rates of current and former employees.

Information about the group unfunded defined benefit plan as a whole and changes in the present value of the unfunded defined benefit obligation and the accrued benefit liability are as follows:

(Expressed in Canadian Dollars)

18. Employee future benefits (continued)

(b) **(continued)**

Defined benefit liability

	2022	2021
Balance, January 1	**$ 80,532**	$ 86,920
Current service cost	**4,642**	4,524
Past service cost	**-**	-
Interest cost	**1,985**	2,091
Included in profit or loss	**6,627**	6,615
Actuarial loss/(gain) from changes in demographic assumptions	**(461)**	-
Actuarial loss from financial assumptions	**(12,315)**	-
Actuarial loss/(gain) arising from experience adjustments	**(16,558)**	-
Included in other comprehensive income	**(29,334)**	-
Benefits paid during the year	**(8,333)**	(13,003)
Balance, end of year	**$ 49,492**	$ 80,532

The main actuarial assumptions underlying the valuation are as follows:

	2022	2021	Reasonable possible change	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate	**5.05%**	2.60%	+/- 1%	$ 7,500	$ (6,200)
Health care costs	**4.70-4.90%**	4.20.4.50%	+/- 1%	4,600	(3,900)
Retirement age - males	**60**	60	-	-	-
Retirement age - females	**60**	60	-	-	-

(c) **Other employee future benefits**

Also included in the Employee future benefits was an amount for a self-insured life insurance plan regarding one employee from the original amalgamation of Lakeland Power in September, 2000. The amount is $Nil (2021 - $23,100) and was paid upon death of the retiree.

(Expressed in Canadian Dollars)

19. Long-term debt

	2022	2021
TD bank term loan, 3.62% due March 2023	**$ 1,162,500**	$ 1,162,500
TD bank term loan, 3.04 due July 2024	**2,698,887**	2,698,887
TD bank loan, 2.94% due August 2024	**8,000,000**	8,000,000
TD bank term loan, 5.768% due October 2026 (3.21% due October 2022)	**2,325,000**	2,325,000
TD bank term loan, 2.98% due February 2026 (2021 - 3.38% due February 2022)	**4,000,000**	4,000,000
	18,186,387	18,186,387
Less current portion	**1,162,500**	6,325,000
	$ 17,023,887	$ 11,861,387

All of the Company's term loans have interest only payments with the balance due upon maturity.

The term loans are secured by a general security agreement conveying a first floating and fixed charge over certain assets and evidence of adequate liability insurance.

The agreements covering the above facilities contain certain restrictions regarding service coverage ratio and debt capitalization tests, which have been met.

Management intends to renegotiate all term loans as they come due in order to further extend the principal payments.

Principal payments due in each of the next four years are as follows:

2023	$ 1,162,500
2024	10,698,887
2025	-
2026	6,325,000
	$ 18,186,387

(Expressed in Canadian Dollars)

20. Share capital

a) Ordinary shares

An unlimited number of common shares are authorized for issue.

An unlimited number of common shares are authorized for issue.

As of December 31, 2022, the Company has issued and fully paid 7,428 (2021 - 7,428) common shares. The shares have no par value.

All shares are ranked equally with regards to the Company's residual assets.

b) Movement in ordinary share capital

No movement in ordinary share capital has occurred during 2022.

21. Amortization of property plant and equipment and intangible assets

The transportation amortization is not included in the amortization on the Statement of Comprehensive Income as it has been expensed to operating lines or capitalized where the equipment was used in constructing an asset. Refer to the reconciliation below:

	2022	2021
Amortization of property, plant and equipment and intangible assets	**$ 1,955,593**	$ 1,949,615
Amortization on the Statement of Comprehensive Income	**(1,744,841)**	(1,779,788)
Transportation amortization	**$ 210,752**	$ 169,827
Transportation amortization - capitalized	**$ 109,591**	$ 90,008
Transportation amortization - expensed in operating expenses	**101,161**	79,819
	$ 210,752	$ 169,827

22. Expenses by nature

	2022	2021
Repairs and maintenance	$ 1,234,672	$ 1,084,552
Staff costs (including post-employment benefits)	1,792,930	1,522,682
General administration and overhead	2,384,440	2,259,631
Bad debts	35,056	(28,467)
	$ 5,447,098	$ 4,838,398

(Expressed in Canadian Dollars)

23. Staff costs

	2022	2021
Wages, salaries and short-term employee benefits	**$ 2,693,210**	$ 2,412,797
Wages, salaries and short-term employee benefits in revenue	**(55,735)**	(45,130)
Wages, salaries and short-term employee benefits capitalized	**(842,839)**	(839,094)
Post-employment benefits	**(1,706)**	(5,891)
	$ 1,792,930	$ 1,522,682

24. Financial instruments and risk management

Fair value disclosure

The carrying values of cash and cash equivalents, receivables, unbilled service revenue, accounts payable and accrued liabilities and customer deposits approximate their respective fair values because of the short maturity of these instruments.

The fair value of the term loans (Level 2) is $17,216,232 (2021 - $17,888,099). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date.

Risk management

The Company's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

24. Financial instruments and risk management (continued)

(i) Credit risk:

Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Company, such as cash and accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers located in six municipalities. No single customer accounts for revenue in excess of 10% of total revenue.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment, which is recognized in the Statement of Comprehensive Income. Subsequent recoveries of receivables previously provisioned are credited to the Statement of Comprehensive Income. The balance of the allowance for impairment at December 31, 2022 is $38,208 (2021 - $38,343). The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2022, approximately $59,228 (2021 - $45,294) is considered 60 days past due. The Company has approximately 14,400 customers, the majority of which are residential. Credit risk for cash is managed through the Company maintaining bank accounts at a reputable bank and the collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2022, the Company holds security deposits in the amount of $531,905 (2021 - $481,668).

(ii) Market risk:

The Company is not exposed to significant market risk.

(iii) Interest rate risk:

The Company’s policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually at fixed rates. At December 31, 2022, the Company is not exposed to any material changes in market interest rates on its long-term borrowing.

(iv) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company has access to a $5,500,000 line of credit and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

(Expressed in Canadian Dollars)

24. Financial instruments and risk management (continued)

The following table sets out the contractual maturities (representing undiscounted contractual cashflows) of financial liabilities:

	Due within 1 year	Due between 1-2 years	Due past 2 years
At December 31, 2022			
Accounts payable and accrued liabilities	$ 6,092,787	$ -	$ -
Customer deposits	-	531,905	-
Intercompany payables	1,150,722	-	-
Long term debt	1,162,500	10,698,887	6,325,000
At December 31, 2021			
Accounts payable and accrued liabilities	5,688,845	-	-
Customer deposits	-	481,668	-
Intercompany payables	1,311,114	-	-
Long term debt	6,325,000	1,162,500	10,698,887

25. Contingency

Letter of credit

The Company has a bank letter of credit outstanding for $452,305 (2021 - $452,305). The letter of credit bears interest at a rate of 0.50% per annum. Purchasers of electricity in Ontario, through the Independent Electricity Systems Operator (IESO) are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if the Company fails to make a payment required by default notice issued by the IESO. The maximum potential payment is the face value of the bank letters of credit. As at December 31, 2022, the Company provided prudential support using bank letters of credit of $452,305 (2021 - $452,305).

26. Capital management

The main objectives of the Company, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Company's definition of capital is shareholder's equity. As at December 31, 2022, shareholder's equity amounts to $15,882,419 (2021 - $15,884,262).