Dion Durrell
Actuaries and Consultants

Dion, Durrell + Associates Inc.
250 Yonge Street, Suite 2900
Toronto, Ontario, Canada M5B 2L7
dion-durrell.com

T 416 408 2626
F 416 408 3721

LAKEFRONT UTILITY SERVICES INC.

REPORT ON THE ACTUARIAL VALUATION OF POST-RETIREMENT NON-PENSION BENEFITS

As At January 1, 2009

FINAL—July 15, 2010

Dion Durrell

TABLE OF CONTENTS

Dion Durrell

EXECUTIVE SUMMARY

PURPOSE

MEARIE Actuarial Services and Dion, Durrell + Associates Inc. were engaged by Lakefront Utility Services Inc. (the "Corporation") to perform an actuarial valuation of the post-retirement non-pension benefits sponsored by the Corporation and to determine the accounting results for those benefits for the fiscal period ending December 31, 2009. The nature of these benefits is defined benefit.

This report is prepared in accordance with The Canadian Institute of Chartered Accountants (the "CICA") guidelines outlined in Employee Future Benefits, Section 3461 of the CICA Handbook-Accounting ("CICA Section 3461"). CICA Section 3461 was first applied to the Corporation with effect from January 1, 2005.

The most recent full valuation was prepared as at January 1, 2005 based on the then appropriate assumptions.

The purpose of this valuation is threefold:

i) to determine the Corporation's liabilities in respect of post-retirement non-pension benefits at January 1, 2009;

ii) to determine the benefit expense for fiscal year 2009; and

iii) to provide all other pertinent information necessary for compliance with CICA Section 3461.

The intended users of this report include the Corporation and their auditors. This report is not intended for use by the plan beneficiaries or for use in determining any funding of the benefit obligations.

SUMMARY OF KEY RESULTS

The key results of this actuarial valuation as at January 1, 2009 with comparative results from the previous valuation as at January 1, 2005 are shown below:

		January 1, 2005 ($000s)	January 1, 2009 ($000s)
Accrued Benefit Obligation (ABO)			
a)	People in receipt of benefits	205	186
b)	Fully eligible actives	8	24
c)	Not fully eligible actives	262	295
Total ABO		**475**	**505**
Current Service Cost: *for following 12 months*		13	14
Benefit Expense: *for following 12 months*		221	45
Prepaid Benefit Liability: *at January 1*			536

The January 1, 2009 Prepaid Benefit Liability is based on the based on the Corporation's financial statements for the year ending December 31, 2008.

Dion Durrell

ACTUARIAL CERTIFICATION

An actuarial valuation has been performed on the post-retirement non-pension benefit plans sponsored by the Corporation as at January 1, 2009, for the purposes described in this report.

In accordance with the Canadian Institute of Actuaries Consolidated Standards of Practice General Standards, we hereby certify that, in our opinion, for the purposes stated in the Executive Summary:

1. The data on which the valuation is based is sufficient and reliable;
2. The assumptions employed, as outlined in this report, have been selected by the Corporation as management's best estimate assumptions (no provision for adverse deviations) and are in accordance with accepted actuarial practice for work in Canada;
3. The actuarial methods employed, as outlined in Section C, are appropriate for the purpose and consistent with sound actuarial principles;
4. All known substantive commitments with respect to the post-retirement non-pension benefits sponsored by and identified by the Corporation are included in the calculations; and
5. The valuation conforms to the standards set out in the Canadian Institute of Chartered Accountants Accounting Handbook Section 3461.

We are not aware of any subsequent events from January 1, 2009 up to the date of this report that would have a significant effect on our valuation.

The latest date on which the next actuarial valuation should be performed is January 1, 2012. If any supplemental advice or explanation is required, please advise the undersigned.

Respectfully submitted,

DION, DURRELL + ASSOCIATES INC.

Stanley Caravaggio

Stanley Caravaggio FSA, FCIA

Connie Cheung

Connie Cheung
Actuarial Analyst

Toronto, Ontario
July 15, 2010

SECTION A—
VALUATION RESULTS

Table A - 1 shows the key valuation results for the prior valuation and the current valuation.

Table A - 2 shows the sensitivity of the valuation results to certain changes in assumptions. We have shown a change to the assumed retirement age from age 60 to 58, and an increase/decrease in the health and dental claims cost trend rates by 1% per annum.

Table A - 3 presents the determination of the actuarial gain/(loss) from the previous valuation at January 1, 2005.

SENSITIVITY ANALYSIS

Table A.2—Sensitivity Analysis
(in thousands of dollars)

	January 1, 2009			
	Valuation Results	**Retirement Age 58**	**1% Higher Trend**	**1% Lower Trend**
1. Accrued Benefit Obligation				
a) People in receipt of benefits	186	186	186	186
b) Fully eligible actives	24	21	25	24
c) Not fully eligible actives	295	284	316	276
Total ABO	**505**	**491**	**527**	**486**
2. Current Service Cost *for following 12 months*	14	14	15	13
3. Interest Cost *for following 12 months*	31	30	32	29
4. Expected Average Remaining Service Lifetime of the Current Active Employees (years)	6	6	6	6

DEVELOPMENT OF NET GAINS OR LOSSES

Table A.3—Development of Net Gains or Losses
(in thousands of dollars)

Expected ABO at December 31, 2008 per financial statements	536
Actual ABO at January 1, 2009	505
Actuarial Loss/(Gain)	(31)
Amortization of Unamortized Actuarial Loss	
Unamortized Net Actuarial Loss (Gain) at December 31, 2008	-
Actuarial Loss (Gain) for Current Year at January 1, 2009	(31)
Total Loss (Gain) at January 1, 2009	(31)
Less: Actual Amortization for 2009	-
Expected Unamortized Actuarial Loss (Gain) at December 31, 2009	(31)

Please note that the actual ABO at January 1, 2009 is approximately $31,000 lower than the expected ABO at December 31, 2008. This is due to a combination of the following factors:

- Differences between the actual and expected benefit costs (a decrease of approximately $56,000 in the total ABO)
- A change in the discount rate assumption (a decrease of approximately $58,000 in the total ABO)
- Changes in other actuarial assumptions including mortality rates, salary scale and medical benefit trend rates (an increase of approximately $8,000 in the total ABO)
- Deviations from the expected demographic changes of the valued group, corrections to benefit provisions and valuation program refinement and other miscellaneous factors (an increase of approximately $75,000 in the total ABO)

CICA Section 3461 states that any gain or loss in excess of 10% of the ABO must, at minimum, be amortized over the expected average remaining service lifetime (E.A.R.S.L.). The E.A.R.S.L. of the current active group is 6 years. Under these guidelines, the minimum required amortization for the year 2009 is nil.

Dion Durrell

SECTION B—
PLAN PARTICIPANTS

Table B – 1 sets out the summary information with respect to the plan participants valued in the report, along with comparisons to the participants in the previous valuation at January 1, 2005.

Table B – 2 reconciles the number of participants in the last valuation to the number of participants in the current valuation.

Dion Durrell

PARTICIPANT DATA

Table B.1—Participant Data

Membership data as at January 1, 2009 was received from the Corporation via e-mail and included information such as name, sex, date of birth, date of hire, current salary, benefit amounts and other applicable details for all active employees and people in receipt of benefits.

We have reviewed the data and compared it to the data used in the prior valuation for consistency and reliability for use in this valuation. The main tests of sufficiency and reliability that were conducted on the membership data are as follows:

- Date of birth prior to date of hire
- Salaries less than $20,000 per year, or greater than $250,000 per year
- Ages under 18 or over 100
- Abnormal levels of benefits and/or premiums
- Duplicate records

In addition, the following tests were performed:

- A reconciliation of statuses from the prior valuation to the current valuation;
- A review of the consistency of individual data items and statistical summaries between the current and prior valuations; and
- A review of the reasonableness of changes in such information since the prior valuation.

Active Employees

As of January 1	2005 Male	2005 Female	2005 Total	2009 Male	2009 Female	2009 Total
Number of Employees	17	8	25	24	8	32
Average Length of Service	15.9	16.6	16.1	14.5	20.6	16.0

As of January 1, 2009	**Current Age**					
	Active Lives—Not fully eligible			**Active Lives—Fully eligible**		
	Count			**Count**		
Age Band	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Less than 30	-	-	-	-	-	-
30-35	2	-	2	-	-	-
36-40	4	-	4	-	-	-
41-45	3	2	5	-	-	-
46-50	2	2	4	-	-	-
51-55	8	2	10	-	-	-
56-60	5	1	6	-	1	1
61-65	-	-	-	-	-	-
66-70	-	-	-	-	-	-
71-75	-	-	-	-	-	-
Greater than 75	-	-	-	-	-	-
Total	**24**	**7**	**31**	**-**	**1**	**1**

As of January 1, 2009	Average Service					
	Active Lives—Not fully eligible			Active Lives—Fully eligible		
	Service			Service		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Age Band						
Less than 30	-	-	-	-	-	-
30-35	1.83	-	1.83	-	-	-
36-40	2.04	-	2.04	-	-	-
41-45	8.58	14.42	10.92	-	-	-
46-50	14.54	22.13	18.33	-	-	-
51-55	23.14	14.63	21.43	-	-	-
56-60	19.07	21.75	19.51	-	40.50	40.50
61-65	-	-	-	-	-	-
66-70	-	-	-	-	-	-
71-75	-	-	-	-	-	-
Greater than 75	-	-	-	-	-	-
Total	**14.46**	**17.73**	**15.20**	**-**	**40.50**	**40.50**

People in Receipt of Benefits

As of January 1	2005			2009		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Number of Members	9	1	10	8	1	9

As of January 1, 2009	Expected Annual Benefit Payments		
Age Band	**Male**	**Female**	**Total**
Less than 30	$ -	$ -	$ -
30-35	-	-	-
36-40	-	-	-
41-45	-	-	-
46-50	-	-	-
51-55	-	-	-
56-60	-	-	-
61-65	3,323	3,195	6,518
66-70	203	-	203
71-75	1,435	-	1,435
Greater than 75	14,942	-	14,942
Total	**$19,903**	**$3,195**	**$23,098**

PARTICIPATION DATA

Table B.2—Participation Data

	Actives	**Retirees**
As at January 1, 2005	**25**	**10**
New Entrants	8	-
Active	-	-
LTD	-	-
Terminated	(1)	-
Deceased	-	(1)
Retired	-	-
As at January 1, 2009	**32**	**9**

SECTION C—
SUMMARY OF ACTUARIAL METHOD AND ASSUMPTIONS

ACTUARIAL METHOD

The aim of an actuarial valuation of post-retirement non-pension benefits is to provide a reasonable and systematic allocation of the cost of these future benefits to the years in which the related employees' services are rendered. To accomplish this, it is necessary to:

- make assumptions as to the discount rates, salary rate increases, mortality and other decrements;
- use these assumptions to calculate the present value of the expected future benefits; and
- adopt an actuarial cost method to allocate the present value of expected future benefits to the specific years of employment.

The ABO and Current Service Cost were determined using the projected benefit method, pro-rated on service. This is the method stipulated by CICA Section 3461 when future salary levels or cost escalation affect the amount of the employee's future benefits. Under this method, the projected post-retirement benefits are deemed to be earned on a pro-rata basis over the years of service in the attribution period. CICA Section 3461 stipulates that the attribution period commences at the employee's hire date and ends at the earliest age at which the employee could retire and qualify for the post-retirement non-pension benefits valued herein.

For each employee not yet fully eligible for benefits, the ABO is equal to the present value of expected future benefits multiplied by the ratio of the years of service to the valuation date to the total years of service in the attribution period. The Current Service Cost is equal to the present value of expected future benefits multiplied by the ratio of the year (or part) of service in the fiscal year to total years of service in the attribution period.

For health and dental benefits, we have used the premium rates charged to retirees as an estimate of the claims to be incurred. The monthly premium rates, inclusive of premium taxes, used are as follows:

	Health Care		***Dental Care***	
Retirees	Single	Family	Single	Family
Union	N/A	$318.01	N/A	$166.89
Management	N/A	$328.84	N/A	$204.85

These premium rates were provided by the Corporation and represent the 100% rates, prior to any cost-sharing provisions, effective for the period February 1, 2009 to January 31, 2010.

The ABO at January 1, 2009 is based on membership data at January 1, 2009 and management's best-estimate assumptions at January 1, 2009.

ACCOUNTING POLICIES

Pursuant to CICA Section 3461, the Corporation amortizes the excess of 10% of any actuarial gains or losses over the expected average remaining service lifetime of the active members of the group.

MANAGEMENT'S BEST ESTIMATE ASSUMPTIONS

The following are management's best estimate economic and demographic assumptions as at January 1, 2009.

ECONOMIC ASSUMPTIONS

Consumer Price Index

The consumer price index is assumed to be 2.00% per annum.

This assumption remains unchanged from the previous valuation.

Discount Rate

The rate used to discount future benefits is assumed to be 6.00% per annum. This rate reflects the assumed yield on high quality debt instruments at the valuation date.

The assumption used in the previous valuation was 5.00% per annum.

Salary Increase Rate

The rate used to increase salaries is assumed to be 3.30% per annum. This rate reflects the expected Consumer Price Index adjusted for productivity, merit and promotion.

The assumption used in the previous valuation was 3.10% per annum.

Claims Cost Trend Rate

The rates used to project benefits costs into the future are as follows:

	Current Valuation		Previous Valuation	
End of Year	***Health***	***Dental***	***Health***	***Dental***
2009 *	9.00%	5.00%	8.00%	5.00%
2010	8.30%	5.00%	7.00%	5.00%
2011	7.70%	5.00%	6.00%	5.00%
2012	7.00%	5.00%	5.00%	5.00%
2013	6.30%	5.00%	5.00%	5.00%
2014	5.70%	5.00%	5.00%	5.00%
2015 and Thereafter	5.00%	5.00%	5.00%	5.00%

** Actual premium rate information for the period from February 1, 2009 to January 31, 2010 was provided by the Corporation and reflected in our valuation.*

DEMOGRAPHIC ASSUMPTIONS

Mortality table

Mortality is assumed to be in accordance with the 1994 Uninsured Pensioner Mortality (UP-94) table, with a projection of mortality improvements to the year 2020 based upon Projection Scale AA. The use of these rates seems reasonable given this is the mortality table to be used in accordance with the Canadian Institute of Actuaries' Standard of Practice for Determining Pension Commuted Values, effective February 1, 2005.

Mortality rates are applied on a sex-distinct basis.

The prior valuation used the 1994 Uninsured Pensioner Mortality (UP-94) table, with a projection of mortality improvements to the year 2015 based upon Projection Scale AA.

Rates of Withdrawal

Termination of employment prior to age 55 was assumed to be equal to 2.00% per annum. This is the same assumption used in the previous valuation.

Retirement Age

All active employees are assumed to retire at age 60, or immediately if currently over age 60. The assumed retirement age of 60 will be increased, if necessary, to the minimum of the age at which the age plus years of service is 90, but no later than age 65.

This is the same assumption used in the previous valuation.

Disability

No provision was made for future disability. It is assumed that individuals currently receiving long-term disability benefits will remain disabled until retirement at age 65. This assumption remains unchanged from the previous valuation.

Family/Single Coverage

It is assumed that the same coverage type as at January 1, 2009 will remain into retirement. This assumption remains unchanged from the previous valuation.

Expenses and Taxes

We have assumed 10% of benefits is required for the cost of sponsoring the program for life insurance. We have assumed taxes and expenses are included in the premium rates for health and dental benefits. This is the same assumption that was used in the previous valuation.

SECTION D—
SUMMARY OF POST-RETIREMENT BENEFITS

The following is a summary of the plan provisions that are pertinent to this valuation.

GOVERNING DOCUMENTS

The program is governed by the following documents:

- Collective Agreement between Lakefront Utility Services Inc. and Local 25 Canadian Union of Public Employees (Outside and Office Employees) in full force and effective from February 1, 2007 until January 31, 2010.
- Letter of Understanding – Early Retirement Benefit Policy for employees of Lakefront Utility Services Inc., including the Union membership (for the term February 1, 2007 to January 31, 2010), signed July 18, 2007.
- Sun Life Benefits Booklet – Contract #50226, effective June 1, 2006.

What follows is only a summary of the post retirement non-pension benefit program. For a complete description, please refer to the above-noted documents.

ELIGIBILITY

Upon retirement, all employees of the Corporation are eligible for post-retirement life insurance.

All employees who retire on an unreduced early pension from the Ontario Municipal Retirement System (OMERS), between the ages of fifty-five (55) and sixty-five (65) years are eligible for post-retirement health and dental benefits.

PARTICIPANT CONTRIBUTIONS

The Lakefront shall pay 100% of the cost of the life insurance, while health and dental benefits for the retirees are provided on the cost-sharing basis as described in the following:

Retirement Age	% of Benefit Cost Employee	% of Benefit Cost Lakefront
55-59	50%	50%
60-61	25%	75%
62-64	10%	90%

PAST SERVICE

Past service is defined as continuous service prior to joining the plan if the participant was employed with another electrical distribution company/hydro prior to joining the Corporation.

LENGTH OF SERVICE

Length of service is defined as continuous service from the date of hire to the valuation date, measured in years and months.

SUMMARY OF BENEFITS

Life Insurance
All eligible employees are entitled to receive lifetime post-retirement life insurance, as per the MEARIE plan, administered by Great West Life, based upon the following table:

Plan Option	Amount of Coverage	Eligibility
1	Flat $2,000.	If employee retires with less than 10 years of service in the Plan.
2	50% of Final annual earnings reducing by 2.5% of Final annual earnings each year thereafter for 10 years, to a Final benefit equal to 25.0% of Final annual earnings. Reduction occurs on anniversary date of retirement.	If employee was ever insured under Employee Plan options 2, 3 or 4, **or** if employee retires with 10 or more years of service in Plan but was never in superseded plan.
3	50% of Final annual earnings	If employee was insured under superseded plan and was hired on or after May 1, 1967 and elected coverage under Option 1 only.
4	70% of the Final amount insured for under the life plan immediately prior to retirement.	If employee was insured under the superseded plan and was hired before May 1, 1967 and elected coverage under Option 1 only.
5	Amount of retirement insurance coverage in force under superseded plan grandfathered.	Frozen group of insured whose retirement occurred under superseded plan prior to transfer to Great West Life (formerly Canada Life).

Health and Dental Benefits

All eligible employees are entitled to receive post-retirement health and dental benefits until age 65.

Retiree Spouse & Dependent Coverage
In the event of a death of a retiree, prior to age 65, the retiree's spouse (and any applicable dependents) may remain on the benefit plan until the retiree would have attained the age of 65. However, they will be responsible for the full cost of the 'Retiree Benefit Coverage'.

A detailed description of the health and dental benefits covered under the post-retirement non-pension benefits program can be found in the above-noted documents.

SECTION E
EMPLOYER CERTIFICATION

Post-Retirement Non-Pension Benefit Plan
of Lakefront Utility Services Inc.
Actuarial Valuation as at January 1, 2009

I hereby confirm as an authorized signing officer of the administrator of the Post-Retirement Non-Pension Benefit Plan of Lakefront Utility Services Inc. that, to the best of my knowledge and belief, for the purposes of the valuation:

i) the assumptions upon which this report is based as summarized in Section C are management best estimate assumptions and are adequate and appropriate for the purposes of this valuation;

ii) the membership data summarized in Section B is accurate and complete; and

iii) the summary of Plan Provisions in Section D is an accurate and complete summary of the terms of the Plan in effect on January 1, 2009.

LAKEFRONT UTILITY SERVICES INC.

July 14/10
Date

Stewart Cunningham
Signature

Stewart Cunningham
Name

Treasurer
Title