



**Lakefront  
Utilities  
Inc.**

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April 27, 2018

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, Suite 2700  
Toronto, ON M4P 1E4

**Re: Draft Report of the Board: Corporate Governance Guidance for OEB Rate Regulated Utilities (Board File No.: EB-2014-0255)**

Dear Ms. Walli:

Attached please find comments in a memorandum from one of Lakefront Utilities Inc.'s (LUI) Board of Directors, Mr. Stanley Stewart.

Additionally, LUI would like to take this opportunity to inform the Board, that, as a small electric utility in the Province of Ontario, LUI has recently increased its board size from three (3) to five (5) Directors, with sixty percent (60%) full independence, despite the incremental operating cost.

LUI also believes that skills matrix, and Reporting and Record Keeping should reflect an inventory of the collective board as a whole rather than focus on identifying individual directors.

We trust this information and comments are beneficial to the Board as it continues its work to finalize this important initiative.

Yours truly,

Lakefront Utilities Inc.

A handwritten signature in blue ink, appearing to be 'Dereck C. Paul', written in a cursive style.

Dereck C. Paul  
President & CEO

## MEMORANDUM

TO: Barry Gutteridge  
Gil Brocanier  
Derek Paul

DATE: April 16<sup>th</sup>, 2018

SUBJECT: Ontario Energy Board (OEB)  
Draft Report of the Board EB-2014-0255  
Corporate Governance Guidance for OEB Rate – Regulated Utilities

It is important to acknowledge that the OEB has issued this report in the form of guidance and further narrowed its focus on governance practices deemed of most significance to the OEB.

As such, it proposes to implement new reporting and record keeping requirements to encourage more robust governance practices rather than imposing a governance template for the industry.

It is recognized that the sector is comprised of entities of vastly different operational scale and that no one template could possibly apply elegantly to all constituents.

My comments are provided from the perspective of a relatively small LDC and hopefully recommend an approach which is in keeping with the spirit of the report but practical for our purposes.

My comments and observations track the format of the report.

### **2.0 OEB GUIDANCE ON UTILITY GOVERNANCE**

The OEB's guidance is focused on objectives in the Renewed Regulatory Framework (RFF).

- Alignment of shareholder and customer interests;
- Prudent decision-making with proper consideration of customer interests;
- Spending and investment discipline (capital spend, OM&A, major transactions);
- Sustainable financing; and
- Excellence and continuous improvement in utility performance.

## **2.1 Director Independence**

In my opinion, there is little to be gained from insisting a majority of the utilities' directors should be independent of the shareholder and any affiliate. I would agree that a majority of independents should not be drawn from any one affiliated entity.

If the director is truly independent, it should not matter if they are also on any other affiliate and it may well be valuable if they also function as a director of the shareholder.

### **A. Majority Independence**

We do not quibble with the requirement that the majority of directors be independent, and that independence precludes being an employee or retiree. I would expand the restrictions to align with the Goodman LLP updated bulletin dated October 30<sup>th</sup>, 2017.

### **B. Board Size**

The suggested range of five to ten directors per board is flexible enough to accommodate a wide range of enterprise sizes.

### **C. Scope of Oversight**

I am in general agreement with these comments.

## **2.2 Director Skills - Agreed**

## **2.3 Board and Committee Structure and Functions**

Generally agreed, however in smaller utilities with say, a parent and one or more subsidiaries/affiliates, it is often impractical and unnecessary to try to form say three of every committee when one properly structured committee can comfortably handle governance assignments across the matrix of entities. This can be achieved by having a representative from each affiliate on each committee. Examples of this approach might be utilized on the Succession Planning, Executive Compensation, Customer Relations and Human Resources committees.

## **2.4 Supporting Documentation and Practices**

All of this commentary is descriptive of contemporary board governance regimen. I am in general agreement with these comments.

It is my experience however that most boards and committees also go through an annual evaluation of their performance and effectiveness. This includes canvassing individual directors as well as the executive for evaluation and feedback on board and director efficacy utilizing a simple scorecard.

### **3.1 Director Independence**

I believe a more substantive test includes eliminating major suppliers as well as major customers and this should be expanded. In accordance with the spirit of the OEB guidance, this would also preclude employees or political appointees of the Town.

### **3.2 Director Skills – agreed**

### **3.3 Board and Committee Structures and Functions - agreed**

### **3.4 Supporting Documentation and Practices - agreed**

I am in general agreement with these comments and can assist in developing much of this documentation if thought useful.

## **4.0 IMPLEMENTATION**

I am in general agreement with the OEB report. Implementation of any new governance approach, of necessity, must follow design. The Lakefront group of companies will have to determine the governance structure deemed most appropriate for its needs as a first step.

I trust these comments are helpful.



S.M. Stewart