

LakelandPower

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January 10, 2023

Ontario Energy Board
P.O. Box 2319
2ih Floor, 2300 Yonge Street
Toronto, Ontario
M4P 1E4
Attention: Ms. N. Marconi, Registrar

Re: Lakeland Power Distribution Ltd. 2024 Cost of Service Application

Dear Ms. N. Marconi:

Lakeland Power Distribution Ltd. (LPDL) is writing to seek a one-year deferral of its 2024 Cost of Service (“COS”) application. LPDL completed its most recent COS application for rates effective May 1, 2019.

Over the past several months, LPDL has worked towards filing a COS application for its 2024 rates. We have continued to finalize our Distribution System Plan, monitored customer needs, load forecast trends, the reliability of our system and progress on capital spending.

LPDL believes that it is prudent to review the time and expense of a COS application and if it is to the benefit of the utility as well as its ratepayers. At this time, LPDL believes that the utility can continue one more year under the 3rd Generation Price Cap IR process, and continue to provide reliable service with appropriate capital investments and manage costs.

LPDL submits that this proposal is appropriate for the following reasons:

1. Capital spending level is relatively consistent annually thus maintaining our investment in infrastructure, despite the impact from COVID-19.
2. Customer engagement to date through surveys has indicated that the majority of our customers are comfortable with the ways and means that LPDL is managing their network. A one year timeframe would allow for more engagement and the potential of a focus group within our ratepayers to assist with any new developments our customers would like to see now that the effects of COVID-19 seem to be behind us.

3. LPDL is actively monitoring and putting into place plans to improve system reliability as well as working on reducing line losses in order to assist in reducing future rate increases. LPDL believes the development of microgrids/innovation as well as the growth of EV charger network will have an impact on its system but as yet is in its infancy. An additional year should provide more robust data.

4. LPDL Return on Equity is within 300 basis points of the ROE at the time of its last rebasing (8.98). 2021 was an anomaly due to a reversal of a prior year estimate as well as the impact from large broadband building requests in our rural areas. The average over the 3 years is 8.7%, close to the deemed rate.

| | 2020 | 2021 | 2022 (est) |
|--------------|-------|--------|------------|
| Deemed ROE | 8.98% | 8.98% | 8.98% |
| Achieved ROE | 6.07% | 12.06% | 7.99% |

With the increase in electrification as well as more players attaching to polelines, coming into play in the near future, deferring a potential increase would allow our customers to see the effect of the plan and assure them that we are moving toward stable and predictable distribution rates.

Respectfully Submitted,



Darren Bechtel, CPA
 Chief Financial Officer
 Lakeland Holding Ltd.