

LakelandPower

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December 18, 2008

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

RE: Lakeland Power Distribution Ltd.
EB-2008-0234
2009 Electricity Distribution Rate Application
Responses to AMPCO Interrogatories

Please find enclosed the response to the interrogatories of AMPCO in the above-noted proceeding.

Respectfully submitted,



Margaret Maw
CFO
Lakeland Holding Ltd.

**AMPCO Interrogatories
2009 Electricity Distribution Rates**

**Lakeland Power Distribution Ltd. (LPDI)
EB-2008-0234**

**Responses to AMPCO Interrogatories
By Lakeland Power Distribution Ltd.
December 18, 2008**

Interrogatory #1

Comparison of OM&A Costs

Ref: Exhibit 1, Tab 2, Schedule 1, Appendix A, Page 1 (table)

LPDI has determined its 2009 OM&A expenses to be \$2,865,018. When OM&A is divided by 9207 customers (2009 data), the 2009 OM&A cost per customer = \$311. The PEG report, updated July 10, 2008, shows LPDI's average OM&A costs per customer as \$231 and the group average at \$222.

Please provide a full explanation and details on the proposed increase in OM&A costs to customer in 2009.

The increases in OM&A costs are discussed in Exhibit 4, Tab 2, Schedules 1 through 8. LPDL has attempted to replicate the PEG report below based on the information provided in the rate application. The predominate drivers are tree trimming, regulatory expenses, and 2 additional staff (see Exhibit 4, Tab 2, Schedule 3)

OM&A Cost per Customer							
Description	2003	2004	2005	2006	2007	2008	2009
OM&A expenses							
Operation	77,558	94,206	172,643	262,589	197,461	223,773	223,674
Maintenance	650,311	621,624	687,495	739,777	382,279	835,279	927,043
Billing and Collections	525,057	600,723	568,262	652,753	606,167	647,111	655,137
Community Relations	25,401	28,599	43,532	27,365	17,610	8,467	11,255
Administrative and General Expenses	783,091	571,261	484,004	653,904	898,023	988,152	1,036,938
Adjustments		266,000	266,000	157,263	210,737		
Total OM&A	2,061,418	2,182,413	2,221,936	2,493,651	2,312,277	2,702,782	2,854,047
Customer count	8801	8867	8928	8984	9058	9133	9207
(Exhibit 3/2/1)							
OM&A Cost per customer	\$ 234	\$ 246	\$ 249	\$ 278	\$ 255	\$ 296	\$ 310
PEG report			\$ 215	\$ 253	\$ 226		

Interrogatory #2

Revenue to Cost Ratios

Ref: Exhibit 8, Tab 1, Schedule 2, Page 3, Table 2

LPDI is proposing to implement a partial shift towards full cost of service and is beginning to move to reduce cross-subsidization. The existing and proposed revenue/cost ratios in Table s show that GS>=50 customers are overcontributing (122.84%).

Over what time period is LPDI planning to move its cost allocation ratios to 100% for the GS>= 50 customer class?

LPDL would prefer to wait until a revised/updated Cost Allocation model is completed.

Interrogatory #3

Please provide the data for the following table:

Customer Size	# of Customers	Total Annual kWhs	Average Monthly Usage	Average Peak kW –monthly
50 kW – 250 kW	82	35,266,244	37,172	101.07
251 kW– 500 kW	12	22,284,396	155,338	341.59

501 kW – 1000 kW	3	10,391,651	288,657	764.32
1001kW – 3000 kW	3	25,736,312	714,898	1467.54
3001 kW- 5000 kW	0			

Interrogatory #4

Rate Design

Ref: Exhibit 9, Tab 1, Schedule 1, Page 3 (table)

LPDI is making changes to the current fixed and variable proportions of its rates in the residential customer class only resulting in an increase in the variable proportion (46.5% from 39.9%) For the GS \geq 50 kW customer class, the fixed/variable proportion is to remain unchanged at 70.2%/29.8%. In reviewing other LDC rate applications, it is apparent that the variable proportion is higher than the fixed proportion in the rate design.

a) Please provide an explanation as to why LPDI's rates have a higher fixed to variable split?

As LPDL is not privy to how other utilities rate design from inception of market opening, it cannot comment on whether or not it is incorrect. LPDL has not made changes to fixed/variable ratios other than those that resulted from the 2006 EDR and subsequent 2nd Generation IRM.

b) Does LPDI have any plans to increase the variable proportion of its rates for the GS \geq 50 kW customer class and if so, when will the changes be implemented?

LPDL does not have any plans at this time to make any changes to variable portion of any rate class pending an updated Cost Allocation filing and the completion of the OEB's Rate Design for Recovery of Electricity Distribution Costs (EB-2007-0031).