

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Lakefront Utilities Inc.

We have audited the accompanying schedule of variance accounts 1588 and 1589 of Lakefront Utilities Inc., for the period from January 1st, 2016 to December 31st, 2017, and a summary of significant accounting policies and other explanatory information, hereby referred to as "the financial schedule". The financial schedule has been prepared by management in accordance with Article 490 of the Accounting Procedures Handbook for Electricity Distributors as published by the Ontario Energy Board effective January 1, 2012 and Guidance, and Frequently Asked Questions issued by the Ontario Energy Board from time to time.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial schedule of Lakefront Utilities Inc. in accordance with Article 490 of the Accounting Procedures Handbook for Electricity Distributors as published by the Ontario Energy Board effective January 1, 2012 and Guidance, and Frequently Asked Questions issued by the Ontario Energy Board from time to time, and for such internal control as management determines is necessary to enable the preparation of the financial schedule of Lakefront Utilities Inc. that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial schedule of Lakefront Utilities Inc. is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial schedule of Lakefront Utilities Inc., for the period from January 1st, 2016 to December 31st, 2017 is prepared, in all material respects in accordance with Article 490 of the Accounting Procedures Handbook for Electricity Distributors as published by the Ontario Energy Board effective January 1, 2012 and Guidance and Frequently Asked Questions issued by the Ontario Energy Board from time to time.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 1 to the financial schedule, which describes the basis of accounting. This financial schedule is prepared Lakefront Utilities Inc. in order to comply with the financial reporting provisions of the Ontario Energy Board, in accordance with Article 490 of the Accounting Procedures Handbook for Electricity Distributors. As a result, this financial schedule may not be suitable for another purpose and should not be distributed to parties other than Lakefront Utilities Inc. or the Ontario Energy Board.

Chartered Professional Accountants
Licensed Public Accountants

Collins Barrow Kawartha LLP

Jeff Taylor, CPA, CA
Peterborough, Ontario

August 23, 2018

Lakefront Utilities Inc.

Schedule of variance accounts 1588 and 1589

For the Period 1-1-2016 to 12-31-2017

Account #	Account Description	Prior Balance As at December 31st, 2017	2016 Adjustments (Note 2)	2017 Adjustments (Note 2)	Closing Balance As at December 31st, 2017
02-100-1588-0000	RSVA Power Principal	\$638,965.68	(\$1,390,292.67)	\$2,373,485.16	\$1,622,158.17
02-100-1588-1000	RSVA Power Interest	\$8,334.87	(\$7,752.77)	(\$12,409.07)	(\$11,826.97)
02-100-1589-0000	RSVA Global Adjustment Principal	\$865,622.90	\$1,390,292.67	(\$2,373,485.16)	(\$117,569.59)
02-100-1589-1000	RSVA Global Adjustment Interest	(\$20,291.98)	\$7,752.77	\$12,409.07	(\$130.14)

Note 1 Basis of Accounting - Significant Accounting Policies

The Schedule of variance accounts 1588 and 1589 of Lakefront Utilities Inc. have been prepared in accordance with Modified International Financial Reporting Standards ("MIFRS")

The Company is licensed and regulated by the Ontario Energy Board (OEB) under the authority of the Ontario Energy Board Act, 1988
Per the Ontario Energy Board Accounting Procedures Handbook (APH) For Electricity Distributors Issued December 2011:

"The accounting procedures and requirements set out in this APH apply to a distributor that prepares its financial accounting records and reporting on the basis of CICA Handbook Part I – International Financial Reporting Standards.

The Board generally requires regulatory filing and reporting under IFRS, as modified for regulatory purposes by the Board (modified IFRS or MIFRS)."

Note 2 Adjustments

Management identified issues with the split of charge type 148 for the cost of power from the IESO and corrected the balances prior to the audit.