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**BY EMAIL**

April 14, 2025

Ms. Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4  
[Registrar@oeb.ca](mailto:Registrar@oeb.ca)

Dear Nancy Marconi:

**Re: Ontario Energy Board (OEB) Staff Comments  
Lakeland Power Distribution Ltd.  
2025 Cost of Service Application  
OEB File Number: EB-2024-0039**

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Please find attached OEB staff's comments on the draft rate order in the above referenced proceeding, pursuant to the OEB's March 27, 2025 Partial Decision and Order. Lakeland Power and all intervenors have been copied on this filing.

Yours truly,

Georgette Vlahos  
Advisor – Electricity Distribution Rates

Encl.

cc: All parties in EB-2024-0039



# **ONTARIO ENERGY BOARD**

## **OEB Staff Comments on Draft Rate Order**

**Lakeland Power Distribution Ltd.**

**Cost of Service Application**

**EB-2024-0039**

**April 14, 2025**

## 1. Introduction

Lakeland Power Distribution Ltd. (Lakeland Power) filed a cost of service application dated October 31, 2024 with the OEB, seeking approval for changes to the rates that Lakeland Power charges for electricity distribution, beginning May 1, 2025.<sup>1</sup> In its Partial Decision and Order, the OEB accepted the partial settlement proposal and made provision for a draft rate order (DRO) process such that Lakeland Power may implement the outcomes of the OEB's decision in the generic Cost of Capital proceeding.<sup>2</sup> The OEB directed that the filing of any DRO would also include customer rate impacts and detailed information in support of the calculation of final rates.<sup>3</sup>

Lakeland Power filed its DRO on April 7, 2025.

Based on the DRO, the total bill impact for a typical residential customer with a monthly consumption of 750 kWh, would be a decrease of approximately \$3.69 per month before taxes and the Ontario Electricity Rebate, or 2.60%. However, OEB staff notes that this bill impact may change because of updates that may be required to the Tariff and Bill Impact Model to reflect revised Group 2 deferral and variance account (DVA) rate riders.

OEB staff has reviewed the DRO and has confirmed that Lakeland Power has implemented the OEB's direction related to the 2025 cost of capital update as set out in the Partial Decision and Order. The following section provides OEB staff's detailed comments on the DRO.

## 2. OEB Staff Comments on DRO

### Cost of Capital

Consistent with the partial settlement proposal, Lakeland Power has not made any adjustments to the interest rates for its long-term debt instruments. The weighted long-term debt rate is 4.76%. This rate is the weighted average of Lakeland Power's existing third-party debt instruments.<sup>4</sup>

Due to the changes in the OEB's deemed rate for short term debt, the total return on debt was reduced from \$1,027,833, to \$1,011,637, a decrease of \$16,196. The change in the OEB's deemed return on equity rate resulted in a decrease in the total return on equity from \$1,325,823 to \$1,289,990, a decrease of \$35,833.

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<sup>1</sup> Pursuant to section 78 of the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15, (Schedule B)

<sup>2</sup> EB-2024-0063, Decision and Order, March 27, 2025

<sup>3</sup> EB-2024-0039, Partial Decision and Order, March 27, 2025, Order #4

<sup>4</sup> Settlement Proposal, Table 3.1A, p. 24

**Income Tax and Payments in Lieu of Taxes (PILs)**

The change in return on equity resulted in a decrease to the level of PILs, from \$53,016 to \$40,097, a decrease of \$12,919.

**Revenue Requirement**

The updates noted above decreased the base revenue requirement from \$9,573,235 to \$9,508,286, a decrease of \$64,949.

OEB staff submits that the updated base revenue requirement, reflecting the changes to the cost of capital parameters, is consistent with the OEB's Partial Decision and Order in this proceeding.

OEB staff notes that, as a result of this DRO, Lakeland Power's gross revenue deficiency of \$159,091 (as per the approved partial settlement proposal) becomes a deficiency of \$94,142.

**Cost Allocation and Rate Design**

As a result of the changes to revenue requirement, the cost allocation model was also updated, and consequently the revenue-to-cost ratios.

Lakeland Power has maintained the approach to revenue-to-cost ratios from the settlement proposal. The status quo revenue-to-cost ratios have changed slightly because of the changes in revenue requirement. The revenue-to-cost ratios for the Street Lighting rate class is adjusted to 120% consistent with the settlement proposal. The General Service >50kW rate classes continue to receive the offsetting increase in revenue-to-cost and is now increased to 96.96% as opposed to 96.65% from the settlement proposal. All other rate classes continue to maintain status quo revenue-to-cost ratios.

As a result of the updates to the revenue requirement, distribution rates have been adjusted for all rate classes. No material changes have been made to the fixed/variable split for any class, and the resulting fixed charges are consistent with OEB policy.

OEB staff has reviewed the cost allocation model, revenue-to-cost ratios, fixed-variable splits and submits that they are consistent with the Partial Decision and Order and the methodologies used in the OEB-approved settlement proposal.

**DVA Continuity Schedule**

In the DRO, Lakeland Power did not provide any updates to the "DVA Continuity Schedule" which was last filed as part of the partial settlement proposal on March 18,

2025.

OEB staff notes that distribution revenue (Tab 4, Column I of the “DVA Continuity Schedule”) is used to allocate certain Group 2 DVA balances to rate classes. Since the base revenue requirement has been updated in the DRO, the update may result in changes to the Group 2 DVA rate riders for certain rate classes.

OEB staff observes that in the DVA Continuity Schedule filed with the settlement proposal, “kWh” has been selected as the allocator for Account 1508 – Pole Attachment Revenue Variance. OEB staff submits that the allocator should be updated to “Distribution Revenue” as per the OEB’s accounting guidance for this account.<sup>5</sup>

OEB staff submits that as part of its reply comments, Lakeland Power should file an updated “DVA Continuity Schedule” with corrected Group 2 DVA rate riders which reflect the distribution revenue changes and updated allocator for the Pole Attachment Revenue Variance Account. Given that this is arguably a minor amendment to the settlement proposal, OEB staff recommends that Lakeland Power advise the parties to the settlement proposal about this update.

### **Tariff Schedule and Bill Impact Model**

Lakeland Power provided an updated Tariff Schedule and Bill Impact model to reflect the above noted changes (with the exception of the DVA matter noted in the section above). OEB staff submits that Lakeland Power updated the model appropriately to reflect the changes in the 2025 distribution rates.

~All of which is respectfully submitted~

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<sup>5</sup> [OEB Letter, Accounting Guidance on Wireline Pole Attachment Charges](#), July 20, 2018, p.3