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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 VECC Interrogatories

Please find enclosed the response to the interrogatories of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding.

Respectfully submitted,

Margaret Maw
CFO
Lakeland Holding Ltd.

Lakeland Power Distribution Ltd. (LPD)

2009 Electricity Rate Application

Board File No. EB-2008-0234

VECC's Interrogatories

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

Question #1

Reference: Exhibit 1/Tab 3/Schedule 5, Appendix A

a) Please provide a copy of the three-year plan developed with UtiliAssist assistance (per pages 14-15)?

The plan designed with UtiliAssist is not a written document that can be filed. Lakeland will outlined what it expects its process to be and the deliverable dates below;

1. **Piggyback on London RFP – negotiate with Vendor 1**
    a. **Lakeland completed this October 31, 2008 and Vendor 1 chose to back out**
2. **Negotiate with Vendor 2**
    a. **Lakeland is in the middle of this process now and expects to complete by end of December 2008**
3. **Start process for WAN procurement – complete by Dec 2008**
4. **Implement modules for CIS system to enhance web presentment**
5. **Start RFP for installation Vendor**
6. **Procure 3648 meters by end of February 2009**
7. **Procure balance by end of April 2009**
8. **Installation to start June 2009**
9. **Complete installation by September 2009**
10. **AMI implementation and acceptance testing – starting October 2009**
11. **Full Utility integration – Jan 2010**
12. **Live production TOU billing – July 2010**

Below is the plan we assumed at the time of the business plan creation. We plan on updating it when a separate Smart Meter rate filing is completed as per OEB Guidelines

Rate Filing	Category	2007	2008	2009	2010	2011	2012	TOTAL
Smart Meter Unit Costs	A	$0.00	$1,917,414.69	$20,161.92	$20,161.92	$20,161.92	$20,161.92	$222.8
Smart Meter Other Unit Costs	B	$56,700.00	$360,773.31	$21,000.00	$0.00	$0.00	$0.00	$48.89
Smart Meter Installation Costs Per Unit	C	$0.00	$221,063.03	$0.00	$0.00	$0.00	$0.00	$24.65
Smart Meter Other Costs Per Unit	D	$2,211.30	$88,896.58	$0.00	$0.00	$0.00	$0.00	$10.16
AMI Computer Hardware Costs	F	$0.00	$196,040.92	$0.00	$0.00	$0.00	$0.00	
AMI Computer Software Costs	G	$0.00	$14,519.40	$0.00	$0.00	$0.00	$0.00	
Other Computer Hardware Costs	H	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Other Computer Software Costs	I	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Incremental AMI O&M Expenses	J	$0.00	$211,620.12	$266,221.90	$227,500.75	$231,592.19	$235,785.92	
Incremental AMI Admin Expenses	K	$0.00	$0.00	$3,402.00	$0.00	$0.00	$0.00	
Incremental Other O&M Expenses	L	$0.00	$0.00	$22,680.00	$22,680.00	$22,680.00	$22,680.00	
Incremental Other Admin Expenses	M	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Utility Safety & Maintenance Capital Budget	2	$22,881.85	$22,881.85	$0.00	$0.00	$0.00	$0.00	
TOU Billing Budget	3	$0.00	$126,111.01	$106,810.10	$50,727.77	$47,943.91	$48,644.88	
	Grand Total	$81,793.15	$3,159,320.91	$440,275.91	$321,070.44	$322,378.02	$327,272.72	
	Difference From Above	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	

b) What is the anticipated timing (i.e., required in-service dates) of the two new substations that LPD expects it will need?

As of this date in time, only one substation has been included in the rate application, most of the components have been purchased and it is due to be engerized in April 2009. Due to economic slowdown, the expansion requiring the second station has been put on hold.

Question #2

Reference: Exhibit 3/Tab 1/Schedule 2, page 1

a) Please confirm whether the rates used in each year to determine the revenues shown on page 1:
- Include/exclude the smart meter rate adder.
- Recognize the lower revenues realized due to the transformer ownership allowance discount.
- Include/exclude adders for LV charge recovery

For the years 2006 through 2008:
- **Smart meter rate adder – EXCLUDED**
- **Transformer discount – INCLUDED**
- **LV Charge recovery - EXCLUDED**

b) Please confirm that the 2009 revenues are calculated using 2009 proposed rates.

The 2009 revenues are calculated using the 2008 core rates (no SM or LV adders) at the 2009 forecasted load to result in $3,966,076 plus the $991,889 in revenue deficiency to result in $4,957,965. (see below). The rates were designed from these totals.

Revenue Deficiency - Core LDC Revenue Requirement For 2009 Less Test Year at Existing Rates

2009 total service revenue requirement	**$5,365,301**
Less offsetting other revenues for 2009	**$407,336**
2009 net revenue requirement - Core LDC rates	**$4,957,965**
Test Year at Existing Rates - 2008 Approved Rates Applied to 2009 Billing Determinants	**$3,966,076**
Core LDC Revenue Deficiency	**$991,889**

c) If different from the filed schedule, please provide a similar schedule for 2009 but with the following adjustments:
- Use proposed 2009 rates (if required)
- Exclude the smart meter rate adder (if required)
- Recognize the lower revenue due to the transformer ownership allowance discount (as required).
- Exclude the LV cost recovery adders

2009 Test Year Distribution Revenue Reconciliation

Based on Existing Rates For 2008	Load Forecast - Billing Determinants For 2009					Core Distribution Rates				Difference Caused By Rate Rounding		
Class	kWh	kw	Transformer Discount kw	Annualized Customers (Average)	Annualized Connections (Average)	Connection	Customer	kW	kWh	2009 Revenues Based on Applied For Rates	Rates per Fixed Variable Split Calculation	Difference
Residential	87,027,546			90,744			$16.3600		$0.0148	**$2,774,725**	**$2,774,725**	
GS <50 kW	49,211,450			18,588			$39.1300		$0.0089	**$1,166,609**	**$1,166,609**	
GS>=50 kW	87,383,887	209,041	95,945	1,164			$506.3200	$1.4703		**$839,135**	**$839,135**	
Street Light	2,007,912	5,336			24,696	$3.6200		$11.1206		**$148,739**	**$148,739**	
Sentinel	41,511	115			504	$3.8500		$13.3059		**$3,471**	**$3,471**	
Unmetered Scattered Load	249,040				540	$38.7800			$0.0174	**$25,286**	**$25,286**	
Back-up/Standby Power												
Transformer Discount								($0.6000)				
TOTALS	**225,921,346**	**214,492**	**95,945**	**110,496**	**25,740**					$4,957,965	$4,957,965	

Question #3

Reference: i) Exhibit 3/Tab 2/Schedule 1, page 2
ii) Exhibit 1/Tab 3/Schedule 5, Appendix A, page 10

a) Please reconcile the customer additions reported in the two references for 2007, 2008 and 2009.
In Lakeland's 3 Year business plan, the increase in customers is a best guess using information from only one of the 5 municipalities in the service territory. The regression analysis used to produce the numbers in Exh3/Tab2/Sch1 are more precise and utilize more variables than general judgment.

Question #4

Reference: Exhibit 3/Tab 2/Schedule 2

a) Please re-do the regression analysis presented on page 3 including as separate explanatory variables: i) the number of Residential and GS<50 customers; ii) the number of GS>50-999; and iii) the number of GS>1000-4999 customers.

The regression analysis presented on page 3 has been redone to include as separate explanatory variables: i) the number of Residential and GS<50 customers; ii) the number of GS>50-999; and iii) the number of GS>1000-4999 customers. The following table outlines the revised Summary of Forecast Data with the updated assumptions

	2008 Weather Normal	2009 Weather Normal
Predicted kWh Purchases	235,661,027	235,143,110
Billed kWh	229,439,908	228,935,664
By Class		
Residential		
Customers	7,498	7,562
kWh	86,445,776	88,625,601
General Service < 50 kW		
Customers	1,538	1,549
kWh	49,443,611	50,115,102
General Service > 50 to 999 kW		
Customers	91	91
kWh	54,318,099	51,168,712
kW	140,994	132,820
General Service > 1000 to 4999 kW		
Customers	6	6
kWh	36,948,556	36,727,786
kW	78,019	77,552
Streetlights		
Connections	7	7
kWh	1,986,637	2,007,912
kW	5,280	5,336

Sentinel Lights		
Connections	43	42
kWh	41,641	41,511
kW	116	115
Unmetered Loads		
Connections	48	45
kWh	255,587	249,040
Total		
Customer/Connections	9,231	9,303
kWh	229,439,908	228,935,664
kW from applicable classes	224,408	215,824

b) What is the source of the GDP forecast used in LPD's load forecast and what is the publication date? Are there more recent forecasts available and, if so, please provide them and update the load forecast accordingly.

The 2008, 2009 and 2010 rate application (EB-2007-0680) for Toronto Hydro Electric System Ltd is the source of the GDP forecast used in LPD's load forecast.

The load forecast as updated in OEB #22 has been revised to assume a real Ontario GDP of 0.1 % for 2008 and 0.7% for 2008 based on the Ontario Ministry of Finance 2008 Ontario Economic Outlook and Fiscal Review dated October 22, 2008. The following table outlines the revised Summary of Forecast Data with the updated assumptions

c) With respect to page 5, please confirm if the assumed 2.7% loss factor used to determine the 2008 and 2009 billed forecast is consistent with that proposed in the Application and used in the determination of the Cost of Power (for working capital calculations). If not, please reconcile any inconsistencies.

As per response to OEB# 25 the loss factor used in the load forecast should have been 6.14% but Lakeland is proposing to maintain the proposed load forecast, which assumes a 2.7% loss factor, for rate mitigation purposes. For the purposes of calculating the cost of power Lakeland has assumed a loss factor of 6.14

d) Please reconcile the 2008 and 2009 total customer count forecast values presented in Table 8 with the forecast values presented in Appendix B. The values in Appendix B appear to be less than those presented on page 7.

The numbers in Table 8 are customer/connection. When connections for Sentinel Lights and Unmetered Loads connections are removed the resulting customer numbers are equal to the mid year number of customers for 2008 and 2009 shown in Appendix B.

e) With respect to page 8 (Table 10), please confirm that – for weather sensitive classes - the year to year growth in average customer usage will be impacted by year to year changes in weather. If this is confirmed, please explain why the average historical growth rate provides a reasonable forecast of non-weather normalized average use as suggested in the derivation of Table 11.

Lakeland confirms that – for weather sensitive classes - the year to year growth in average customer usage will be impacted by year to year changes in weather. The average historical growth rate provides a reasonable forecast of non-weather normalized average use as suggested in the derivation of Table 11 since the non-weather normalized average use reflect the average use including weather conditions.

f) With respect to page 9, is it LPD's contention that 100% of Residential and GS<50 kW load is weather sensitive? If so, why is this contention reasonable? If not, what does the 100% represent?

Lakeland has assumed that 100% of Residential and GS<50 kW load is weather sensitive based on Lakeland's understanding of the weather normalization process used by Hydro One to provide weather normalized load data for the cost allocation study.

g) Please provide the Hydro One data and the LPD analysis that supports the percentages in Table 13.

RUN # 1	Rate classes	Weather station used for normalization	Test Year
	1 Residential class	Toronto Pearson	2004
	2 General service >50kW		
	3 Street Lighting		
	4 Sentinel Lighting		
	5 General service <50kW		

Monthly kWh by class (with actual weather)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
1 Residential class	12,062,856	9,608,530	8,553,935	6,812,568	5,804,033	4,870,959	5,366,621	5,351,811	4,974,348	6,140,939	7,537,930	10,281,950	87,366,480
2 General service >50kW	8,780,267	7,661,433	8,110,501	7,505,981	7,435,583	7,647,346	7,911,019	7,730,026	7,833,205	7,715,099	7,580,821	8,269,204	94,180,486
3 Street Lighting	205,280	177,745	170,357	145,285	132,637	120,884	128,160	143,830	158,045	183,677	195,654	210,764	1,972,318
4 Sentinel Lighting	4,658	4,033	3,866	3,297	3,010	2,743	2,908	3,264	3,586	4,168	4,440	4,783	44,756
5 General service <50kW	5,571,895	4,765,088	4,454,798	3,709,168	3,716,485	3,586,804	4,276,407	4,116,031	3,611,776	3,697,647	4,068,824	4,922,539	50,497,464

Monthly kWh by class (with normalized weather)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
1 Residential class	11,177,784	9,889,696	9,180,847	6,845,729	5,904,878	4,968,885	5,427,009	5,411,720	4,891,192	6,544,593	8,064,374	10,167,313	88,474,021
2 General service >50kW	8,569,291	7,728,455	8,259,939	7,513,886	7,483,271	7,836,156	8,027,451	7,845,535	7,747,715	7,811,319	7,706,310	8,241,878	94,771,207
3 Street Lighting	205,280	177,745	170,357	145,285	132,637	120,884	128,160	143,830	158,045	183,677	195,654	210,764	1,972,318
4 Sentinel Lighting	4,658	4,033	3,866	3,297	3,010	2,743	2,908	3,264	3,586	4,168	4,440	4,783	44,756
5 General service <50kW	5,375,364	4,827,522	4,594,005	3,716,532	3,749,146	3,680,389	4,334,118	4,173,284	3,564,800	3,787,279	4,185,722	4,897,084	50,885,244

Residential class information	Equipment saturation
Electric space heating	24%
Electric water heating	45%
Air conditioning	32%
Baseload	100%

General service >50kW	2004 kWh (Actual)	2004 kWh (Weather Corrected)	
Weather sensitive load	51,287,759	51,878,480	55%
Non-weather sensitive load	42,892,727	42,892,727	
TOTAL	94,180,486	94,771,207	

h) Please provide the Retail NAC by customer class calculated based on the Hydro One weather normalized 2004 data and in the same schedule set out the average weather normalized use per customer forecast by LPD for 2008 and 2009 by customer class.

The Retail NAC (i.e kWh/annual) by customer class calculated based on the Hydro One weather normalized 2004 data for those classes that are weather sensitive is as follows.

Residential	General Service < 50 kW	General Service > 50 to 999 kW
11,508	31,764	900,865

i) Please provide a table that sets out the actual number of customers in each customer for the most recent month in 2008 for which such data is available.

Oct 2008 Customer Count

Customer Class	Customers/ Connections
Residential	**7,577**
GS <50 kW	**1,543**
GS>=50 kW	**100**
Street Light	**2,058**
Sentinel	**45**
Unmetered Scattered Load	**47**
TOTALS	**11,370**

j) With respect to page 8 (Table 10), does LPD have any explanation for the significant drop in average use for the GS 50-999 class between 2001 and 2002? It appears that there was a drop in customers between these two years – was one of them a relatively large customer?

The data was not available in 2001, split into GS>50 to 999 kW and GS>1000 to 4999 kW. The data was combined as GS>50 kW.

k) Please re-do the analysis set out in Tables 11 through 14, but for the GS 50-999 class, exclude the 2001/2002 change from the determination of the average growth rate for the class.

Please see response to EP #20

l) With respect to page 10 (Table 14), please provide a schedule that indicates how the 1.7 GWh and 1.0 GWh 2009 adjustments for the Residential and GS<50 classes were determined.

The following schedule outlines how the the 1.4 GWh and 0.8 GWh 2009 adjustments for the Residential and GS<50 classes were determined for the updated load forecast provided in OEB #22.

Residential	General Service < 50 kW	General Service > 50 to 999 kW	Total
Non-normalized Weather Billed Energy Forecast (GWh)			
85.6	48.4	50.2	184.2
% Weather Sensitive			
100%	100%	55%	
Weather Sensitive Billed Energy Forecast			
85.6	48.4	27.5	161.5
Adjustments for Weather (GWh) = Class Weather Sensitive Billed Energy/Total Weather Sensitive Billed Energy * Total Adjustment			
1.4	0.8	0.5	2.7

m) Please reconcile the customer counts for 2008 and 2009 presented in Table 8 of this schedule with those presented in:
- Exhibit 3/Tab 2/Schedule 2, Appendix A, page 1 and
- Exhibit 3/Tab 2/Schedule 3, page 2.

For some classes the values are different. Which set of customer counts is used in deriving the rates in Exhibit 9?

Please see response to OEB # 22

Lakeland Power Weather Normal Load Forecast for 2009 Rate Application

	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Weather Normal	2009 Weather Normal
Actual kWh Purchases	225,517,680	230,549,922	233,560,670	231,616,153	235,965,914	229,437,606	230,101,606		
Predicted kWh Purchases	226,110,738	229,933,504	233,106,316	234,937,132	231,286,518	229,362,899	232,012,446	232,323,214	232,047,061
% Difference	0.3%	-0.3%	-0.2%	1.4%	-2.0%	0.0%	0.8%		
Billed kWh	210,163,368	224,358,489	226,871,814	229,675,942	231,381,375	225,242,085	227,199,266	226,190,208	225,921,346
By Class									
Residential									
Customers	7,062	7,147	7,251	7,300	7,354	7,403	7,434	7,498	7,562
kWh	74,872,006	81,210,271	84,806,055	84,934,906	85,452,762	80,863,556	82,783,542	84,753,044	87,027,546
General Service < 50 kW									
Customers	1,462	1,465	1,455	1,474	1,478	1,488	1,527	1,538	1,549
kWh	46,385,766	51,012,650	47,743,433	48,871,256	49,442,157	47,084,579	47,892,487	48,475,435	49,211,450
General Service > 50 to 999 kW									
Customers	94	89	89	87	90	87	91	91	91
kWh	86,701,745	51,598,080	53,465,016	54,003,103	55,347,560	55,407,643	57,082,919	53,729,308	50,656,101
kW	218,604	133,615	140,738	142,691	139,729	143,054	152,875	139,466	131,489
General Service > 1000 to 4999 kW									
Customers	0	6	6	6	6	6	6	6	6
kWh	0	38,301,320	38,533,735	39,539,411	38,845,302	39,594,703	37,170,652	36,948,556	36,727,786
kW	0	82,038	79,080	81,702	79,544	85,943	81,423	78,019	77,552
Streetlights									
Customers	7	7	7	7	7	7	7	7	7
kWh	1,863,735	1,863,641	1,961,598	1,972,304	1,965,588	1,965,944	1,965,588	1,986,637	2,007,912
kW	5,108	5,146	5,152	5,152	5,152	5,153	5,152	5,280	5,336
Sentinel Lights									
Connections	49	49	49	44	47	45	44	43	42
kWh	33,614	43,196	46,125	44,187	42,927	43,004	41,771	41,641	41,511
kW	93	120	128	123	119	119	116	116	115
Unmetered Loads									
Connections	75	71	70	69	67	66	51	48	45
kWh	306,502	329,331	315,852	310,775	285,079	282,656	262,307	255,587	249,040
kW									
Total									
Customer/Connections	8,749	8,834	8,927	8,987	9,049	9,102	9,160	9,231	9,303
kWh	210,163,368	224,358,489	226,871,814	229,675,942	231,381,375	225,242,085	227,199,266	226,190,208	225,921,346
kW from applicable classes	223,805	220,919	225,098	229,668	224,544	234,269	239,566	222,880	214,493
	8,749	8,834	8,927	8,987	9,049	9,102	9,160	9,231	9,303
	210,163,368	224,358,489	226,871,814	229,675,942	231,381,375	225,242,085	227,199,266	226,190,208	225,921,346
	223,712	220,799	224,970	229,545	224,425	234,150	239,450	222,765	214,378

Question #5

Reference: Exhibit 7/Tab 1/Schedule 1

a) Please provide a schedule that sets out the calculation of the $3,966,075.53 Distribution Revenue at existing rates, showing the rates, billing units and revenues by customer class.

Test Year at Existing Rates - 2008 Approved Rates Applied to 2009 Billing Determinants

Based on Existing Rates For 2008	Load Forecast - Billing Determinants For 2009					CORE LDC Rates Approved By OEB Effective May 1, 2008				Total LDC Revenues	
Class	kWh	kw	Transformer Discount kw	Annualized Customers (Average)	Annualized Connections (Average)	Customer	Connection	kW	kWh	Distribution Revenues Based on 2008	Percentage by Class
Residential	87,027,546			90,744		$14.61			$0.0101	$2,204,748	55.59%
GS <50 kW	49,211,450			18,588		$29.80			$0.0068	$888,560	22.40%
GS>=50 kW	87,383,887	209,041	95,945	1,164		$499.25		$1.4536		$827,422	20.86%
Street Light	2,007,912	5,336			24,696		$0.84	$2.5793		$34,508	0.87%
Sentinel	41,511	115			504		$1.25	$4.3327		$1,128	0.03%
Unmetered Scattered Load	249,040				540		$14.89		$0.0067	$9,709	0.24%
Transformer allowance								($0.6000)		included in GS>50	
TOTALS	225,921,346	214,492	95,945	110,496	25,740					$3,966,076	100%

b) Please confirm whether the rates used to determine the Distribution Revenues (at existing rates):

- Excluded the smart meter rate adder.
- Recognized the lower revenues realized due to the transformer ownership allowance discount.
- Excluded adders for LV charge recovery.

For the 2009 load forecast at 2008 rates:

- **Smart meter rate adder – EXCLUDED**
- **Transformer discount – INCLUDED**
- **LV Charge recovery - EXCLUDED**

c) If different from the schedule prepared in response to part (a), please provide an alternate schedule for the rates, volumes and revenues by customer class for 2009 Distribution Revenues at existing rates that:

- Excludes the smart meter rate adder (if required)
- Recognizes the lower revenue due to the transformer ownership allowance discount (as required).
- Excludes the LV cost recovery adders.

N/A

Question #6

Reference: Exhibit 8/Tab 1/Schedule 2, pages 1-4

a) Please complete the following schedules:

- kWh by Customer Class (delivered)

Customer Class (all)	Cost Allocation Filing		2009 Application	
	kWh	% of Total	kWh	% of Total
Residential	82,425,856	37.51	87,027,546	38.52
GS <50 kW	48,252,301	21.96	48,211,450	21.78
GS >50 kW	86,865,338	39.53	87,383,887	38.68
Streetlight	1,845,527	.84	2,007,912	.89
Sentinel	40,242	.02	41,511	.02
USL	294,275	.13	249,040	.11

- Customer/Connection Count

Customer Class (all)	Updated Cost Allocation Filing		2009 Application	
	# Customers/ Connections	% of Total	# Customers/ Connections	% of Total
Residential	7300	66.14	7562	66.61
GS<50 kW	1474	13.35	1549	13.65
GS>50 kW	93	.84	96	.85
Streetlight	2058	18.64	2058	18.13
Sentinel	44	.40	42	.37
USL	69	.60	45	.40

b) Based on the results from part (a), please comment on the appropriateness of assuming that the revenue requirement proportions from the Cost Allocation Informational filing are appropriate to utilize for setting 2009 rates as LPD has done in Table 3.

Based on the percentages calculated in part (a), it appears that the allocators from the Cost Allocation Informational filing are very similar to those from the Load forecast model making the appropriateness of the assumption valid.

c) With respect to Table 3, please indicate how the percentages in the Cost Allocation column were derived

Base Revenues by Class for 2009 Based on Cost Allocation Ratios

FOR 2009	Total Revenue Requirement					Miscellaneous Revenue Requirement			Base Revenue Requirement	
Class	Revenue Requirement - Cost Allocation	Revenue Requirement - TX Allowance	Revenue Requirement - Cost Allocation Net of TX Allow.	Service Revenue Requirement % - Cost Allocation	2009 Total Revenue Requirement	2006 EDR Miscellaneous Rev Allocation - Cost Allocation	Miscellaneous Revenue %	Current Miscellaneous Revenue	Base Rev Requirement	Base Revenue Per Class %
Residential	$2,317,160		$2,317,160	56.05%	$3,007,073	$185,463	57.04%	$232,347	$2,774,726	55.97%
GS <50 kW	$975,780		$975,780	23.60%	$1,266,309	$79,559	24.47%	$99,671	$1,166,638	23.53%
GS>=50 kW	$621,108	($56,626)	$564,482	13.65%	$732,552	$48,455	14.90%	$60,704	$671,848	13.55%
Street Light	$243,170		$243,170	5.88%	$315,572	$7,826	2.41%	$9,804	$305,767	6.17%
Sentinel	$5,448		$5,448	0.13%	$7,070	$204	0.06%	$256	$6,815	0.14%
Unmetered Scattered Load	$28,299		$28,299	0.68%	$36,725	$3,635	1.12%	$4,554	$32,171	0.65%
Back-up/Standby Power										
TOTALS	**$4,190,965**	**($56,626)**	**$4,134,339**	**100.00%**	**$5,365,301**	**$325,142**	**100.00%**	**$407,336**	**$4,957,965**	**100.00%**

d) With respect to Tables 2 and 3, please indicate how the percentages in the Rate Application Revenue Requirement column of Table 3 were determined to be consistent with the proposed revenue to cost ratios in Table 2?

2009 Test Year Class Revenue Design

FOR 2009	Outstanding Base Revenue Requirement %			Outstanding Base Revenue Requirement $			Differences Caused by Shift in %			
Customer Class	Cost Allocation	Existing Rates	Rate Application	Cost Allocation	Existing Rates	Rate Application	Difference Existing vs Cost Allocation	Percentage Difference Exist vs CA	Difference Existing vs Rate Application	Percentage Difference Exist vs Rate App
Residential	55.97%	55.59%	**55.97%**	$2,774,726	$2,756,141	$2,774,725	($18,585)	-0.7%	($18,584)	-0.7%
GS <50 kW	23.53%	22.40%	**23.53%**	$1,166,638	$1,110,783	$1,166,609	($55,855)	-5.0%	($55,826)	-5.0%
GS>=50 kW	13.55%	20.86%	**16.93%**	$671,848	$1,034,355	$839,135	$362,507	35.0%	$195,219	18.9%
Street Light	6.17%	0.87%	**3.00%**	$305,767	$43,138	$148,739	($262,629)	-608.8%	($105,601)	-244.8%
Sentinel	0.14%	0.03%	**0.07%**	$6,815	$1,410	$3,471	($5,404)	-383.2%	($2,060)	-146.1%
Unmetered Scattered Load	0.65%	0.24%	**0.51%**	$32,171	$12,137	$25,286	($20,033)	-165.1%	($13,148)	-108.3%
Back-up/Standby Power										
TOTALS	**100.00%**	**100.00%**	**100.00%**	**$4,957,965**	**$4,957,965**	**$4,957,965**	**$0**	**0.0%**	**($0)**	**0.0%**

e) Please explain why in Exhibit 3 there are load forecasts for both a GS 50-999 and a GS 1000-4999 customer class but in Exhibits 8 and 9 there is only reference to a single GS>50 class.

Lakeland initially had a separate rate class for GS>1000 kW but collapsed the category together in 2006 EDR as the number of customers was so small. With the current economic climate, that number is becoming even smaller.

f) For purposes of Exhibits 8 and 9 have the customer count and volume forecasts for the GS 50-999 and GS 1000-4999 classes in Exhibit 3 been combined into one class?

Other than the load forecast analysis, all GS>50kW information has been combined into one class.

Question #7

Reference: Exhibit 8/Tab 1/Schedule 2

a) Please confirm that for purposes of the 2006 Updated Cost Allocation Informational Filing:
- The Revenues are based on distribution rates (excluding the discounts for transformer ownership allowance)
- The Costs include the cost of the Transformer Ownership Allowance
- The cost of the Transformer Ownership Allowance is allocated to all customer classes

This is correct

b) Please confirm that (per Exhibit 9/Tab 1/Schedule 1, page 6) LPD is proposing to allocate the cost of the transformer ownership allowance to the GS>50 Class.

This is correct.

c) Please provide the results of an alternative cost allocation where:
- The Revenues by class are based the rates reduced by the transformer ownership allowance where applicable
- The Costs allocated exclude the “cost” of the Transformer Ownership Allowance.
  (Note: For purposes of the response please just file the revise Output Sheet O1)

Customer Class	Low	High	Revenue to Cost Ratios Per C.A. Study	Revised Revenue to Cost Ratios
Residential	85.00%	115.00%	98.53%	99.74%
GS <50 kW	80.00%	120.00%	95.53%	96.81%
GS>=50 kW	80.00%	180.00%	147.15%	140.69%
Street Light	70.00%	120.00%	16.95%	17.24%
Sentinel	70.00%	120.00%	24.54%	24.92%
Unmetered Scattered Load	80.00%	120.00%	67.27%	66.96%

Question #8

Reference: Exhibit 8, Tab 1, Schedule 2, page 3,
OEB Decision re: Wellington North's 2008 Rates (EB-2007-0693)

Preamble: On page 29 of the Board's EB-2007-0693 Decision the Board's Findings state:

> An important element in the Board's report on cost allocation was its express reservation about the quality of the data underpinning cost allocation work to date. The report frankly indicated that the Board did not consider all of the data underpinning the report to be so reliable as to justify the application of the report's findings directly into rate cases. For this reason, among others, the Board established the ranges depicted above and mandated the migration of revenue to cost ratios currently outside the ranges to points within the ranges, but not to unity. In short, the ranges reflect a margin of confidence with the data underpinning the report. No point within any of the ranges should be considered to be any more reliable than any other point within the range. Accordingly, there is no particular significance to the unity point in any of the ranges.

a) Given the Board's findings (as quote above), why is it appropriate to consider moving the Residential and GS < 50 revenue to cost ratios to 100% when they are both well within the Board's target range?

Lakeland felt that at this time, a small movement to no cross-subsidization in as many classes as possible would be beneficial in the long run when a more precise cost allocation filing is completed. The original assumptions in the Cost Allocation filing may be slightly unreliable however the report did show a general trend of over subsidization by GS> 50kW and in order to start the

movement in this class, all other classes needed to take a portion of their share.

Question #9

Reference: Exhibit 9/Tab 1/Schedule 1

a) Please provide a schedule that sets out the derivation of the fixed/variable splits for each customer class as shown on page 3.

Based on Existing Rates For 2008	Load Forecast - Billing Determinants For 2009					Fixed LDC Revenue		Variable LDC Revenue	
Class	kWh	kw	Transformer Discount kw	Annualized Customers (Average)	Annualized Connections (Average)	Fixed Distribution Revenue	Current Fixed Charge Spilt	Variable Distribution Revenue	Current Volumetric Split
Residential	87,027,546			90,744		$1,325,770	60.13%	$878,978	39.87%
GS <50 kW	49,211,450			18,588		$553,922	62.34%	$334,638	37.66%
GS>=50 kW	87,383,887	209,041	95,945	1,164		$581,127	70.23%	$246,295	29.77%
Street Light	2,007,912	5,336			24,696	$20,745	60.12%	$13,763	39.88%
Sentinel	41,511	115			504	$630	55.84%	$498	44.16%
Unmetered Scattered Load	249,040				540	$8,041	82.81%	$1,669	17.19%
Back-up/Standby Power									
TOTALS	**225,921,346**	**214,492**	**95,945**	**110,496**	**25,740**	**$2,490,234**	**62.79%**	**$1,475,841**	**37.21%**

Customer Class	Total Net Revenue Requirement for 2009	Proposed Fixed Charge Spilt	Proposed Volumetric Split	Proposed Fixed Service Charge Rate	Total Fixed Monthly Service Charge Revenue	Total Variable Revenue	Resulting Variable Rate
Residential	$2,774,725	53.5%	46.5%	$16.36	$1,484,572	$1,290,153	$0.0148
GS <50 kW	$1,166,609	62.3%	37.7%	$39.13	$727,348	$439,261	$0.0089
GS>=50 kW	$839,135	70.2%	29.8%	$506.32	$589,356	$249,779	$1.4703
Street Light	$148,739	60.1%	39.9%	$3.62	$89,400	$59,339	$11.1206
Sentinel	$3,471	55.8%	44.2%	$3.85	$1,940	$1,530	$13.3059
Unmetered Scattered Load	$25,286	82.8%	17.2%	$38.78	$20,941	$4,344	$0.0174
Back-up/Standby Power							
TOTALS	**$4,957,965**				**$2,913,558**	**$2,044,407**	

b) Please provide the residential bill impact calculations referred to on page 3 (lines 8-12).

Residential Consumption		2008 BILL			2009 BILL			RATE CHANGE IMPACTS		
100	**kWh**	**Volume**	**RATE $**	**CHARGE $**	**Volume**	**RATE $**	**CHARGE $**	**Rate Change Impact $**	**Change %**	**As a % of 2008 Total Bill**
Monthly Service Charge				$14.61			$18.39	$3.78	25.87%	15.78%
Distribution (kWh)		100	$0.0131	$1.31	100	$0.0159	$1.59	$0.28	21.37%	1.17%
Smart Meter Rider (per month)				$0.25			$0.25			
SSS Administration (per month)				$0.25			$0.25			
Distribution Sub-Total				**$16.42**			**$20.48**	**$4.06**	**24.73%**	**16.95%**
Cost of Power Commodity (kWh)		104	$0.0500	$5.20	106	$0.0500	$5.30	$0.10	1.92%	0.42%
Cost of Power Commodity (kWh)			0.0590			0.0590			#DIV/0!	
Transmission (kWh)		104	0.0095	$0.99	106	0.0095	$1.01	$0.02	2.02%	0.08%
Wholesale Market Service (kWh)		104	0.0062	$0.64	106	0.0062	$0.66	$0.02	3.13%	0.08%
Debt retirement charge (kWh)		100	0.0070	$0.70	100	0.0070	$0.70			
Cost of Power Sub-Total				**$7.53**			**$7.67**	**$0.14**	**1.86%**	**0.58%**
Total Bill before GST				**$23.95**			**$28.15**	**$4.20**	**17.54%**	**17.54%**

c) Please provide a schedule that sets out the range for the monthly service charge for each customer class based on the OEB's guidelines and LPD's Cost Allocation run.

Customer Class	Minimum System with PLCC Adustment (From Cost Allocation Model)	Fixed Rate Threshold @ 120% of Ceiling Charge
Residential	15.72	18.86
GS <50 kW	24.47	29.36
GS>=50 kW	98.28	117.94
Street Light	9.81	11.77
Sentinel	10.22	12.26
Unmetered Scattered Load	30.10	36.12

d) Please reconcile the customer count numbers for 2009 set out on page 5 with the various values presented in Exhibit 3.

2009 Test Year Normalized	Annualized Customers / Connections 2009
7,562 87,027,546	90,744 =7562*12
1,549 49,211,450	18,588 =1549*12
97 209,041 87,383,887	1,164 =97*12
2,058 5,336 2,007,912	24,696 =2058*12
42 115 41,511	504 =42*12
45 249,040	540 =45*12

e) Please provide a schedule that sets out the proposed 2009 transformer ownership allowance discount, the eligible kWs by class and the total “cost” of the 2009 transformer ownership allowance by customer class.

See table in Question 6 part (c) and in Question 9 part (a)

f) Please provide a schedule that sets out the calculation of the Retail Tx Conn Revenue by customer class shown on page 7.

	Retail TX Connection Rates		Billing Determinants		Allocation of Low Voltage Charges		
Customer Class	Per kWh	per kW	Calculated kWh	Calculated kW	Retail Tx Con Revenue - Basis for Allocation ($)	Allocation Percentages	Allocated $
Residential	$0.0048		87,027,546		$417,732	42.08%	$276,404
GS <50 kW	$0.0043		49,211,450		$211,609	21.32%	$140,017
GS>=50 kW		$1.6988	87,383,887	209,041	$355,119	35.77%	$234,974
Street Light		$1.3133	2,007,912	5,336	$7,008	0.71%	$4,637
Sentinel		$1.3407	41,511	115	$154	0.02%	$102
Unmetered Scattered Load	$0.0043		249,040		$1,071	0.11%	$709
Back-up/Standby Power							
TOTALS			225,921,346	214,492	$992,693	100.00%	$656,843

Question #10

Reference: Exhibit 9/Tab 1/Schedule 9, Appendix A

a) Based on a recent 12 consecutive months of actual billing data, please indicate the percentage of total residential customers that:
- Consume less than 100 kWh per month
- Consume 100 -> 250 kWh per month
- Consume 250 -> 500 kWh per month
- Consume 500 -> 750 kWh per month
- Consume 750 -> 1,000 kWh per month
- Consume 1,000 -> 1,500 kWh per month
- Consume 1,500 -> 2,000 kWh per month
- Consumer > 2,000 kWh per month.

Usage Category	# of Customers	Percentage
<100 kWh	202	2.7%
100 - 250 kWh	471	6.2%
250 - 500 kWh	1,431	18.9%
500 - 750 kWh	1,648	21.7%
750 - 1000 kWh	1,290	17.0%
1000 - 1500 kWh	1,377	18.2%
1500 - 2000 kWh	622	8.2%
>2000 kWh	542	7.1%
	7,583	100.0%

Question #11

Reference: Exhibit 1/Tab 1/Schedule 5, page 1 and
Exhibit 1/Tab 2/Schedule 1, page 4

a) Please explain the difference between the revenue requirement and deficiency reported on page 1 of Exhibit 1/Tab 1/Schedule 5 ($5,365,301 and $991,889) with the revenue requirement and deficiency reported on page 4 of Exhibit 1/Tab 2/Schedule 1($4,957,965 and $989,094).

The second reference is a typographical error. All rates and variance analysis is based on $5,365,301 and $991,889. (see Exhibit 1/Tab 2/Schedule 4)

Question #12

Reference: Exhibit 1/Tab 2/Schedule 1, page 7

a) Please explain why Lakeland chose a 7-year tree trimming program, i.e., at the "low end" of the recommendation made in the Hydro One benchmarking study, given that "[o]ne of the single largest factors affecting the cost increases in LPDL is that its service territory is one of the most heavily treed areas of the province" and given the past experience with storm damage.

Lakeland has not had the resources to implement a tighter tree trimming plan. As 2008 was the start of the program, it was deemed to prudent to minimize cost impact and go to a 7 year cycle to begin with. If trouble calls do not decrease or if vegetation growth rates seem higher in our area, Lakeland will revisit the cycle. At this point, we just want to kick off a start to a more focused program.

b) Please indicate the period of the tree trimming program that LPDL was undertaking at the time of the Hydro One benchmarking study.

Lakeland's program prior to 2008 was reactive rather than preventative. In light of continuing complaints over power outages with the cause usually being downed trees, Lakeland is implementing the tree trimming program as outlined.

c) Please provide the impact on the revenue requirement of pursuing a 5-year tree trimming program rather than the 7-year program chosen by LPDL.

The shorter the program becomes, the lower the costs per kilometer will be as the size of the trees will be smaller and more manageable. It would also help the trouble call costs to be reduced sooner. The differential in cost in the first five years of the program would be an increase of approximately $50K.

Question #13

Reference: Exhibit 1/Tab 2/Schedule 2, page 1

a) Please indicate whether the capital budget forecast is a three-year capital budget that is updated annually resulting in successive three-year overlapping plans (2006-08, 2007-09, etc.) If so, please provide a copy of the latest three-year budget and provide a copy of the previous three-year budget.

Lakeland's three year business plan includes a capital component and is included at Exhibit 1/Tab 3/Schedule 5/Appendix A

Question #14

Reference: Exhibit 1/Tab 3/Schedule 5, Appendix A, page 13

a) The 2007 Annual Report shows distribution system maintenance expense increasing by $179,600 in 2005 over its 2004 level of $715,400. Please provide a high-level explanation as to why these expenses increased by about 25% in the year before the 2006 storm.

Pole rental/Joint Use charge from H1 covering 4 years for annexed portion of Bracebridge - $38 K
Operations Administration hire - $45 K
Engineering Supervisor hire - $ 62 K
GIS updating project - $30 K

Question #15

Reference: Exhibit 2/Tab 1/Schedule 1, page 10

a) The evidence states that "[a]ll Managers review budget progress on a monthly basis." Please indicate whether 2008 capital expenditures are tracking the budgeted amounts to date and explain any material variances..

Managers review the total capital spending versus the budgeted capital amount, not by project on a monthly basis. As at October 2008, capital spending is running slightly below budget by 10% however, the bucket truck replacement for 2009 is being moved up due to engine and boom failure, $165 K.

b) Please indicate whether the 2008 bridge year capital spending projections include actual amounts for earlier months in 2008 and projected amounts for the remainder of 2008. If so, please indicate how many months of actual spending is included and also indicate whether an update is feasible and useful. If not, please explain why not.

Lakeland included 6 months of actual spending in the rate application. See above for update to October 2008.

Question #16

Reference: Exhibit 2/Tab 1/Schedule 2, page 1, Table 1 and
Exhibit 2/Tab 2/Schedule 5, page 1

a) Is the explanation for the 2006 actual accumulated depreciation being so much greater than Board approved entirely due to it representing two years of depreciation? Depreciation was so much greater than the Board approved amount that although actual 2006 gross fixed assets were about $1.6M above the Board approved level and actual 2006 working capital was also above the Board approved level, rate base was below the Board approved level in 2006 and has remained so thereafter.

Actual depreciation expense is calculated at the Board prescribed rates and by also utilizing a half year rule on current year additions. Aside from the two year difference between the 2006 EDR numbers and actual 2006, the amount and mix of additions has an effect. In 2006, a larger proportion of the asset additions were short life assets such as transportation equipment. This escalated the additions as well as the corresponding depreciation expense. The effect in a reduction in working capital due to increasing accumulated depreciation faster than the rate of addition additions as well as the type of additions added.

Question #17

Reference: Exhibit 2/Tab 3/Schedule 1, page 3, Table 1

a) Please provide the amounts that LPDL had budgeted for 2006 and 2007 by account for distribution plant.

Category	2006 B	2006 A	2007 B	2007 A
	($000)	($000)	($000)	($000)
Distribution Stations(1820)	43	418	0	2
Overhead (1830/1835)	216	292	303	426
Underground (1840/1845)	228	71	170	149
Line Transformers(1850)	226	191	130	671
New Services(1855)	22	29	30	52
Metering(1860)	50	30	95	93
Contributed Capital(1995)	(10)	(699)	(80)	(774)
Total	**775**	**332**	**648**	**619**

Question #18

Reference: Exhibit 2/Tab 3/Schedule 1, pages 4-5

a) The evidence states that $500,000 for putting in the 10 MVA substation was/will be "actually paid in 2008 but brought into service in 2009." Please provide the amount spent to date on this and the breakdown of the $500,000 into the amount of contributed capital and the amount of utility invested capital.

As indicated on Exhibit 2/Tab 3/Schedule 1 page 4, the total project cost is expected to be $1.5 M with a capital contribution of $1.0M resulting in a net increase to capital of $500 K. As at October 2008, $330 K has been spent on the project.

Question #18

Reference: Exhibit 2/Tab 3/Schedule 1, page 9, Table 3

a) Please provide a breakdown, by number and type of equipment purchased, of "new & replacement hardware: desktops, laptops, monitors, printers" for each year 2006-2009.

Lakeland pools this type of asset and does not keep an individual asset record for these accounts.

2006	$4 K	Snap device - backup
2006	$28 K	9 computers incl acc. & software
2006	$ 2 K	Sonic wall – firewall
2007	$ 8 K	EBT server
2007	$ 8 K	Snap server
2007	$ 2 K	Overhead projector
2007	$ 14 K	6 computers incl acc. & software
2007	$ 1 K	Printer
2008	$ 15 K	Linux server
2008	$ 8 K	XML server

2008	$ 8 K	Data store server
2008	$ 10 K	Tape drive
2008	$ 5 K	3 computers incl acc. & software
2008	$ 8 K	Power supply UPS/backup
2008	$ 5 K	Server security access
2009	$ 10 K	4 computers incl acc. & software
2009	$ 1 K	Printer
2009	$ 10 K	Tape drive backup
2009	$ 10 K	Firewall upgrade
2009	$ 3 K	Power supply/APCs

b) Please provide details of the annual expenditures on "new software" for each year 2006-2009 and indicate how and from whom the software was procured.

2006	$ 16 K	Harris Computer system	Update version – sole source (50%)
2006	$ 3 K	Digimap	Quoted
2006	$ 3 K	Microsoft	Office applications
2007	$15 K	Harris Computer system	Update version – sole source (50%)
2008	$15 K	FileNexus	Update version
2008	$26 K	Online bill presentment – pdf	Quote
2008	$20 K	Backup software – Disaster recovery	Quote
2009	$10 K	Virus detection/security upgrade	Quote
2009	$15 K	Harris mCare/eCare upgrade	Sole source

Question #19

Reference: Exhibit 2/Tab 3/Schedule 1, page 10 and
Exhibit 2/Tab 2/Schedule 1, page 4

a) With respect to the 2002 bucket truck that is being replaced, please provide the original cost, accumulated depreciation, average life, and estimated salvage value.

The bucket truck is actually being replaced in December 2008 due to engine and boom failure. The estimated salvage value is $15 K and the asset has a book value of $17 giving a loss of $2 K.

b) Please explain why there is no entry for disposals in Account 1930 in the 2009 continuity statement for the truck that is being replaced.

As it was predicted that a loss would ensue, it was deemed immaterial to show the entry.

Question #20

Reference: Exhibit 2/Tab 3/Schedule 2, page 3

a) With respect to the project to replace 100 transformers, please provide the number replaced in 2008 to date and indicate whether LPDL is on track to replace 30 in 2008.

All 30 have been replaced as of November 2008.

b) Please provide the number of transformers replaced in 2007 due to PCB concerns.

Three were replaced in 2007, most of the work on transformers was in testing.