Lakefront
Utilities
Inc.

July 30, 2021

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, 26th Floor, P.O. Box 2319
Toronto, ON M4P 1E4

Re: Lakefront Utilities Inc. 2022 COS Rates Application, Interrogatory Responses
Board File No.: EB-2021-0039

Dear Ms. Walli:

Pursuant to Procedural Order No. 1 in the above noted matter, please find enclosed Lakefront Utilities Inc.'s (LUI/Lakefront) interrogatory responses to Board Staff, Vulnerable Energy Consumers Coalition (VECC), Energy Probe (EP), School Energy Coalition (SEC), Cobourg Taxpayers Association (CTA), and Northumberland Hills Hospital (NHH).

Lakefront Utilities has updated several models and has submitted them in live Excel format.

Should the board have questions regarding this matter please contact Adam Giddings at agiddings@lusi.on.ca or myself at dpaul@lusi.on.ca

Respectfully Submitted,

Dereck C. Paul
President
Lakefront Utilities Inc.

Cc: Adam Giddings, Director of Regulatory Finance
Cc: Michael R. Buonaguro – counsel to the Applicant
Cc: Manuela Ris-Schofield – consultant to the Applicant

EB-2021-0039
Interrogatory Responses from Lakefront Utilities Inc.
2022 Cost of Service Rate Application
Lakefront Utilities Inc.
July 30, 2021

Contents

Overall

0-Staff-1
Letters of Comment

Following publication of the Notice of Application, the OEB received 1 letter of comment. Section 2.1.7 of the Filing Requirements states distributors will be expected to file with the OEB their responses to the matters raised within letters of comment sent to the OEB related to the distributor's application. If the applicant has not received a copy of the letters of comments, they may be accessed from the public record for this proceeding.

Please file a response to the matters raised in the letters of comment referenced above. Going forward, please ensure that responses to any matters raised in subsequent comments or letter are filed in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

Lakefront Utilities Response

Lakefront has filed a response to the matters raised in the letter of comment. Lakefront confirms that the response did not include personal information.

0-Staff-2
Updated Revenue Requirement Work Form (RRWF) and Models

Upon completing all interrogatories from Ontario Energy Board (OEB) staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on Sheet 3 Data_Input_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documents on Sheet 14 (Tracking Sheet) and may also be included on other sheets in the RRWF to assist understanding of changes.

In addition, please file an updated set of models that reflects interrogatory responses. Please ensure the models used are the latest available models on the OEB's 2022 Electricity Distributor Rate Applications webpage.

Lakefront Utilities Response

Lakefront has filed an updated RRWF model along with an updated set of models that reflects interrogatory responses.

As noted in Lakefront's error checking response, the following have been updated:

1. The Ontario Electricity Rebate credit value used for the purposes of calculating the Cost of Power was updated to 18.92% from the original 21.20%.

2. The forecast commodity prices in Chapter 2 Appendices – Appendix 2-ZA were updated May 1, 2020 https://www.oeb.ca/sites/default/files/rpp-price-report-20210422.pdf

3. Lakefront's filing had calculated LEAP funding of $6,213 (Exhibit 4 Page 49). Based on changes to the filing, the updated LEAP funding is $6,247.

0-Staff-3
Updated Bill Impacts

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated Tariff Schedule and Bill Impact model for all classes at the typical consumption / demand levels (e.g. 750 kWh for residential, 2,000 kWh for GS<50, etc.).

Lakefront Utilities Response

Lakefront has provided an updated Tariff Schedule and Bill Impact model for all classes at the typical consumption/demand levels.

1.0 Planning

1.1-Staff-4
Ref: Exhibit 2, Distribution System Plan, Page 70

Preamble:

LUI reports that the customer engagement activities related to capital projects they arranged were not well attended. LUI mentions conducting in-depth discussions with those in attendance and followed up with phone calls and emails with other customers that could not attend the sessions.

Question(s):

a) What did LUI do to encourage attendance and participation?

b) What were the results of LUI follow up with phone calls and emails with customers that could not attend the sessions? What percentage of customers reached through phone calls and emails replied to LUI with their feedback?

Lakefront Utilities Response

a) For the three Neighbourhood Consultations, LUI directly mailed invitations to customers who would be impacted by the proposed capital projects. Included in the invitation was an overview of the proposed project, supporting details for why the project was a priority, timelines, details on service disruptions, and financial proceedings. LUI also promoted the Consultations on EngageCobourg.ca, Facebook and Twitter. Details of the projects were available on EngageCobourg.ca.

b) Customers who could not attend the consultations but had questions were encouraged to directly contact the Director of Engineering and Operations and/or Manager of Asset Management. Lakefront received seven inquiries and 100% of customer inquiries regarding the Neighbourhood Consultations were responded to.

1.1-Staff-5
Ref 1: Exhibit 2, Distribution System Plan, Page 89
Ref 2: Appendix 2 - AA

Preamble:

The listing of material investments in the DSP for 2022 do not match the listing of projects in Appendix 2 – AA, in category or amounts.

For example, in the DSP, LUI forecasts Underground Miscellaneous and Overhead Miscellaneous as System Renewal capital projects costing $45k each. However, in Appendix 2 – AA, Underground Miscellaneous and Overhead Maintenance are included under System Service and forecast at $73k each in 2022.

Question(s):

a) Please rectify the inconsistencies between Appendix 2 – AA and the DSP and resubmit both tables.

Lakefront Utilities Response

Below is the updated table that was included in the Distribution System Plan, Page 89 with highlighted changes.

Category	Project Name	Estimated Cost
System Access	New Services	$45,000
System Renewal	Elgin St. – Birchwood to Chipping Park	$260,000
	Parliament St. – 25 Parliament to 89 Parliament	$150,000
	ROW 44/27.6kV – Pole 73 to Burnham St.	$240,000
	Kerr St. ROW – Victoria Station to Division St.	$195,000
	Victoria St. – Victoria Station to King St.	$160,000
	Pole Replacements	$50,000
	Brook F5 Feeder/Kerr St. ROW Pole Line	$380,000
System Service	Underground Miscellaneous	$73,000
	Overhead Miscellaneous	$72,000
	Buck St. – 28kV Conversion	$35,000
	Covert St. and King St. Backyard – 28kV Conversion	$110,000
	Seal Expiry Meter Replacement	$30,000
General Plant	Tools	$10,000
	Facilities - Buildings	$10,000
	IT Hardware & Software Upgrades	$40,000
Total		**$1,860,000**

1.1-Staff-6
Ref: Exhibit 2, Distribution System Plan, Pages 79

Preamble:

The System Access capital budget from 2023 to 2026 is on average $307k per year. The System Access capital expenditure for 2020 to 2022 is on average $75k per year. The actual System Access capital expenditure from 2017 to 2019 was on average, $279k per year, $139k more than planned during the same period.

Question(s):

a) Why was the actual System Access capital expenditure during 2017 to 2019 more than the planned System Access capital expenditure during the same period?

b) Please clarify the reasons the forecast System Access expenditures from 2023 to 2026 are higher compared to 2020 to 2022. Include a list of known projects and budgets.

Lakefront Utilities Response

a) System access projects are customer-driven and are typically not planned or cannot be planned with a high degree of accuracy. LUI does attempt to minimize the variances with proactive engagements with developers and customers.

   Some of the fluctuations in system access are as follows:

   2017 – implementation of outage management system
   2018 – installation of Bell Fibe network
   2019 – meter replacement projects due to seal expiry

b) As noted, System Access projects are typically not planned and therefore preparing a forecast of future System Access expenditures is complex. Lakefront's 2017 to 2020 actual System Access expenditures was an average of $222,441, although the 2021 and 2022 are forecasted to be $45,000 each year based on known projects. The forecasted expenditures for 2021 to 2022 and for the period 2023 to 2026 could fluctuate depending on actual customer-driven projects.

   There are no know projects included in the System Access expenditures for 2023 to 2026.

1.1-Staff-7
Ref 1: Exhibit 2, Appendix A – Asset Condition Assessment

Preamble:

In its 2017 rate application (EB-2016-0089, Exhibit 2 – Rate Base, page 106, Lakefront Utilities stated in 2016 it had in service 1,239 distribution transformers, specifically 718 pole top transformers and 521 pad mounted transformers. In this proceeding, Lakefront Utilities has stated it has in service 75 fewer distribution transformers, specifically 88 (12%) fewer pole mounted transformers and 13 (2.5%) more pad mounted transformers.

Question(s):

a) Please explain the decrease in the number of pole mounted transformers in service in 2021 compared to 2017.

Lakefront Utilities Response

As Lakefront works on pole line rebuild projects, the older 10kVA to 25kVA transformers are being replaced by 50kVA to 100kVA transformers allowing more services to be connected to a single transformer. Another reason for the decrease in the pole mounted transformers is the improvements in GIS and asset management to ensure that the electronic data reflects the most up-to-date assessment of the assets in the field.

1.1-Staff-8
Ref: Exhibit 2, Appendix 2-AB (revised June 18, 2021)

Preamble:

Gross system renewal expenditures over 2017-2021 averaged $961k per year, which is 78% of the planned expenditures over the same period.

Planned system renewal expenditures over 2022-2026 are $1,134 per year, which is 18% more than actual amounts over the previous 5 years.

Question(s):

How do the following support increases in system renewal spending?

a) LUI's customer preferences.
b) The ACA
c) Reliability performance

Lakefront Utilities Response

a) Expenditures within the System Renewal category are largely driven by the condition of distribution system assets and play a crucial role in the overall reliability, safety, and sustainment of the distribution system. As indicated in the Customer Satisfaction Surveys conducted through RedHead Media, customer rank reliability as the most important.

Further, Lakefront's Customer Satisfaction Index Score decreased in 2020, primarily the result of dissatisfaction related to increased outages that occurred in 2020.

b) The ACA assists with managing the health of the asset population at acceptable levels, mitigating further deterioration of the assets than the current state. Consequently, the System Renewal spending prioritizes assets that are rated as poor or very poor in the ACA.

   Further, as indicated in the ACA, there are a number of wood poles found to be in poor or very poor condition. Included in System Renewal spending is the pole replacement program which focuses on replacing wooden poles which exhibit signs of deterioration.

c) Lakefront has positive reliability stats, but there is room for improvement. There is a positive perception that Lakefront provides a reliable power supply and the importance of reliability is indicated in the Customer Satisfaction Survey.

1.1-Staff-9
Ref 1: Exhibit 2, Asset Condition Assessment, Page 39
Ref 2: Exhibit 2, Appendix 2-AB (revised June 18, 2021)

Preamble:

LUI's DSP Implementation progress is measured by two sub-metrics
i i. budgeted gross capital spending compared to actual spending
ii ii. completion of planned projects at the beginning of the year to the actual projects completed at the end of the year.

The DSP implementation progress measure has been shown as "complete" for 2016 through 2020.

Question(s):

a) Please explain the DSP Implementation Progress measure rating of complete, with respect to system renewal actual expenditures being less than planned expenditures, over 2017-2021. Did LUI complete the planned projects during 2017-2020? Provide details by asset class.

b) For the historic period and 2022 please list and briefly describe projects in system renewal, system service and general plant have been categorized by LUI as mandatory.

Lakefront Utilities Response

a) Lakefront's DSP Implementation Progress measure of complete refers to the circumstances surrounding the filing of the DSP. That is, Lakefront filed a DSP in its 2017 Cost of Service

(EB-2016-0089). Below is a summary of the DSP Implementation Progress measure as indicated on LDC's 2019 Scorecard, excluding those LDCs that filed as a percentage.

Scorecard Label	# of LDCs
Above Target	1
At Budget	1
Below Budget	1
Complete	2
Completed	7
Established	1
Excellent	1
Implemented	1
In Progress	3
In-Progress	1
N/A	1
On Plan	1
On Target	1
On Track	2
Pending	1
Trending Up	1
Total	**26**

The OEB has not defined how the DSP Implementation Progress should be measured and as indicated in the table above, there is a wide range of definitions amongst the LDCs.

Below is a summary of projects not completed as per the 2017 DSP during 2017 to 2020, by asset category.

Category	2017	2018	2019	2020
System Access	0	0	0	0
System Renewal	0	0	260,700	744,700
System Service	134,640	99,000	0	0
General Plant	35,000	75,000	415,000	465,000
Total	**169,640**	**174,000**	**675,700**	**1,209,700**

Further to the above, the general plant items relate to a pole trailer, dump truck, two distribution vehicles, and two bucket trucks, that were not replaced. Overall, the cancellation of the general plant items accounts for 26% of the total projects not completed. There is detailed analysis in section 4.3 of the DSP that provides a description of the capital spending in 2017 to 2020.

b) Lakefront's definition of mandatory projects includes but is not limited to those required to meet statutory and regulatory obligations found in the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998,* maintain compliance with regulatory instruments that govern energy industry participants (e.g. the Distribution System Code), meet its conditions of service, and to ensure the safety of its employee, contractors, the public, and its assets.

1.1-Staff-10
Ref: Exhibit 2, Asset Condition Assessment, Page 30

Preamble:

In explaining the Wood Poles Asset Condition Assessment in Exhibit 2, LUI states that:
The remaining strength condition parameter is a quantitative measurement that provides adequate evidence of the deterioration of the operational health of the asset.

LUI included additional conditional parameters include service age, wood rot presence, mechanical defects, and the leaning of the wood poles.

Question(s):

a) Please explain the method LUI uses to measure the remaining strength condition parameter. Does LUI use hammer testing, drilling or another?

Lakefront Utilities Response

Lakefront has been contracting out the pole testing to Ontario Pole Inspection (OPL). OPL uses visual, sound and bore method to determine the condition of the pole. Further, pole year and install date is also used to determine remaining strength of the pole.

1.1-Staff-11
Ref: Exhibit 2, Asset Condition Assessment, Pages 28, 30-32, 72

Preamble:

In explaining the Wood Poles Asset Replacement Plan in Exhibit 2, LUI states that:

> The ACA has determined that 702 wood poles are in fair condition, 90 poles are in poor condition, and 37 poles in very poor condition.

Per Table 3-1 in the ACA, the Implications of equipment categorized as fair are:

> Increased diagnostic testing; possible remedial work or replacement needed depending on the unit’s criticality.

The ACA recommends replacement of 55 wood poles per year from 2020 to 2025.

Question(s):

a) How many wood poles per year does LUI project deteriorating from the grouping of fair, good and very good categories into the grouping of poor and very poor categories?

b) Does LUI plan to replace 55 wood poles per year, through targeted system renewal projects and/or the other capital categories (system service and system access) as outlined in the ACA? For 2022, provide a list of projects, budgeted costs and the number of poles to be replaced in each project.

c) Please explain the method LUI uses to determine which poles to replace as part of the Wood Poles replacement program. Are all the wood poles planned for replacement from 2020 to 2025 are determined to be in Poor or Very Poor condition from the Asset Condition Assessment?

d) When will the 37 poles categorized in very poor condition be replaced?

e) Please provide the average installed cost per pole replacement achieved by LUI over the historical period 2017 to 2021.

f) Please provide the cost per installed pole replacement that LUI is projecting each year of the 2022 to 2025 time period.

g) Please provide the methodologies LUI is anticipating that will allow it to attain the greatest efficiencies for pole replacement in carrying out this work (e.g. improved work methods, different workplace setups, batch replacements at nearby locations, improved equipment, newer types of tools).

Lakefront Utilities Response

a) As per "Extrapolated Health Index, there are 702 poles in fair category. To determine how many poles per year deteriorate from very good, good, and fair category to poor and very poor category, LUI will require another pole testing of the system. For the estimate, there are 666 poles in age group 31-40 year, over the period of the next 10 years, these poles are likely to deteriorate from fair to poor or very poor category. Based on this estimate, there will be an average of 67 poles per year over the 10 year period that will deteriorate to poor or very poor.

b) LUI does plan to change at least 55 poles per year through pole line rebuilds and pole replacement program as per the ACA. Following are the total pole changes that will occur through pole line rebuild in 2021 and 2022:

2021:
Elgin St – D'Arcy St to Birchwood Cr: 15 poles
King St – College St. to D'Arcy St.: 12
Victoria St Station to Ontario St.: Remove 24 pole (13 new poles)
Victoria St Station Egress: Remove 19 poles (7 new poles)
Parliament St – King St to 21 Parliament St.: 9 poles
Division St – Havelock St to Covert St: 9 Poles
Chapel St – College St to Division St: 5 poles
Total in 2021: 93 poles

2022: This is an estimate as the final designs are not completed.
Elgin St – Birchwood Cr to Chipping Park Cres.: 14 poles
Parliament St – 21 Parliament St to Town's limit: 25 poles
Kerr St ROW – P72 to Burnham St.: 19 poles
Victoria St. Station to Division St.: 14 poles
Victoria Station Colb to King St.: 12 poles
Brook F5 Feeder: 16 poles
Total in 2022: 100 poles

c) LUI's priority is to include as many poles as possible from fair, poor, and very poor category into pole line replacement jobs. For the poles from poor and very poor category that are not included in pole line replacement, such poles are changed as part of the pole replacement program. LUI aims to change poor and very poor poles from 2020 to 2025.

d) LUI has already changed 10 out of 37 poles categorized in very poor condition. The remaining 27 poles in very poor category will be replaced in pole line rebuild and pole replacement program.

e) 2018: Average cost per pole = $ 7,177.00
2019: Average cost per pole = $ 5,448.00
2020: Average cost per pole = $ 10,639.00

f) 2022: Average cost per pole = $ 3,846.00. Lakefront notes the cost could potentially fluctuate as a result of the pandemic and increasing costs, however Lakefront will adjust its budget accordingly.

g) To achieve greatest efficiencies, LUI has taken result from Pole Testing data and plotted them onto GIS system to visually see and determine if batch replacement is more efficient. In the future, LUI will also consider using Fully Pressure Treated wood poles rather than Butt Treated wood poles for better protection against harsh weather. Composite poles can also be considered in areas where poles are submerged in water for longer period.

1.1-Staff-12
Ref: Exhibit 2, Asset Condition Assessment, Pages 28, 42, 73

Preamble:

In the ACA LUI has classified 90 pad-mount transformers to be in fair condition and 3 pad-mount transformers to be in poor condition.

Per Table 3-1 in the ACA, the Implications of equipment categorized as fair are:

> Increased diagnostic testing; possible remedial work or replacement needed depending on the unit's criticality.

Question(s):

a) How many transformers categorized as fair has LUI determined are critical?

b) How many transformers per year does LUI project deteriorating from the grouping of fair, good and very good categories into the grouping of poor and very poor categories?

c) How many pad-mount transformers does LUI plan to replace per year?

d) When will the 3 pad-mount transformers in poor condition be replaced?

Lakefront Utilities Response

a) LUI performs visual inspection of all transformers in 1/3 of the service territory per year. Transformer condition is determined based on oil leak and rust indication. Based on the findings of the yearly inspection, LUI replaces the transformer deemed poor and very poor.

b) See response to a)

c) As mentioned above, LUI will replace transformers that are deemed poor and very poor during yearly inspection of the system. For 27.6kV conversion projects, LUI replaces the transformers that operate on 4.16kV to dual voltage transformers. Also, for pole line rebuild projects, LUI inspects the pad-mounted transformers to determine if they are required to be replaced due to oil leak and rust.

d) The 3 pad-mount transformers identified have already been replaced in 2020. LUI will continue to monitor if more transformers are identified as critical.

1.1-Staff-13
Ref: Exhibit 2, Asset Condition Assessment, Page 37, 73

Preamble:

LUI has age to evaluate the condition of underground primary cables. LUI has not had failures on underground primary cables and has not reported test results.

Question(s):

a) Does LUI plan to replace 0.75km of underground primary cables per year as outlined in the ACA?
b) If LUI plans to replace any amount of underground primary cables; a. Has LUI categorized any sections of underground cable as critical?
b. How has this replacement program been prioritized based on LUI's customers' input and/or preferences?
c. How does LUI identify and prioritize the sections of underground primary cables to replace?

Lakefront Utilities Response

a) The 3.75 km of the underground primary cables recommended by the Asset Condition Assessment work is forecasted for 2023 to 2026.

b) LUI plans to assess the areas of priority through visual inspections, cable failure historical data, and age as a proxy for medium-term and long-term planning for cable replacement locations.

c) Based on customer engagement, Lakefront focuses on maintaining existing reliability and service levels through prioritized, efficient, and paced investments.

d) Lakefront primarily uses cable and tracking cable fault data for future decisions.

1.1-Staff-14
Ref 1: Exhibit 2, Distribution System Plan, Page 81

Ref 2: Exhibit 2, Appendix 2-AB

Preamble:

Between 2017 and 2019 smart meters were replaced due to their seal expiring, resulting in $100k, $160k and $137k respectively of additions.

Question(s):

a) Why were the meters replaced instead of having the seals extended?
b) Were the meters in service for the manufacturer's stated useful life?
c) What is the useful life of the new meters?
d) Do the new meters have additional functionality that LUI will be using? If so, please explain.
e) What are the forecast expenditures for smart meter replacements in 2022?

Lakefront Utilities Response

a) A small group of new meters are purchased to start meter sampling for seal extension to avoid replacing the meter and therefore extending usable life. Meters are sampled in batches to avoid new meter purchases for the entire sample group. LUI supports meter seal extension in sample batches that were allowed by measurement Canada.

   Lakefront does reseal rather than replace meters when meter sampling results support resealing. If the testing indicates that resealing was not an option, then the meters are replaced.

b) The meters were in service for ten years. At that point, a seal reverification is required by Measurement Canada.

c) Fifteen years, although reverification of seals is required after ten years.

d) LUI plans on using the load data and loss of power notification. These functions are to assist in both LUI's outage management system and the analysis for system load planning. This outage notification information will also be posted on Lakefront's website, social media, and Lakefront's mobile application to inform and update customers in real time regarding response and estimated restoration time.

e) The forecast expenditures in 2022 are $30,000.

1.1-Staff-15
Ref 1: Exhibit 2, Page 30

Question(s):

For each of the Durham St. Substation and Victoria St. Substation rebuilds in 2017.

a) Provide a breakdown of the increased costs that totaled $830k.
b) What project controls were in place for the projects?

c) What alternatives were considered to the cost overruns?

d) What work was deferred or cancelled due to the cost overruns?

Lakefront Utilities Response

a) Below is summary of the increased costs for the projects:

Capital Project	Budget	Actual	Increase
Durham St. substation	370,000	472,539	102,539
Victoria St. substation	460,000	1,188,342	728,342
Total			**830,881**

Both projects included the replacement of existing oil re-closers, primary feeder cables, 4kV riser poles, 44kV termination pole, and station transformer. The existing oil reclosers were replaced with new solid di-electric reclosers with electronic relaying as well as SCADA monitoring and control. The station transformer had reached its end of life and Lakefront had seen an increase in unplanned costs, creating reliability issues. A comprehensive environmental conditions control, assessment and protection, as well as full time inspection and project management, were added.

b) Lakefront senior management reviews a monthly key performance indicator which compares actual spending vs budget for all capital projects. Senior management also have access to a dashboard through Microsoft Power BI which analysis capital spending daily. Further, senior management meets quarterly to discuss capital projects.

c) Lakefront considered postponing the capital project, however the increases occurred when the projects were substantially complete and therefore postponing the projects would have likely increased costs further.

d) One of the main projects deferred was the completion of the Pebble Beach conversion project. The project was scheduled to be completed in 2018 however Lakefront deferred until 2020.

Further, as noted in response to 1.1-VECC-1, as a result of the additional capital spending in 2016 and 2017, Lakefront prudently decreased capital spending in 2018 and 2019.

1.1-Staff-16
Ref: Exhibit 2, Distribution System Plan, Pages 30-33

Preamble:

Table 2-5 and Table 2-6 show a significant increase in SAIDI and SAIFI for 2019 and 2020 compared to 2016 to 2018 historical years. In addition, the SAIDI and SAIFI for 2019 and 2020 is significantly higher compared to LUI target.

Table 2-9 and Table 2-10 show customer hours interrupted by Defective Equipment, Human Element and Foreign Interference increased during 2019 and 2020 compared to 2016 to 2018.

LUI explains the increases in 2020 is contributed by equipment failures at LUI's substations.

Question(s):

a) Please clarify plans to halt the upward trend of SAIDI and SAIFI for 2021 and the forecast period.

b) Does LUI anticipate a reduction in SAIDI and SAIFI in the forecast period? Does LUI anticipate reaching its target as listed in Table 2-5 and Table 2-6 during the forecast period?

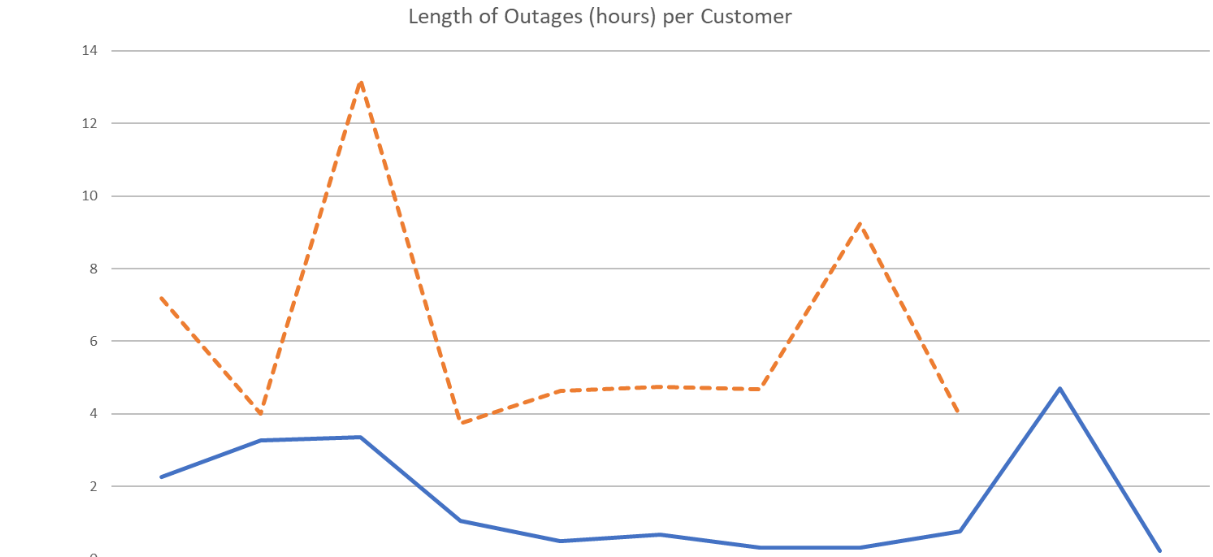
c) Please explain the event of a short across 2 phases of the 44 kV system in LUI's service territory which occurred in July 2019.

d) Please explain the events causing the increase in number of customer hours interrupted by Defective Equipment. How has LUI has taken the causes of these outages into account in the capital budget for the forecast period.

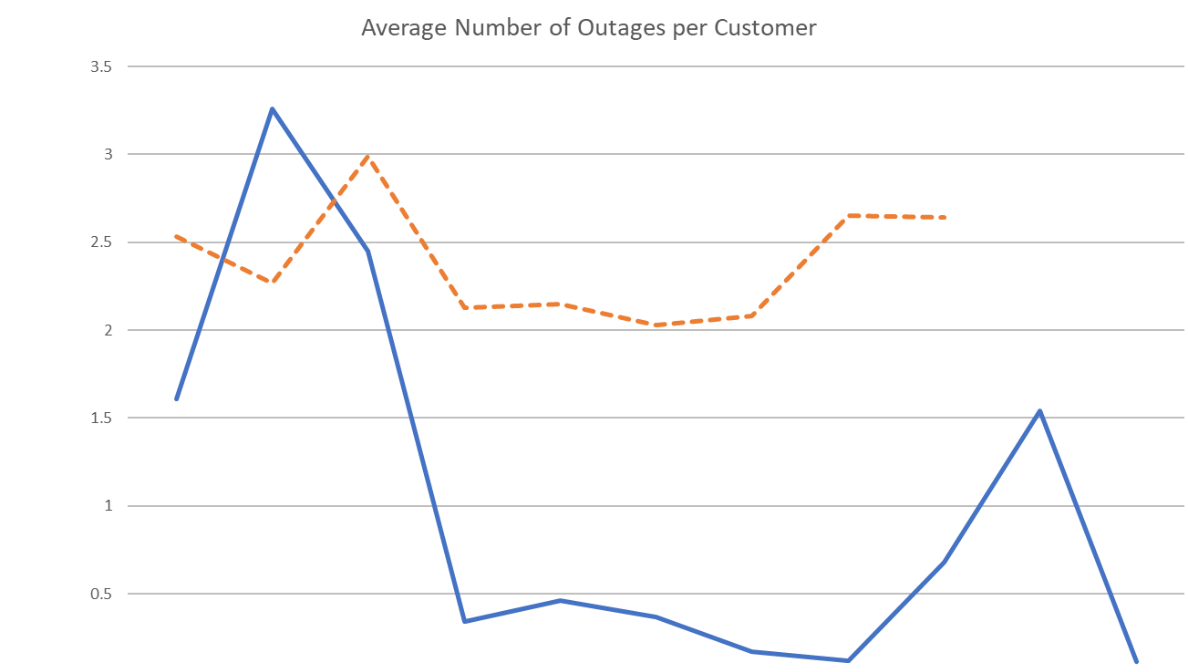
e) Does LUI anticipate the number of customer hours interrupted by Defective Equipment to decrease in the forecast period to the numbers during 2016 to 2019.

Lakefront Utilities Response

a) The increase in both SAIDI and SAIFI in 2019 and 2020 were the result of specific events and not indicative of Lakefront's distribution system. Below are the SAIDI and SAIFI statistics to June 30, 2021.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
LUI	2.26	3.27	3.36	1.06	0.49	0.67	0.32	0.32	0.76	4.69	0.23
Industry	7.19	4	13.2	3.73	4.64	4.75	4.67	9.25	3.94		



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
LUI	1.61	3.26	2.45	0.34	0.46	0.37	0.17	0.12	0.68	1.54	0.11
Industry	2.53	2.27	2.99	2.13	2.15	2.03	2.08	2.65	2.64		

Lakefront notes that although both SAIDI and SAIFI increased in 2019, the statistics were well below the industry average.

b) As indicated in the above, the increases in 2019 and 2020 were primarily the result of specific events and therefore it's likely that future SAIDI and SAIFI statistics will be reduced because the anomalies are not an annual occurrence.

The targets listed in Table 2-5 include 0.59 for SAIDI and 0.46 for SAIFI. As indicated in the table, both 2019 and 2020 included specific outages that are not expected to occur and the targets of 0.59 and 0.46 for SAIDI and SAIFI, respectively, are consistent with the period 2016 to 2018.

It is difficult for Lakefront to confirm that it anticipates a reduction in SAIDI and SAIFI and whether Lakefront plans to reach its target. Lakefront strives to minimize the number and duration of outages and their impact on all customers. However, power interruptions occur for various reasons, despite the degree of sophistication reached in energy distribution.

c) The outage that occurred in July 2019 was caused by a hawk/crow flying into two phases of 44kV which caused the 44kV feeder to trip at Port Hope TS which in turn caused the insulators to fail on the Kerr St. ROW.

d) The increase in number of customer hours interrupted by Defective Equipment was the result of the two significant outages that occurred in July 2020. That is, of the total customer hours of 46,938.50 related to Defective Equipment included on Table 2-10, 46,787.50 or 99.68% was related to the July 2020 outage.

Considering the increase was related to specific events, it was not considered necessary to incorporate the causes into future capital budgets.

e) As indicated in response to d), the increase in outages related to Defective Equipment were related to two specific events, however it is unreasonable for Lakefront to anticipate the number of customer hours interrupted by Defective Equipment to decrease to be consistent with 2016 to 2019.

1.2-Staff-17
Ref: Exhibit 2, Appendix 2-AB

Preamble:

System O&M amounts are proposed to increase from 2021 to 2026, and were higher than planned from 2017 through 2020.

OEB staff calculate the average gross capital expenditures over 2017-2021 to be $1,718k per year. The proposed 2022 gross capital expenditure of $1,960k is $242k (14%) more than the average over 2017-2021.

Question(s):

a) As part of an informed Asset Management plan, could O&M costs be reduced through a more proactive asset replacement approach?

b) Please explain LUI's plans and resources to execute the larger amount of capital and O&M work in 2022 and later years.

Lakefront Utilities Response

a) Lakefront believes that the utility does have a proactive asset replacement approach, as demonstrated by its reasonable reliability (excluding specific events that occurred in 2020), reasonable OM&A cost per customer, and reasonable rates benchmarked against other utilities in the Province.

   Lakefront considers that O&M costs can be categorized as either controllable or uncontrollable. That is, some O&M costs are controllable and can be increased or decreased based on business decisions. Uncontrollable expenses cannot be influenced during the normal rhythm of business. For example, regardless of the asset replacement program, Lakefront performs tree trimming, fleet, and substations maintenance annually.

b) Lakefront's annual budgeting process includes a fully integrated approach to capital expenditure planning. Included in the capital planning and budgeting process is a review of the available staff hours and ability to complete the capital work required as per the Distribution System Plan. Senior Management and the LUI Board of Directors will review staff hours available for completion of capital work and if necessary, Lakefront will outsource some capital projects to ensure they are completed within budget.

1.2-Staff-18
Ref: Exhibit 4, Page 45

Preamble:

In EB-2016-0089, Table 2-JC, Vegetation Management costs for 2015, and forecast costs for the 2016 bridge year and 2017 test year, were less than $50k. Outsourced Tree Trimming Services in 2020 were more than $100k.

Question(s):

a) Why were the costs for vegetation management 100% higher in 2020 than 2017?
b) What did LUI include for vegetation management costs in 2022?
c) How does LUI plan and budget for vegetation management activities

---

Lakefront Utilities Response

a) The amount included Table 4.23 in Exhibit 4 for tree trimming service incorrectly included a 2019 invoice. The amount for 2020 should be $57,674. Further, the 2020 expenditures included $13,685 related to additional tree trimming in Colborne related to a specific issue and does not reflect the typical annual tree trimming cost.

b) LUI included $41,827 for vegetation management costs in 2022.

c) Lakefront's regular vegetation management is based on a regular cyclical geographical based schedule as well as input from routine inspections. Lakefront's budget is based on discussions with its third party subcontractor.

1.2-Staff-19
Ref: Exhibit 2, Distribution System Plan, Page 16

Preamble:

In explaining Customer Preferences and Expectations, LUI states that:

In the customer survey issued on the Municipality's website "Engage Cobourg", Lakefront asked customers how familiar they are with Lakefront Utilities which operates the electricity distribution system. Overall, only 25.8% indicated that they are very familiar with Lakefront.

LUI also presented that 82.20% of customers indicated they are either somewhat familiar or not familiar with how electricity distribution rates are set in Ontario.

Question(s):

a) Please provide details on steps LUI is taking to increase customer familiarity with LUI and informing customers regarding how electricity distribution rates are set in Ontario.

Lakefront Utilities Response

Educating and informing customers regarding how electricity distribution rates are set in Ontario is an intricate process as Ontario's fragmented system of distributing electricity is unique in Canada.

Lakefront believes the following has/will assist with increasing customer familiarity with how rates are set in Ontario:

1. The Customer Consultation Workbook, released after the survey, provided a high-level overview of how rates are determined and Lakefront's role in the process.
2. Lakefront releases a quarterly newsletter which provides operational information about Lakefront and new time-of-use rates, etc.
3. The annual report provides information on how rates are set and the breakdown of an average residential customer.
4. Professionally branded messages that play while a customer is on hold provide information on recent rate updates.
5. Lakefront's social media presence (through Facebook, Twitter, and website) provide a communication channel to update customers on recent rate changes.
6. Ongoing live stakeholder meetings are planned, including area focused meetings where major capital work is scheduled.

Despite the above, there has and continues to be confusion among the various classes of consumers regarding global adjustment and time-of-use rates.

1.2-Staff-20
Ref: Exhibit 1, Distribution System Plan, Page 41

Question(s):

a) Has LUI received its 2019 assessment for "Level of Compliance with Ontario Regulation 22/04", and if so, what was the assessment?

Lakefront Utilities Response

Lakefront confirmed with OEB Staff that the request is for the 2020 assessment. The completed assessment is attached as Appendix A.

1.2-Staff-21
Ref: Exhibit 2, Distribution System Plan, Page 16

Preamble:

In explaining Customer Preferences and Expectations, LUI states that:

> In the customer survey issued on the Municipality's website "Engage Cobourg", Lakefront asked customers how familiar they are with Lakefront Utilities which operates the electricity distribution system. Overall, only 25.8% indicated that they are very familiar with Lakefront.

LUI also presented that 82.20% of customers indicated they are either somewhat familiar or not familiar with how electricity distribution rates are set in Ontario.

Question(s):

a) Please provide details on steps LUI is taking to increase customer familiarity with Lakefront Utilities and informing customers regarding how electricity distribution rates are set in Ontario.

Lakefront Utilities Response

Lakefront believes this is a repeat of 1.2-Staff-19.

1.2-Staff-22
Ref: Exhibit 2, Distribution System Plan, Page 41

Preamble:

System Losses ranged from 4.13% to 4.84 over 2016 to 2018. System Losses decreased to 1.24% in 2019, and increased to 5.39% un 2020.

Question(s):

a) What contributed to the decrease in System Losses in 2019?
b) What contributed to the increase in System Losses in 2020?

Lakefront Utilities Response

Lakefront's distribution network is a combination of 27.6kV and 4.16kV. Distribution losses are different on each of the voltage systems. The combined overall loss rate across LUI's distribution network will vary year to year based on the percentage of energy delivered to customers through each voltage system.

1-SEC-1

[Ex.1, p. 6, 15, Ex. 9, p. 11] With respect to Covid-19:

a. Please provide an estimate of the impact of Covid-19 on Test Year operating costs.
b. Please explain how, if at all, LUI has taken into account the impacts of COVID-19 on the 2022 Load Forecast included in the Application. If it has, please provide details.
c. Please provide details of the amount included in Account 1509 for Covid related expenses.

Lakefront Utilities Response

a) As indicated in Exhibit 1, the Test Year operating costs do not reflect COVID-19 costs. Any COVID-19 costs are recorded in DVAD Account 1509. At this time, Lakefront cannot reasonably estimate the impact of COVID-19 on operating costs as any future costs would fluctuate depending on lockdowns, etc.

b) A description of the load implications was provided in Exhibit 1 Page 15 and further analysis was provided in Exhibit 3 Page 16.

c) The details of the amounts included in Account 1509 for COVID related expenses was provided in Exhibit 1 Table 1.0.

1-SEC-2

[Ex.1, p.9] Please provide the "comprehensive review of its cost structure" referred to.

Lakefront Utilities Response

The preparation of a Cost of Service involves, in essence, a full review of its cost structures. LUI's description of its accounting assumptions and budgeting are detailed at Exhibit 1 Page 51.

1-SEC-3

[Ex.1, p. 23, 34, Business Plan p. 14, Ex. 4, p. 38]. With respect to Lakefront Utilities Services Inc.:

a. Please confirm that Mr. Paul and Mr. Giddings work for LUSI, and not for LUI.
b. Please provide a list of employees (by position) of LUI.
c. Please provide the most recent financial statements of LUSI.

Lakefront Utilities Response

a) Lakefront confirms that Mr. Paul and Mr. Giddings are employees of LUSI with their time being allocated to LUSI and LUI as appropriate.

b) All employees work for LUSI.

c) A copy of the most recent financial statement of LUSI is provided in Appendix B.

1-SEC-4

[Ex.1, p. 38] Please provide a copy of the Shareholders Agreement referred to.

Lakefront Utilities Response

The shareholder agreement is included in Appendix G.

1-SEC-5

[Ex.1, p.51-52] With respect to the "examination of operating costs":

a) Please explain how the review of operating costs differs in a cost of service year versus an IRM year.
b) Please provide documentation and analysis reports prepared as part of the OM&A budget process, including without limitation, any senior staff evaluation of overall spending of LUI, any internal expense analysis, and any external expense analysis.

Lakefront Utilities Response

a) While an IRM is necessarily focussed on the incremental changes in needs from the current year to the next, the expectation within a COS application is a review of the progression of the company's OM&A spending over time, comparing the last Board approved year, the actuals for that year spanning to the most recent year of actuals, and the forecast used to build the Bridge year, all of which culminates in the development of an appropriate test year budget. In any particular year that a company is about to enter into within an IRM there are short term opportunities to reduce costs and short term increases in costs that you cannot avoid, causing any particular year to fluctuate against the average, while in preparing for a test year in a COS there is an obligation to prepare a budget that will form an adequate basis for rates over an extended period of time, smoothing out the one time fluctuations that will occur in any event.

Further, Lakefront performs a thorough analysis and reporting of its operating costs on a regular basis regardless of whether it's filing for a Cost of Service or an IRM application. That being said, given that the Board Approved operating costs for the test year serve as a benchmark for actual costs until the next Cost of Service application, LUI generally spends a considerable amount of time and effort preparing budgets which take into consideration the 5+ year impact on its customers, its overall performance, and its ability to maintain its distribution system.

b) Internal expense analysis was conducted utilizing the data presented in Exhibit 4:
   a. Table 4.2 (OEB Appendix 2-JA)
   b. Table 4.4 to Table 4.9
   c. Table 4.10 (OEB Appendix 2-JC)

   External expense analysis was conducted utilizing analysis presented in Exhibit 1:
   a. Scorecard analysis – Table 1.44
   b. PEG forecast model – Table 1.45

1-SEC-6

[Ex.1, p.52] Please provide a list of mandated projects by the Town of Cobourg.

Lakefront Utilities Response

Below is a summary of the mandated projects by the Town of Cobourg.

Year	Project
2018	George Court
2019	Pole Relocate
2020	44kV ROW - Kerrt St. to Ewart St.
2020	Cobourg Marina - Tx Upgrade
2020	Kerr St. ROW - Traffice and Streetlights

1-SEC-7

[Ex. 1, p. 53] Please provide the benchmarking report and results referred to.

Lakefront Utilities Response

The comment referred to OM&A increase, capital spending, projected FTE, and residential rate were benchmarked against other utilities. To summarize:

1. Total OM&A and capital spending are incorporated in the total cost per customer and benchmarked in the PEG forecast model, Table 1.45 – Exhibit 1.

2. Projected FTE was benchmarked against similar sized utilities, Table 4.17 – Exhibit 4.

3. Residential rate was benchmarked as summarized in Table 1.27 – Exhibit 1.

1-SEC-8

[Ex. 1, p. 58] Please provide an example of an actual lifecycle cost analysis prepared by the Applicant in the past year.

Lakefront Utilities Response

Lakefront's reference to lifecycle cost analysis was mentioned to describe Lakefront's operations maintenance strategy. The details are included in the Asset Condition Assessment (Exhibit 2 Appendix A) and the Distribution System Plan (Exhibit 2 Appendix B).

1-SEC-9

[Ex.1, p.60-61, 95] Attached to these interrogatories is a table of OM&A costs per customer from the 2019 OEB Electricity Distributor Yearbook. With respect to this table and the comparison of the Applicant's OM&A per customer to that of other LDCs:

a. Please confirm that, to the best of the Applicant's knowledge, the figures in the table are accurate.
b. Please confirm that 12 distributors had lower OM&A per customer than the Applicant, and 46 distributors had higher OM&A per customer than the Applicant.
c. Please confirm that, when compared to the ten LDCs closest in size to the Applicant, only one (E.L.K) had lower OM&A per customer than the Applicant.
d. Please confirm that, when outliers Toronto Hydro and Hydro One are removed, the Applicant's 2019 OM&A per customer was:
    i. 4.56% lower than the weighted average of the industry, and

ii. 22.60% lower than the simple average of other LDCs.

Lakefront Utilities Response

a) Lakefront confirms that the calculations for OM&A/customer, O&M per customer, and G&A per customer are accurate for Lakefront Utilities Inc. Lakefront cannot comment on the accuracy of other LDCs listed in the analysis.

b) Lakefront's review of the model indicates that 13 distributors had a lower OM&A per customer and 48 distributors had a higher OM&A per customer.

c) Lakefront confirms that when compared to the ten LDCs closest in size to Lakefront, only E.L.K had a lower OM&A per customer.

d) The calculation for 4.56% appears to be calculated based on North Bay Hydro Distribution Limited and the calculation for 22.60% appears to be calculated based on EPCOR Electricity Distribution Ontario Inc.

   Assuming Lakefront is correct, and the calculations should be updated to reflect Lakefront Utilities Inc, the adjusted percentages are 5.05% and 32.54%, respectively.

   Further, the above assumes that the calculations for all LDCs included in the analysis is accurate.

1-SEC-10

[Ex.1, p.61-62] Please provide any benchmark analysis of LUI's compensation against other comparable utilities that has been done in the last five years.

Lakefront Utilities Response

The only benchmark analysis of LUI's compensation against other comparable utilities that has been done the last five years was the Cornerstone Hydro Electric Concepts Association Ltd. (CHEC) wage and benefit analysis.

A copy of the analysis has been provided in Appendix F.

1-SEC-11

[Ex. 1, p. 88] SEC is surprised by the report by the Applicant that its customers are more concerned with reliability than with price, as this is inconsistent with all customer surveys we has seen previously. Please provide any information in the possession of the Applicant that explains this phenomenon, or in the alternative provide any other customer surveys that show reliability as more important to customers than price.

Lakefront Utilities Response

Lakefront is not in possession of any additional information that explains why customers are more concerned with reliability than with price. As Lakefront has the 6th lowest residential rate and 4th lowest operating costs, perhaps customers are less concerned with rates, and more concerned with reliability.

Further, Lakefront experienced two significant outages in 2020 which might have led to customers indicating that they are more concerned with reliability as opposed to price. Lakefront's review of the customer comments on the RedHead Media survey indicated that of the 148 comments, 39 or 26% related to reliability.

1-SEC-12

[Ex. 1, p. 94] Please provide an analysis of the large jump in Total Cost per customer and Total Cost per km. of line from 2019 to 2020.

Lakefront Utilities Response

The increase from 2020 is primarily the result of an increase in capital spending.
LUI notes that the 2020 total cost per customer and total cost per km of line in 2020 is an estimate calculated by Lakefront and Lakefront will update once the Scorecard and Yearbook are released.

Lakefront notes the Total Cost per customer and Total Cost per km of line is calculated by the Ontario Energy Board in coordination with the preparation of the annual Scorecard and the Yearbook.

1-SEC-13

[Ex. 1, App. A, Succession Plan] Please explain why any of the costs associated with the succession planning for LUSI are the responsibility of the regulated utility, which is not the employer of any of LUSI's employees.

Lakefront Utilities Response

Although LUI is not the employer of any of LUSI's employees, succession planning involves identifying, assessing, developing and sustaining employee skills required to successfully accomplish business goals and priorities.

That is, not properly planning for employee retirements would have an impact on LUI's ability to provide safe and reliability supply of electricity to its customers, provide efficient customer service, and continue with investment in aging infrastructure.

1-SEC-14

[Ex. 1, App. P, Succession Plan, p. 9] Please advise how many of the 7 people eligible to retire in 2020 actually retired in 2020.

Lakefront Utilities Response

As noted on page 9 of the Succession Plan, Table 1 was based on an employee's early retirement date (age 55 at a reduced pension) as opposed to an employee's retirement date based on when they reach their 90+ factor. The purpose of the Succession Plan and projection included in Table 1 was to identify employees that might retire so that senior management and the Board of Directors can begin to plan for the potential retirements.

2-SEC-1

[Ex.2, p30] Please provide an explanation and details of the unplanned additional costs incurred in Durham and Victoria substations projects.

Lakefront Utilities Response

Please see response to 1.1-Staff-15.

2-SEC-2

[Ex.2, p.34] Please provide cost details for the Pebble Beach project as well as the analysis that justified shifting the project from renewal to a service category.

Lakefront Utilities Response

The Pebble Beach cost breakdown is as follows:

Cost Breakdown	Amount	Details
Contractor Services	639,520	Directional bore, conduit/cable installation, engineering and design
Lakefront Labour	183,015	Includes vehicle time
Material	72,590	
Customer Consultation	1,287	
Total	**896,412**	

The Pebble Beach project involved both overhead and underground distribution system asset replacements as part of the 4.16 KV to 27.6 KV voltage conversion program. The underground distribution system assets were nearing the end of their service life. In an internal review at LUI, it was decided to re-categorize the project as a "system service" project as the primary driver for completing the project was voltage conversion. The project did have the secondary benefit of renewing the underground assets that were nearing the end of their service life.

2-SEC-3

[Ex.2, Appendix B, p.65, p74] Please provide records and analysis reports, if any, created during the capital budgeting process for Capital Planning for 2022-2026.

Lakefront Utilities Response

The following record and analysis reports were utilized during the Capital Planning process for the 2022-2026 time period:

- Pole testing results
- Asset Condition Assessment
- GIS Information
- SCADA (System loading data from January 2020)
- Raven Engineering Load Forecasting Reports (X2)
- Development Review Team (DRT) Meeting information (planned expansion of Cobourg)
- Northumberland County Utility Coordinating Meeting information (February 2020)
- Raven Engineering Substation Oil Analysis Test Reports
- Substation Inspection Reports
- Distribution System Inspection Reports
- Customer Engagement sessions information and feedback

2-SEC-4

[Ex.2, Appendix B, p.67] Please provide the study of the current system loading capacity and future growth potential commissioned by LUI that identified constraints within the load forecast period.

Lakefront Utilities Response

Please see Raven Engineering Load Forecasting Reports referenced in 2-SEC-3.

4-SEC-1

[Ex.4, p.6] Please provide the names and website information of the third party that conducted the IT gap analysis. Please also provide any work product that this third party produced.

Lakefront Utilities Response

During 2018, Lakefront engaged Baker Tilly KDN (https://www.bakertilly.ca) to conduct an IT services review to assess existing service delivery and the application of security controls within the information technology environment.

Pursuant to this review, Lakefront made an adjustment in their service provider and began a program of technical improvements in response to the proposed OEB Cyber Security Framework. The specific results of the review and the details of the technical program contain sensitive information regarding the security and operations of the IT environment at Lakefront and therefore cannot be released.

4-SEC-2

[Ex.4, p.11] Please provide costs details for and tasks completed in the IT services provided for complying with OEB cybersecurity requirements.

Lakefront Utilities Response

Lakefront notes the reference indicated in Exhibit 4 refers to an increase of approximately $38,825 in IT services attributed to switching IT service provider and complying with OEB cybersecurity requirements.

As summarized on Table 4.3 (OEB Appendix 2-JB), the costs were partially due to IT cybersecurity requirements and partially due to switching service provider. Consequently, breaking down costs between changing service providers and IT cybersecurity requirements is complex and cannot be completed in a reasonable time.

4-SEC-3

[Ex.4, p.26] Please provide further details relating to the costs of shared control room, including the identity and nature of the relationship with the other party, cost sharing arrangements, etc. Please also provide the factors other than cost that LUI took into consideration when it decided to choose the shared control room option.

Lakefront Utilities Response

The third-party in question regarding shared control room costs being explored is another CHEC (Cornerstone Hydro Electric Concepts) electric utility. As mentioned in our application, LUI continuously seeks out opportunities to reduce costs, to find economies of scope and scale and one such opportunity is collaborating or sharing costs with CHEC eighteen similar size members.

The cost of utilizing an established Control Room asset by a CHEC "partner" would be a fraction compared to other control room options LUI previously explored with neighboring utilities. And aside from costs, the utility has similar technology as LUI, i.e., SCADA, GIS systems, voltage network, understanding of utility's responsibility and responsiveness requirements, etc.

4-SEC-4

[Ex.4, Appendix B, p. 7] Please provide the amendment to this Agreement that removes LUI's obligation in the last sentence of Section 4.1.

Lakefront Utilities Response

There is no amendment to s. 4.1 of the referenced Agreement. As confirmed in Exhibit 4 at page 43 there are no Board of Directors costs from any of LUI's affiliates included in LUI's costs. As described in Exhibit 4, page 39, LUI is allocated a portion of costs for the services it obtains from LUSI using a cost allocation methodology, including an allocation of Executive costs.

1.1-VECC -1
Reference: Exhibit 2, pages 31-, Appendix B, DSP, Table 2-11

a) LUI significantly underspent its planned capital budget in both 2018 (47% completed) and 2019 (63% completed). Please explain the reasons for these shortfalls in planned capital additions.

b) Please confirm or correct that LUI underspent on its planned capital expenditures for the period 2017 through to 2020 by $1,060,000.

c) Table 2-11 at page 40 of the current DSP states that for each year 2016 through 2020 LUI has "Complete" DSP implementation progress. Please explain what "complete" means and how it was measured.

Lakefront Utilities Response

a) Lakefront has calculated the underspending in 2018 and 2019 as 49.41% and 31.76%, respectively, summarized as follows:

Year	2017 Board Approved	Actual	Over/(Under) Spending	Over/(Under) Spending
2017	$1,642,800	$2,157,649	$514,849	31.34%
2018	$1,642,800	$831,073	($811,727)	(49.41%)
2019	$1,642,800	$1,121,066	($521,734)	(31.76%)
2020	$1,642,800	$1,840,533	$197,733	12.04%
Total	$6,571,200	$5,950,321	($620,879)	(9.45%)

In 2016, Lakefront overspent by $862,424 or 41.09% based on the 2012 Cost of Service Board Approved spending. As a result of the overspending in 2016 and 2017, Lakefront reduced spending in both 2018 and 2019 to responsibly manage its cash flow effectively.

b) Based on the above, Lakefront calculates the underspent on planned capital expenditures from 2017 to 2020 to be $620,879. However, including the overspend in 2016 of $862,424, Lakefront overspent for the period 2016 to 2020 by $241,545.

c) Please see response to 1.1-Staff-9.

1.1-VECC -2

Reference: Exhibit 2, Table 2-1, page 15

a) Please show the amount of capital contributions by the associated category (i.e., contributions associated with the System Access, Renewal Service or General Plant categories).

b) What are the capital contributions in 2021? In responding, please specify as to how LUI books contributions (i.e., as accrued or upon payment).

Lakefront Utilities Response

a) Below is a summary of the capital contributions by associated category.

Category	2017	2018	2019	2020	2021	2022
System Access	($22,729)	($356,852)	($137,390)	($126,027)	($100,000)	($100,000)
System Rewewal	($179,698)	($2,000)	$500	($142,205)	$0	$0
System Service	$0	$0	$0	$0	$0	$0
General Plant	$0	$0	$0	$0	$0	$0
Total	**($202,427)**	**($358,852)**	**($136,890)**	**($268,232)**	**($100,000)**	**($100,000)**

b) Lakefront has included $100,000 as capital contributions in 2021 and books contributions based on the accrued method.

1.1-VECC -3

Reference: Exhibit 2, Appendix 2-AA

a) Please amend Appendix 2-AA to include 2020 Actuals (if not already presented) and add a column showing 2021 July 1 (6 month) actual costs incurred.

Lakefront Utilities Response

The 2020 actuals are already presented in Appendix 2-AA. Below is an update to the 2021 capital spending at June 30, 2021. As Appendix 2-AA is significant, Lakefront has provided a separate summary below, for simplicity.

Projects	2021 Bridge Year per Appendix 2-AA	Balance at June 30, 2021
Reporting Basis	**MIFRS**	**MIFRS**
System Access		
New Services	45,000	40,915
New Amherst - Stage 1/2		364
East Village Phase 1 Stage 4		2,169
East Village - BGS Homes		1,977
66 Strathy Bldg G and F		304
Mason Homes - 425 King St. E		857
Coast Guard - Service Upgrade		443
Normar and Thomson - New Service		1,411
Foxtail Ridge		4,150
New Amherst Stage 2 Phase 2		593
377 William St. Development		182
Rondeau Subdivision - Tribute		1,304
Freedom Mobile Tower - Colborne		19,665
Albert St.		813
MIST meter install		1,718
265-327 Elgin St. E		421
Battery Storage - Jebco		2,027
Jebco - 1M Load Addition		736
Dodge St. - New Pole Line		631
CWT - 2MW 44kV Service Upgrade		421
Brock St. Brewery - New Service		421
Tribute Homes - New Pole Line		894
Canada Candy Company		217
Giant Tiger - NH Mall		1,289
555 Courthouse Rd - Temp Service		856
555 Courthouse Rd - New Service		5,449
432 King St. E - Tim Hortons		5,264
Tribute Homes - Temp Service		3,760
1111Elgin St. Bldg D - New Service		4,176
Foodland - Transformer Upgrade		956
Net Metering - 19B Park St. Colborne		185
415 King St. West - New Primary		1,977
Courthouse Rd - New Pole		1,168
New Service - 325 University Avenue		2,613
Sub-Total	**45,000**	**110,324**
System Renewal		
Rotten Poles	50,000	2,832
Parliament Street - Hwy 2 to 21 Parliament Street	65,000	24,339
Victoria Street Station to Ontario Street (Cobourg)	140,000	3,591
Victoria Street Station - Station Egress Rebuild	185,000	4,003
Elgin Street - D'Arcy Street to Birchwood Street	255,000	158,301
Delta to Wye Conversions	50,000	0
Primary Meter M4 Replacement		12,523
Primary Meter M17 Replacement		599
Sub-Total	**745,000**	**206,188**
System Service		
Underground Miscellaneous	60,000	1,204
Overhead Miscellaneous	30,000	677
King Street East - College Street to D'Arcy Street	225,000	5,348
Division Street - Havelock Street to Covert Street	140,000	108,510
Chapel Street - Division Street to College Street	55,000	58,779
Victoria Street Station Capacity Upgrade	20,000	0
Brook Road Station Capacity Upgrade	20,000	7,679
Seal Expiry Meter Replacement	55,000	37,965
215 King St. E - Capital Upgrade		52
181 King St. E - Capital Upgrade		112
Burnham St. (Rail Crossing)		22,913
SCADA radio replacement		1,204
Outage Management System		94,865
Sub-Total	**605,000**	**339,307**
General Plant		
Tools	10,000	6,725
Facilities - Building	10,000	1,904
IT Hardware	37,500	3,486
Dump Truck Replacement	75,000	0
Pickup Truck Replacement	35,000	0
Sub-Total	**167,500**	**12,115**
Total	**1,562,500**	**667,934**

1.1-VECC -4

Reference: Exhibit 2, page 46

a) It is explained that LUI experienced two major outages in July 2020 as the result of defective equipment at Victoria St. substation and the Brook Rd. Substation. Please explain the nature of these failures.

b) Please confirm (or correct) that the Brook Road substation had a transformer replaced in 2015 due to water ingress.

c) Please confirm (or correct) that the Brook Road Station Termination Pole and underground primary cables were installed by or before 2020 as per the prior Distribution Plan (EB-2016-0089, Exhibit 2, page 119 of 501).

d) Please confirm that the Victoria Station Rebuild project as outlined in the prior DSP was completed (see EB-2016-0089, Exhibit 2, page 160 of 501).

Lakefront Utilities Response

a) In July 2020, there was a failure that occurred at Victoria St station due to switchgear condensation. The fault occurred between two phases on the 27.6kV station bus. Due to the high fault current the copper bus melted, and bus support insulator failed. Lakefront acquired a third party to rectify the failed equipment.

   As a result of fault on Victoria St station, all the load was shifted onto the Brook Rd station. Due to the warm weather, the load in the system also increased causing the transformer breaker to trip. After several hours of investigation, it was determined that the relay settings were set at 60% of the capacity to protect the transformer from overload. After consultation with the 3rd party engineer, it was agreed that the capacity can be increase to 90% with careful monitoring.

   On the evening of the Brook Rd station failure, Victoria St. station was repaired and commissioned to balance the load between the stations.

b) Brook Rd. station transformer was replaced in 2015 due to lightning strike.

c) The termination pole and the underground primary cables at Brook station was completed in 2021.

d) Yes, Victoria Station Colborne was completed in the prior DSP.

1.1-VECC -5

Reference: Exhibit 2, Appendix B, DSP page 67 (PDF191)

a) LUI explains that voltage conversion (4.16kV to 27.6kV) is an objective of this DSP. At the completion of this DSP (December 2026) how many kilometers of 4.16kV plant are expected to remain in-service?

b) What performance metrics does the plan include to ensure the objective of replacing the 4.16kV system is achieved?

Lakefront Utilities Response

a) There will be no more 4.16kV plant remaining in service at the completion of this DSP. All the 4.16kV will be constructed for 27.6kV, however, some will still be energized at 4.16kV. To energize the plant to 27.6kV, LUI requires a new 27.6kV substation to accommodate the added load and it will require a strategic replacement of the fuses.

b) To achieve the objective of replacing 4.16kV system, LUI intends to complete one major street and its side streets every year for the period of this DSP. Project designs and calculations will be completed in advance to ensure any challenges and conflicts are addressed prior to the construction. During construction, engineers and field staff work closely for successful completion of the project.

1.1-VECC -6

Reference: Exhibit 2, Appendix B, DSP page 67 (PDF191)

a) During the term of the proposed DSP (2020-2026) does LUI have any plans for any new offices or garage buildings?

b) Does LUI have any plans to commission a study for such buildings any time during this DSP period?

Lakefront Utilities Response

During the term of the proposed DSP (2020-2026, Lakefront does not have any plans for new offices or garage buildings and Lakefront at this time does not have any plans to commission a study for such buildings during the DSP period.

1.1-VECC -7

Reference: Exhibit 2,

a) We are unable to locate any 2021 Material Project Assessment Forms. Has LUI provided detailed project descriptions for each of the material projects in the test year – i.e., for those system renewal projects shown in Appendix 2-AA? If so please provide that reference.

Lakefront Utilities Response

Lakefront did not complete 2021 Material Project Assessment Forms for the system renewal projects shown in Appendix 2-AA. A description of the forecasted investments are detailed in the Distribution System Plan, section 4.1.2.

1.1-VECC -8

Reference: Exhibit 2, Appendix B, DSP, page 89

a) Please explain what the $40,000 in IT hardware refers to.

Lakefront Utilities Response

The $40,000 IT hardware refers to capital additions related to technology and computer equipment, including laptops, servers, and peripherals. This includes the purchase of tablets and mobile handheld devices for line staff as we also move to a more mobile platform. The costs also include the annual replacement of computers and/or servers that have reached end of life.

1.1-VECC-9

Reference: Exhibit 2, Appendix B, DSP, page 89 / EB-2016-0089

a) Please confirm (or correct) that the Victoria Station to King St. project included as a major investment in 2022 ($160k), was also included in the previous DSP (EB-2016-0089, Exhibit 2, page 253). If correct please explain why this project was not completed under the prior DSP.

Lakefront Utilities Response

The two projects listed above are two separate projects. The 2016 project is expected to be completed in 2023 and was not originally completed due to the additional expense incurred for Pebble Beach.

1.1-VECC-10

Reference: Exhibit 2, Appendix B, DSP, page 89 / EB-2016-0089

a) LUI is proposing to spend approximately $1.1 million more in capital investments over the next five-year rate plan. Furthermore, LUI spent less than it had planned over the last plan period. Please explain why a more aggressive distribution system plan is necessary and why it is more likely than in the past period that the proposed capital plan will more closely be executed.

Lakefront Utilities Response

As summarized in response to 1.1-VECC-1, Lakefront overspent in 2016 and for the period 2016 to 2020, Lakefront spent an average of $1,782,349 on capital based on the infrastructure needs identified in our system conversion plan. Consequently, a capital spent of $1,860,000 in the 2022 Test Year is an increase of $77,651 from the 2016 to 2020 average.

Further, Lakefront will ensure the proposed capital plan is executed by considering outsourcing some capital projects within our budget parameters.

1.2-VECC -11

Reference: Exhibit 1, page 61

a) Please reconcile Table 1.21:Total Compensation with the equivalent years in Appendix 2-K.

Lakefront Utilities Response

Table 1.21 includes wages allocated to OM&A categories Operations, Maintenance, etc, whereas the compensation included in Appendix 2-K includes all wages (OM&A and capitalized).

1.2-VECC -12

Reference: Exhibit 1, pdf page 391& 427/Appendix 2-JA

a) Please reconcile the “customer billing and collecting” amounts for 2018, 2019 and 2020 as reported in the Financial Statements ($465,722, $504,153 and $528,441 respectfully) with the equivalent figures in Appendix 2-JA ($489,721, $531,084 and $554,625).

Lakefront Utilities Response

Below is a reconciliation of customer billing and collecting amounts for 2018, 2019, and 2020 as reported on the financial statements and Appendix 2-JA.

Details	2018	2019	2020
Balance per Financial Statement	$465,722	$504,153	$528,441
Management Fee	$24,000	$26,930	$26,184
Total	$489,721	$531,083	$554,625
Balance per 2-JA	$489,721	$531,084	$554,625
Difference	$0	($0)	($0)

1.2-VECC -13

Reference: Exhibit 4, Appendix 2-JA

a) Please explain why, given LUI is proposing to increase its capital expenditures as compared to previous years, it still requires an increase of almost 60% in maintenance OM&A as compared to the Board approved amount in 2017. In other words, why does the increase in new capital assets not lead over the plan period to lower maintenance costs?

Lakefront Utilities Response

As commented in response to 1.2-Staff-17, Lakefront considers that O&M costs can be categorized as either controllable or uncontrollable. That is, some O&M costs are controllable and can be increased or decreased based on business decisions. Uncontrollable expenses cannot be influenced during the normal rhythm of business. For example, regardless of the asset replacement program, Lakefront performs tree trimming, fleet, and substations maintenance annually.

Further, although the 2022 maintenance is an increase from the 2017 Board Approved, the 2022 Test Year is a 9.13% decrease from the 2018 actual, a 2.32% increase from the 2019 actual, and a 2.79% increase in the 2020 actual.

As documented in response to 1-SEC-9, Lakefront's 2019 O&M per customer is the 17th lowest in the 62 utilities. In addition, as noted in Tale 1.45 in Exhibit 1, assuming the OM&A and capital costs in this application, LUI's overall cohort ranking will be Cohort 1.

As detailed in response to 1.1-VECC-1, Lakefront's average capital spending for the period 2016 to 2020 is $1,782,349, consequently the 2022 Test Year spending of $1,860,000 is not a very significant modification from the 2017 Board Approved.

1.2-VECC -14

Reference: Exhibit 4, Appendix 2-K

a) Please amend Appendix 2-K so as to add rows to show for each year the total compensation capitalized and the amount expensed in each year.

b) Please explain why Appendix 2-D (Overhead Expense) has not been populated.

Lakefront Utilities Response

a) Below is Appendix 2-K to include the compensation capitalized and the amount expensed.

Particulars	Last Rebasing Year - 2017 - Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Bridge Year	2022 Test Year
Number of Employees (FTEs including Part-Time)							
Management (including executive)	2.46	2.79	2.79	2.44	2.11	2.96	2.96
Non-Management (union and non-union)	16.04	13.21	13.87	13.56	15.77	14.02	13.98
Total	18.50	16.00	16.66	16.00	17.89	16.98	16.94
Total Salary and Wages including overtime and incentive pay							
Management (including executive)	$0	$0	$0	$0	$0	$0	$0
Non-Management (union and non-union)	$1,342,148	$1,259,339	$1,429,734	$1,381,790	$1,492,790	$1,589,190	$1,586,265
Total	$1,342,148	$1,259,339	$1,429,734	$1,381,790	$1,492,790	$1,589,190	$1,586,265
Total Benefits (Current and Accrued)							
Management (including executive)	$0	$0	$0	$0	$0	$0	$0
Non-Management (union and non-union)	$384,996	$378,047	$405,444	$409,382	$453,302	$461,799	453,212
Total	$384,996	$378,047	$405,444	$409,382	$453,302	$461,799	$453,212
Total Compensation (Salary, Wages, & Benefits)							
Management (including executive)	$0	$0	$0	$0	$0	$0	$0
Non-Management (union and non-union)	$1,727,144	$1,637,386	$1,835,178	$1,791,172	$1,946,092	$2,050,990	$2,039,478
Total	$1,727,144	$1,637,386	$1,835,178	$1,791,172	$1,946,092	$2,050,990	$2,039,478
Capitalized labour		$440,245	$404,794	$469,534	$458,862	$511,240	$488,817

b) LUI does not capitalize administrative burdens and there were no increases in OM&A because of MIFRS, Appendix 2-D Overhead Expenses was not applicable.

1.2-VECC -15

Reference: Exhibit 4, Appendix 2-JC / page 30

a) Please explain how the 2022 bad debt forecast of $53,779 was derived.

Lakefront Utilities Response

Lakefront notes that the program for Bad Debts and Collections consists of Account 5320 and 5335, as summarized below:

Reporting Period	Account 5320 - Collecting	Account 5335 - Bad Debt Expense	Total
2017 Board Approved	21,448	26,080	47,528
2017 Actual	21,960	90,859	112,819
2018 Actual	22,624	(4,007)	18,617
2019 Actual	25,405	(1,680)	23,725
2020 Actual	24,045	16,550	40,595
2021 Bridge Year	27,520	25,000	52,520
2022 Test Year	28,029	25,750	53,779
Average 2017 to 2020	23,509	25,431	48,939

Account 5320 consists of staff wages allocated to collection activities. Account 5335 consists of actual bad debt write-offs.

Lakefront notes the credit in 2018 and 2019 are the result of adjustments to the allowance for doubtful accounts balance on the balance sheet. Actual write-offs in 2018 and 2019 were 28,237 and 20,278, respectively.

The bad debt expense projected for 2022 is based on an analysis of the prior years bad debts expense. Excluding 2017 and including the 2018 and 2019 actual write-offs, the average bad debt expense was $21,688. Lakefront also reviewed the accounts receivable aging analysis. Total balances over 90 days in 2021 has been 1.91% of the total receivables which is above the average for 2020 (1.42%), 2019 (1.04%), and 2018 (1.35%). Lakefront also reviewed the total balances greater than 90 days outstanding, which in 2021 has been approximately $32,000.

1.2-VECC -16
Reference: Exhibit 4, Appendix 2-JC / page 30

Table 4.14: Summary of Professional Fees and Dues

Expense	Increase (Decrease)
Professional Fees	62,944
Dues	(12,240)
IT Services	38,903
Total	**$89,607**

a) For each year 2021 and 2022 please provide a breakdown and description for the "Professional Fees & Dues" by their material (i.e., 50k +) components.

Lakefront Utilities Response

The only components included in 2021 and 2020 that is above materiality is the cost for utilizing a third party as detailed in Exhibit 4, page 26.

1.2-VECC -17

Reference: Exhibit 4, Appendix 2-JA / pages 13, 46-47

a) Please identify any amounts shown in Appendix 2-JA in 2020 or 21 which are for the cost of preparing this application in either 2020 and 2021 and for which recovery is being sought in the proposed rates in 2022 and beyond.

Lakefront Utilities Response

Lakefront confirms that the costs to prepare this application incurred in 2020 were recorded as a prepaid expense and consequently are not recorded in 2020 or 2021 in Appendix 2-JA.

1.2-VECC -18

Reference: Exhibit 4, pages 22, 45

a) Does LUI sole source its insurance needs from MEARIE?

b) If yes, when was the last time LUI tendered for its insurance needs?

Lakefront Utilities Response

a) Lakefront has insurance detailed in two components:
   a. Account 5635 – Property Insurance
   b. Account 5640 – Injuries and Damages

   Property insurance in the past had been provided by Frank Cowan Insurance through the local broker firm. In early 2021, as a result of a price increase from Frank Cowan, Lakefront requested a quote from Mearie to provide property insurance, which was less than Frank Cowan. With the two quotes and based on discussions with the Board of Directions, Lakefront transferred the insurance to Mearie to take advantage of a reduced rate and savings as Lakefront also has injuries and damages insurance with Mearie.

   Lakefront's insurance with Mearie is a reciprocal insurance structure, which means each subscriber, mostly Ontario LDCs (Lakefront included) is both the insurer and the insured, pooling together resources if a subscriber faces perils. This arrangement allowed LDCs to keep insurance rates low and was established since 1987 for the electricity distributors under the old Ontario Municipal Electric Association.

b) Lakefront has not tendered the insurance needs.

1.2-VECC-19

Reference: Exhibit 4, page 27

a) Please provide the total annual incremental costs (as compared to 2017) for OEB required cybersecurity responsibilities.

Lakefront Utilities Response

Please see response to 4-SEC-2

1.2-VECC -20

Reference: Exhibit 4, page 47

Table 4.24: Regulatory Costs specific to the 2022 Cost of Service

Cost of Service Expense	Amount
Legal	$25,000
Intervenor and OEB Costs	$25,000
Customer Engagement	$10,000
Consultant	$20,000
ACA/DSP	$166,000
Miscellaneous	$6,000
Total	**$252,000**
Amortized over 5 Years	**$50,400**

a) For Table 4.24 please provide the actual amounts incurred to date.

Lakefront Utilities Response

Below is an update to Table 4.24 based on the actual amounts incurred as of June 30, 2021.

Cost of Service Expense	Budget	Actual	Remaining
Legal	$25,000	$9,950	$15,050
Intervenor and OEB Costs	$25,000	$0	$25,000
Customer Engagement	$10,000	$3,172	$6,828
Consultant	$20,000	$4,095	$15,905
ACA/DSP	$166,000	$153,568	$12,432
Miscellaneous	$6,000	$0	$6,000
Total	**$252,000**	**$170,785**	**$81,215**

3.4-EP-1
Reference: Exhibit 1, Appendix H, page 13 of 18, Q13

How many customers in the GS 50 to 2999 kW and GS 3000 to 4999 kW customer classes participated in the survey?

Lakefront Utilities Response

The preliminary survey available on EngageCobourg.ca was anonymous. LUI cannot determine the classes of the 88 respondents.

The 25 Focus Group participants were emailed a survey via Survey Monkey after the consultations. 9 responses were received, 3 of which directly represented GS 50 to 2999 kW and GS 3000 to 4999 kW.

3.4-EP-2
Reference: Exhibit 1, Appendix I, Customer Engagement Workbook – Standby Charge, page 3
Preamble: "Furthermore, the proposed standby rate holds LUI's distribution revenue neutral from any future load displacement projects that would reduce the load assumed in LUI's load forecast."

a) Does the LUI 2022 load forecast include load displacement?

b) If the answer to (a) is no, please explain why not. If the answer to (a) is yes, please provide the forecast and the assumptions used to derive it.

Lakefront Utilities Response

Lakefront's load forecast does not include load displacement. The purpose of a standby charge is to offset the impact to the load forecast. Further, at this time it would be challenging to update the load forecast for a customer considering load displacement generation and the impacts to their specific load going forward.

3.4-EP-3
References: Exhibit 1, Appendix I, Customer Engagement Workbook – Standby Charge, page 3

Preamble: "If Lakefront Utilities Inc. were not able to be kept whole through the standby rate, other rate classes of customers would eventually experience rate increases to make up the difference, effectively subsidizing those customers with CHP/LDG projects."

When would customers in other rate classes experience rate increases if LUI were not able to be kept whole through the standby rate?

Lakefront Utilities Response

The future load forecasts will incorporate reduction in load as a result of load displacement generation projects and consequently, other rate classes would experience rate increases in future applications.

3.4-EP-4

References: Exhibit 1, Appendix I, Customer Engagement Workbook – Standby Charge, pages 5 and 6.

a) Are the financials on pages 5 and 6 two distinct examples or one example? Please explain.

b) In the table on page 6, the amount for "Standby Electricity" is shown as 250. What are the units for 250? Please explain how that amount was derived?

Lakefront Utilities Response

a) The financials on page 5 and 6 is one example. The purpose of the analysis on page 5 and 6 is to show the impact to a potential customers kW as a result of the standby charge.

b) The 250 kW was an example and was utilized to calculate the financial impacts to a potential customer considering a load displacement generation project.

3.4-EP-5

Reference: Exhibit 1, Appendix I, Customer Engagement Workbook – Standby Charge, page 7

Preamble: "As noted, without a standby rate, the customer would realize annual savings of $279,688. If the customer were subject to a standby rate, the annual savings would be $269,324, a difference of $10,365 annually."

a) Would the customer in the example only be charged the Standby Charge when the customer is generating power for the customer's own use?

b) Is the $10,365 annual amount the amount that LUI would have to charge other ratepayers if the Standby Charge is not approved? Please explain your answer.

c) Please explain the mechanism and the timing of any charges to ratepayers related to the $10,365 annual amount.

Lakefront Utilities Response

a) Lakefront's intent is to only charge the Standby Charge when the customer is generating power for the customer's own use.

b) The $10,365 is the lost revenue experienced by LUI if there is either a Standby Charge in place to recover the revenue from the customer nor an adjustment to the load forecast underpinning rates to allow recovery from all other customers.

c) The impact to other ratepayers would be impacted by load forecast adjustments when LUI's rates are adjusted in a Cost of Service application or any other time LUI's rates are adjusted to reflect updated load forecast information.

3.4-EP-6

References: Exhibit 1, Appendix J, Standby Charge Letter to Customers, and Exhibit 7, page 18

a) Was the letter sent to all customers in the GS 50 to 2999 kW and GS 3000 to 4999 kW customer classes or only "affected" customers as stated in Exhibit 7, page 18?

b) How many LUI customers in the GS 50 to 2999 kW and GS 3000 to 4999 kW customer classes currently have Load Displacement Generation (LDG) or Load Displacement Storage (LDS)?

c) To the best of LUI knowledge, how many LUI customers in the GS 50 to 2999 kW and GS 3000 to 4999 kW customer classes are planning to instal LDG or LDS?

d) Apart from sending out the letter did LUI staff or representatives meet with the customers identified in the answers to (b) and (c) above to discuss the proposed standby charge? If the answer is no, please explain why not. If the answer is yes, please file a list of the customers that LUI staff met with.

e) Please file any written documents received by LUI from customers in the GS 50 to 2999 kW and GS 3000 to 4999 kW customer classes in response to the standby charge consultation and provide a summary of any verbal feedback.

Lakefront Utilities Response

a) The letter was sent to all GS 50 to 2999 kW and GS 3000 to 4999 kW customers. An email containing the same information was also sent to customers in both classes for whom LUI has email addresses on file.

b) LUI is aware of three GS 50 to 2999 kW customer that has installed a LDG project and is aware of one GS 50 to 2999 kW customer that is considering a LDG project, however the project is still be reviewed and Lakefront cannot comment on whether the project will proceed.

c) Further to the response to b), Lakefront cannot reasonably determine how many customers in the GS 50-2999 kW and GS 3000-4999 kW customer classes are planning to install LDG or LDS.

d) Lakefront's President and CEO spoke with the customers identified in b). LUI is not normally permitted to disclose personal information relating to its customers.

e) Lakefront does not have any written documents received from LUI customers. Verbal feedback from customer consultations were included in Exhibit 1, page 82.

CTA - Exhibit 1 – Administrative Document, Figure 1.32

The graph indicates that **100%** of the groups consulted felt that they understood the capital and operating budget drivers either "Well" or "Very Well". To what do you attribute this outstanding level of understanding even though the groups consulted were largely untechnical?

Lakefront Utilities Response

Prior to the Focus Group, the participants were sent a Customer Consultation Workbook which addressed these matters. During the Focus Groups, participants were provided with a high-level overview of the capital and operating budget drivers and were encouraged to ask questions throughout the presentation and discussion. Additional supporting documents were also available on EngageCobourg.ca.

CTA - Exhibit 1 – Administrative Document, Page 82

> "As part of the process when a customer installs LDG, LUI consults with the customer to determine whether the supply of power from the distribution system will be needed when the generation is not running."

Is there a legal or regulatory requirement that Lakefront be notified when a customer installs LDG? If so, please provide details of the relevant requirement. If not, how will Lakefront be made aware of a plan to install LDG?

Lakefront Utilities Response

For LDG projects above 10kW, a customer submits a Connection Impact Assessment (CIA) along with single line diagram and generator documents. The CIA is completed by LUI and Hydro One. Once the CIA is approved by both parties, a Connection Cost Agreement (CCA) is created between Hydro One and LUI as well as between LUI and the customer. There are multiple generator tests completed by the customers and approved by Hydro One and LUI. LUI sets up metering and customer account and signs a net-metering agreement with the customer.

CTA - Exhibit 1 – Administrative Document, Figure 1.35

Please provide the questions from which the survey responses are displayed. How many customers responded to the survey? What percentage of potentially affected customers responded? What efforts were made to maximize the response rate?

Lakefront Utilities Response

The question respondents are replying to in Figure 1.35 is:

> "Lakefront Utilities plans to apply to the Ontario Energy Board to request approval for a proposed electricity distribution Standby Rate for customers who have installed load displacement generation projects. What is your opinion on the proposed rate?"

There were 9 respondents to the Focus Group survey of a possible 25, consequently 36% of potentially affected customers responded.

LUI informed the Focus Group participants of the Survey Monkey survey during the event, sent an email directly after the event and issued a reminder email with a link to the survey a week after the engagement sessions.

CTA - Exhibit 1 – Administrative Document, Page 83

> "Further, the groups representing low-income customers were disheartened to discover that if Lakefront were not able to be kept whole through the standby rate, other rate classes of customers would eventually experience rate increases to make up the difference, effectively subsidizing those customers with load displacement projects."

- What specific groups "representing low- income customers" were consulted?
- Did these groups have the technical competence to understand the intricacies of the rationale for standby charges? If so, how was their level of competence verified?
- How were the representatives of low-income customers selected?
- What definition of "low-income" was used?

- How many low-income customers do the representatives represent?
- What efforts did the low-income representatives make to ensure that they actually represented to views of those whom they purport to represent?
- Were representatives of other than low-income customers (medium and high-income customers) consulted? If yes, did they concur with the low-income representatives? If no representatives for other than low-income customers were consulted, why not?

Lakefront Utilities Response

- While a general call-out to Lakefront Customers was issued, the participants in the Low-Income Focus Group included: Northumberland United Way, Habitat for Humanity Northumberland, The Help Centre, and LIEN Coalition, as summarized in Table 1.31 in Exhibit 1.

- These groups were provided with the Standby Rate Workbook prior to the event and were involved in a lengthy discussion about the proposed Rate during the Focus Group Consultation where they were encouraged to ask questions and seek clarification, as detailed in Exhibit 1 page 82.

- A general invitation was solicited to Lakefront customers to participate in the various customer Focus Groups. The Help Centre, Northumberland United Way, Habitat for Humanity Northumberland and the LIEN Coalition were selected due to their individual mandates, extensive knowledge of issues impacting their clientele, and ability to represent low-income customers in LUI's service territory.

- A broad definition of Low Income was used to encourage participation, representation and inclusiveness.

- Northumberland United Way, Habitat for Humanity Northumberland and The Help Centre service of Northumberland County. The LIEN Coalition represents low-income Ontarians.

- The representatives from the four established, reputable agencies offered their years of experience and knowledge to the Focus Group conversations.

- There were many opportunities for other residential customer groups to participate in the engagement activities, such as participating in the Neighbourhood Consultations, taking advantage of opportunities on EngageCobourg.ca (Survey, Quick Polls and Ask a Question), and customers were invited to call or email LUI and arrange for a meeting. LUI could not host Focus Groups for all customer segments, interest groups, etc. therefore LUI sought to host Focus Groups with those who would be most affected by the proposed application.

CTA - Exhibit 1 – Administrative Document, Page 83

> "As indicated above, 67% of customers either agree or strongly agree with the proposed standby rate."

Is this 67% of all LUI's customers or 67% of all industrial customers or 67% of industrial customers who plan to install LDG or…? Is this 67% of all those surveyed or 67% of those who responded to the survey?

Lakefront Utilities Response

This represents 67% of those who responded to the survey.

CTA - Exhibit 4 – Operating Expenses (general)

Climate change is mentioned in passing on page 19 but there does not appear to be any quantification of the expected impacts nor any allowance for them. Experts warn that severe weather events will be much more common in the future.

- What analysis has Lakefront conducted to account for these likely additional expenses?
- What is the result of Lakefront's analysis of these additional costs?
- Have additional costs been included in expected expenses? If not, why not?

In 2018 Lakefront sent crews to Westchester County in New York to help restore power.

> "In March, Lakefront Utilities Inc. responded to a request for assistance from New York State to help restore power in the wake of the nor'easter that wreaked havoc on northeastern, mid-Atlantic and southeastern United States. The storm caused widespread power outages that left more than one million people without power. LUI sent a small crew of three to Westchester County, who worked up to 16-hour days alongside crews from multiple other electric utilities to repair the damaged distribution infrastructure." https://www.lakefrontutilities.com/wp-content/uploads/2019/07/Town-of-Cobourg-Holdings-Inc-2018-annual-report.pdf

In 2019 Lakefront sent crews to provide assistance with the recovery from hurricane Dorian.

> "Lakefront Utilities Inc. (LUI), the Town of Cobourg electric utility, in collaboration with its partner Tal Trees Power Services Corp., an affiliate of Spark Power, has sent an electric line crew to Florida to assist with the expected emergency impact of Hurricane Dorian." https://www.lakefrontutilities.com/2019/08/30/lakefront-utilities-staff-head-to-florida-to-provide-hurricane-assistance/

- Was Lakefront compensated for these expenses? If so, what was the amount of compensation?
- What was the actual cost of providing these crews?
- What allowances have been budgeted for future assistance to other utilities? If not, why not?
- How are the costs and compensation received (if any) reflected in reported OM&A or other expenses?

There are several mentions of additional cybersecurity related expenses (page 59 and others) but little about what has actually been implemented:

- Does LUI conduct periodic tests of recoverability using a simulated ransomware or other cybersecurity attack? If not, why not?
- Does LUI have a documented plan for recovery from failures of critical elements of their IT infrastructure?
- Are backups of critical data and procedures manuals maintained offsite?
- Are procedures in places to periodically test sufficiency of backup procedures and media?
- Has LUI taken steps to secure their SCADA infrastructure from cyber attacks?

Lakefront Utilities Response

Lakefront has summarized the responses into categories:

Climate Change

- Lakefront has not prepared analysis to account for climate change expenses.

- An analysis of additional costs has not been prepared.

- The general policy of a Cost of Service is that only costs or assets that are projected to be in place on December 31st of the test year, in this case, 2022, are admissible. Any costs beyond 2022 are not factored into rates. As such, additional costs for the potential of climate change have not been incorporated in this application. Should an unexpected weather event exceeding the OEB's threshold, LUI would have the option of filing a Z-Factor claim for damages caused by the weather event in question.

Recoverable Work

- As documented in Exhibit 3, Lakefront was compensated for these expenses. In 2018, there were two separate events and Lakefront's total compensation was $160,647. In 2019, there was one event and Lakefront's compensation was $28,258.

- The total costs of providing these crews were $74,263 in 2018 and $14,698 in 2019.

- As summarized in Exhibit 3 Table 3.48, Lakefront has included allowances for recoverable work in the 2022 Test Year.

- As summarized in Exhibit 3, the allowance for recoverable work has been incorporated in other revenue which is offset against Lakefront's revenue requirement.

Cybersecurity

LUI notes that its effort to implement cybersecurity is based on a requirement. On March 15, 2018, the Ontario Energy Board (OEB) issued a Notice of Amendments to the Transmission System Code and the Distribution System Code, which established regulatory requirements for licensed distributors to provide the OEB with information on the actions they are taking relative to their cyber security risks. The Transmission System Code and the Distribution System Code were amended to require that a licensed transmitter or distributor provide the OEB with reports on its cyber security readiness referencing the Ontario Cyber Security Framework (Framework).

- Lakefront regularly tests the resiliency and recoverability of its IT environment and data to provide for effective recovery from ransomware or other cybersecurity attacks. The use of simulated ransomware is not considered to be an effective method or best practice for testing recoverability and does not provide assurance of the effectiveness of this type of security control.

- Lakefront has a documented and approved Disaster Recovery Plan, which is regularly reviewed and tested.

- Critical data and procedures are securely backed up and copies are retained offsite.

- Procedure and processes are in place to test backup procedures and media. These tests are conducted and report on a daily basis.

- Yes, LUI has implemented best practice security measures commensurate with the control requirements outlined in the OEB Cyber Security Framework.

CTA - Exhibit 4 – Operating Expenses, Table 4.15

Management and executive compensation are shown as $0. Is it correct to assume that the 2.96 management/executive FTEs and their compensation is lumped with that of the total staff of 16 to 18? How many actual people are included in the 2.96 FTEs?

Lakefront Utilities Response

As detailed in Exhibit 4 page 29 and in compliance with the OEB's filing requirements, LUI has separated out its Executive and Management employees in the FTEs but has lumped them in with the non-union employees for all other report in OEB Appendix 2-K (Table 4.15).

The 2.96 FTE consists of four employees.

2.0 Revenue Requirement

2.1-Staff-23
Ref 1: Exhibit 2, Page 38

Ref 2: Exhibit 2, Appendix 2-AB

Preamble:

Exhibit 2, Page 38 explains year-over-year variances in Gross Assets from 2021 Bridge Year amount and the 2022 Test Year amount.

> "Contributed Capital: $100,000
> • The increase in contributed capital in 2022 is an estimate based on the prior years average annual contributed capital amount."

Appendix 2-AB shows contributed capital amounts in 2017, 2018, 2019 and 2020 to be $202k, $359k, $137k, and $268k respectively. The 2022 forecast contributed capital amount in Appendix 2-AB is $100k.

Question(s):

a) Confirm the 2022 forecast contributed capital amount.

b) What knowledge and assumptions were used to forecast contributed capital amount for the 2022 Test Year?

c) What are the forecast projects with contributed capital in 2022? Provide contributed capital calculations for each project.

Lakefront Utilities Response

A summary of the contributed capital by category has been provided below.

Category	2017	2018	2019	2020	2021	2022
System Access	($22,729)	($356,852)	($137,390)	($126,027)	($100,000)	($100,000)
System Rewewal	($179,698)	($2,000)	$500	($142,205)	$0	$0
System Service	$0	$0	$0	$0	$0	$0
General Plant	$0	$0	$0	$0	$0	$0
Total	**($202,427)**	**($358,852)**	**($136,890)**	**($268,232)**	**($100,000)**	**($100,000)**

a) Lakefront confirms that the 2022 forecasted contributed capital amount is $100,000. Lakefront revises the statement that the contributed capital for the 2022 Test Year was based on an average of the annual contributed capital amount.

b) As noted, the capital contributions relate to system access and system renewal projects. As the projects consists of customer service requests requiring new customer connections (site redevelopment; subdivision) and emergency needs (emergency reactive replacement of distribution system assets due to unanticipated failure, storms, etc).

   Consequently, based on the fluctuations in capital contributions, predicting the future capital contributions is complicated. For example, 2018 consisted of significant capital contributions as a result of the installation of the Bell Fibe network, which was not forecasted as part of Lakefront 2017 Cost of Service.

c) In order to forecast the future capital contributions, Lakefront reviewed the prior year capital contributions. Excluding the capital contributions in 2018 related to the installation of the Bell Fibe network and capital contributions received in 2020 related to the 44kV ROW – Kerr St. to Ewart St., the average capital contributions for 2017 to 2020 was approximately $166,000.

2.1-Staff-24
Ref: Exhibit 5, Page 8

Question(s):
a) Will LUI update the long-term debt cost rate for 2022 when it is issued by the OEB, or is it proposing a custom rate of 3.05%?

Lakefront Utilities Response

As noted on Exhibit 5 page 4, Lakefront commits to updating its Application to reflect the revised cost of capital parameters as new information is issued, including the deemed long-term debt rate to the extent the weighted average cost of debt for LUI is based in part on instruments that the deemed rate impacts.

2.1-Staff-25
Ref: Exhibit 1, Page 96

Preamble:

LUI stated that LUI achieved a return of equity of 5.49% in 2020, which is below the 5.78% to 11.78% range allowed by the OEB.

Question:
a) Please explain the reasons that LUI's achieved ROE was below the 300 basis points band.

Lakefront Utilities Response

The fluctuation in the achieved ROE is documented in Lakefront's 2020 Reporting and Record Keeping Requirements (RRR) filing with the OEB, specifically form 2.1.5.6. To summarize:

The main drivers for the reduced earnings in 2020 were a) increases in OMA expenditures in the year that were not offset by rate increases, and b) the recognition of an actuarial loss on the 2020 financial statement in the amount of $224,917.

2.1-Staff-26
Ref 1: Exhibit 1, page 103

Preamble:

LUI stated that "LUI's parent company, Holdco, intends to prepare an annual report for 2020, to be finalized in June 2021 and posted on its website".

Question(s):

a) Please file the 2020 annual report.

Lakefront Utilities Response

The 2020 annual report has been included in Appendix C.

2.1-Staff-27
Ref: Exhibit 1, Appendix N, 2020 Audited Financial Statements (AFS), page 17

Preamble:

Note 3(s) Significant Accounting Policies of LUI's 2020 AFS stated that "the company is currently assessing the impact, if any, that the standards will have on the financial statements".

Question:

a) Please provide LUI's assessment of these standards on the 2021 bridge year and 2022 test year forecast provided in this rate application.

Lakefront Utilities Response

Lakefront assessed the standards included in the Note 3(s) of the Significant Accounting Policies of LUI's 2020 Audited Financial Statement and determined that there is no impact to be included on the 2021 Bridge Year and the 2022 Test Year.

2.1-Staff-28
Ref 1: Exhibit 1, Appendix O – RECONCILIATION BETWEEN FINANCIAL STATEMENT AND RESULTS FILED

Ref 2: Exhibit 1, Appendix M, 2019 AFS and Appendix N, 2020 AFS

Preamble:

OEB staff notes that the net assets and net liabilities in Appendix O (reconciliation between RRR financial results filed and the AFS) appear to not match with the total assets and total liabilities and equity in the 2019 and 2020 AFS, which are provided in Reference 2.

Questions:

a) Please provide an updated reconciliation for total assets and total liabilities and equity in 2019 and 2020 between the AFS and results filed.

b) In a), please ensure that the total PP&E is reconciled between the PP&E on the AFS in 2019 and 2020 and the Fixed Assets net book value in Appendix 2-BA.

Lakefront Utilities Response

a) Lakefront has filed excel files 2019 Trial Balance Reconciliation and 2020 Trial Balance Reconciliation which reconciles the total assets, total liabilities, and equity between the AFS and the results filed.

b) Below is reconciliation of the total PP&E between the AFS and the fixed assets net book value in Appendix 2-BA.

Reconciling Item	2019	2020
Total Property, plant and equipment per FS	21,643,168	22,933,421
Intangible asset - software	290,206	259,658
Contributed capital	(2,593,716)	(2,773,815)
Work in process	(479,662)	(816,879)
Non-utility property	(27,767)	(25,352)
Total	18,832,229	19,577,033
Total Assets per Appendix 2-BA	18,832,226	19,577,031
Difference - rounding	(3)	(2)

2.1-Staff-29
Ref 1: PILs model

Ref 2: Exhibit 4, Appendix D, LUI's 2020 Income Tax Return

Preamble: OEB staff notes that schedule 1 and schedule 2 of Reference 2 shows that LUI deducted the maximum allowable deduction of $11,875 for charitable donations in its 2020 income tax return. However, there was no figure entered in line 311 charitable donations in Tab "H1 Sch 1 Taxable Income Hist" of LUI's PILs model.

For the 2022 test year, LUI did not enter any figure in line 311 charitable donations in Tab "T1 Sch 1 Taxable Income Test" of LUI's PILs model while the charitable donations of $6,213 was added back in line 112 to arrive at 2022 taxable income.

Questions:

a) Please update the line 311 charitable donations in Tab "H1 Sch 1 Taxable Income Hist" to match with the 2020 tax return.
b) Please update the line 311 charitable donations in Tab "T1 Sch 1 Taxable Income Test" of the PILs model.

Lakefront Utilities Response

a) Lakefront notes that the charitable donations and gifts from Schedule 2 deducted for income tax purposes is $5,950 as indicated on Schedule 1 and is recorded as an addition in Tab "H1 Sch 1 Taxable Income Hist" on line 112. Further, Lakefront notes the taxable income per Tab "H1 Sch 1 Taxable Income Hist" is $64,990 which agrees to the Net income (loss) for income tax purposes per LUI's 2020 income tax return in Exhibit 4, Appendix D.

b) Based on Lakefront's response to a), the charitable donations of $6,213 was recorded as an addition to Tab "T1 Sch 1 Taxable Income Test" to arrive at the taxable income.

2.1-Staff-30
Ref 1: PILs model

Ref 2: the OEB's Letter "Accounting Direction Regarding Bill C-97", July 25, 2019

Preamble:

LUI has applied accelerated capital cost allowance (CCA) in the PILs model, in accordance with the Accelerated Investment Incentive Program (AIIP). In the OEB's July 25, 2019 letter titled

Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance, it stated that:

> The OEB recognizes that there may be timing differences that could lead to volatility in tax deductions over the rate-setting term. The OEB may consider a smoothing mechanism to address this.

Question(s):

a) Please confirm that all LUI's capital additions in the 2022 test year are forecasted to be eligible for the AIIP.
b) Please discuss whether LUI has considered smoothing accelerated CCA for its capital additions and, if so, what its conclusion is on that matter.
c) Please provide a calculation showing how LUI would smooth CCA over the IRM period, and what the impact to PILs would be under a smoothed and unsmoothed scenario.
d) Assuming the current proposed capital additions are approved in this rate application, please provide the balance in Account 1592 sub-account CCA changes as at end of the IRM term, i.e. 2026, for the full revenue impacts of the phasing out of the AIIP.

Lakefront Utilities Response

Lakefront Utilities Inc.
CCA Calculations - AII
2022 Estimate

Class	CCA rate	AII Additions	CCA claimed per T2	CCA claim (No AII)	Difference
1	4%	10,000	600	200	400
47	8%	1,770,000	212,400	70,800	141,600
50	55%	40,000	33,000	11,000	22,000
8	20%	10,000	3,000	1,000	2,000
47	8%	30,000	3,600	1,200	2,400
		1,860,000	252,600	84,200	168,400

Tax on Difference:		
CCA Claim per T2	252,600	This is on T2
CCA Claim (no AII)	84,200	This in rates
	168,400	Additional deduction
Tax Rate	26.50%	
Account 1592	44,626	Tax savings to be reimbursed to customers

a) Lakefront's calculations for CCA as included in Table 4.36 in Exhibit 4 and the calculations above do not assume AIIP.

b) Lakefront plans on utilizing Account 1592 for the duration of the rate-setting term and therefore did not propose a smoothing mechanism in this Application. The Chapter 2 Filing Requirements published May 14, 2020 page 38, a smoothing mechanism was only required if an applicant wished to discontinue the use of 1592.

Further, as noted in response to 4.2-Staff-58, the calculations of the current balance in Account 1592 attempt to offset the reduction in future undepreciated capital cost balance going forward and therefore indirectly acts as a smoothing mechanism.

c) As noted in the response b), Lakefront is not proposing to smooth CCA over the IRM period.

d) The balance in Account 1592 at the end of the IRM term would be approximately $303,000, assuming capital additions are consistent for the IRM period and the program is not terminated.

2.1-VECC-21 (Other Revenue)

Reference: Exhibit 3, pages 37 and 42
Exhibit 8, pages 15-16

Preamble: The Application states (page 42): "*As part of the review of Customer Service Rules (EB-2017-0183), LUI has taken into consideration the proposed amendments to the Distribution System Code, Standard Supply Service Code, Unit Submetering, and Gas Distribution Access Rule. In light of these proposed amendments, LUI has adjusted its budgeted revenue for the proposed changes*."

a) For each of the years 2019-2022 please provide breakdown of the actual/forecast Specific Service Charge revenue from each individual charge. For 2022 please show separately the additional assumed revenues from: i) the $2/month fee for paper bills and i) the new charge for Duplicate Invoices (per Exhibit 8, page 15).

b) Exactly how has LUI adjusted its budgeted revenue for 2021 and 2022 in order to take into consideration the amendments described in the preamble?

Lakefront Utilities Response

a) Below is a summary of the Specific Service Charge revenue for each individual charge for 2019 to 2022. For 2022, the assumed revenues related to the $2/month fee for paper bills and the new charge for duplicate invoices have been highlighted.

	4235 - Specific Service Charge	2019 Actual	2020 Actual	2021 Bridge Year	2022 Test Year
	Change in occupancy change	39,300	40,650	39,000	39,500
	NSF cheque charge	2,635	1,427	2,500	2,550
	Disconnect/reconnect charge	6,360	2,460	6,500	6,550
	Collection charge	2,515	(30)	0	0
	Lawyers letter	1,050	810	1,000	1,050
	Temporary service	2,700	1,200	2,000	2,050
	Interval metering	41,628	660	1,320	1,300
	Scrap metal	8,860	0	5,000	5,000
	Billing history information	559	150	500	500
	Sewer billing revenue	30,000	30,000	30,000	30,000
	Fit/Microfit service charge	5,226	195	3,500	3,500
	Net recoverable work	18,032	2,634	10,000	10,000
**	Paper bill fee	0	0	0	41,580
**	Duplicate invoice fee	0	0	0	300
	Total	**158,865**	**80,156**	**101,320**	**143,880**

** New item

b) The preamble refers to the recent amendments as follows:
   a. Removal of collection of account charge – EB-2017-0183
   b. Update to pole attachment charge – EB-2015-0304

2.1-VECC-22 (Other Revenue)

Reference: Exhibit 3, page 40

a) For each rate class please provide the number of LUI customers that currently receive paper bills.

b) With respect to the additional $41,580 from the proposed $2 per month charge for customers continuing to request bill prints, please provide a schedule that sets out the assumed number of customers requesting paper bills by rate class.

Lakefront Utilities Response

Below is a summary that indicates the number of LUI customers that current receives paper bills and a summary of the assumed number of customers requesting a paper bill.

Rate Class	Customers Receiving Paper Bills	Assumed Customers Requesting Paper Bills	Monthly Other Revenue	Annual Other Revenue
Residential	6,900	1,519	$3,037	$36,444
GS <50 kW	832	183	$366	$4,392
GS 50-2999 kW	67	15	$30	$360
GS 3000-4999 kW	0	0	$0	$0
Unmetered Scattered Load	1	1	$2	$24
Sentinel Lighting	58	13	$26	$312
Street Lighting	2	2	$4	$48
Total	**7,860**	**1,733**	**$3,465**	**$41,580**

2.1-VECC-23 (Cost of Capital)

Reference: Exhibit 5, page 4

a) LUI makes the following statement at the above reference: "*Further, Lakefront reserves the right to seek approval of a mechanism to adjustment the embedded ROE in future years if the 2022 deemed3 return on equity is materially impacted by COVID-19*". Please explain what is contemplated by this statement. Specifically explain what mechanism LUI is proposing.

Lakefront Utilities Response

Lakefront expects that, to the extent the 2022 deemed ROE is determined to have been materially affected by COVID-19, the OEB will either provide for a generic mechanism for the updating the embedded ROE at an appropriate time for all affected LDCs, or Lakefront will seek a mechanism wherein it can update the ROE embedded in its rates at an appropriate time, similar to the mechanism approved by the OEB in the Hydro Ottawa Settlement Proposal at EB-2019-0261, Decision and Order dated November 19, 2020, page 8.

2.1-VECC-24 (Cost of Capital)

Reference: Exhibit 5, page 5

Table 5.1: Lakefront Utilities Inc. vs. OEB Capital Structure

Capital Element	LUI Capital Ratio	OEB Capital Ratio	Variance
Long-term debt	44.58%	56.00%	(11.42%)
Short-term debt	8.84%	4.00%	4.84%
Common equity	46.58%	40.00%	6.58%
Preferred shares	0.00%	0.00%	0.00%
Total	100.00%	100.00%	0.00%

a) For the 2022 test year please show the derivation of Table 5.1 and with reference to Appendix 2-OB showing the 2022 test year debt instruments.

b) Please confirm (or correct) that LUI is drawing down $900k each year on its TD loan and that the effect of that will be that LUI will over leveraged by the end of the current rate plan.

Lakefront Utilities Response

a) Table 5.1 calculates the ratio based on the 2020 audited financial statement, as below:

Particulars	2020 Financial Statement	Ratio
Long-Term Debt	9,888,389	44.58%
Short-Term Debt	1,960,011	8.84%
Total	**11,848,400**	
Equity	10,332,239	46.58%
Total	**22,180,639**	

b) Lakefront's calculations[1] indicated that at the end of the current rate plan, the long-term debt ratio would be approximately 51%, below the OEB Capital Ratio of 56%.

2.1-VECC-25 (Cost of Capital)

Reference: Exhibit 5, page 6
LUI_2022_Chapter_2_Appendices_20210430.XLSM

a) Please explain why Appendix 2-OA (shown as Table 5.4) shows a long-term debt rate of 3.05% whereas Appendix 2-OB shows a calculated rate of 3.03%.

Lakefront Utilities Response

Lakefront has updated Appendix 2-OB in the Chapter 2 Appendices. The long-term debt rate is now 3.05% in Appendix 2-OB.

2.1-VECC-26 (Cost of Capital)

Reference: Exhibit 5, page 13

In 2019, LUI entered into an intercompany agreement with Lakefront Utility Services Inc. which details that the interest charged on intercompany debt is 3.72% and is based on the OEB's current deemed long-term debt rate from Lakefront's 2017 Cost of Services (see attachment H).

a) Please why this loan is not shown in Appendix 2-OA.
b) Please explain why it is necessary for LUI to borrow from Lakefront Utility Services Inc. (LUSI) for the purpose of covering the timing differences between the collection from billed customers to the payment to the IESO. Specifically, please explain why this cost is not covered as part of the working capital allowance.
c) What was the annual interest cost of this loan in 2019, 2022 and to-date in 2022?

[1] Based on drawing down $900,000 per year, less principal repayments on current debt. The estimated ratio does not reflect changes in equity, which would reduce the estimate of 51%.

Lakefront Utilities Response

a) The loan is factored into the calculation of the weighted average cost of capital and therefore is incorporated in Appendix 2-OA.

b) As noted in the debt agreement, timing differences with the IESO is one of many factors reflected in the loan. Ideally, the cost is incorporated in the working capital allowance, however changes to customer service rules (disconnect moratorium, extension of minimum payment period from 16 calendar days to 20 calendar days, etc) are not reflected in the working capital allowance and ultimately have an effect on the timing of the borrowing.

c) The interest charged on the loan is 3.72%.

2.3-VECC -27

Reference: Exhibit 4, page 34

a) LUI is one of a very small number of utilities that operate virtually through an affiliate. Please explain why LUI operates in this manner and what benefits this form of operational structure provides ratepayers.

b) Of the approximately 17 FTE/employees shown in Appendix 2-K how many spend 100% of their time working for LUI?

Lakefront Utilities Response

a) LUSI combines water and electrical services in one company under the leadership of a single CEO. This structure enables the complex management of multiple work programs, leading to timely and cost-effective completion of work. Along with the collaboration to ensure infrastructure repairs are less disruptive to residents and businesses, one of the most obvious benefits of a multi-utility structure that has all services under one roof, is cost savings from economies of scope and scale. We benefit from a shared services model for activities, equipment, and systems, ranging from customer care, billing, account, fleet, and even some operational functions.

   Overall, efficiency, time, and money are saved as a result of the increased level of customers served, translating into lower rates for both electricity and water ratepayers.

b) Of the 16.94 FTE listed in Appendix 2-K, 10.35 FTEs spend 100% of their time working for LUI.

2.3-VECC -28

Reference: Exhibit 4, page 27

a) The 2022 Shared Service Costs (Appendix 2-N) show that the total price for LUSI services is $2,503,932. Please explain what portion of this cost is expensed in 2022 and what portion is capitalized.

b) Please provide the same information for the 2021 actual amounts of $2,409,355.

Lakefront Utilities Response

The shared services included in Appendix 2-N are expensed. That is, the capitalized costs are not incorporated in Appendix 2-N.

3.0 Load Forecast, Cost Allocation and Rate Design

3.1-Staff-31
Ref: Exhibit 3, Pages 13-16

Preamble:

The regression results assigned a coefficient of -1,619.75 to the Customer # variable, a count of the customers in the Residential and General Service (GS) < 50 kW rate classes.

OEB staff notes that the number of customers has increased each year from 2011 to 2020.
In Figure 3.10, the kWh purchased exceeded the Adjusted value in every year from 2011 to 2013, and was less than the Adjusted value in every year from 2014 to 2020.

Question(s):

a) Please explain the counter-intuitive result that for each additional customer, monthly wholesale load decreases by 1,620 kWh.
b) Has Lakefront Utilities tried using other explanatory variables such as for economic, CDM, or a trend variable? If not, why not? If so, please provide the regression results.

Lakefront Utilities Response

a) Overall, Lakefront presumes that conservation measures (including net metering) undertaken from 2011 to 2020, including newer energy efficient homes, has resulted in a reduction in the average residential load. Further, Lakefront presumes that increases in time-of-use rates have resulted in additional reductions in load as customer attempt to reduce their overall electricity bill.

b) Lakefront has not tried using other explanatory variables, but explored scenarios regarding the variables utilized, as detailed in Exhibit 3 page 14.

3.1-Staff-32
Ref: Load Forecast Model, sheet 6. WS Regression Analysis, sheet 7. Weather Sensitive Class, sheet 8. KW and Non-Weather Sensitive

Ref: Response to Error Checking OEB Staff Question #9

Preamble:

LUI has stated that the regression model presented on sheet 6. WS Regression Analysis is from a previous version, and that it should be disregarded. Instead, that the regression model presented on sheet 6.1 Regression Scenarios is used.

However, column Q of sheet 6. WS Regression Analysis references the regression model on the same sheet when calculating monthly weather normalized purchases. This results in a forecast of 254,194,550 kWh, as displayed in cell R163 on this sheet, and referenced on sheets 7 and 8 of the load forecast.

Question(s):

a) If the regression model provided in sheet 6.1 is used, please provide the cell references or derivations which outline how it is used.

b) If the regression model provided in sheet 6 is used, please confirm that it is Lakefront Utilities' proposal to use this model, and that it was derived from the current version of the explanatory variables and dependent variable.

c) Please provided any necessary revisions if any inconsistencies are discovered in preparing the response to part a) or b).

Lakefront Utilities Response

Lakefront confirms the regression model in sheet 6.1 is used and updated the model provided on sheet 6 to agree to the model provided in sheet 6.1.

3.1-Staff-33
Ref: Load Forecast Model, sheet 6. WS Regression Analysis

Preamble:

The variables used on the worksheet WS Regression Analysis for the years 2021 and 2022 appear to be ten-year averages of the ten years prior to the forecasted value. That is, 2021 is forecasted based on the average of the same month in 2011 to 2020, and 2022 is forecasted based on the average of the same month in 2012 to 2021. The approach appears to be used for all explanatory variables.

The formula in the Weather Normalized column multiplies the explanatory variables for HDD, CDD, and the calendar variables by the respective coefficients. However, the Customer # explanatory variable and coefficient are added together.

Questions(s):

a) Please confirm OEB staff's understanding or explain.
b) Please explain why 2021 is used in forecasting 2022 when 2021 itself is a forecast.
c) Please explain why a historic average is used for forecasting Number of Degree Days and Peak Number of Hours rather than based off 2021 and 2022 calendars.

d) Please explain why the Customer # variable is forecasted using a historic average, rather than based on Lakefront Utilities' forecasted number of customers.

e) Please explain why the Customer # variable is added to, rather than multiplied by the coefficient. Please revise as required.

Lakefront Utilities Response

a) The OEB Staff's understanding of the calculation for the 2021 and 2022 is correct.

b) The calculation of the forecasted based on the prior years and Bridge Year is based on the previous load forecast submitted in the 2017 Cost of Service.

c) See response to b).

d) Lakefront believes that the historic average is a more accurate determination as the forecasted number of customers could fluctuate depending on changes to variables, whereas the historic average is based on actuals.

e) Lakefront updated the customer number variable so that it is multiplied by the coefficient rather than added.

3.1-Staff-34
Ref: Load Forecast Model, sheet 8. KW and Non-Weather Sensitive.

Ref: EB-2016-0089, Settlement Proposal, Page 31.

Preamble:

The GS 3,000 – 4,999 kW rate class has an adjustment, increasing the kW forecast by 2,900 kW. Below, there is a note: "Increase by 2900kW from 36,978 to 39878 as per Partial Settlement Agreement".

In Lakefront Utilities' previous Cost of Service proceeding, the Parties agreed that the demand forecast for the GS 3,000 – 4,999 kW rate class would be increased by 2,900 kW.
Also, in the GS 3,000 – 4,999 kW rate class, the kW/kWh ratio was above 0.00260 in every year from 2011 – 2014, and below 0.00220 in every year from 2017-2020.

Question(s):

a) Please explain why the additional 2,900 kW is still appropriate for the 2022 forecast or revise.

b) Does LUI have any insight into the difference in kW/kWh ratio, and whether it expects the recent lower kW/kWh ratio to persist or return to the longer-term average?

Lakefront Utilities Response

a) The adjustment for 2,900 kW was incorrectly carried forward and Lakefront has updated Tab 7 and removed the adjustment for 2,900 kW.

b) LUI does not have any specific insight into the difference in the kW/kWh ratio and whether the recent lower kW/kWh ratio will persist. As the customer class consists of one customer, their load could fluctuate significantly each month/year depending on operations.

3.1-Staff-35
Ref: Exhibit 3, page 20

Ref: Load Forecast Model, sheet 7. Weather Sensitive Class, sheet 8. KW and Non-Weather Sensitive, sheet 10.1 CDM Allocation, sheet 11. Final Load Forecast

Ref: Response to Error Checking OEB Staff Question #10

Preamble:

Exhibit 3, page 20 discusses a persistent CDM variable. It states that "A manual adjustment to the load forecast is not required". In response to error checking question #10, Lakefront Utilities states that the CDM variable was not incorporated in the regression model.

OEB staff notes that sheet 11, column O refers to a hidden worksheet, sheet 10.1 for the kWh and kW class forecasts.

Sheet 10.1 CDM Allocations includes the following details. Adjusted (kWh) reconciles the kWh on sheet 11. Final Load Forecast. The column labelled 2022 reconciles to the kWh on sheet 9. Weather Adj LF.

Rate Class	2022	Target	Adjusted (kWh)
Residential	75,357,216	766,409	74,590,807
General Service < 50 kW	32,869,543	334,295	32,535,249
General Service > 50 – 2,999 kW	105,033,099	1,068,223	103,964,876
Streetlighting	1,070,033	10,883	1,059,150
Sentinel Lighting	43,789	445	43,344
General Service 3,000 – 4,999 kW	19,103,384	194,288	18,909,096
Unmetered Scattered Load	605,443	6,158	599,285
Total	234,082,507	2,380,700	231,701,807

Sheet 10.1 CDM Allocations also includes the following details. Adjusted (kWh) reconciles the kW on sheet 11. Final Load Forecast. The column labelled 2022 reconciles to the kW on sheet 9. Weather Adj LF.

Rate Class	2022	Adjusted (kWh)
General Service > 50 kW - 2999 kW	276,957	274,141
Streetlighting	2,860	2,831
Sentinel Lighting	131	130
General Service 3000-4999 kW	49,046	48,547
Total	328,995	325,649

Question(s):

a) Please confirm sheet 11. Final Load Forecast reflects the proposed load forecast.
b) Please confirm whether LUI is proposing to make a manual adjustment to the load forecast for CDM, and if so, whether it is consistent with the column labelled
Target above.
c) If part b) is confirmed, please provide details around the programs included in the adjustment.
d) If either of the parts b) cannot be confirmed, please reconcile the Final load forecast on sheet 11. to the Weather Adjusted load forecast on sheet 9.

Lakefront Utilities Response

a) Lakefront has removed amounts on Tab 10.1. The updated load forecast on sheet 11. Final Load Forecast now reflects the proposed load forecast.

b) Lakefront is not proposing to make manual adjustments to the load forecast for CDM.

c) See response to b).

d) See response to a).

3.1-Staff-36
Ref: Response to Error Checking OEB Staff Question #11

Preamble:

LUI has supplied the derivation of the Demand allocators in response to the above referenced error checking question.

OEB staff notes that on the worksheet Hourly load shapes by class, the monthly NCP volumes are derived in the area from N8788 to T8799. For the 1 NCP, LUI has used the values from row 8788, which corresponds to January. However, the highest peak of the year, is not always in January.

Similarly, the CP is derived directly below the NCP in the cells N8802 to T8813. Here, the values should be the rate class load when the distributor is on peak. OEB staff notes that the formulas do not appear to do this. For the GS < 50 kW and GS 3,000 – 4,999 kW rate classes, it appears to be calculating a class NCP by selecting the highest class usage in the month. For the remaining classes, it appears to be selecting the current class load in the hour that the GS < 50 kW rate class was on peak in 2004.

Question(s):

a) Please confirm OEB staff's observations as outlined above, or explain why this isn't the case.

b) Please ensure that the 1 NCP is selecting the highest peak of the year. E.g. for residential, the following formula could be used:
=max('Hourly load shapes by class'!N8788:N8799)*1000000

c) Please ensure that the monthly CP load by rate class is calculated based on current system peaks, as determined using column U of the sheet Hourly load shapes by class.

d) Please ensure that the 1 CP is selecting the highest peak of the year. E.g. for residential, the following formula could be used:
=max('Hourly load shapes by class'!N8802:N8813)*1000000

Lakefront Utilities Response

a) Lakefront confirms that OEB Staff's comments and observations are correct.

b) Lakefront has made the suggested changes to the demand data model. Please see the revised file – LUI_2022_Demand_Data_20210730.

c) See response to b).

d) See response to b).

3.1-Staff-37
Ref: Chapter 2 Appendix 2-R
Ref: RRR 2.1.5.3
Ref: EB-2016-0089, Tariff of Rates and Charges, January 5, 2017.

Preamble:

OEB staff has prepared the table below comparing the values entered in Chapter 2 Appendix 2-R to the RRR 2.1.5.3 for the years available in both sources.

	2016	2017	2018	2019
Appendix 2-R A(1)	256,568,543	251,426,480	265,797,565	256,497,590
Appendix 2-R A(2)	245,731,772	240,806,896	254,570,985	245,663,816
RRR 2.1.5.3 A	245,136,695	243,659,847	257,663,819	254,697,945
Appendix 2-R F	237,051,158	231,562,616	243,920,467	243,752,568
RRR 2.1.5.3 B	237,752,643	236,669,322	249,560,304	247,035,018

LUI has used a supply facility loss factor of 1.0045 in each year. However, the A(1) line (reflecting generation requirement of the energy delivered to LUI) divided by the A(2) line (reflecting the energy delivered to Lakefront Utilities) is 1.0441. LUI's total loss factor approved for 2017 was 1.0441.

The distributor's system loss factor was 1.0366 in 2016, and except for 2019 it has increased every year, reaching its maximum in 2020 at 1.0491. In 2019 it was 1.0078.

Question(s):

a) Please reconcile the Appendix 2-R values to the RRR

b) Please explain the difference between rows A(1) and A(2) in the context of LUI's proposed supply facility loss factor, and historic total loss factor.

c) Please explain why the losses were lower in 2019.

d) Please explain why the distribution loss factor has exhibited an increasing trend over the past five years, except for 2019.

Lakefront Utilities Response

a) The information included in the RRR 2.1.5.3 A and 2.1.5.3 B are generated by a third-party and Lakefront does not have the specific monthly data. Lakefront has requested the monthly data from the third party and will update the RRR filing accordingly. Lakefront notes the loss factor calculated as per the RRR filing is a five-year average of 3.65% compared to 3.88% as calculated per Appendix 2-R. Further, Lakefront notes that based on the data presented in RRR, the revenue deficiency would increase by approximately $18,000, an immaterial impact.

b) The value provided in A(1) is based on Lakefront's approved loss factor of 4.41%. The supply facility loss factor is based on the standard loss factor for utilities that are embedded with Hydro One.

c) Please see response in 1.2-Staff-22.

d) Although an increasing trend, the loss factor per year was consistent with Lakefront's 2017 approved loss factor of 4.41% and the five-year average is below 5%.

3.2-Staff-38
Ref: Exhibit 7, page 9

Preamble:

LUI has proposed weighting factors for services for GS less than 50 kW, GS 50 – 2,999 kW and GS 3,000 – 4,999 kW based on relative effort to Residential.

Question(s):

a) For each rate class, what proportion of customers does Lakefront Utilities provide all or part of the costs associated with customer services?

b) For each rate class, please calculate an average cost booked to account 1855 for the last several services installed or replaced in each rate class.

Lakefront Utilities Response

a) Lakefront provides services to all customer classes.

b) Lakefront does not have the data available for the average cost booked to account 1855, by rate class.

3.2-Staff-39
Ref: Exhibit 7, pages 24-25
Ref: Exhibit 8, page 86
Ref: Tariff and Bill Impacts Model, Sheet 6. Bill Impacts.
Ref: EB-2016-0089, Draft Rate Order, December 28, 2016, page 15.

Preamble:

LUI is proposing to adjust all revenue-to-cost ratios to 100% except for Street Lighting which is proposed to move to 90%, and Unmetered Scattered Load which is proposed to move to 120%.

Two rate classes, Street Lighting and Sentinel Lights are proposed to have total bill impacts more than 10%.

LUI states that: "For current revenue and expenses, the Cost Allocation model calculates the revenue to expenses ratio is 76% for Sentinel Lighting and 86% for Street Lighting customer classes. This indicates that these rate classes since the last re-basing in 2017 (EB-2016-0089) have not been paying their equitable share of revenue to cover the utility's costs."

The revenue-to-cost ratio for the sentinel rate class was 115.49% in 2017, and the revenue-to-cost ratio for street lighting was 294.25% in 2017, 206.25% in 2018, and 119.25% in 2019.

Question(s):
a) Please confirm that while street lighting and sentinel lighting revenue-to-cost ratios, are less than 100% now, they were more than 100% in 2017.
b) Please confirm that the Street Lighting revenue-to-cost ratio is within the OEB's prescribed revenue-to-cost range based on the current cost allocation results.

c) In LUI's view, what is the purpose of the prescribed revenue-to-cost ratio ranges?

d) Please provide the revenue-to-cost ratios and total bill impacts that would result if the following revenue-to-cost adjustment steps were taken:

i. The GS 3,000 – 4,999 kW and Unmetered Scattered Load revenue-to-cost ratios are reduced to 120%

ii. The Sentinel Lights revenue-to-cost ratio is increased to 80%

iii. Sentinel Lights, Street Lights, GS < 50 kW, and Residential revenue-to-cost ratios are increased as required eliminate any revenue shortfall that would result after completing steps i and ii.

Lakefront Utilities Response

a) As summarized in Exhibit 7 Table 7.0, the street lighting revenue-to-cost ratio in 2017 was 293.75% and the Sentinel light revenue-to-cost ratio was 114.96%.

b) Lakefront confirms that the Street Lighting revenue-to-cost ratio is within the OEB's prescribed revenue-to-cost range based on the current allocation results.

c) Lakefront's view of the revenue-to-cost ratio is that it is a mechanism to ensure that each rate class is paying its equitable share of revenue to cover the utility's costs related to each its class. The setting of ranges rather then setting every ratio to 1.0 is a recognition that the cost allocation exercise in imprecise and that accordingly an acceptable allocation costs is one that falls within the range, with the result that intentional changes in rates to move ratios closer to 1.0 are minimized.

d) Below is a summary of the revenue-cost-ratios and bill impacts based on the above scenario:

Customer Class Name	Calculated R/C Ratio	Proposed R/C Ratio
Residential	98%	100%
General Service < 50 kW	96%	100%
General Service 50-2999 kW	104%	100%
General Service 3000-4999 kW	138%	120%
Street Lighting	86%	90%
Sentinel Lights	76%	80%
Unmetered Scattered Load	163%	120%

Rate Class	Usage		Current Total Bill	Proposed Total Bill	$ Difference	% Difference
	kWh	kW				
Residential - RPP	750		$112.01	$119.92	$7.91	7.06%
Residential - non-RPP	750		$114.12	$117.21	$3.08	2.70%
Residential - RPP - 10th percentile	248		$52.15	$55.32	$3.17	6.08%
Residential - non-RPP - 10th percentile	248		$52.85	$54.42	$1.57	2.97%
GS <50 kW - RPP	2,000		$276.32	$296.80	$20.49	7.41%
GS <50 kW - non-RPP	2,000		$281.95	$289.55	$7.60	2.70%
GS 50-2999 kW	72,000	200	$11,698.80	$11,961.47	$262.67	2.25%
GS 3000-4999 kW	1,245,322	2,822	$199,416.57	$201,912.77	$2,496.20	1.25%
Unmetered Scattered Load	600		$99.07	$98.28	($0.79)	(0.79%)
Sentinel Lighting	68	0.2037	$15.26	$16.59	$1.33	8.71%
Street Lighting	86	200	$1,794.87	$3,339.93	$1,545.06	86.08%

3.2-Staff-40
Ref: Cost Allocation Model, sheet I3 TB Data
Ref: EB-2016-0089, Cost Allocation Model, December 15, 2016, sheet I3 TB Data

Preamble:

In the current cost allocation model, account 5070, Customer Premises – Operation Labour has $91,371 recorded. In the previous cost allocation model, $0 was recorded for this account.

Question(s)

a) Please explain what expenses LUI is tracking in this account, and why it has increased.

Lakefront Utilities Response

Account 5070 consists of costs related to locates. The previous cost allocation model had incorrectly recorded the account as $0.

3.2-Staff-41
Ref: Cost Allocation Model, sheet I7.1 Meter Capital, sheet I7.2 Meter Reading

Preamble:

The Meter Capital sheet indicates that the Street Lighting class has 2 meters, the Sentinel Light class has 49 meters, and the Unmetered Scattered Load (USL) class has 80 meters. The meter reading sheet indicates that meter reading is not being performed in the Sentinel Light rate class or the USL rate class.

Question(s):

a) Please explain the purpose of these meters, and whether they're being read.
b) Please make any revisions to the cost allocation model if required.

Lakefront Utilities Response

a) Sentinel Lighting customers in the service territory do not have meters and its usage is obtained on an automatic formula based on the days, hours, and the sentinel light wattage. Therefore, metering costs are not applicable since they are not being read.

b) Based on the response above, Lakefront does not believe a revision is required to the cost allocation model.

3.3-Staff-42
Ref: Exhibit 8, pages 4-5
Ref: Revenue Requirement Work Form, tab 13. Rate Design
Ref: Response to Error Checking OEB Staff Question #13

Preamble:

In its filed application, LUI proposed to maintain the fixed to variable split for all rate classes.

In response to OEB staff error checking question #13, LUI states that it has updated the RRWF, and that it now agrees with the tariff of rates and charges. It indicates that the RRWF now reflects the values in the tariff. OEB staff notes that this results in changes to the initial RRWF filed April 30, 2021 in the GS 3,000 – 4,999 kW, street lighting, sentinel Lights, and USL rate classes. OEB staff also notes that the updated RRWF fixed charges indicated still do not exactly match the tariff for sentinel lights. LUI also indicates that the rates in Exhibit 8, page 5, Table 8.1, which agree to the RRWF are hypothetical rates if LUI kept the existing fixed/ variable split.

In the GS < 50 kW and USL rate classes, the fixed charge is already above the minimum system with peak load carrying capability adjustment as calculated by the cost allocation model, commonly referred to as the ceiling. This proposal results in a further increase to the fixed charge for these rate classes.

Question(s):

a) Please provide an updated RRWF reflecting the current proposal.

b) Please explain why LUI is proposing to increase the fixed charge further above the ceiling in the GS < 50 kW and USL rate classes.

c) Please explain why LUI is now proposing to change the fixed/variable splits in the GS 3,000 – 4,999 kW, street lighting, sentinel lights, and USL rate classes.

Lakefront Utilities Response

a) As indicated in response to 0-Staff-2, Lakefront has provided an updated RRWF.

b) Lakefront is not proposing to increase the fixed charge above the ceiling in the GS<50 kW and USL rate class. Lakefront proposed a rate that was within the range between the proposed rate at current fixed to variable split and the cost allocation – maximum fixed rate.

c) The fixed/variable splits are updated as the cost allocation and revenue-to-cost ratios are updated.

3.4-Staff-43
Ref: Exhibit 7, page 18

Preamble:

The proposal outlines the calculation of distribution volumes and standby volumes if there is not a utility grade meter on the generator.

Question(s):

a) Please provide the proposed determination of distribution and standby volumes there is a utility grade meter on the generator.

b) Please provide a derivation of the proposed standby rates for the GS 50 – 2,999 kW and GS 3,000 – 4,999 kW rate classes.

c) Please provide the amount of generation in billing kW proposed to be subject to standby rates, in each rate class, in each year from 2011 to 2020, and expected in 2021 and 2022.

d) Please indicate how the above standby load was reflected in the load forecast.

Lakefront Utilities Response

a) The standby volume would be based on the contracted capacity reserve value and the distribution volume would be based on the customer's peak load from the load reading meter.

b) As indicated in Exhibit 1, the standby rate would be based on the Distribution Volumetric rate for the applicable rate class.

c) Lakefront does not have any generation in billing from 2011 to 2020. There is one customer that has installed a load displacement project and therefore it is difficult to determine the forecasted generation billing in 2021 and 2022.

d) The standby load has not been reflected in the load forecast.

3.5-Staff-44
Ref: Exhibit 8, page 17

Preamble:

LUI has based its LV charges of $1,657,800 on 2020 Actual costs of $1,129,800 plus two years of annual inflation at $264,000 per year. This results in increased low voltage charges to customers as follows:

Rate Class	2021 Charge	2022 Proposed Charge	Increase
Residential	$0.0014	$0.0074	429%
General Service < 50 kW	$0.0012	$0.0066	450%
General Service 50 – 2,999 kW	$0.4933	$2.6567	439%
General Service 3,000 – 4,999 kW	$0.5819	$3.1336	439%
Street Lighting	$0.3814	$2.0539	439%
Sentinel Lighting	$0.3893	$2.0969	439%
Unmetered Scattered Load	$0.0015	$0.0082	447%

Question(s):

a) Please provide a calculation of low voltage charges that would result from 2022 forecasted volumes, multiplied by 2022 host rates if known, or by current host rates.

Lakefront Utilities Response

Lakefront does not have the forecasted volumes and 2022 host rates as per Hydro One.

3.6-Staff-45
Ref: RTSR Workform

Preamble:

LUI has completed the 2021 version of the RTSR workform. Since Lakefront Utilities filed its application, a 2022 version of the model was released on June 25, 2021.

Question(s):

a) Please update to use the current version of the RTSR model, or explain why LUI considers the 2021 model to be more appropriate.
b) If LUI updates to the 2022 model, please confirm that the updated 2022 RTSR model has the correct 2020 RRR data, and that the historic wholesale volumes reflect 2020 actual.
c) If LUI opts to stay with the 2021 RTSR model, please confirm that the historic wholesale volumes reflect 2019 actual.

Lakefront Utilities Response

a) Lakefront considers the 2022 version to be more appropriate but as mentioned, the 2022 model was not available until June 25, 2021.

   Lakefront has populated the 2022 version and updated the application.

b) Lakefront confirms the 2022 RTSR model has the correct 2020 RRR data.

c) Please see response to a) and b).

3.6-Staff-46
Ref: Exhibit 8, page 9

Preamble:

LUI proposes to "maintain its current Retail Service Charges and Specific Service Charges."

Question(s):

a) Please confirm that LUI's 2021 retail service charges are based on the OEB's standard retail service charges.
b) Does LUI propose to continue using the standard retail service charges, as updated by the OEB, or does Lakefront Utilities propose to continue using the 2021 retail service charges in 2022?

Lakefront Utilities Response

a) Lakefront confirms that its 2021 retail service charges are based on the OEB's standard retail service charges.

b) Lakefront proposes to continue using the standard retail service charges, as updated by the OEB.

3.7-Staff-47
Ref: Exhibit 8, pages 13-16

Preamble:

LUI is proposing to charge $2.00 for printing paper bills. It indicates that this is based on labour, postage, and outsourcing costs, which total $2.33. It further indicates that the proposed $2.00 charge is the $2.33 cost rounded to the nearest $0.50. No costs associated with e-billing have been identified.

A new specific service charge of $15.00 is proposed for duplicate invoices. This is based on labour costs of $14.66, again with rounding to the nearest $0.50.

Question(s):

a) Is it LUI's proposal to round the $2.33 paper bill cost to the nearest $0.50 ($2.50), or is the intent to charge $2.00 based on another rationale?

b) Please advise any Ontario LDC precedent or rule which would permit billing for paper bills.

c) Which Canadian communications companies are charging consumers for paper bills for one or more the services they offer?

d) Is it LUI's proposal to round the $14.66 duplicate invoice cost to the nearest $0.50 ($14.50), or is the intent to charge $15.00 based on another rationale?

Lakefront Utilities Response

a) Lakefront is proposing to charge $2.00 with the remaining difference of $0.33 remaining in the OM&A costs. However, Lakefront is not fundamentally opposed to updating the fee to $2.50.

b) Lakefront infers that the Ontario LDC precedent or rule which would permit billing for paper bills is the same precedent or rule that allows LDCs to charge a fee for other specific service charges, i.e., income tax letter, easement letter, meter dispute, etc. However, unlike the examples provided, customers can utilize Silverblaze and access their bill online and avoid the $2.00 per month fee.

c) Lakefront is not aware of Canadian communications companies that charge customers for paper bills. However, Canadian banks (ex: TD Bank) charge a fee for a paper statement as they provide the use of the Easyweb platform to be able to view statements online (similar to Lakefront providing Silverblaze to customers).

d) Similar to a), the remaining difference of $0.16 is reflected in the OM&A costs. However, Lakefront can update the fee to $14.50.

3.7-Staff-48
Ref: Exhibit 1, Page 110
Ref: Exhibit 8, Pages 13,14

Preamble:

LUI states it provides both electricity and water and sewer charges on one bill. Lakefront LUI proposes a monthly charge for customers continuing to require paper bills. Total customers on e-billing has been stated to be approximately 28%.

Question(s):
a) How does Lakefront Utilities' e-billing uptake of 28% compare to other utilities?

b) Other utilities have had success moving customers to e-billing by implementing incentive programs. What has Lakefront Utilities done to incentivize customers to change to e-billing?

c) What has Lakefront Utilities done to determine why customers have not changed to e-billing, and what has it found?

d) What steps has Lakefront Utilities undertaken to consult with its customers about implementing the new monthly charge for paper bills and what were the results?

e) What would the e-billing system cost Lakefront Utilities to operate and maintain if all customers were on e-billing, in total per year and per customer per year?

f) As electricity and water/sewer bills are provided on the same paper bill, are the costs to produce and mail the joint paper bills currently shared between Lakefront Utilities and Lakefront Utilities Services Inc. (LUSI)? Please detail the allocation of the cost to produce and mail paper bills between LUSI and LUI.

g) Are water/sewer customers able to access their account and billing electronically if they sign up for e-billing with Lakefront Utilities, or do they continue to receive paper water/sewer bills?

h) Will a portion of the monthly charge for customers requiring paper bills will be allocated to LUSI? If so, how much and how is this reflected in the application?

l) Please provide the following for 2018-2020. i. Number of customer complaints regarding billing

ii. Yearly cost for printing and mailing paper bills

iii. Yearly cost for e-billing

iv. Percentage of customers using e-billing

v. Bad debt from customer energy accounts

Lakefront Utilities Response

Please note, Lakefront updated the numbering sequence for the above question as the original submission started with d).

a) Lakefront latest knowledge of other LDC's e-billing uptake was from 2017, however Lakefront's e-billing update is consistent with some other LDCs.

b) Lakefront cannot comment on the success of other LDCs moving customers to e-billing other than as commented in response to a), Lakefront's e-billing uptake is consistent with other LDCs. With respect to incentives, LUI notes the following:

    a. In 2015, Lakefront provided a one-time credit to customers that registered for e-billing and included a donation to the Ganaraska Region Conservation Authority to plant a tree in the customer's name.
    b. Lakefront entered ebilling customers in a draw to win an iPad.
    c. Implemented and promoted Silverblaze, including advertising that customers can access bills online.
    d. Numerous bill inserts have been sent that promote e-billing, including promotion on social media platforms.

c) In Lakefront's experience, many customers who had previously switched to e-billing criticized Lakefront's previous customer portal eCare as it was not user-friendly or easy to navigate and consequently customers would switch back to paper bills. Lakefront remedied this issue by introducing a new customer portal, Silverblaze.

    The Customer Service team promotes e-billing to customers over the phone and in-person. Through their discussions with customers and they have been offered many reasons as to why customer do not want to make a switch to e-billing:

    a. Preference for a paper bill.
    b. Filing/tax purposes.
    c. Lack of access to a computer.
    d. Dislike for technology.
    e. Preference for a physical reminder to pay their bill.

d) As summarized in Exhibit 1, Lakefront:

    a. Hosted a poll on engagecobourg.ca – 9 customers responded and 5 of those customers were in favour of the charge. The poll as also promoted on social media to drive participation, awareness, and discussion.
    b. The proposed fee was discussed at all five focus group meetings and was a question on the Survey Monkey survey.

e) The e-billing system is done through Silverblaze. Lakefront paid a one-time fee to implement Silverblaze and therefore if all customers were on e-billing there would be no additional costs.

f) The costs to produce and mail the joint paper bills are shared between Lakefront Utilities Inc. and Lakefront Utility Services Inc. and are allocated based on the number of customers.

g) Lakefront issues one bill which consists of electric, water, and sewer, and consequently customers would be able to access water/sewer information and would not continue to receive a water/sewer bill.

h) Currently a portion of the monthly charge for customers requiring paper bills has not been allocated to LUSI. Billing services and additional charges are regulated by a Town of Cobourg by-law and revenue has not been allocated to LUSI as there is currently not a $2 fee listed on the by-law. That is, the $2.00 charge is based on the allocated costs to LUI, so the $2.00 goes to LUI with the costs of the water portion of the bill recovered through water charges.

i) Below is the information requested, which is the LUI allocated costs:

Information	2018	2019	2020
Number of customer complaints regarding billing	9	11	3
Yearly cost for printing and mailing paper bills	$83,680	$93,327	$83,680
Yearly cost for e-billing	$0	$0	$0
Percentage of customers using e-billing	21%	25%	29%
Bad debt from customer energy accounts	$28,237	$20,278	$23,406

Lakefront notes that the bad debt from customer energy accounts is based on the actual write offs and excludes adjustments related to the allowance for doubtful account at year end. Consequently, the bad debt provided above may differ from other sections of the application.

7-SEC-1

[Ex. 7, p. 9] Please provide the data supporting the 10.0 Services weighting factor for GS>50 and GS>3000.

Lakefront Utilities Response

Lakefront does not have the information requested and have used inputs from the last applications in an effort to maintain consistency.

7-SEC-2

[Ex. 7, p. 18] With respect to the proposed Standby Charge, please confirm that:

a. A school with solar rooftop or battery storage, or both, would be subject to the proposed Standby Charge.

b. A solar generating facility would be assumed to deliver peak power at its nameplate capacity, even though solar installations do not actually deliver peak power at nameplate.

c. A school that uses battery storage to reduce its peak demand would be assumed to require backup supply from the Applicant for the full capacity of the storage battery, whether or not the customer actually ever needed, or relied on, that backup supply.

Lakefront Utilities Response

a) The purpose of the standby charge is to recover costs that are directly attributable to the LDC providing the standby service to the relevant LDG customer. That is, a school with a solar rooftop and/or battery storage may not necessarily require standby power.

b) Lakefront confirms the above is correct.

c) Lakefront confirms the above is correct.

3.1-VECC -29

Reference: Exhibit 3, pages 6 and 9-10
Load Forecast Model, Tab 3 (Consumption by Rate Class) and Tab 4 (Customer Growth)

Preamble: At page 6 the Application states: "*Total customers and connections are annual averages calculated by adding the beginning counts as of January 1st and the ending counts as of December 31st and dividing in half.*"

a) Are the historical customer count numbers set out in Tab 3 of the Load Forecast Model based on the customer count as of the beginning or end of each month?

b) Please confirm that the historical annual average customer counts for each class set out in Tab 4 are based on the average of the January and December values for the year concerned.
   i. If the customer counts are based on the values as of the beginning of each month, please confirm that the quote in the Preamble is incorrect.
   ii. If the customer counts are based on the values as of the end of each month, please confirm that the quote in the Preamble is incorrect.

c) If available, please provide the end of June 2021 customer/connection count for each rate class.

d) Does LUI have any customers that are Market Participants?
   i. If yes, please indicate the number of Market Participants in each customer class.
   ii. If yes, please confirm that the customer counts described in pages 22-27 include these Market Participants.
   iii. If not included, please revise the historical and forecast customer counts so as to include these Market Participants.

Lakefront Utilities Response

a) The customer count numbers set out in Tab 3 of the Load Forecast are based on the customer count at the end of each month.

b) Lakefront confirms that the historic average customer count for each class set out in Tab 4 is based on the average of January to December. Consequently, the preamble appears to be correct.

c) Below is a summary of the customer/connection count at June 30, 2021:

Rate Class	Customer Count/Connections at June 30, 2021
Residential	9,490
GS <50 kW	1,150
GS 50-2999 kW	110
GS 3000-4999 kW	1
Unmetered Scattered Load	83
Sentinel Lighting	50
Street Lighting	3,098

d) Lakefront does not have Market Participants.

3.1-VECC-30

Reference: Exhibit 3, pages 8 and 10-11
Load Forecast Model, Tab 6 (WS Regression Analysis)

a) Do the historical Wholesale Purchase values set out in Tab 6 (Column C) include: i) Fit and microFIT purchases by LUI and ii) purchases by Market Participant customers (if applicable)?

i. If yes, please break these values out using columns D and E in Tab 6.
ii. If not, please revise Tab 6 accordingly and provide a revised regression model and load forecast for 2021 and 2022.

Lakefront Utilities Response

Lakefront confirms that the historical Wholesale Purchases did not include microFIT purchases. Lakefront has updated Tab 6 to include microFIT purchases and below is the updated regression model.

Equation Parameters	
Multiple R	93.36%
R Square	87.17%
Adjusted R Square	86.49%
Standard Error	601,555.1611
Observations	120.00

ANOVA					
	df	SS	MS	F	Significance F
Regression	6	2.77757E+14	4.62928E+13	127.927136	5.35423E-48
Residual	113	4.08912E+13	3.61869E+11		
Total	119	3.18648E+14			

Multiple Regression Equation								
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Interecept	14,207,723.16	2,740,820.77	5.18	0.00	8,777,662.88	19,637,783.44	8,777,662.88	19,637,783.44
HDD	6,863.39	303.36	22.62	0.00	6,262.39	7,464.39	6,262.39	7,464.39
CDD	42,147.84	2,701.41	15.60	0.00	36,795.85	47,499.83	36,795.85	47,499.83
Number of Days in Mont	383,899.53	75,030.13	5.12	0.00	235,251.30	532,547.76	235,251.30	532,547.76
Peak Number of Hours	8,274.60	3,009.57	2.75	0.01	2,312.10	14,237.10	2,312.10	14,237.10
Spring and Fall	(497,618.68)	129,377.00	(3.85)	0.00	(753,937.85)	(241,299.52)	(753,937.85)	(241,299.52)
Customer #	(987.96)	169.47	(5.83)	0.00	(1,323.71)	(652.21)	(1,323.71)	(652.21)

3.1-VECC-31

Reference: Exhibit 3, pages 16-17
Load Forecast Model, Tab 6 (WS Regression Analysis) and
Tab 6.1 (Regression Analysis)

Preamble: The Application states (page 16): "*Lakefront has noted the following trend in total system load for April to June 2020 as shown in Figure 3.12. As indicated, Lakefront has replaced the actual total system load for April to June 2020 with the average from 2011 to 2019 thereby removing any load impacts resulting from COVID-19 on the load forecast*."
The Application states (page 17): "*In the absence of not updating the usage for April, May, and June, the impact to the revenue deficiency as calculated in Exhibit 6 is approximately $4,000 negative impact to customers. That is, by updating the actuals in April to June to the historical average, the revenue deficiency has increased by approximately $4,000*."

a) Please provide a revised version of Figure 3.12 that also includes: i) the 2019 purchases by month and ii) the average of the 2011-2019 purchases by month.

b) Why was the adjustment made using the historical averages for April to June as opposed to more recent values (e.g., 2019)?

c) An inspection of Figure 3.12 suggests that the actual purchases for September 2020 were below "normal". Why was the adjustment only made for the months of April to June and not for other months such as September?

d) Please re-do the regression model for wholesale purchases using only the data for 2011-2019 and provide: i) the resulting regression equation, ii) the regression statistics (similar to Table 3.9) and iii) the resulting purchased power forecast for 2020, 2021 and 2022.

e) Please confirm that with respect to the reference from page 17, updating the actuals in April to June to the historical average has decreased (not increased) the revenue deficiency. If not, please explain why not.

Lakefront Utilities Response

a) Below is a revised Figure 3.12 based on the above additional information:

b) The historical averages would account for potential anomalies that could have occurred in 2019 and further, by taking an average Lakefront is utilizing multiple data points.

c) The reduction in September 2020 appears to be consistent with 2019 and reasonable compared to the average for 2011 to 2019. Lakefront utilized April to June as those months appear to be affected by COVID19 and are not consistent with prior years or the average.

d) Below is the updated regression statistics and the resulting purchased power forecast.

Equation Parameters	
Multiple R	93.22%
R Square	86.90%
Adjusted R Square	86.13%
Standard Error	611,892.2005
Observations	108.00

ANOVA					
	df	SS	MS	F	Significance F
Regression	6	2.50958E+14	4.18264E+13	111.712249	2.66545E-42
Residual	101	3.78156E+13	3.74412E+11		
Total	107	2.88774E+14			

Multiple Regression Equation								
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Interecept	15,418,874.62	3,018,308.12	5.11	0.00	9,431,363.23	21,406,386.01	9,431,363.23	21,406,386.01
HDD	6,910.02	321.86	21.47	0.00	6,271.54	7,548.50	6,271.54	7,548.50
CDD	42,851.38	3,041.80	14.09	0.00	36,817.27	48,885.49	36,817.27	48,885.49
Number of Days in Mont	374,182.66	79,027.06	4.73	0.00	217,414.23	530,951.10	217,414.23	530,951.10
Peak Number of Hours	9,141.43	3,198.05	2.86	0.01	2,797.36	15,485.51	2,797.36	15,485.51
Spring and Fall	(480,887.11)	138,144.74	(3.48)	0.00	(754,929.12)	(206,845.10)	(754,929.12)	(206,845.10)
Customer #	(1,113.11)	200.25	(5.56)	0.00	(1,510.35)	(715.86)	(1,510.35)	(715.86)

Year	Actual kWh Purchased	Year over Year	Predicted kWh	Year over Year	Purchased vs Predicted
2011	262,348,777		261,676,286		(0.26%)
2012	264,024,090	0.64%	260,570,850	(0.42%)	(1.31%)
2013	257,694,737	(2.40%)	257,455,924	(1.20%)	(0.09%)
2014	251,596,755	(2.37%)	255,153,948	(0.89%)	1.41%
2015	251,243,247	(0.14%)	253,886,440	(0.50%)	1.05%
2016	249,993,948	(0.50%)	252,021,003	(0.73%)	0.81%
2017	246,516,908	(1.39%)	249,433,636	(1.03%)	1.18%
2018	260,643,733	5.73%	255,968,162	2.62%	(1.79%)
2019	251,604,521	(3.47%)	249,500,468	(2.53%)	(0.84%)
2020	253,882,042	0.91%	250,667,112	0.47%	(1.27%)

e) Lakefront confirms that updating the actuals in April to June to the historical average has decreased the revenue deficiency.

3.1-VECC-32

Reference: Exhibit 3, page 15
3.1-Staff-31

Preamble: Staff-31 inquires as to the reasonableness of the negative coefficient for the "number of customers" variable

a) Could this result be due the impact of CDM programs over the 2011-2020 period which have not been accounted for in the modelling?
   i. If not, please explain why not.
   ii. Please complete the following table based on LUI's reported CDM results and provide the supporting OPA/IESO Reports.

Impact of Historical CDM (kWh)					
Calendar Year/ CDM Program Year	2011	Columns for Each Subsequent Year up to 2021			2022
2011 CDM Program Impacts					
Actual CDM impacts for each year to 2020 – one row per year					
Total					

Lakefront Utilities Response

a) As indicated in response to 3.1-Staff-31, the impact of CDM programs could have impacted negative coefficient.

   Below is populated table:

Impact of Historical CDM (GWh)							
Calendar Year/CDM Program Year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
2011 CDM Program Impacts	5,400						
2012 - Actual CDM Impacts		2,100					
2013 - Actual CDM Impacts			1,500				
2014 - Actual CDM Impacts				1,400			
2015 - Actual CDM Impacts					2,518		
2016 - Actual CDM Impacts						1,760	
2017 - Actual CDM Impacts							3,140
Total	**5,400**	**2,100**	**1,500**	**1,400**	**2,518**	**1,760**	**3,140**

Lakefront also filed the following documents as support:

- LUI_2022_2011-2014_Final_Results_20210730
- LUI_2017_Final_Verified_Annual_Results_20210730

3.1-VECC-33

Reference: Exhibit 3, page 19
Load Forecast Model, Tab 7 (Weather Sensitive Class) and
Tab 8 (kW and Non-Weather Sensitive)

Preamble: The Application states: "*From Table 3.15 LUI used the average kWh per customer for the 2021 Bridge and 2022 Test Year and multiplied by the forecasted average customer in that rate class for the 2021 Bridge and 2022 Test Year. The non-weather billed consumption by rate class is illustrated in Table 3.16*."

a) The Application states that the customer class forecasts for 2022 are based on the estimated average use per customer multiplied by the forecast number of customers. However, in Tabs 7 and 8 of the Load Forecast Model, the customer class forecasts are based on each class' share of the 2020 purchases. Please clarify whether the description in the Application is correct.

b) Given the acknowledged impacts of COVID-19 on 2020 sales (per page 17):

   i. Why, in the Load Forecast model, were customer class shares based on 2020 values?

   ii. How would the 2020 forecast by customer class change if 2019 was used instead?

Lakefront Utilities Response

a) Lakefront clarifies that the customer class forecast for 2022 is based on the each class' share of the 2020 purchases.

b)

   i. The customer class shares were not based on 2020 values. The update the Load Forecast model as a result of COVID19 was the update to the total system load in April, May, and June.

   ii. Below is the summary of the forecast based on if the data was updated to 2019.

Rate Class	Forecast Based on Current Proposal	Forecast Based on 2019 Usage
Residential	73,424,092	73,685,747
GS <50 kW	32,026,347	32,140,477
GS 50-2999 kW	107,176,718	107,255,605
GS 3000-4999 kW	19,493,265	19,507,613
Unmetered Scattered Load	617,799	618,254
Sentinel Lighting	44,683	44,716
Street Lighting	1,091,871	1,092,675
Total	**233,874,775**	**234,345,087**

3.1-VECC-34

Reference: Exhibit 8, pages 7-8
Appendix 2-R

a) What is the basis for LUI's understanding that utilities embedded with Hydro One are to incorporate a supply facilities loss factor of 0.0045?

Lakefront Utilities Response

Utilities embedded with Hydro One have a consistent annual supply facilities loss factor.

Please note Lakefront had incorrectly recorded the rate as 0.0045 and has subsequently updated the rate to 0.0034.

3.2-VECC-35

Reference: Exhibit 7, page 9

Preamble: The Application states:
"*Street Lighting, Sentinel Load, and Unmetered Scattered Load: A services weighting factor of 0 is proposed for these customer classes as the costs incurred to provide services for these customer classes are the responsibility of the Town of Cobourg, excluding unmetered scattered load*."

a) The Cost Allocation Model (Tab I6.2) indicates that there are two Street Light customers. Are both of these customers responsible for the costs of their Services assets? If yes, is this through a capital contribution such that LUI owns the Services assets or do the Street Light customers own the assets?

b) Are Sentinel and USL customers responsible for the costs of their Services assets? If yes, is this through a capital contribution such that LUI owns the Services assets or do these customers own the assets?

Lakefront Utilities Response

a) Lakefront confirms that the Street Light customer are responsible for the costs of their Services assets. As the customer owns the asset, there is no capital contribution.

b) Lakefront confirms that Sentinel and USL customers are responsible for the costs of their Services assets. As the customer owns the asset, there is no capital contribution.

3.2-VECC-36

Reference: Exhibit 7, page 10-12

Preamble: The Application states:

"*Account 5315 consists of staff wages related to billing customers. Consequently, there is a greater amount of costs attributed to residential customers considering the amount of bills produced. Further, there is more staff time allocated to residential customers for inputting time of use rates, bill testing, etc. Conversely, it is reasonable to have minimal costs allocated to GS 3000-4999 because there is only one customer and therefore there are only 12 bills produced in a month and less staff time*."

a) The Cost Allocation Model (Tab I6.2) indicates that there are two Street Light customers. However, Table 7.3 assumes there are only 12 Street Light bills per year – consistent with a customer count of one. Please reconcile.

b) With respect to the allocation of Account 5315, please explain how the number of bills produced impacts the amount of time required to i) input rates and ii) test the bills for each customer class. (i.e., why wouldn't the input time be the same regardless of the number of customers such that on a per bill basis the cost would be less for classes with a larger customer count?).

c) With respect to the allocation of Accounts 5320 and 5330, please explain why Tables 7.5 and 7.6 only attribute Bad Debt to the Residential and GS<50 classes whereas the Cost Allocation Model (Tab I6.2) also attributes Bad Debt to the GS 50-2999 class. Also please reconcile the relative weightings for the Residential and GS<50 classes used in Tables 7.5 and 7.6 with those in Tab I6.2 (i.e., the latter uses a significantly higher weight for the GS<50 class).

d) It is noted that in Table 7.3 there do not appear to be any costs related to Canada Post (i.e., for mailing bills). Are these costs included and if so where and what is the annual cost?

e) With respect to Table 7.7 (i.e., fees paid to ERTH for printing bills), please provide a breakdown of the number of printed bills per month for each class associated with the $55,773.

Lakefront Utilities Response

a) Lakefront agrees that there are two Street Light customers and Table 7.3 should have assumed 24 Street Light bills per year – consistent with a customer count of two.

b) Lakefront allocated the expenses based on the number of bills because a larger number of bills in a rate class could result in additional rate scenarios. For example, residential customers could be on time-of-use, tiered rates, or with a retailer. All scenarios would result in different rates and consequently additional testing. Compared to GS 3000-4999 which consists of one customer and would result in minimal rate changes.

c) Lakefront updated the calculations included in Table 7.5 and 7.6 to agree to the allocation in Tab I6.2.

d) The costs for mailing of bills are recorded in Account 5620. The annual cost is approximately $40,000.

e) Lakefront does not have the printed bills per month for each rate class readily available, however will work at obtaining this information. A summary of the current customers receiving a paper bill is in 2.1-VECC-22.

3.2-VECC-37

Reference: Exhibit 7, pages 24-26

a) Please explain why, with the exception of the Street Light and USL classes, the Revenue to Cost Ratios are being moved to approximately 100% for all classes (as opposed to making adjustments such that ratios are within the Board's policy ranges).

b) Why is the Street Light ratio only being increased to 90%? If the rationale is to mitigate the class' 2022 bill impacts, why isn't the ratio increased further over the 2023 to 2024 period?

Lakefront Utilities Response

a) For GS 3000-4999 kW, LUI initially adjusted the revenue-to-cost ratio to 120% to meet the ceiling limit set by the Board and then further adjusted it down to 100% to help keep the other classes movement within the Board ranges or prevent them from either moving away from 100% or simply to minimize cross subsidization.

The Residential, GS<50 kW, and GS 50-2999 kW were slightly adjusted towards 100%

to keep other classes movement within the Board ranges or prevent them from either moving away from 100% or simply to minimize cross subsidization.

b) The calculated revenue-to-cost ratio is 86% and therefore movement to a ratio of 90% is reasonable. Increasing the ratio further over the 2023 to 2024 period would result in cross subsidization.

3.3-VECC-38

Reference: Exhibit 8, page 5
Cost Allocation Model, Tab O2

a) The Maximum Fixed Charge values set out in Table 8.2 do not match the values for the Customer Unit Cost per Month – Minimum System with PLCC Adjustment values in Tab O2 from the Cost Allocation model (e.g., For the GS<50 class Table 8.2 has a value of $25.50 whereas Tab O2 has a value of $24.30). Please revise Table 8.2 as required and identify those customer classes where the 2021 fixed charge exceeds the maximum and LUI is proposing to increase it in 2022.

Lakefront Utilities Response

Customer Class Name	CUSTOMER UNIT COST PER MONTH (sheet O2)			
	Avoided Costs (Minimum Charge)	Directly Related	Minimum System with PLCC * adjustment	Maximum Charge
Residential	$5.39	$8.79	$23.78	$23.78
General Service < 50 kW	$8.76	$13.10	$25.50	$25.50
General Service 50-2999 kW	$71.91	$119.96	$89.62	$119.96
General Service 3000-4999 kW	$47.54	$95.54	$6,174.88	$6,174.88
Street Lighting	$0.56	$1.01	$1.59	$1.59
Sentinel Lights	$4.01	$6.36	$5.27	$6.36
Unmetered Scattered Load	$4.16	$6.56	$15.37	$15.37

Lakefront has proposed a fixed charge that exceeds the maximum for the following customer classes: Residential and General Service <50 kW.

3.4-VECC-39

Reference: Exhibit 7, pages 18-19

a) Do any of LUI's GS 50-2999 or GS 3000-4999 customers currently have Load Displacement Generation?
b) If yes, how many customers and what customer class(es) are they in?
c) If yes, is the generation separately metered and, if so, who owns the meter?
d) Does the Load Forecast include any kW billing for Standby? If yes, please explain where/how in the Load Forecast the Standby bill kW have been captured.

Lakefront Utilities Response

a) Lakefront is aware of three GS 50-2999 customers that has installed load displacement generation.

b) See response to a).

c) Yes, the generation is separately metered and the meter is owned by the customer.

d) The load forecast does not include any kW billing for standby.

3.5-VECC-40

Reference: Exhibit 8, page 7-8
RTSR Model, Tabs 3 & 7

a) Please confirm that the RRR data used in Tab 3 and the monthly billing data in Tab 7 are both based on 2020 actual data. If not confirmed, what is the basis for each?

Lakefront Utilities Response

Please see response to 3.6-Staff-45. Lakefront has updated the RTSR model that was released in June 2021.

3.5-VECC-41

Reference: Exhibit 8, page 17

a) Please confirm that the $264,000 annual increase in LV costs is based on the average annual increase from 2018 to 2020 (not 2019 to 2020 as stated in the Application).

b) For each of 2019 and 2020, how much of the increase in LV costs was due to a change in the billing determinants and how much was due to changes in the applicable rates?

Lakefront Utilities Response

a) The $264,000 annual increase in LV costs is based on the average of 2019 and 2020. Including the decrease in 2018 of $98,921 would have resulted in an average increase of $143,191. To be conservative, Lakefront used an average increase of $264,000.

b) Below is a summary of the 2019 and 2020 increase in LV costs by billing determinants and by changes in rates.

Low Voltage Charge	Impact Details	2019	2020
Common ST Lines	Billing Determinant Impact	(24,887)	11,372
	Rate Impact	54,487	72,986
Service Charge	Billing Determinant Impact	0	(3,357)
	Rate Impact	2,010	2,307
Volumetric Rate Rider #23A	Billing Determinant Impact	0	208,643
	Rate Impact	204,934	0
Total Increase		**236,544**	**291,951**

3.6-VECC-42

Reference: Exhibit 8, page 9

a) Please confirm that the proposed 2022 Retail Service Charges are the same as those approved for 2021.

b) Please confirm the revenues from Retail Service Charges as forecast in Exhibit 3 are based on the approved 2021 rates.

Lakefront Utilities Response

a) Lakefront compared the proposed 2022 Retail Service Charges and noted the following discrepancies from the 2021 approved rates per EB-2020-0036:
   a. One-time charge, per retailer should be $104.24.
   b. Monthly fixed charge, per retailer should be $41.70.
   c. Electronic Business Transaction system, more than twice a year should be $4.17.

Lakefront has updated the bill impact model.

b) Lakefront confirms the revenues from Retail Service Charges as forecast in Exhibit 3 are based on the approved 2021 rates.

3.7-VECC-43

Reference: Exhibit 8, pages 13-14 and 16

a) With respect to Table 8.7, what activities with respect to the production of a print bill require the involvement of LUI's direct labour?
b) Are there any monthly activities that are unique to the production of e-bills?
    i. If yes, what are they, what is the estimated monthly cost for 2022 and does the cost vary with the number of e-bills issued?
c) Did LUI consider other approaches to incentivizing its customers to adopt e-billing, such as gift cards or other one-time rewards, as opposed to penalizing (via additional charges) those that want to continue to receive print bills?
    i. If not, why not?
    ii. If yes, what options were considered and why were they rejected?
d) It is noted that LUI proposes to not charge customers the Duplicate Invoice Fee is they indicate they are unable to use the on-line service to access past invoices (page 16). Why is LUI not proposing to offer a similar accommodation to customers who are unable to use on-line services to access their monthly bills?

Lakefront Utilities Response

a) Lakefront outsources bill prints to ERTH, however occasionally Lakefront Customer Service staff are required to print bills (ex: final bill prints).

b) There are no monthly activities that are unique to the production of e-bills and there is no monthly cost associated with the number of e-bills issued.

c) Please see details in 3.7-Staff-48.

d) Silverblaze allows customers to view two years of bills. Consequently, Lakefront is proposing a duplicate invoice fee because the customer can access Silverblaze to print their bill within the two-year period.

However, if a customer needs a bill that is older than two years then Lakefront will not charge the customer the duplicate invoice fee.

3.7-VECC-44

Reference: Exhibit 1, page 75

a) Was the "Engage Coburg" survey with a response of 8 people the entirety of the customer engagement on the proposal for charging for printed bills?

b) Please list all the customer engagement LUI undertook with respect to the proposed charge for duplicate bills?

Lakefront Utilities Response

a) No, the poll survey was not the entirety of the engagement surrounding the proposed fee. The poll was also promoted on social media to drive participation, awareness, and discussion. The proposed fee was also a Survey Monkey question and discussed verbally at all five focus group meetings.

b) LUI did not undertake engagement related to the duplicate bills. As indicated in the summary provided in response to 2.1-VECC (other revenue), the number of occurrences related to duplicate bills is relatively small and does not impact many customers.

3.7-VECC-45

Reference: Exhibit 1, Appendix G – Survey – page 5/18 (PDF page 261) 261 / Exhibit 1, Appendix L – Redhead Media Survey – PDF page 457

a) 22.22% of Lakefront customers surveyed stated that Bill inserts and newsletters were the best method to reach them. The Redhead Media Survey also shows that 32% of surveyed customers prefer bill inserts as a means of communications. Given these findings what evidence has Lakefront that charging additional amounts for paper bills is desired by its customers?

b) What customer engagement did LUI undertake with respect to the proposed charge for duplicate bills?

Lakefront Utilities Response

a) In the 2020 Customer Satisfaction Survey, 59% of respondents indicated that email was their preferred method of communication. Bill inserts and newsletters are made available to customers via MailChimp eNewsletter campaigns, and via the SilverBlaze Customer Portal.

   Further, 66.67% of the Survey Monkey respondents also indicated that email was the best method to reach them. These results show that email is the desired method of LUI's customers, but they are not taking the action to switch. The proposed fee will hopefully be the incentive needed to make that switch.

b) Please see response to 3.7-VECC-44.

3.7-VECC-46

Reference: Exhibit 1, Appendix L – Redhead Media Survey – PDF page 311

a) The Redhead Media survey reports a net 90% of customers are satisfied with the bills they receive from LUI. Given this result what is the impetus to change the manner in which bills are charged to customers?

Lakefront Utilities Response

The Redhead Media survey indicates that 90% of customers are satisfied with the "convenient options to both receive and pay bills." LUI has worked hard over the past few years to ensure customers have convenient options by upgrading the customer portal, introducing a mobile application, and expanding methods of bill payments. All of these options are complimented with the delivery of an e-bill.

Through the Redhead Media survey, LUI received many individual customer comments surrounding the lack of understanding when it comes to the monthly bill. The new technology (SilverBlaze, Mobile App) addresses that issue through easier bill presentment, usage comparisons, and exporting capabilities, and empowers the customer to take control of their usage. Encouraging the customer towards these platforms is in the customers best interest as it will assist them in being informed and in more control of their usage.

3.7-VECC-47
Reference:

a) How many requests for duplicate bills did LUI receive in each of 2018, 2019, and 2020?

Lakefront Utilities Response

This is not a metric that Lakefront tracks, however anecdotally, Lakefront receives approximately 20 requests per year for duplicate bills.

3.7-VECC -48
Reference: Exhibit 1, page 30

a) LUI's conditions of service are found at https://www.lakefrontutilities.com/conditions-of-service/ and are entitled "**Conditions of Service for Cornerstone Hydro Electric Concepts Association**" . These appear to be a generic set of conditions developed by the CHEC group. Please confirm these conditions of service are applicable to LUI and explain what modifications have been made to these conditions of service so as to apply to LUI. Why has LUI not named the conditions of service for the Utility?

Lakefront Utilities Response

Lakefront confirms the conditions of service are applicable to Lakefront. No modifications have been made to these conditions of service. LUI will update the conditions of the service so that they specifically reference LUI.

3.4-EP-7
Reference: Exhibit 7, page 18

Preamble: "In the case where utility grade metering is not installed on the generators, distribution charges on the generator host facility's load account will be determined by multiplying the peak hourly delivered load as measured by the load account meter in kW by applicable variable charges for the rate class."

a) Please provide a definition of "utility grade metering"

b) Does LUI require that certain customers have utility grade metering?

c) Is utility grade meter owned by the customer or by LUI?

d) Considering that a customer may have reduced load for reasons other than LDG or LDS use, such as plant maintenance, how will LUI be able to identify the load for the determination of the Standby Charge?

Lakefront Utilities Response

a) Lakefront defines a utility grade meter as a meter that is capable of identify load related to distributed generation.

b) Lakefront presumes that customers with distributed generation will require a utility grade meter to ensure the distributed generation is read accurately.

c) The meter is owned by the customer.

d) As the standby charge will be based on the customer's peak demand factor and their actual demand, any downtime resulting from plant maintenance might not necessarily affect their actual demand.

3.4-EP-8
Reference: Exhibit 8, Rate Design, Standby Power Service Classification, pdf page 50 of 76.

Preamble: "Distribution Charges on the generator host facility's load account will be determined by multiplying the peak hourly delivered load as measured by the load account meter in kW by applicable variable charges for the rate class. Standby Charges will be determined by multiplying the peak coincident combined kW delivered by both the distribution system and the generator, less the peak hourly delivered load in kW of the host customer facility as measured by the generator host load account meter."

Please file a numerical example of the determination of a Standby Charge showing all calculations, units, and assumptions.

Lakefront Utilities Response

Below is a numerical example:

Particulars	Scenario #1: Load Taken Less than Reserve	Scenario #2: Load Taken Greater than Reserve
Contracted Capacity Reserve (kW)	300	300
Load Taken (kW)	200	350
Difference	100	(50)
Distribution Volumetric Rate*	$3.5909	$3.5909
Standby Charge	**$359.09**	**$0.00**

*Distribution Volumetric Rate is based on the 2021 OEB approved rate as per Lakefront's Decision and Rate Order (EB-2020-0036).

3.4-NHH-1

[Ex.1, p.82; Ex.7, p.18, Exhibit 8, Appendix B] In Exhibit 1 (p.82), LUI discusses calculating a standby charge based on a methodology which includes establishing contracted capacity reserve value. In the explanation provided in Exhibit 7 (p.18) and the draft standby charge tariff in Exhibit 8 (Appendix B) the standby charge methodology appears to be entirely different and there is no mention of establishing a contracted capacity reserve value. Please explain the discrepancy and explain in detail what LUI is proposing as the standby charge methodology.

Lakefront Utilities Response

Lakefront's proposal is summarized in 3.4-NHH-3. Lakefront has updated the proposed tariff of rates and charges.

3.4-NHH-2

[Ex. 1, p.82; Ex.7, p.18] NHH seeks to better understand the proposed standby charge proposal design:

a. Please provide a copy of all documents, including but not limited to, memorandums, presentations, reports, and modelling, that outlines LUI's analysis, including all options considered, for the proposed standby charge.
b. Please provide any analysis and/or modelling that LUI has undertaken regarding the demand diversity of customers who require backup power. Please explain how that modelling or analysis impacted its standby charge design proposal.
c. Please confirm that if a customer installs a load management system, as opposed to load displacement generation or storage, and still requires backup power for when their system is offline, it would not be required to pay a standby charge.
d. Please confirm that under LUI's proposed standby charge the cost to provide backup power during an infrequent maintenance outage taken during off-peak hours is treated the same as the cost to provide the same quantity of power, at all times, including during peak hours.

Lakefront Utilities Response

a) Lakefront does not have any additional memorandums, presentations, reports, etc, other than what has already been provided in this filing.

b) Lakefront has not prepared any analysis and/or modelling regarding the demand diversity of customers who require backup up power.

c) Presuming the customer is not requiring demand to be on standby, a customer that installs a load management system would not be required to pay a standby charge.

d) Lakefront confirms that the cost to provide backup up power during an infrequent maintenance outage taken during off-peak hours is treated the same as the cost to provide the same quantity of power, at all times, including during peak hours.

3.4-NHH-3

[Ex.1, p.82] LUI states:

> "As part of the process when a customer installs LDG, LUI consults with the customer to determine whether the supply of power from the distribution system will be needed when the generation is not running. Assuming this is the case, a contracted capacity reserve value would be established. This value will be determined on a monthly basis by taking the customer's peak load from the load reading meter. The peak load will be charged the Distribution Volumetric Rate for the applicable rate class, forming the customer's Standby Rate.
>
> The following charge would be:

1. If the load taken is less than the contracted capacity reserve value – the difference between that value and the load taken will be charged a Standby Rate which will be equivalent to the distribution volumetric rate for the applicable rate class.

2. If the load taken is equal to or greater than the contracted capacity reserve value – the Standby Rate will not be applied."

a. Please explain in detail the process for establishing the contracted capacity reserve value and how it will be determined. Without limiting your response, please explain who ultimately makes the determination on the appropriate contracted capacity value, the customer or LUI? If it is the latter, please explain the basis for the determination of the contracted capacity value and what recourse does the customer have if they do not agree with the decision.
b. Please confirm that under LUI's proposed capacity reserve value approach, if a customer who installs LDG or storage reduces its monthly peak demand, for any reason, it will pay a standby charge on the difference between its actual monthly peak demand and the contracted capacity reserve value. If so, please explain why that is appropriate.
c. Please confirm the OEB rejected a similar approach to a standby charge in its Decision and Order on an application by Energy+ Inc in EB-2018-0028.

Lakefront Utilities Response

a) Any contract capacity reserve would be established during the LDG project application stage and would ultimately be determined by the customer.

b) Lakefront confirms the above. Lakefront believes it's appropriate because the mechanism ensures the customer is paying for the capacity that is held in reserve.

c) Lakefront confirms that the OEB rejected a similar approach.

3.4-NHH-4

[Ex. 1, p.83] LUI states: "As indicated above, 67% of customers either agree or strongly agree with the proposed standby rate. Further, the groups representing low-income customers were disheartened to discover that if Lakefront were not able to be kept whole through the standby rate, other rate classes of customers would eventually experience rate increases to make up the difference, effectively subsidizing those customers with load displacement projects.":

a. Please confirm a total of only 9 customers participated in the survey.
b. Please list the groups that LUI is referring to and the basis for the statement that they were "disheartened".

c. Please provide the “rate increase”, by rate class, that LUI believes would be required if there was no standby rate established. Please provide a step-by-step breakdown of the calculations and include any revised Cost Allocation and Load Forecast model.
d. Please explain why it is appropriate to have a standby charge that it intended to ensure LUI is “to be kept whole” from reduced revenue that may occur from a customer installing an LDG facility.
e. Please confirm that reduced revenue that occurs between cost of service applications from a customer installing load displacement generation and/or storage is potentially recoverable through the existing Lost Revenue Adjustment Mechanism (LRAM).

Lakefront Utilities Response

a) The survey was sent to all 25 focus groups participants and Lakefront confirms that 9 customers participated in the survey.

b) The four groups representing low-income customers listed in Table 1.31 in Exhibit 1.

c) Lakefront cannot reasonably calculate a “rate increase” that would be required if there was no standby rate established.

d) The purpose of a standby charge is partially to keep the utility whole. That is, a standby charge protects distributors from demand diversity. Each time a customer puts an incremental demand on the system, they pay for that, and continue to pay for the demand for twelve months. Conversely, customers that do not put high demands on the system (for example, a reliable behind-the-meter generator), do not have to pay to have capacity held in reserve.

   Further, Lakefront notes that LRAM is essentially designed to “keep a utility whole”. That is, reduced revenue between Cost of Service applications is recovered through LRAM, which is a rate increase to customers.

e) Lakefront cannot confirm that reduced revenue that occurs between Cost of Service applications from a customer installing load displacement generation and/or storage is potentially recoverable through LRAM. LRAM can only be attributed to annual verified results prepared by the IESO.

3.4-NHH-5

[Ex.1, p.83] With respect to customer engagement of customers who have, or may plan to install, load displacement generation or storage:

a. Please explain why no reference is made to any feedback from customers who have or may plan to install load displacement generation or storage in the application.

b. Please provide all feedback received regarding the proposed standby charge from customers who have or may in the future install load displacement generation or storage.
c. Please provide the number of customers who received the "Standby Rate 2022" Workbook.
d. Please confirm that NHH met with LUI on January 29, 2021, where NHH expressed numerous objections to the proposed standby charge.

Lakefront Utilities Response

a) Lakefront is only aware of two customers who have or may plan to install load displacement generation. One customer indicated that they did not have any issues with the proposed standby charge. The other customer's response is included d) and indicated that they would intervene in Lakefront's application if a standby charge were proposed.

b) A summary of the feedback is as follows:
   a. One GS 50-2999 kW customer that is considering a load displacement project indicated that they do not have an issue with the standby charge.
   b. One GS 50-2999 kW customer that has installed a load displacement project objected to the standby charge (see response to d).
   c. Groups representing low-income customers were disappointment to learn that other customers would effectively subsidize customers with load displacement projects.

c) The Standby Rate Workbook was made available to all LUI customers via EngageCobourg.ca. The workbook was directly emailed to participants of the Small and Medium Commercial and Large Commercial Focus Groups. All recipients of the Standby Rate proposal letter and/or email also received a link to the Workbook.

d) Lakefront confirms that it met with the NHH on January 29, 2021. The NHH expressed objections to the standby charge and indicated that they would intervene in Lakefront's application if the standby charge was proposed.

3.4-NHH-6

[Ex.1, p.122, Appendix I] With respect to the "Standby Rate 2022" Workbook:

a. [p.6] In the table, LUI shows a customer with a generator nameplate capacity of 300 kW, who is estimated to save 50 kW per month. Please explain why the standby electricity is 250 kW and not 50 kW?
b. [p.5-7] Please provide a copy of the excel spreadsheet underlying the scenarios included in the Workbook.
c. [p.8] What consultation is LUI referring to when it uses the heading "OEB Consultation on Standby Rate"?

d. Please explain why LUI did not include any information in the Workbook regarding the OEB's consultation on a Capacity Reserve Charge as part of its Rate Design for Commercial and Industrial Customers policy consultation (EB-2015-0043).
e. Please explain why the LUI did not include any information in the Workbook regarding the OEB's policy consultation on the Framework for Energy Innovation: Distributed Resources and Utility Incentives (EB-2021-0118) or the previous Utility Remuneration (EB-2018-0287)/Responding to Distributed Energy Resources (EB-2018-0288) consultations.
f. Please explain why the Workbook is not included in Appendix 2-AC/Table 1.36.

Lakefront Utilities Response

a) The generator nameplate capacity for the LDG example is 300 kW, which LUI is required to provide capacity for. Although the customer is utilizing 50 kW in a month, LUI is effectively providing 250 kW as standby.

b) Lakefront has filed the excel file LUI_2022_Standby_Calculations.

c) Lakefront is referring to the Rate Design for Commercial and Industrial Customers – EB-2015-0043.

d) The Workbook was provided for the purposes of a high-level overview of Lakefront's rationale for the standby charge.

e) The Workbook was provided for the purposes of a high-level overview of Lakefront's rationale for the standby charge. Despite those consultations the direction to companies with existing interim standby rates from the OEB is to apply to make them final, suggesting to LUI that the OEB expects standby rate proposals to be dealt with in cost of service applications.

f) This was an unintentional oversight. Lakefront feels the customer engagement activities surrounding the proposed standby charge were well summarized in Exhibit 1 and any engagement to be included in Appendix 2-AC would have been a repeat of the information included in Exhibit 1.

3.4-NHH-7

[Ex. 1, p.82; Ex.7, p.18] Please explain how LUI's proposed standby charge facilitates innovation in the electricity sector.

Lakefront Utilities Response

The primary purpose of the standby charge is to ensure that the costs incurred by Lakefront to provide distribution service to its customers are properly reflected in rates.

Lakefront expects that a rate framework that seamlessly accommodates load displacement generation to the system without causing inappropriate impacts on customers or the LDC, helps facilitate innovation.

3.4-NHH-8

[Ex.7, p.18] NHH seeks to understand LUI's actual and forecast load displacement generation and storage:

a. Please provide a list that shows for each behind-the-meter load displacement generation and/or storage facility currently installed in LUI's service territory, its size, type (i.e. solar, CHP etc.), the rate class of the customer, and if it would be subject to the proposed standby charge.
b. Please provide the forecast additional behind-the-meter load displacement generation and storage that LUI expects will be installed in LUI's service territory in each of the next 5 years that would be subject to the standby charge (both by number of facilities and MW). Please provide the basis for the forecast.

Lakefront Utilities Response

a) Lakefront is aware of one GS 50-2999 kW customer that has installed an LDG project and one GS 50-2999 kW customer that is considering installing a LDG project. Lakefront is not permitted to disclose personal information with respect to the generation customers.

b) Lakefront cannot reasonably forecast behind-the-meter load displacement generation storage over the next five years as the forecast could fluctuate significantly depending on the number of installations, etc.

3.4-NHH-9

[Ex.7, p.18] Does LUI believe that behind-the-meter load displacement generation and/or storage provides a benefit to the distribution system? Please explain your response.

Lakefront Utilities Response

Lakefront believes that load displacement projects that reduce peak demand do not benefit the distribution system. That is, distribution investments are largely driven by peak demand on the distribution system because assets must be built and placed into service to handle the peak demand.

Further, where a customer installs LDC and is able to reduce their peak demand without the need to reserve capacity on the system, the customer can avoid the standby charge.

3.4-NHH-10

[Ex.7, p.18] Please identify all feeders and upstream transformers which serve NHH, for each, please provide their capacity, and each of their actual monthly peak demand for each of the last 36 months. Please provide a forecast of any incremental new load that LUI forecasts to be added on the feeder(s) and upstream transformer(s) during the next five years. Please provide the basis for the forecast.

Lakefront Utilities Response

Lakefront believes that answering this interrogatory would require disclosure of some personal information.

3.4-NHH-11

[Ex.7, p.18] NHH seeks to understand how LUI has incorporated its proposed standby charge, if at all, into its application:

a. Please explain how the standby charge is incorporated, if at all, into LUI's load forecast and cost allocation model.
b. How much revenue is LUI forecasting to generate in 2022 from the standby charge and how is that revenue reflected in the application?

Lakefront Utilities Response

a) Lakefront has not incorporated the standby charge in the load forecast and the cost allocation model.

b) The standby charge is a reflected in distribution revenue as it's offsetting any reduction in distribution revenue resulting from LDG projects.

3.4-NHH-12

[Ex.7, p.18] Please provide a copy the changes to LUI's Conditions of Service that it believes is required to implement its proposed standby charge.

Lakefront Utilities Response

Lakefront presumed that the Conditions of Service would have to be updated if a standby charge were approved and will work with the Ontario Energy Board to ensure Lakefront's Conditions of Service are appropriate.

3.4-NHH-13

[Ex.1, p.82; Ex.7, p.18] NHH seeks to understand the impetus for LUI's decision to propose a standby charge Please explain when LUI first considered proposing a standby charge.

Lakefront Utilities Response

Similar to most utilities, Lakefront is aware of the Ontario Energy Board's Rate Design for Commercial and Industrial Customers (EB-2015-0043) when it was initiated in 2015. Lakefront has closely monitored the policy initiative and consultation.

In Lakefront's 2019 IRM (EB-2018-0049), filed in August 2018, Lakefront submitted a request for a standby charge. At that time, intervenors indicated that Lakefront should wait until its next Cost of Service application because it was reasonable to expect that the Ontario Energy Board would have a broadly applicable policy already in place by the time of LUI's rebasing application being filed currently.

Further, Lakefront desires to ensure that we have a rate structure that can accommodate material additions of LDG and battery storage so that there are no negative impacts on LUI in the short term in terms of lost revenue without lowering the cost to maintain the capacity for LDG customers, and no negative impacts on other customers in terms of any rate subsidy to maintain capacity for standby customers without a standby rate.

3.4-NHH-14

[Ex.7, p.18] NHH seeks to understand the relationship between LUSI and LUI in the creation of the standby charge.

a. Please confirm that Lakefront Utility Services Inc. (LUSI) is an affiliate of LUI.
b. Please confirm that, under a shared service agreement, significant functions of LUI are undertaken by LUSI.
c. LUI's evidence states that "LUSI is not an energy service provider" (Ex.1, p.14). Has LUSI directly or indirectly been an "energy services provider", as defined by the Affiliate Relationship Code, at any time since its last cost of service application? If so, please provide details.
d. [https://www.cobourgblog.com/assets/2018/Venture-13-Solar-Presentation.pdf; p.7; Notice of Proposal, March 4, 2019, section 1.2.2] Please explain how the activities undertaken pursuant to Memorandum of Understanding with Veridian Connections Inc. and Solera Sustainable Energies Companies Limited dated October 2016 for the purposes of "Generation opportunities", and the Joint Venture dated November 15, 2018, does not make LUSI an energy service provider.
e. Please describe all activities undertaken under both agreements discussed in part (d).
f. Please provide a copy of all correspondence, memorandums, emails, and any other communications between LUSI and LUI, or within LUSI and LUI if undertaken by individuals either employed or providing services to both LUSI or LUI, related to both load displacement generation (including storage) and the creation of standby charge, before it was first proposed by LUI when it filed its application in EB-2018-0049.
g. [Ex. 4, Appendix B, section 5.3] Considering that LUI and LUSI share personnel, what internal policies, if any, do both entities have in place to ensure the requirements of section 5.3 of the Management, Operations, and Maintenance Agreement are met.

Lakefront Utilities Response

a) Confirmed.

b) Confirmed.

c-e) At the time Lakefront prepared its evidence it did not believe that any of the activities of LUSI fell within the definition of a service that would make LUSI an "energy service provider" under the Affiliate Relationships Code. With respect to the Joint Venture referred to in question d), and as detailed in the Notice of Proposal, the Joint Venture leases generation equipment to a single lessee, who in turn uses the equipment to generate electricity for its own use. This arrangement suggested to Lakefront that LUSI was not "owning and operating" a generation facility in a way that would be captured under the definition of an "energy service provider" under the Affiliate Relationships Code. However, in reviewing the activities of LUSI with respect to the leased equipment, Lakefront can confirm that the Joint Venture also provides maintenance service to the generation assets it owns, which may mean that LUSI is "owning and operating" the generation facility in a sufficient manner to be considered an "energy service provider". To that end, Lakefront notes that the generation assets under the Joint Venture meet the definition of "qualifying assets" under section 71(3) of the OEB Act, which in turn qualifies Lakefront and LUSI for the exceptions under s. 2.2.3 of the Affiliate Relationships Code with respect to restrictions on sharing employees. Furthermore, while the Joint Venture provides maintenance for the generation assets, the maintenance is not provided by LUSI employees, but rather by Solera Sustainable Energies Companies Limited, who also installed the generation assets. There are no additional activities related to the Joint Venture beyond the leasing agreement with a single lessee.

Lakefront notes that, also as described in the Notice of Proposal, LUSI is a party to a second leasing arrangement with respect to generation assets outside of the Joint Venture. Similar in nature to the arrangement under the Joint Venture, LUSI leases the equipment to the lessee, who in turn uses the equipment to generate electricity for its own use. LUSI provides maintenance for the generation assets, but again that maintenance is not provided by LUSI employees, but rather by Solera Sustainable Energies Companies Limited, who also installed the generation assets. Accordingly, if the arrangement as described means that LUSI is "owning and operating" the generation facility in a sufficient manner to be considered an "energy service provider", Lakefront and LUSI qualify for the exceptions under s. 2.2.3 of the Affiliate Relationships Code with respect to restrictions on sharing employees, in addition to the fact that the installation and maintenance of the assets are performed by a 3rd party.

Lakefront notes that the two leasing arrangements described above are the only two arrangements of that nature that LUSI has, either directly or through the Joint Venture.

f) Lakefront does not believe that there are any relevant items to produce. Additionally, Lakefront does not understand how, in any event, communication between Lakefront and LUSI about the Standby Charge would impact on the appropriateness of the proposal as a component of a regulated distributor's rate structure.

g) Appendix B, section 5.3 references confidentiality and compliance with the Affiliate Relationship Code. All staff are trained on the Affiliate Relationship Code, including senior staff and the Board of Directors of both Lakefront and LUSI.

CTA - Exhibit 1 – Administrative Document, Page 277 – 286 (Standby Rate 2022)

There are several mentions of off-grid customers (presumably residential customers). However, standby charges are only proposed for larger industrial users. Why not for all customers?

In the US, the number of residential customers with LDG is rapidly increasing. Tesla with their PowerWall® (https://www.tesla.com/powerwall) and other suppliers are actively marketing LDG. Are any of Lakefront's residential customers currently using or planning to use such devices?

Lakefront Utilities Response

The OEB has mandated fully fixed rates for all residential customers, such that there is no need for a standby charge to account for any behind the meter generation at a residential customer level.

Customers without any generation and customers who are capable of displacing most of their energy needs through behind the meter generation most or all of the time but remained connected to LUI's system for standby purposes all pay the same fixed fee for distribution service.

CTA - Exhibit 8 – Rate Design

The CTA has several questions regarding the impact of implementation of standby charges as proposed by Lakefront:

- Have you determined the number of customers who would be affected by your proposed? If so, how was the number determined?
- What is the expected impact on Lakefront's revenue over the duration of the current CoS decision?
- Lakefront indicated that several customers had concerns about the proposed standby charges.
  - Please summarize their concerns.
  - How have you modified your proposed standby charges to address their concerns?
  - Do they find your revised proposal acceptable?
- Are there any current regulations controlling "behind the meter" generation?
- Please provide details of your analysis of future growth in LDG projects.
- Who will be responsible for installing the additional metering required to implement your proposed standby charges? Will Lakefront or the customer be responsible for any costs? Please provide details of the anticipated costs, if any.
- How will you ensure that all customers with LDG will be subjected to the new charges?
- From the perspective of Lakefront's costs what are the fundamental differences between local generation that results in a fluctuating load subject to a standby charge and a fluctuating load that results from varying production levels? Are these fluctuating or intermittent load customers being charged sufficiently to defray their costs to Lakefront? Please provide details of your relevant analysis.
- LUI wrote: "…requires Lakefront Utilities Inc. to provide back-up service.". Does this mean that the customer **desires** a backup service or that LUI is **required** by statue or otherwise to provide a backup service?
- Does LUI currently provide a contracted backup service to any customers? If so, how many?

- Has the provision of a backup service been discussed at a LUI Board Meeting? If so, please provide details of the discussion.
- Is the hypothetical situation described in the Standby Workbook actually Northumberland Hills Hospital? Is their system actually installed and commissioned?
- The proposed standby charge is very low compared to the usual customer alternatives such as a diesel generator. Please provide the analysis that LUI used to determine the appropriate standby charge.

Lakefront Utilities Response

- As detailed in Exhibit 1, Lakefront cannot reasonability determine or predict who would be affected by the proposed standby charge. Consequently, a letter was sent to all GS 50-2999 kW customers and the GS 3000-4999 kW customer indicating the proposed standby charge, contact information to discuss further, and a link to engagecobourg for additional information.

- Lakefront cannot reasonably calculate the impact on revenue over the duration of the current Cost of Service decision as the impact would depending on the number of customers installing load displacement generation.

- The concerns indicated were surrounding the lack of a standby charge and the likely impact on other customer classes. Lakefront ultimately decided to incorporate the standby charge as it shared the concerns of the customer classes, specifically the low-income customers.

- As the generation is behind-the-meter, Lakefront is not aware of any current regulations.

- Lakefront cannot reasonably project future growth in LDG projects as it depends on the decisions of individual customers.

- The additional metering would not be required.

- The new charge would not be dissimilar from any other new charge (ex: Disposition of Deferral and Variance account).

- The purpose of the standby charge is not to offset fluctuating load. That is, Lakefront is required to have capacity in reserve for customers with an LDG project.

- The comment regarding “backup service” is in relation to the requirement that Lakefront provide the available demand required by a customer with a load displacement project, regardless of whether the customer utilizes the demand. LDCs are required to provide the available demand.

- See response above.

- See above.

- The hypothetical situation is a hypothetical. LUI is not permitted to disclose personal information with respect to its customer so cannot answer the remainder of the question.

- The rationale to determine the standby charge is summarized in Exhibit 1 and is consistent with other LDCs. Lakefront expects that customers considering a LDG project have factored in the potential costs of a standby charge and compared it to other alternatives (ex: diesel generator).

4.0 Accounting

4.1-Staff-49
Ref 1: Exhibit 1, Section 2.1.6
Ref 2: Exhibit 4, Section 2.4.6.2

Preamble:

LUI has proposed to dispose of the LRAMVA balances over a 24-month period from January 1, 2022 to December 31, 2023. Per OEB policy, rate mitigation over a period longer than 12-months is recommended when bill impacts exceed 10% for a given rate class.

Question(s):

(a) Please complete the tables below for both a one-year and two-year disposition period for the LRAMVA for each rate class.

One-Year Disposition Period

Rate Class	Total LRAMVA Balance Including Interest ($)	LRAMVA Rate Rider	Total Customer Bill Impact (%)
Residential			
GS < 50 kW			
GS 50 to 2,999 kW			

Two-Year Disposition Period

Rate Class	Total LRAMVA Balance Including Interest ($)	LRAMVA Rate Rider	Total Customer Bill Impact (%)
Residential			
GS < 50 kW			
GS 50 to 2,999 kW			

(b) Considering that the total as filed bill impact for the Residential, GS < 50 kW, and GS 50 to 2,999 kW customers are all materially below the 10% mitigation threshold, please elaborate on the rationale for why a two-year disposition period for the LRAMVA balances is being sought.

Lakefront Utilities Response

a) Below is the analysis of the one-year and two-year disposition:

One-Year Disposition Period			
Rate Class	Total LRAMVA Balance Including Interest ($)	LRAMVA Rate Rider	Total Customer Bill Impact (%)
Residential	(5,513)	($0.0001)	7.40%
GS<50 kW	11,916	$0.0004	7.79%
GS 50 to 2,999 kW	7,759	$0.0275	2.23%

Two-Year Disposition Period			
Rate Class	Total LRAMVA Balance Including Interest ($)	LRAMVA Rate Rider	Total Customer Bill Impact (%)
Residential	(5,513)	$0.0000	7.43%
GS<50 kW	11,916	$0.0002	7.69%
GS 50 to 2,999 kW	7,759	$0.0137	2.23%

b) As noted above, the bill impact for a one-year compared to a two-year disposition is negligible, therefore Lakefront proposed a two year disposition period to be consistent with the disposition period for the remaining deferral and variance accounts.

4.1-Staff-50
Ref 1: Exhibit 4, Section 2.4.6.2
Ref 2: LRAMVA Workform

Preamble:

LUI stated that LRAMVA carrying charges $366.06 to the end of December 31, 2022 and that rates in 2021 was summed to be 0.57%

Question(s):

(a) Please identify why carrying charges were calculated to December 31, 2022, but Lakeland Utilities applied for the LRAMVA rate rider to be applied to customer bills until December 31, 2023.

(b) Please identify where the calculations for the 2021 and 2022 LRAMVA carrying charges can be found within the LRAMVA Workform. In the response, please identify how the 2021 carrying charge interest rate sum of 0.57% was calculated.

Lakefront Utilities Response

a) The calculation of interest utilized by Lakefront for the purposes of carrying charges on the LRAMVA balance is the same calculation of interest on the deferral and variance accounts – Tab 2b. Continuity Schedule. That is, the interest is projected interest from January 1, 2021 to December 31, 2021.

   Further, the interest as noted above is $366.06 and any suggested updates would be insignificant.

b) The calculation for carrying charges within the LRAMVA Workform are located on Tab 1. LRAMVA Summary with detailed calculations at Tab 6. Carrying Charges.

   As detailed in Exhibit 9 Page 10, the interest rate of 0.57% was used which is consistent with the most recent posted interest rate for 2020.

4.1-Staff-51
Ref 1: Exhibit 2, Appendix C Capitalization Policy
Ref 2: Appendix 2-BA Fixed Assets Continuity Schedules

Preamble:

In Reference 1, OEB staff notes that there is no policy on asset disposals discussed as part of LUI's capitalization policy. In the 2019 Fixed asset continuity schedule of Reference 2, OEB staff notes that there were asset disposals which had the same costs and accumulated depreciation of $254,203.

Questions:

a) Please provide LUI's policy regarding the asset disposals.

b) Please explain why the 2019 asset disposal had the same costs and additions in accumulated depreciations (i.e. there were no gains or losses for the disposals).

Lakefront Utilities Response

a) The Director of Regulatory Finance and Director of Operations are responsible for assessing the potential disposal of an asset, considering the net disposal benefits and whether a disposal can be carried out without adverse impacts on the physical environment.

b) As detailed in Exhibit 2 Page 33, during 2019 Lakefront reviewed assets that were fully amortized and no longer in use. The assets had a net book value of nil, however the cost and accumulated amortization were removed on the capital asset continuity schedule and adjusted in the general ledger.

4.2-Staff-52
Ref 1: Exhibit 1, Page 41
Ref 2: Appendix 2-A

Preamble:

In Reference 2, LUI has requested a two-year disposition of Group 1 and Group 2 Deferral and Variance Accounts (DVAs) and the Lost Revenue Adjustment Mechanism Variance Account (LRAMVA). However, LUI did not list these requests in Reference 1.

Question:

a) Please confirm that LUI is requesting the disposition of Group 1 and Group 2 DVAs and the LRAMVA in this application.

Lakefront Utilities Response

As indicated in Appendix 2-A, Lakefront is requesting disposition of Group 1 and Group 2 DVAs and the LRAMVA in this application.

4.2-Staff-53
Ref: Exhibit 9, Page 4

Preamble:

OEB staff notes that LUI has requested final disposition of Group 1 and Group 2 DVA balances including accounts 1588 and 1589 in this application while the audit of these two accounts by the OEB's Audit and Investigation Department, which was ordered by the OEB in LUI's 2020 IRM Decision and Order, has not been completed at the time of filing the application. LUI stated that it will update its application to reflect any revisions to Account 1588 and 1589 as a result of the audit.

Questions:

a) Please provide an update of the status of the audit.

b) Please provide LUI's position on not disposing the accounts 1588 and 1589, if the audit of these two accounts cannot be completed in time before the conclusion of this proceeding.

c) Please provide the DVA rate riders and bill impacts, under the scenario of excluding disposition of accounts 1588 and 1589.

Lakefront Utilities Response

a) Lakefront received noticed from the Ontario Energy Board in November 2019 regarding the audit of Accounts 1588 and 1589. Lakefront received a preliminary request for information list in November 2020 and Lakefront responded in December 2020.

   Lakefront continues to respond to OEB Staff's additional requests for information; however, Lakefront is not aware of when the audit is expected to be completed.

b) Lakefront's preference would be to have the audit completed prior to disposing of Accounts 1588 and 1589. However, if the audit cannot be completed on-time, Lakefront's preference would for the Accounts to be disposed of on an interim basis.

c) Below is a summary of the bill impacts and DVA rate riders, excluding Accounts 1588 and 1589:

Rate Class	Usage		Current Total Bill	Proposed Total Bill	$ Difference	% Difference
	kWh	kW				
Residential - RPP	750		$112.01	$120.22	$8.21	7.33%
Residential - non-RPP	750		$114.12	$122.31	$8.18	7.17%
Residential - RPP - 10th percentile	248		$52.15	$55.54	$3.39	6.50%
Residential - non-RPP - 10th percentile	248		$52.85	$56.23	$3.38	6.39%
GS <50 kW - RPP	2,000		$276.32	$297.15	$20.83	7.54%
GS <50 kW - non-RPP	2,000		$281.95	$302.69	$20.74	7.36%
GS 50-2999 kW	72,000	200	$11,698.80	$12,544.64	$845.84	7.23%
GS 3000-4999 kW	1,245,322	2,822	$199,416.57	$210,370.88	$10,954.31	5.49%
Unmetered Scattered Load	600		$99.07	$98.38	($0.68)	(0.69%)
Sentinel Lighting	68	0.2037	$15.26	$18.83	$3.57	23.36%
Street Lighting	86	200	$1,794.87	$3,356.48	$1,561.61	87.00%

Customer Class	Mechanism				Allocation	Rate Rider
	kWh	kW	# Customers	Percentage for 1595 Allocation		
Residential	73,424,092		9,611	29.59%	648,181	$0.0044
GS<50 kW	32,026,347		1,148	14.13%	285,957	$0.0045
GS 50-2999 kW	107,176,718	282,610		47.02%	961,746	$1.7015
GS 3000-4999 kW	19,493,265	47,088		8.38%	174,990	$1.8581
Street Lighting	1,091,871	2,919		0.56%	9,766	$1.6730
Sentinel Lights	44,683	134		0.02%	401	$1.4971
Unmetered Scattered Load	617,799			0.30%	5,532	$0.0045
Total	**233,874,775**	**332,750**	**10,758**	**100.00%**	**2,086,572**	

4.2-Staff-54
Ref 1: DVA Continuity Schedule
Ref 2: Exhibit 9, Pages 8 and 9

Preamble:

LUI has requested disposition of account 1550 LV variances of $2,517,025 as part of the Group 1 account balances. OEB staff notes from the DVA continuity schedule that the $2,517,025 balance is comprised of the following principal and interest amounts from 2016 to 2020:

$	Net transactions per DVA continuity schedule	Total Interest	Total Claim
2016	415,998		
2017	391,550		
2018	265,322		
2019	533,328		
2020	817,790		
Total	2,423,988	93,037	2,517,025

LUI provided the analysis of LV variances in 2017 to 2020 in Table 9.1 of Reference 2.

Table 9.1: Analysis of Low Voltage Charges

Year	Actual Charges Billed to Customers	Low Voltage Charges Paid to Hydro One	Variance
2017	$308,676	$700,226	$391,550
2018	$335,983	$601,305	$265,322
2019	$304,521	$837,849	$533,328
2020	$312,010	$1,129,800	$817,790

LUI further stated that:

> Lakefront notes that the amount included in Lakefront's 2017 Cost of Service filing (EB-2016-0089) to calculate the low voltage charge was $313,004 due to a miscalculation when preparing the filing. Consequently, the difference between the amount billed to customers and the actual amount paid to Hydro One has created a significant variance.

Questions:

a) Please update Table 9.1 by including 2016 in the analysis.

b) Please elaborate on the miscalculation of low voltage charge of $313,004 in LUI's 2017 cost of service application, including the relevant evidence in the 2017 cost of service application.

c) Please explain when LUI became aware of this miscalculation error in its 2017 application.

Lakefront Utilities Response

a) Below is updated Table 9.1 including 2016.

Year	Actual Charges Billed to Customers	Low Voltage Charges Paid to Hydro One	Variance
2016	$303,887	$719,885	$415,998
2017	$308,676	$700,226	$391,550
2018	$335,983	$601,305	$265,322
2019	$304,521	$837,849	$533,328
2020	$312,010	$1,129,800	$817,790

b) Included in Lakefront's 2017 Cost of Service, Exhibit 8, page 17 Table 8.14, Lakefront estimated the low voltage costs to be $313,004 based on prior year actuals, which were incorrect. For example, the 2015 actual low voltage charges paid to Hydro One were $601,515.

c) Lakefront became aware of the miscalculation error during the preparation of the 2021 IRM filing. The miscalculation was exasperated by the additional Hydro One charge in 2019 as summarized in response to 4.2-Staff-54.

4.2-Staff-55
Ref: Account 1595 Analysis Workform

Preamble:

Tab "1595 -2012" of Account 1595 Analysis Workform shows the total residual balance of $101,727, which is comprised of the DVA rate rider residual balance of $96,146 and the GA rate rider residual balance of $5,581. LUI did not provide the analysis for the DVA rate rider residual balance of $96,146 because the variance % is -9.8%.

Tab "1595 -2016" of Account 1595 Analysis Workform shows the total residual balance of -$80,679, which is comprised of the DVA rate rider residual balance of $33,499 and the GA rate rider residual balance of -$114,178. LUI provided the analysis for both DVA rate rider and GA rate rider residual balances. However, the analysis for the DVA rate rider residual balance shows the variance of $13,906, which only explains 42% ($13,906 of $33,409) of the DVA rate rider residual balance.

Question(s):

a) Please provide the analysis for the DVA rate rider residual balance of $96,146 in Tab “1595-2012”.

b) Please explain the remaining 58% variance in the DVA rate rider residual balance of $33,499 in Tab “1595-2016”.

Lakefront Utilities Response

a) Lakefront notes that the 1595 Analysis Workform requires explanation for unresolved differences +/- 10%. Lakefront’s total unresolved difference is -9.40%. As the unresolved difference is below the +- threshold of 10% for analysis within the 1595 Analysis Workform LUI did not perform the requested analysis.

b) As per 1595-2016, the summary indicated the following:

Total Calculated Account Balance	($76,089)
Total Account Residual Balance	($77,411)

Unreconciled Differences	$1,322

Tab 1595-2016 indicates that “any unreconciled difference between amounts reported in the residual balances section in Step 1 and amounts calculated for the total of all applicable riders in Step 3 must be explained.”

Lakefront expects that an unreconciled difference of $1,322 is immaterial.

4.2-Staff-56
Ref: Account 1595 Analysis Workform

Preamble:
Tab “1595 -2015” of Account 1595 Analysis Workform shows the total residual balance of ($52,355), which is comprised of the total residual balances pertaining to principal and carrying charges approved for disposition of $58,423 and carrying charges recorded on net principal account balances of ($110,778):

Components of the 1595 Account Balances:	Residual Balances Pertaining to Principal and Carrying Charges Approved for Disposition	Carrying Charges Recorded on Net Principal Account Balances	Total Residual Balances
Total Group 1 and Group 2 Balances excluding Account 1589 - Global Adjustment	$36,815	-$89,730	**-$52,915**
Account 1589 - Global Adjustment	$21,608	-$21,048	**$560**
Total Group 1 and Group 2 Balances	**$58,423**	**-$110,778**	**-$52,355**

Question:

a) Please explain why the total carrying charges recorded on net principal account balances of (110,778) are in opposite direction and in large absolute figure as compare to the total residual balances pertaining to principal and carrying charges approved for disposition of $58,423?

Lakefront Utilities Response

The balances are the result of a deferral and variance account disposition approved in EB-2014-0090. Included in the disposition was $737,547 which was deemed non-interest bearing as specified by the OEB in Lakefront's Audit of Group 1 Deferral and Variance Accounts completed in 2014.

4.2-Staff-57
Ref 1: Report of the OEB "Energy Retailer Service Charges", EB-2015-0304
Ref 2: Exhibit 9, Page 12

Preamble:

Report of the OEB for Energy Retailer Service Charges states that:

> At market opening, there was uncertainty about the cost of the settlement process with electricity retailers. This settlement process has now been an integral part of the operations of electricity distributors for more than 16 years. At rebasing, the balances will be disposed of and the RCVAs will be eliminated. …The OEB does not see merit in electricity distributors continuing to track these variances beyond rebasing.

In Reference 2, LUI proposed continuing the retail service variance accounts 1518 and 1548.

Question(s):
a) Based on the statements made in the OEB's Report, please provide any rationale for LUI's request to continue use of these accounts. Alternatively, please provide LUI's position on discontinuing these accounts, in accordance with the Report.

Lakefront Utilities Response

Lakefront will continue to use the RCVA Accounts until new rates from this application are in effective and close the accounts after.

4.2-Staff-58
Ref 1: DVA Continuity Schedule
Ref 2: Account 1592 Support excel file
Red 3: the OEB's Letter "Accounting Direction Regarding Bill C-97", July 25, 2019

Preamble:

In Reference 1, LUI is requesting disposition of $68,164, comprised of a $67,713 principal balance and $836 in interest. LUI did not explain how the revenue requirement impacts are calculated and the percentage of sharing with ratepayers in Exhibit 9. LUI provided an excel file "Account 1592 Support", showing the calculation of the principal balance of $67,713 in the account (the following is copied from the excel file):

	$
2018 CCA Difference	2,357.28
2019 CCA Difference	22,038.06
2020 CCA Difference	41,701.48
Total	**66,096.82**
Principal balance in DVA continuity schedule	**67,713.12**
Difference	(1,616.30)

OEB staff notes the following observations from the Account 1592 excel file:
- the CCA differences in the table above are not grossed up by LUI's corporate tax rates
- the 2018 CCA difference of $2,357 represents only the CCA difference for class 47 distribution assets of $131,371

- the 2019 CCA difference of $22,038 appears linking to an incorrect cell on 2019 Tab of the Account 1592 support excel file; based on the 2019 tab, the CCA difference calculated in 2019 (cell D19) is $30,193.57

The OEB's July 25, 2019 letter Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance states that:

> The OEB expects Utilities to record the impacts of CCA rule changes in the appropriate account (Account 1592 - PILs and Tax Variances and similar accounts for natural gas utilities and OPG) for the period November 21, 2018 until the effective date of the Utility's next cost-based rate order. For the purposes of increased transparency, the OEB is establishing a separate subaccount of Account 1592 - PILs and Tax Variances – CCA Changes specifically for the purposes of tracking the impact of changes in CCA rules.

Questions:

a) Please clarify that the CCA differences noted in the Account 1592 Support excel file represent the revenue requirement impacts of changes in CCA rules in the respective periods.

b) Please explain LUI's proposed percentage of sharing with ratepayers regarding the revenue requirement impacts of the CCA differences.

c) Please explain why LUI has calculated the 2018 CCA difference on class 47 distribution assets only, i.e. not including the CCA differences on other assets.

d) Please provide a copy of Schedule 8 of LUI's 2018 tax return and reconcile that with the accelerated CCA figure provided in the Account 1592 Support excel file.

e) Please update the 2019 CCA difference by linking to the correct cell of 2019 tab in the Account 1592 Support excel file.

f) Please provide a copy of Schedule 8 of LUI's 2019 tax return and reconcile that with the accelerated CCA figure provided in the Account 1592 Support excel file.

g) Please update the table above for the revenue requirement impacts in Account 1592 by grossing up the CCA differences by LUI's corporate tax rates.

Lakefront Utilities Response

a) Lakefront clarifies that the CCA differences noted in the Account 1592 supporting excel file do not represent the revenue requirement impacts of changes in CCA rules. The CCA differences noted in Account 1592 consists of the CCA claim per the tax return filed less the CCA claim assuming no AIIP. The tax effect of 26.50% was then applied to the difference.

b) Lakefront notes that the disposition of Account 1592 is included in Group 2 Accounts as per the 2021 DVA Continuity Schedule Tab 7. Rate Rider Calculations and is therefore allocated based on the number of customers for the Residential Class and consumption (kWh/kW) for the remaining customer classes.

c) The Accelerated Investment Incentive (AII) was tabled in November 2018 and to be eligible for the 2018 deduction, the assets had to be acquired after November 20, 2018. The only assets acquired after November 20, 2018 related to Class 47 distribution assets.

d) Lakefront has provided a copy of Schedule 8 of LUI's 2018 tax return in Appendix D. However, as noted in response to c), the 2018 AII was calculated based on assets acquired after November 20, 2018 and therefore the amounts included in the Account 1592 supporting excel file will not agree to the Schedule 8 tax return.

e) The 2019 CCA is correctly linked. The calculation takes into account the reduction in future undepreciated capital cost that results from the additional CCA.

f) Lakefront has provided a copy of schedule 8 included in the 2019 tax return in Appendix E.

g) Below is the updated table that calculates the revenue requirement impacts in Account 1592.

Year	Income taxes (not grossed up)	Federal Tax (%)	Provincial Tax (%)	Income Taxes (grossed up)
2018	2,357	15.00%	11.50%	3,207
2019	22,038	15.00%	11.50%	29,984
2020	41,701	15.00%	11.50%	56,737
Total	**66,097**			**89,928**

Lakefront has updated the DVA Continuity Schedule to account for the updated table above.

4.2-VECC -49

Reference: Exhibit 9, page 8

a) When did LUI discover it had made an error in the calculation of the LV charge?
b) Did LUI apply to the Board for an adjustment to the rate when it discovered this error? If not please explain why not.

Lakefront Utilities Response

a) Please see response to 4.2-Staff-54.

b) LUI did not apply to the Board for an adjustment to the rate when it was discovered. The low voltage rate cannot be updated during an IRM and variances are captured in the deferral and variance account.

5.0 Other

5.3-Staff-59
Ref: Exhibit 3, Page 16
Ref: Load Forecast Model, sheet 5. Variables

Preamble:

Lakefront states that it "has replaced the actual total system load for April to June 2020 with the average from 2011 to 2019 thereby removing any load impacts resulting from COVID-19 on the load forecast."

Question(s):

a) Please confirm that Lakefront utilities has not replaced the actual explanatory variables April to June 2020 with historic averages for these values or explain where this was done.

b) As a scenario, please update the explanatory variables for April to June 2020 to be averages from 2011 to 2019.

c) Please discuss the extent to which LUI's load was impacted by COVID-19 in July – December 2020.

d) Please discuss the extent to which LUI expects its load to be impacted by COVID-19 in 2022.

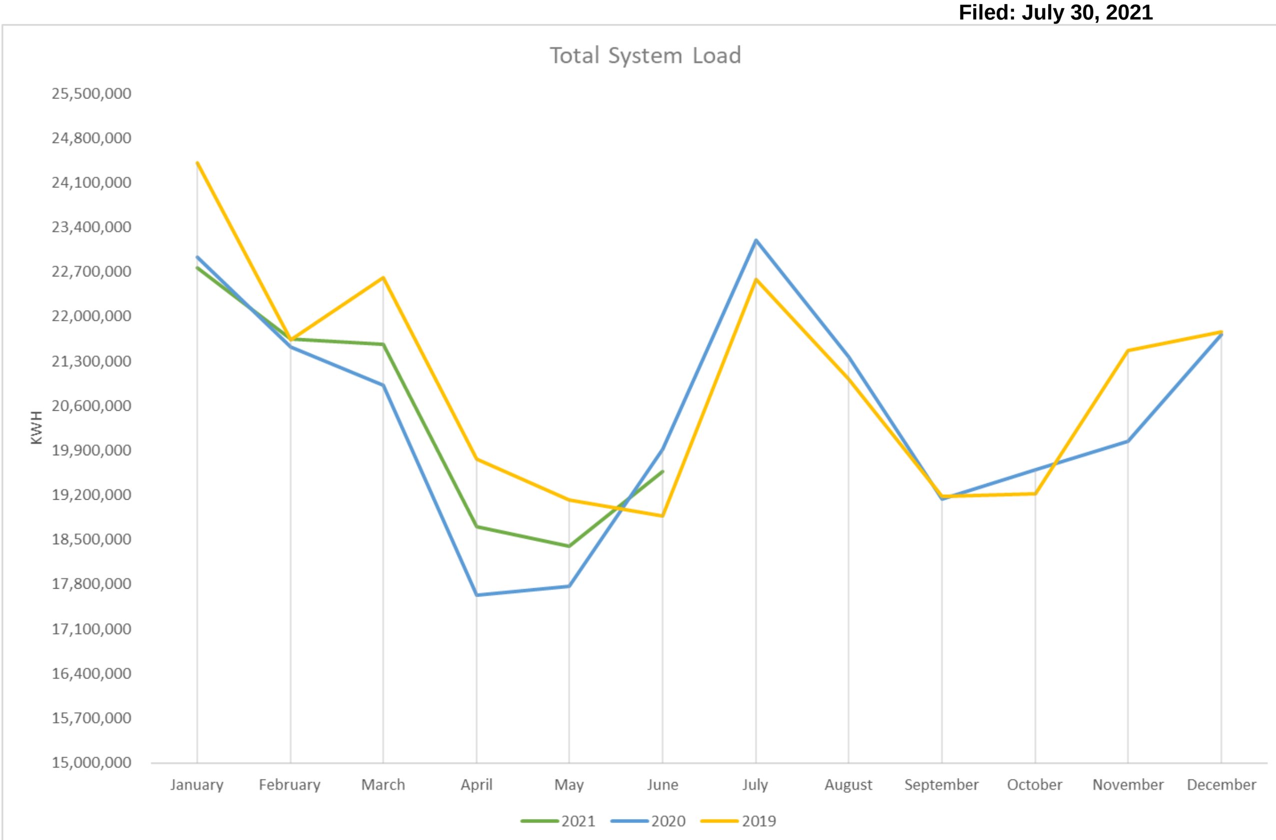
Lakefront Utilities Response

a) As indicated in Exhibit 3, page 16, Lakefront has replaced the actual total system load for April to June 2020 with the averages from 2011 to 2019. The actual explanatory variables have not been updated.

b) Below is a summary of the impacts to the regression statistics if the explanatory variables for April to June 2020 were updated to the averages from 2011 to 2019.

Equation Parameters	As Filed	Updated for Averages
Multiple R	94.23%	94.11%
R Square	88.80%	88.56%
Adjusted R Square	88.20%	87.96%

c) Below is a graph of the 2019 to 2021 monthly load.



As noted, the load impact from July to December 2020 was not significant and decreased by 0.13% from 2019.

d) At this time, it is difficult to determine what the impacts will be on the 2022 load, especially considering the lockdown in Q1 2021 and the move to Step 3 in Q3 2021.

5.3-Staff-60
Ref 1: Exhibit 9, DVA continuity schedule
Ref 2: Exhibit 1, Page 14
Ref 3: Report of the OEB for Regulatory Treatment of Impacts Arising from the COVID-19 Emergency, June 17, 2021

Preamble:

Pages 2 to 3 of the *Report of the OEB: Regulatory Treatment of Impacts Arising from the COVID-19 Emergency*, dated June 17, 2021, (the Report) summarizes the rules and operations of Account 1509. Included in that summary are the following:

- The OEB will adopt a means test for recovery.
- The means test will be based on a utility's achieved regulatory return on equity (ROE) compared to its OEB-approved ROE less 300 basis points (bps). Recovery will be anchored

to this ROE-based means test (i.e., no greater than the lower end of the dead band of 300 bps from a utility's approved ROE).

• The net amounts recorded in the Account are subject to a 50% recovery rate.

• The OEB will apply a separate set of rules for the costs necessary to comply with government or OEB-initiated programs aimed at providing relief to customers which is referred to as the Exceptional Pool. Those costs are eligible for a 100% recovery rate and are subject to an approved ROE plus 300 bps means test.

• For those utilities that intend to submit claims for recovery, both costs and savings are to be recorded in the Account and presented on a net basis.

LUI is requesting disposition of $23,225 in COVID-19 related costs recorded in Account 1509. In reference 2, LUI provided a breakdown of the COVID-19 related costs in Table 10.

OEB staff understands that LUI's evidence regarding the COVID-19 impacts recorded in Account 1509 was filed before the issuance of the Report.

Questions:

a) Please provide any updates to the pre-filed evidence with respect to Account 1509, in consideration of the rules for the account set out in the Report. Please include any updates to LUI's position, including supporting rationale, with respect to its request to recover incremental COVID-19-related impacts. For any aspects of LUI's proposal that remain unchanged, after consideration of the Report, please advise why that aspect of the proposal remains appropriate.

b) Is LUI proposing to discontinue use of the Account effective January 1, 2022? If not, please explain.

c) Has LUI experienced any impacts to cost or execution of capital and maintenance projects due to COVID-19 in 2021? If so, please specify the impacts.

d) If the LUI forecasts charging more than more than $50k to Account 15029 in 2021, please provide a breakdown of the forecast amounts.

Lakefront Utilities Response

a) As indicated in the preamble, Lakefront filed evidence regarding COVID-19 impacts in Account 1509 prior to the issuance of the Report reference above.

   Lakefront understands that the Report indicates the OEB will adopt a means test for recovery based on the utility's achieved regulatory return on equity and the net amount is subject to a 50% recovery rate. Lakefront reviewed the Report issued on June 17, 2021 and agrees the comments issued by various stakeholders objecting to the OEB's proposed treatment of Account 1509.

   Further, as noted in Exhibit 1 Table 1.0, $2,925 of the Account 1509 costs are attributed to increased LEAP funding and $11,549 is attributed to lost revenue (waived interest charges), which is eligible for 100% recovery.

b) As indicated in Exhibit 9 Table 9.5, Lakefront is not proposing to discontinue the use of Account 1509. As noted in the Report:

> "OEB staff recommended that amounts should be recorded in the Account until the utility's subsequent rebasing application, assuming that the utility is able to support costs in future years (post-2020) as directly attributable to the pandemic. At the time of rebasing, utilities will have an opportunity to reflect their new operating "normal" provided that they can be reasonably expected to incorporate the effects of the pandemic into their forecasts.

Lakefront notes the balance requested for disposition is at December 31, 2020 and it is premature to close the account, especially considering the lockdown in Q1 2021 and potential fourth wave of the COVID19 variance. Lakefront proposes that the account should only be closed when operating conditions facing the utility are normal.

c) Lakefront has only experienced minor impacts to cost or execution of capital and maintenance projects due to COVID-19 in 2021.

d) At this time it is difficult to determine an accurate forecast of Account 1509, as mentioned in response to b).

5.2-VECC -50

Reference: Exhibit 2, Appendix A – METSCO Asset Condition Assessment, Figure 02, page 10

a) Is this the first asset condition assessment completed with the assistance of a third party? If not please provide the previous asset condition assessment.

b) No health indices are provided for a large portion of Switchgear, Circuit Breakers, Station Service Transformers, Battery Banks and Chargers and Station Power Cables due to a lack of data. Please explain what steps are required of LUI to remedy the reasons for the inability to calculate Health Indices for the majority of these assets.

c) Did Metsco staff make any site visits to the utility or audit any of the information provided by LUI to Metsco?

d) How does Metsco "*confirm the integrity of its condition data set*" (page 24)

Lakefront Utilities Response

a) An asset Condition Assessment was completed in Colborne in 2015 by AESI to access the condition of the overhead plant and to acquire empirical data on which to base the revised project prioritization.

b) Health indices are provided in Exhibit 2 for circuit breakers. Some items (switchgear, circuit breakers, station service transformer, battery bank and charges, and station power cable) have a portion of health indices completed. The remaining data is planned to be completed during the detailed inspections performed on a three-year preventative maintenance and inspection cycle by a third party. LUI maintains inspections of these items on a monthly basis.

c) The ACA results are based on condition data recorded by LUI and its contractors. Metsco's work included interviews with LUI subject mater experts to define the Health Indices appropriate for the asset types, review and consolidation of the client's data sets, and analysis of LUI's asset records to calculate the Health Index values.

d) Metsco calculated the Health Indices and Data Availability Indicator for all asset classes. To assess the condition of LUI's system, Metsco was provided with available asset inspection and maintenance data forms completed by LUI staff or contractors or the results of specific tests such as the Dissolved Gas Analysis for station power transformer oil. Metsco limits the instances where it relies on only age as a parameter explicitly incorporated into the H1 formulation. Metsco was provided with historical operating data for assets that require operating information. A weight is assigned to each condition parameter to indicate the amount of influence the condition has on the overall health of the asset.

5.2-VECC -51

Reference: Exhibit 2, page 39 /, Appendix A – METSCO Asset Condition Assessment, pages 63-

a) The Metsco Asset Condition Assessment sets out a number of recommendations starting at page 63 of the Report. Please outline how LUI is addressing each of those recommendations.

Lakefront Utilities Response

As noted, Metsco's recommendations include Asset intervention strategies, Health Index improvements, and data availability improvements. Asset invention strategies through visual inspections and testing of predictive maintenance. Metsco's results indicate more detailed follow-up investigations are required to confirm whether these assets have deficiencies. LUI is planning on capturing detailed information from maintenance programs to improve ongoing maintenance activities and the capital investment decision-making processes. Maintaining routine inspections of the complete distribution system will provide better oversight and planning to extend infrastructure life prior to requirement replacement. It is expected that with every passing year, the inspection record database will continue to grow, allowing for Health Indices improvements and data availability improvements.

5.3-VECC -52

Reference: Exhibit 1, page 14

a) Please update Table 1 (Summary of Covid Expenses) to include the most recent monthly balances (i.e., June 31, 2021).

Lakefront Utilities Response

Below is the updated table including monthly balances to June 31, 2021.

Expense	2020	January	February	March	April	May	2021 Total	2020 and 2021 Total
Cleaning supplies/wipes	$989	$130					$130	$1,119
Customer service arrangement	$3,025			$63			$63	$3,087
Masks	$227						$0	$227
Newspaper ad	$295						$0	$295
Personal protective equipment	$1,730		$14	$360	$323	$360	$1,056	$2,787
Signs	$387					$79	$79	$465
Thermal scan device	$2,098						$0	$2,098
Additional leap funding	$2,925						$0	$2,925
Interest - customer balances	$11,549						$0	$11,549
Total	**$23,225**	**$130**	**$14**	**$423**	**$323**	**$439**	**$1,327**	**$24,552**

Please note there were no expenses in June 2021.

5.3-VECC -53

Reference: Exhibit 9, page 7-8

a) Please breakdown the balance of Covid Costs sought for recovery into the three categories listed at page 7of Exhibit 9.

Lakefront Utilities Response

Below is a breakdown of the balance of COVID costs sought for recovery based on the three categories that were listed in Exhibit 9.

Sub-Account	Amount
Billing and System Changes	0
Lost Revenues	11,549
Other Incremental Costs	11,676
Total	**23,225**

Attachments

Appendix A	ESA 2020 Compliance Assessment
Appendix B	LUSI 2020 Financial Statement
Appendix C	Annual Report
Appendix D	2018 Schedule 8
Appendix E	2019 Schedule 8
Appendix F	CHEC Wage and Benefit Analysis
Appendix G	Shareholder Agreement

Appendix A – ESA 2020 Compliance Assessment

Electrical Safety Authority

Electrical Distribution Safety

June 30, 2021

Dereck Paul
President and CEO
Lakefront Utilities Incorporated
207 Division Street
Cobourg, Ontario, K9A 4L3

Re: Ontario Regulation 22/04 – 2020 Compliance Assessment

After review of Lakefront Utilities Incorporated's Audit Report for the twelve month period ended February 28, 2021, the Declaration of Compliance, Due Diligence Inspections and any Compliance Reviews conducted during the period, ESA is providing this letter summarizing it's assessment of compliance.

Audit Report
The Audit Report showed zero (0) non-compliances and zero (0) needs improvement issues. ESA is satisfied with the Audit Report submitted by Lakefront Utilities Incorporated.

Declaration of Compliance
ESA is satisfied with the Declaration of Compliance submitted by Lakefront Utilities Incorporated.

Due Diligence Inspections
The Due Diligence Inspection performed on March 25th of 2021 was reviewed. The Due Diligence Inspection had no findings. ESA is satisfied with the Due Diligence Inspections.

SC Burger

Sean Burger, P.Eng.
Electrical Safety Engineer
Electrical Safety Authority

Appendix B – LUSI 2020 Financial Statement

FINANCIAL STATEMENTS OF

LAKEFRONT UTILITY SERVICES INC.

December 31, 2020
(Unaudited - see Notice to Reader)

TABLE OF CONTENTS

bakertilly

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www.bakertilly.ca

NOTICE TO READER

On the basis of information provided by the company, we have compiled the balance sheet of Lakefront Utility Services Inc. as at December 31, 2020 and the statement of income and deficit for the year then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
April 14, 2021

LAKEFRONT UTILITY SERVICES INC.
BALANCE SHEET
(Unaudited - see Notice to Reader)
As at December 31, 2020

	2020 $	2019 $
ASSETS		
Current assets		
Cash	133,690	418,065
Accounts receivable	197,317	191,210
Prepaid expenses	2,438	2,646
Due from Lakefront Utilities Inc.	1,804,085	1,207,179
Due from the Waterworks of the Town of Cobourg	-	128,433
Current portion of loan receivable	69,300	71,730
	2,206,830	2,019,263
Other assets		
Loan receivable	360,000	405,000
Property, plant and equipment	136,879	132,640
Future income taxes	-	800
	496,879	538,440
	2,703,709	2,557,703
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	155,537	239,061
Income taxes payable	3,880	30,793
Due to Town of Cobourg Holdings Inc.	487,607	515,800
Due to the Waterworks of the Town of Cobourg	102,140	-
Current portion of long-term debt	52,316	577,375
	801,480	1,363,029
Long-term liabilities		
Long-term debt	560,625	-
Future income taxes	3,300	-
	563,925	-
Shareholder's equity		
Share capital	1,743,949	1,743,949
Deficit	(405,645)	(549,275)
	1,338,304	1,194,674
	2,703,709	2,557,703

LAKEFRONT UTILITY SERVICES INC.
STATEMENT OF INCOME AND DEFICIT
(Unaudited - see Notice to Reader)
For the year ended December 31, 2020

	2020 $	2019 $
Revenue		
Operational and street light maintenance	528,346	597,543
Management fees	190,614	175,312
Interest income	61,373	82,497
Miscellaneous	902	2,531
	781,235	857,883
General and administrative expenses		
Amortization	19,572	22,955
Interest on long term debt	30,910	32,417
Office and general	225,479	210,926
Operational fees and street light maintenance	307,513	365,726
	583,474	632,024
Income before income taxes	197,761	225,859
Provision for (recovery of) income taxes		
Current	50,031	30,793
Future	4,100	(2,200)
	54,131	28,593
Net income for the year	143,630	197,266
Deficit - beginning of year	(549,275)	(621,541)
	(405,645)	(424,275)
Dividends paid	-	(125,000)
Refundable dividend tax	-	(15,538)
Refundable dividend tax recovered	-	15,538
Deficit - end of year	(405,645)	(549,275)

Appendix C – 2020 Annual Report

ANNUAL REPORT 2020

TOWN OF COBOURG HOLDINGS INC.

Lakefront Utility Services Inc.

Lakefront Utilities Inc.

CONTENTS

CORPORATE MISSION, VISION AND VALUES

CORPORATE MISSION

We are a community-based corporation dedicated to the responsible management and delivery of safe, reliable integrated services.

CORPORATE VISION

To be recognized as a company committed to innovation, prosperity, and service excellence, valued by our customers, and reinvesting in our community's future.

VALUES

Life: Nothing is more important than the health, safety, and well-being of employees and customers.

Unified: A locally owned company where all divisions work together to build one unified team providing reliable and integrated services to the community.

Service: The customer is why we are here. We provide excellent service by offering advice, delivering services, and providing solutions that contribute to the safety and comfort of our communities.

Innovation: We harness the power of relationships by collaborating with stakeholders to drive innovation and excellence.

A LETTER TO OUR CUSTOMERS

Town of Cobourg Holdings Inc. (Holdco) continues to provide safe, reliable, and cost-effective utility services to our customers in compliance with all applicable acts, regulations, and codes. Our services include electrical distribution, water treatment and supply, and the operation of a fibre optic network.

2020 was a particularly challenging year - both for our organization and for our customers - due to the COVID-19 pandemic. We were all forced to adapt and minimize exposure to the virus through social distancing and isolation. For our essential utility services, this posed particular challenges. While administrative staff were able to work from home through technology, it was necessary at times to close our office doors to protect both customers and staff. Both physical and procedural modifications were necessary to permit our safe re-opening.

Our essential water and electrical operations staff had to remain on duty throughout the pandemic to keep both the water treatment and distribution system and the electrical distribution system operational. This required splitting them into distinct teams scheduled to work at different times so that if one team was compromised by infection and needed to self-isolate, the other team could continue to keep services operational. We are quite proud of the dedication of all our staff to keeping our systems operational and also of their patience and adaptability in often stressful working conditions.

During this time, our three boards and our committees continued to meet on schedule through a variety of electronic means. The Directors continued providing the necessary oversight of our three corporations. All three boards were highly supportive of the leadership of the President and CEO in making the necessary operational changes to adhere to health service recommendations and protocols for safety - both for staff and customers - while enabling operations to continue without disruption.

When Provincial workplace standards during the pandemic were revised to allow construction, both Lakefront Utilities Inc. (LUI), our local electrical distribution company, and Lakefront Utility Services Inc. (LUSI), our waterworks department, undertook the capital projects that had been planned.

LUI continued to invest in distribution infrastructure to achieve sustained grid reliability through ongoing maintenance, replacement, upgrading and expansion. A key project was the replacement and upgrading of outdated electrical distribution services serving homes in the Pebble Beach area at a cost of $750,000.

Once again LUI placed well in the annual Provincial Scorecard (available on-line) that compares and ranks all local distribution companies regardless of size.

Waterworks continued the deployment of “smart” water meters that read and monitor water flows continuously through radio frequency and automatically advises customers of leaks in their homes and businesses. Other key initiatives included the development of a Cobourg Drinking Water System Master Plan for water infrastructure and a Rate Study. Most importantly, Waterworks continued to maintain a Quality Management System that exceeded Drinking Water Quality Management Standards for the province of Ontario.

As we look forward to 2021, we recognize that the pandemic is not over and has an indeterminate endpoint. We will continue to operate in adaptive mode for as long as necessary. One of the changes driven by the pandemic is the shift to greater use of technology by all corporations including moving to electronic billing and payment. Over the past five years, our organization has been modernizing and transforming itself through technology. We aim to remain on this path to keep pace with the changing needs of our customers and with future development trends. This includes more social and environmental awareness by our boards in important decisions, promoting increased use of renewables, greenhouse gas emission reductions, and improved energy efficiency - all of which impact the company and our communities.

We hope that our customers recognize the benefits of having a local municipally owned utility. Many of our workers live in the community and are available for immediate response to emergencies. Our customers enjoy lower rates for both electricity and water than those in surrounding communities - in fact, lower than most areas of the Province. Unlike a remote larger entity which would have more competing priorities, we are able to give priority to co-ordinating with and supporting local projects.

Our three small boards - Town of Cobourg Holdings Inc. - and two subsidiary boards - Lakefront Utilities Inc. (electric) and Lakefront Utility Services Inc. (water) are led by Directors giving much of their required time to the challenge of running successful companies. The major challenge is three-part: keeping customer rates moderate while covering increasing operational costs; making appropriate investments in infrastructure to ensure the reliability of both the electric and water distribution systems and of the facilities that support them; and improving the long-term value of the assets while making prudent dividend payments to the Town of Cobourg when conditions permit.

Our outstanding staff is our major strength. We continue to recruit, evaluate, and retain employees and directors, ensuring that their qualifications, experience, and perspective collectively add value to the company while maintaining a commitment to serving the community.

The Town of Cobourg Holdings Inc. is pleased to present its annual report for the year ending December 31, 2020. The annual report communicates to residents, businesses, and stakeholders the results of Holdco's 2020 performance.

Dereck C. Paul
President & C.E.O.

Barry Gutteridge
Chair of Town of Cobourg Holdings Inc.

OUR COMPANY PROFILE

TOWN OF COBOURG HOLDINGS INC.

TOWN OF COBOURG HOLDINGS INC.

Incorporated under the Business Corporation Act (Ontario) on April 12, 2000, Town of Cobourg Holdings Inc. (Holdco) is an amalgamation of Lakefront Utilities Inc. and Lakefront Utility Services Inc. and serves over 10,300 residential and commercial customers. The Corporation of the Town of Cobourg is the majority shareholder of Holdco with the Township of Cramahe (Colborne) owning one share.

"COMMITTED TO INNOVATION, PROSPERITY AND SERVICE EXCELLENCE."

TOWN OF COBOURG HOLDINGS INC.

The Corporation of the Town of Cobourg is the majority shareholder of Holdco with the Township of Cramahe (Colborne) owning one share.

LAKEFRONT UTILITIES INC. (LUI)

A regulated utility through which it distributes electricity and promotes energy conservation.

LAKEFRONT UTILITY SERVICES INC. (LUSI)

A non-regulated services company which provides services to municipalities related to the design, operation, and maintenance of water systems and high-speed dedicated data systems.

FUNCTIONS	LUI	LUSI	Holdco	Waterworks Town of Cobourg
Regulated by the Ontario Energy Board	■		■	
Regulated by the Ministry of Environment				■
Operation of Colborne and Grafton water system		■	■	
Water quality services to Hamilton Township		■	■	
Fibre-optic high-speed dedicated data systems		■	■	
Distributes electricity	■		■	
Sale and treatment of water				■
Operation of Town of Cobourg water system				■
Solar - Venture 13		■	■	
Solar - Water Treatment Plant		■	■	
Electric, Water, Sewer Billing - Cobourg		■	■	
Water and Sewer Billing - Colborne		■	■	
Water Billing - Grafton		■	■	

TOWN OF COBOURG HOLDINGS INC.

BOARD OF DIRECTORS

The Board of Directors at The Town of Cobourg Holdings Inc. provide leadership by overseeing operations, approving business practices, policies, strategic goals and helping to guide management decisions. Holdco, its affiliates, Board of Directors, and management are committed to the highest standards of corporate governance and business ethics. Although not publicly traded, the Directors and management team target compliance with the corporate governance guidelines of the Canadian Securities Act and the requirements of the Ontario Energy Board's Affiliate Relationship Code.

BARRY GUTTERIDGE
CHAIR

DAVID TSUBOUCHI
VICE CHAIR

JOHN HENDERSON

MANDY MARTIN

PAUL HOUSE

ROBERT BELL

JOHN FARRELL

The Board of Directors is made up of members fully independent of management. The renumeration policy for members of the Board of Directors reflects the interests of the shareholders and the company, taking into consideration board members' required competencies, effort, and the scope of the board work, including the number of meetings. The Directors are reimbursed for their out-of-pocket expenses in attending Board and Committee meetings or otherwise in respect of the performance by them of their duties.

TOTAL BOARD RENUMERATION IN 2020:

Holdco (7 Members)	$27,100
LUSI (4 Members)	$10,800
LUI (5 Members)	$7,500

Holdco's consolidated financial statement as at December 31, 2020 is available on Lakefront's website at **lakefrontutilities.com/financial**

LAKEFRONT UTILITY SERVICES INC.

BOARD OF DIRECTORS

Lakefront Utility Services Inc. (LUSI) is responsible for unregulated energy related businesses and manages the operation of the water distribution systems for the Town of Cobourg Waterworks, Village of Colborne, Township of Hamilton, and Hamlet of Grafton.

Other unregulated services include a dedicated fibre optic system and generation. LUSI continues to leverage the company's fibre assets to sell fibre optic capacity to other large corporations, government agencies, and healthcare and educational institutions.

LUSI also provides the human resources, administrative, financial, and operational services to Holdco and its subsidiaries, in compliance with applicable regulations.

PETER CHILIBECK
CHAIR

MARC COOMBS

ROBERT BELL

LUSI AT A GLANCE

50,212 Hours Worked with Zero Lost-Time Injury

1,605 Water Meters upgraded to Radio Frequency Meters in 2020

100% Compliance across all 4 Water Systems operated by LUSI

$143,630 Net Income

$0 Dividend

WATER INFRASTRUCTURE

2 Water Towers

7,783 Water Meters

209 km Water Distribution System

3,123,797 m3 Water Delivered

22,440 Service Area Population

LUSI REVENUE IS COMPRISED OF THE FOLLOWING:

$101,742 Fibre

$187,833 Management Fees

$397,966 Operations

$61,106 Interest

$12,397 Solar – Venture 13

$11,735 Solar – Water Treatment Plant

$8,457 Miscellaneous Revenue

$781,236 TOTAL REVENUE

LUSI NET INCOME & DIVIDEND

	2015	2016	2017	2018	2019	2020
Dividend	94,500	$223,000	$200,00	$150,000	$125,000	$0
Net Income	187,836	$319,763	$160,692	$136,423	$197,266	$143,630

*The dividends exclude regulated income and have no effect on electric or water rates. Financial information at December 31, 2020 is consolidated with Lakefront Utilities Inc.

WATERWORKS AT A GLANCE

REVENUE, SURPLUS, ADDITIONS

	2015	2016	2017	2018	2019	2020
Revenue-Sale of Water	$3,883,600	$4,376,420	$4,467,056	$4,785,010	$4,786,000	$5,140,761
Annual Surplus	$453,729	$863,062	$860,866	$982,634	$923,264	$1,137,978
Capital Additions	$1,552,341	$2,010,344	$1,831,747	$3,215,496	$3,065,847	$3,546,882

WATERWORKS OF THE TOWN OF COBOURG

Waterworks, the operating authority for drinking water systems in Cobourg, prides itself on public safety. Waterworks is committed to maintaining a high level of trust, commitment, and accountability by consistently delivering high quality drinking water to over 9,000 customers. In 2020, this commitment was proven when the Cobourg water system received a final inspection rating of 100% during the Drinking Water System Inspection conducted by the Ministry of the Environment, Conservation and Parks.

Throughout 2020, Waterworks conducted mandatory sampling from source to tap. This constant process ensures compliance with all sampling and testing as required by Ontario Regulation 170/03. More information is provided in the 2020 Cobourg Drinking Water System Annual Report which is available at www.lakefrontutilities.com/regulatory-water

In 2020, Waterworks continued their multi-year Water Meter Replacement program, contracted to Neptune Technology Group. The installation of the new meters allows commercial and residential customers' usage to be read and monitored through radio frequency (RF), and automatically advises customers of leaks in their homes and businesses. In 2020, 1,605 RF meters were installed before the program was suspended in December due the increase of local cases of COVID-19. The safety of the community and of Lakefront staff and contractors is paramount to LUSI and the utility responded in the interest of public safety and accountability.

Financial and business-related decisions and priorities are guided by the Waterworks' Water Rate Study and Financial Plan. The plan acknowledges the importance of transparency, accountability, and the responsible management of financial resources. Revenue from the operation of Waterworks consists of profits related to the monthly base charge and usage charge. Although Waterworks generates a surplus, the amount is reinvested in the Town of Cobourg's water infrastructure.

Capital additions in 2020 were derived from long-term capital forecasts for Waterworks, as well as an assessment of the lifecycle replacement needs of the existing infrastructure. The prioritization of capital infrastructure replacement is based on safety, cost, and operational efficiencies.

2020 Waterworks Major Projects included:

Cobourg Water Treatment Plant

- Intake/Crib Repairs
- Raw Water Actuator Valve
- Waste Tank Pump #1 Replacement & Upgrade
- High Lift Motor 3 Rebuild

Cobourg Water Distribution System

- Matthew Street Watermain Replacement
- Distribution Sampling Stations
- Tower 2 Generator Upgrades
- Booster Station Generator Upgrades
- Purchase of Watermain Repair Truck

Miscellaneous

- Development of Water Master Plan
- Work Order Management System

As a growing municipality, Council and Lakefront seek to balance customers' increasing expectations with the cost of delivering municipal services. Water rate increases in recent years have reflected the requirement for the renewal of aging infrastructure. To minimize future rate implications, Waterworks has worked hard to minimize increases in its operating expenses in a proven effort to continue to provide customers with reasonable rates. For the period 2015 to 2020, Waterworks' operating expenses increased by an average of 1.93% which is consistent with inflation over the same period.

Below is analysis of Cobourg's 2020 water rates compared to other municipalities

Municipality	Monthly Base Charge (5/8")	$/m3	Total	Base Charge	Volume Charge
City of Kawartha Lakes	$31.17	$2.72	$808.79	$374.04	$434.75
Township of Alnwick/ Haldimand	$35.96	$2.11	$769.12	$431.52	$337.60
Municipality of Port Hope	$38.25	$1.68	$727.80	$459.00	$268.80
Township of Hamilton	$39.92	$1.31	$689.07	$479.00	$210.07
Township of Cavan Monaghan	$32.68	$1.82	$683.30	$392.10	$291.20
Township of Cramahe	$22.79	$2.06	$603.08	$273.48	$329.60
City of Belleville	$24.77	$1.86	$594.84	$297.24	$297.60
Municipality of Trent Hills	$28.03	$1.19	$526.76	$336.36	$190.40
Peterborough Utilities Commission	$21.79	$1.42	$489.02	$261.48	$227.54
City of Quinte West	$22.00	$1.26	$465.60	$264.00	$201.60
Municipality of Brighton	$22.00	$1.14	$446.40	$264.00	$182.40
Cobourg - 2021	$14.74	$1.47	$412.08	$176.88	$235.20
Region of Durham	$19.11	$1.14	$411.24	$229.32	$181.92
Cobourg - 2020	$13.75	$1.37	$384.20	$165.00	$219.20

Waterworks' financial statement as at December 31, 2020 is available at **www.lakefrontutilities.com/financial**

LAKEFRONT UTILITIES INC.

Lakefront Utilities Inc. (LUI) holds the Ontario Energy Board license to own and operate an electricity distribution system which delivers electricity to customers in the Town of Cobourg and Village of Colborne. While LUI owns the wires, poles, transformers, and meters that bring electricity from the provincial electricity transmission grid to over 10,300 homes and businesses, the electrical system is operated by the employees of LUSI.

The organization's sustainable and forward-thinking approach to financial management continues to serve the organization well as it responds to the ongoing growth and challenges within the community.

Lakefront Utilities Inc. generates revenue from charges to its customers for delivery of electricity through its low-voltage distribution system. Distribution charges have two components: a fixed monthly service charge and a volumetric charge based on electricity consumption or demand. LUI's rates are regulated and approved by the Ontario Energy Board.

GIL BROCANIER,
CHAIR

BARRY GUTTERIDGE

DAVID TSUBOUCHI

LISA MILNE

MANUELA RIS-SCHOFIELD

NET INCOME

	2015	2016	2017	2018	2019	2020
Interest paid to Town of Cobourg	$507,500	$507,500	$507,500	$507,500	$507,500	$260,400
Dividend	$0	$0	$0	$0	$0	$0
Net Income	$510,233	$470,794	$510,233	$443,734	$269,142	$143,264

LUI AT A GLANCE

99.77% First Contact Resolution

99.79% Billing Accuracy

6th lowest Residential Rates in the Province

4th lowest OM&A Cost per Customer in the Province

$5,038,863 Total Shareholder Equity

$271,176 Other Income

$143,264 Net Income

$0 Dividend

$260,400 Interest to the Town of Cobourg

$501 OM&A Cost per Customer

6,491 Electric Inbound Customer Calls

77.7% 2020 Customer Satisfaction Score

INFRASTRUCTURE

10,300 Customers

7 Distribution Stations

1,297 Distribution Transformers

10,789 Meters

3,718 Poles

189 Primary Switches

44,356 kW Peak Load

236,186,591 kWh Electricity Delivered

158 km of Overhead Line

65 km of Underground Line

27.64 km2 Service Territory (urban)

24,300 Service Area Population

LUI's financial statement as at December 31, 2020 is available on Lakefront's website at **lakefrontutilities.com/financial**

LAKEFRONT UTILITIES INC.'S ELECTRICAL DISTRIBUTION SYSTEM

Annually, LUI's management and Board of Directors balance the programs, services, and infrastructure desired by the community while maintaining long-term financial sustainability through the annual budget. Lakefront's costs are essential in order to comply with the Distribution System Code, environmental requirements, government direction, and to maintain distribution business service quality and reliability at targeted performance levels. LUI continued its focus on operational efficiency in 2020, achieving the 4th lowest Operations, Maintenance and Administration (OM&A) cost per residential customer in the province.

At the beginning of the pandemic, Lakefront assessed its 2020 capital budget, analyzing each project to develop a fact base to support informed decision making. These facts included spending to date, committed spending, stoppage costs, measurement of expected benefits, customer impact, and risk trade-offs, to name a few. Despite the impacts from COVID-19, Lakefront did not experience any delays or disruptions in completing its scheduled 2020 capital projects.

LUI's capital expenditures in 2020 totalled $2.1 million which included several infrastructure upgrades:

INFRASTRUCTURE UPGRADES

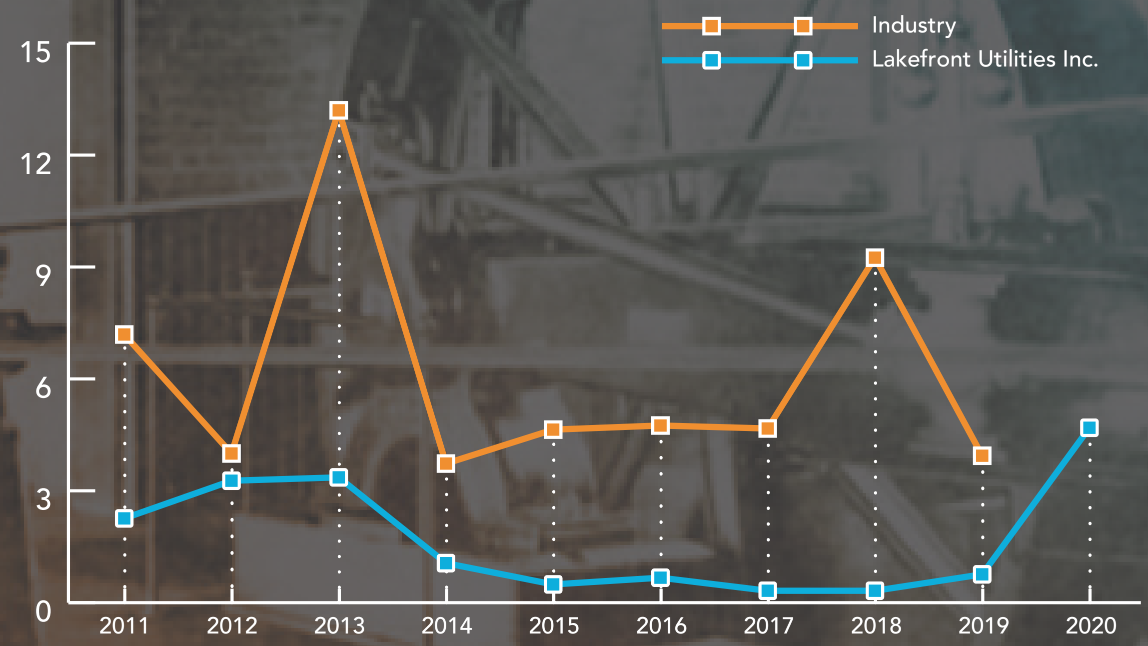
- Pebble Beach – Underground 27.6 kV voltage system conversion and transformer relocation
- Burnham Street - Overhead 27.6 kV voltage conversion
- King Street – Underground secondary servicing upgrades
- Kerr Street – New 27.6 kV voltage conversion
- Kerr Street - New pole line and additional streetlighting
- Overhead and Pad-mount Transformer Inspection and Replacement
- Overhead and Underground System Inspection and Infrastructure Replacement
- Annual Meter Testing and Replacement

SUBDIVISION DEVELOPMENTS/NEW CUSTOMER SERVICES

- New Amhurst, Cobourg
- Foxtail Ridge, Colborne
- East Village, Cobourg
- Cedar Shores, Cobourg

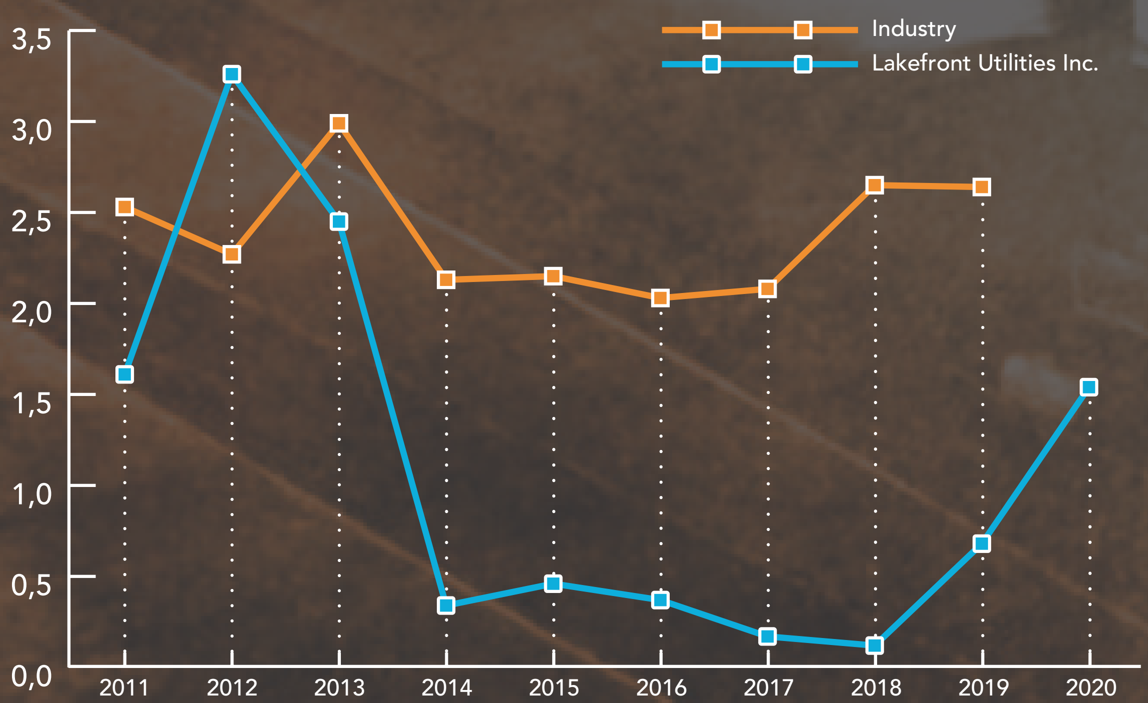

VICTORIA PARK
COLBORNE, ONT

SAIDI



* SAIDI represents the number of hours the average customer's power is off in a year.

SAIFI



SAIFI represents the number of power interruptions the average customer experiences yearly.

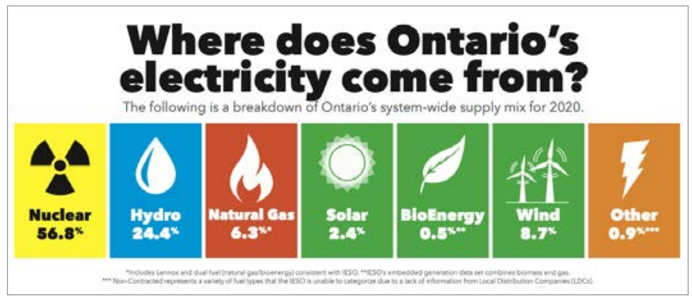
Holdco's corporate mission is the responsible management and delivery of safe and reliable integrated services. LUI's dedication to that mission is evident through their annual SAIDI and SAIFI statistics, which consistently exceed industry standards.

For 2020, LUI's average number of hours that power to a customer was interrupted was 4.69. This is a significant increase compared to prior years and compared to the target.

In July 2020, Lakefront had two significant power outages. On July 23, 2020, Lakefront had an outage that impacted 4,955 Cobourg customers. Crews were dispatched and discovered an issue at the Victoria Street substation in Cobourg. Lakefront engaged with a third-party contractor to replace the bus bars and clean the switchgear cells affected by the flash over. A second outage occurred on July 27, 2020 and impacted 7,705 Cobourg customers. All 27.6 kV Cobourg customers were being supplied at the time from the Brook Road substation due to the July 23rd outage and the ongoing work on the Victoria Street substation. It was discovered that a relay setting was not updated in 2015 when the transformer was replaced and was therefore set too low for the current loading conditions on the transformer. The relay was adjusted to its correct setting and the load was restored.

The average number of times that power to a customer is interrupted is another measure of system reliability and is also a high priority for Lakefront. LUI customers experienced interrupted power 1.54 times during 2020. As previously noted, the decrease in reliability is attributed to two outages in July 2020.

LUI is preparing a Distribution System Plan for their Cost of Service Rate Application which includes the purchase and installation of a third station transformer during the 5-year plan. The third transformer will significantly improve system redundancy and flexibility and meet future loading requirements due to natural load growth and the conversion of the remaining 4.16 KV customers to the 27.6 KV system.



FINANCE AND REGULATORY

Despite challenging conditions and operating environments, Holdco continued to focus on providing customers with essential services. Holdco delivered a stable underlying profit in 2020 and their capital structure continued to improve. A continued focus on cost reduction resulted in operating costs decreasing by 3.22%. Holdco's results for the past few years have shown a substantial improvement in its financial performance. In line with this trend, the 2020 financial year performance was generally positive, especially as the organization continued with initiatives for efficiency improvements, cost containment, as well as intensified collection.

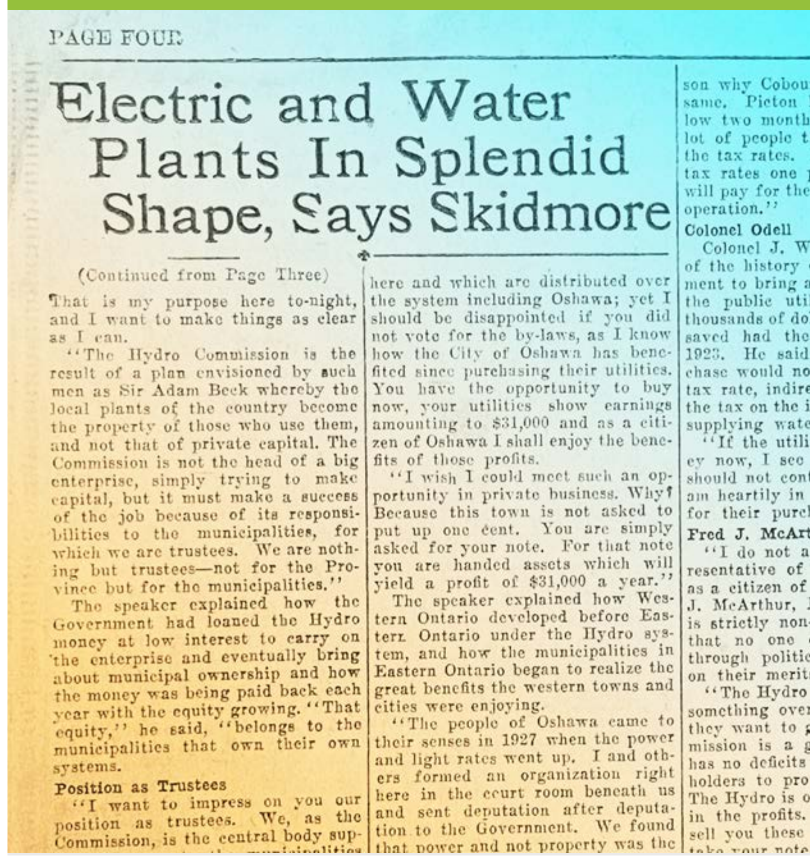
Holdco has a lot to celebrate from the past year as they have exceeded their goals across every financial metric. Holdco's operational expenditures have been maintained as they transform the business with better procurement outcomes, better processes, and technology innovation, while still maintaining a solid net income. Overall, this is a strong set of results from the business and a strong performance of which to be proud.

Unsurprisingly, there are challenges in the sector. While Holdco unreservedly respects the role of regulators in the industry, they find themselves in an environment which is continually shifting and demanding more from them as they seek to deliver more for customers. Supporting regulation that secures the future means engaging in constructive dialogue with the regulators who govern the sector. Over the long term Holdco endeavors to advocate for positive changes.

By successfully navigating the forces effecting Ontario's energy sector in 2020, Holdco kept the impact of these challenges on their income in check. This result was compounded by ongoing regulatory challenges that limited their ability to collect disconnection fees for non-payment and the cancellation of provincial conservation and demand management programs administered by local distribution companies. However, Holdco was able to mitigate these impacts by controlling operating expenses and continuing to implement their long-term business strategy of augmenting income from regulated activities with revenue from unregulated operations.

In 2020, Holdco invested $2.1M in capital projects. These investments will enable them to make significant improvements in network reliability.

Costs and rates vary from one distributor to another, depending on factors such as the age and condition of assets, geographic terrain and distances served, population density and growth, and the proportion of residential to commercial and industrial consumers. LUI's distribution charge represents 25 percent of a customer's total electricity bill. LUI collects the whole amount but keeps only the distribution portion. The remainder is passed on, without mark-up, to regulators, the provincial government, and the other companies responsible for generating and transmitting electricity. LUI's distribution rates are set by the Ontario Energy Board (OEB), based on rate-change applications. The OEB permits distributors to file annual applications in order for their revenue to keep pace with inflation. Most distributors do not receive the full inflationary increase because the OEB includes a tangible incentive to improve efficiency, and to lower operating and capital costs where possible.



PAGE FOUR

Electric and Water Plants In Splendid Shape, Says Skidmore

(Continued from Page Three)

That is my purpose here to-night, and I want to make things as clear as I can.

"The Hydro Commission is the result of a plan envisioned by such men as Sir Adam Beck whereby the local plants of the country become the property of those who use them, and not that of private capital. The Commission is not the head of a big enterprise, simply trying to make capital, but it must make a success of the job because of its responsibilities to the municipalities, for which we are trustees. We are nothing but trustees—not for the Province but for the municipalities."

The speaker explained how the Government had loaned the Hydro money at low interest to carry on the enterprise and eventually bring about municipal ownership and how the money was being paid back each year with the equity growing. "That equity," he said, "belongs to the municipalities that own their own systems.

Position as Trustees

"I want to impress on you our position as trustees. We, as the Commission, is the central body sup-

here and which are distributed over the system including Oshawa; yet I should be disappointed if you did not vote for the by-laws, as I know how the City of Oshawa has benefited since purchasing their utilities. You have the opportunity to buy now, your utilities show earnings amounting to $31,000 and as a citizen of Oshawa I shall enjoy the benefits of those profits.

"I wish I could meet such an opportunity in private business. Why? Because this town is not asked to put up one cent. You are simply asked for your note. For that note you are handed assets which will yield a profit of $31,000 a year."

The speaker explained how Western Ontario developed before Eastern Ontario under the Hydro system, and how the municipalities in Eastern Ontario began to realize the great benefits the western towns and cities were enjoying.

"The people of Oshawa came to their senses in 1927 when the power and light rates went up. I and others formed an organization right here in the court room beneath us and sent deputation after deputation to the Government. We found that power and not property was the

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Colonel Odell

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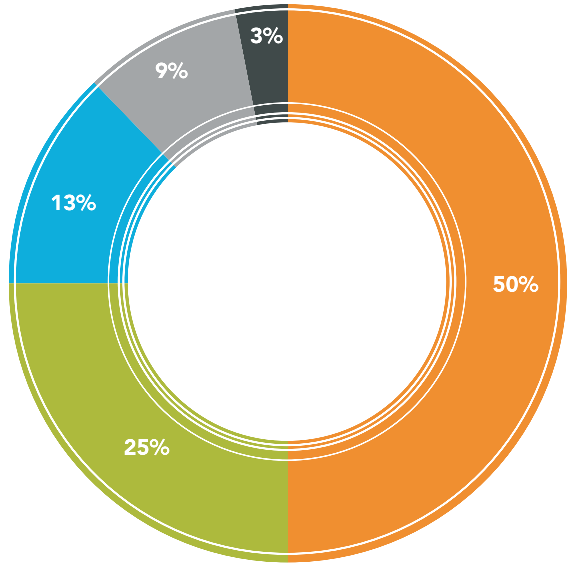
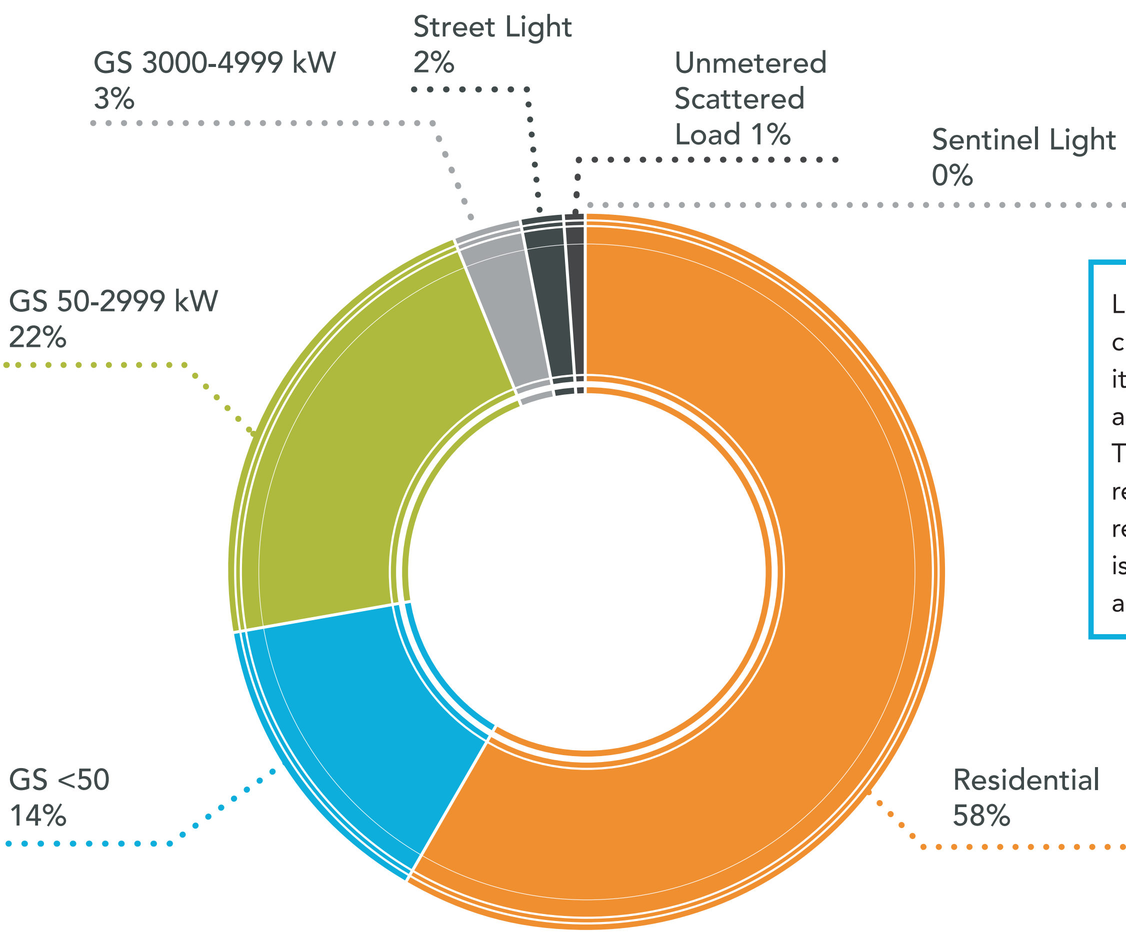
BREAKDOWN OF 750 KWH RESIDENTIAL BILL

50%	Electricity Commodity
25%	Delivery Distribution (Lakefront)
13%	HST
9%	Delivery Transmission (Hydro One)
3%	Regulatory (IESO)



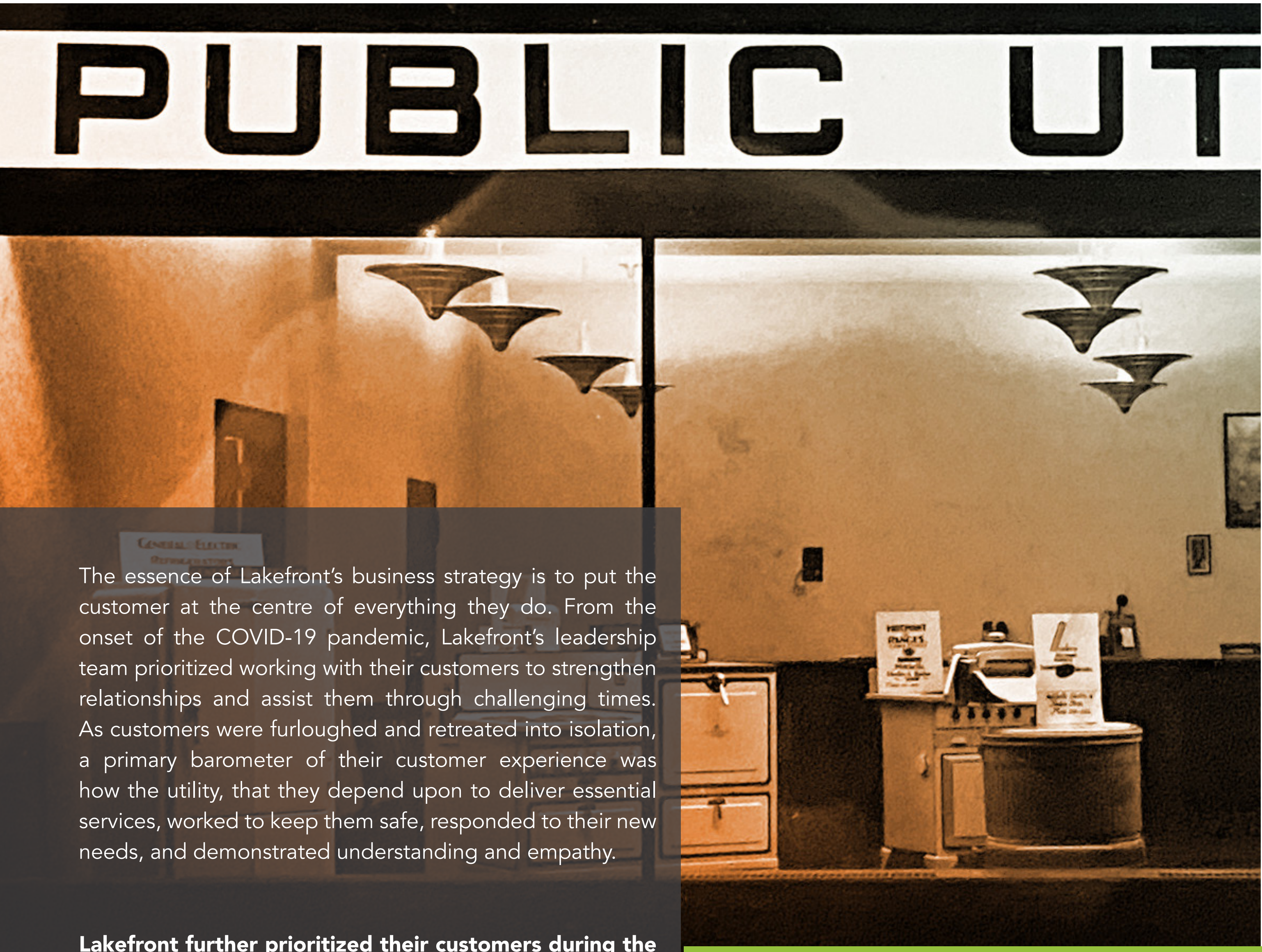
LUI's 2020 residential rates are the sixth lowest in the Province. LUI's rates are a testament of the hard work and efforts that staff gives every day to the continued improvement of the utility and betterment of the community.

BREAKDOWN OF REVENUE



LUI has seven different customer classes that it bills based on rates approved by the OEB. The breakdown of revenue by customer class represented on this graph is only the distribution and volumetric charge.

FOCUSING ON OUR CUSTOMERS



The essence of Lakefront's business strategy is to put the customer at the centre of everything they do. From the onset of the COVID-19 pandemic, Lakefront's leadership team prioritized working with their customers to strengthen relationships and assist them through challenging times. As customers were furloughed and retreated into isolation, a primary barometer of their customer experience was how the utility, that they depend upon to deliver essential services, worked to keep them safe, responded to their new needs, and demonstrated understanding and empathy.

Lakefront further prioritized their customers during the pandemic by:

- Listening and responding to their customers by submitting an enquiry to the OEB on March 16, 2020 regarding implementing a 24/7 fixed rate during the pandemic.
- Continuing to offer increased payment flexibility to customers experiencing hardship beyond the disconnection moratorium that ended July 31, 2020.
- Offering flexible payment arrangements to assist customers with paying their monthly bill.
- Removing all interested charges on outstanding balances effective March 16, 2020 until August 31, 2020.
- Increasing LEAP funding by $3,000, for a total of $8,580 in 2020.
- Offering the Provincial COVID-19 Energy Assistance Programs for both residential and small business customers.
- Implementing strict safety protocols, policies, and procedures to protect staff and the community.
- Suspending the Water Meter Replacement Program in December when local COVID-19 cases spiked.
- Introducing a cloud-based phone system allowing Customer Service Representatives to safely work from home while not interrupting timely service to customers.

All utilities in Ontario are mandated by the Ontario Energy Board to facilitate a biennial Customer Satisfaction Survey. The telephone survey was comprised of 402 randomly selected interviews of Lakefront Utilities' residential and general service under 50kW customers. Lakefront Utilities' 2020 Customer Satisfaction Index Score was 77.7%. The results from the Survey are used to drive continuous improvement in customer service.

Results from the 2020 Survey showed that 48% of customers ranked reliability as the most important aspect of customer service from the utility, while 31% indicated that price was the most important. 68% of customers also indicated that they are not willing to accept a higher price of electricity for improved reliability of service. In keeping with these findings, Lakefront is proud to have the sixth lowest residential rates in the province and the fourth lowest Operations, Maintenance and Administration (OM&A) cost per customer, all while consistently exceeding industry standards for reliability.

Results from the 2020 Survey also revealed that 44% of LUI customers hold that their electricity bill has a major impact on their finances. Through community outreach, energy education, conservation and provincial programs, Lakefront Utilities Inc. prioritized helping customers reduce the burden felt by utility bills. LUI also promoted and supported programs that can reduce electricity bills such as the Ontario Electricity Support Program, Save On Energy provincial programs, the Affordability Fund, and the COVID-19 Energy Assistance Program for both residential and small business customers.

SATURDAY M

V

COBOURG, SATURDA

Personal Mention

Grace Mulhall left this week r Oshawa, where she has secured position.

and Mrs. A. Casperez, of Cranlgh, Surrey, England, were guests Mr. and Mrs. A. Cochrane this eek.

Helen Jex, of Bishop Bethune llege, Oshawa, is in town visitg her parents, Mr. and Mrs. A Jex.

Arthur Terry represented the O L. at the provincial grand dge of Ontario East L O. L. at ndsay this week.

Card of Thanks

e brothers and sisters of the late lerick Holnbeck desire to express thanks to friends for their floral ates and expressions of sympathy ng their recent bereavement.

I. O. D. E.

e regular meeting of the I. O. will be held on Tuesday afterMarch 27th, at 3.30 in the ary Building. Please note the

Electrical System For Sale

For $100,771.41 the Hydro Electric Power Commission offers to dispose of the electrical system to the town of Cobourg. This price does not include the utility equipment and office furniture valued at $917.30 nor does it include stores, which would be disposed of at cost to the commission on the date of the disposal of the property. The commission also submitted an operating statement based upon conditions experienced by the commission during the year ending Oct. 31, 1927, but revised to meet conditions that would maintain under municipal ownership, providing for a 20 year municipal debenture to purchase the property.

The statement showed a revenue of $70,375.72 and a net surplus of $10,580.63, after providing for renewals and debenture payments for 20 years at 5½ per cent.

The matter was referred to a committee of the whole council to be dealt with later.

Public School Board Ask For Additional $1500

Interest and Atchitect's Fees Add $650 to Costs

At the regular meeting of the town council on Monday night a letter was received from the secretary of the Public School Board asking the council to increase the grant of $16,500 to them by adding $1500. It was pointed out in the letter that the architect's fees for preparing plans, etc. will amount to $350 and a further $300 will be necessary to take care of interest, etc. besides other improvement not figured on originally. The matter was laid on the table and will be taken up at a future meeting of the council.

No Appropriation For Deepening Harbor

Cost $140,000 to Increase Depth From 12 to 18 Feet

Maybee Not Who Re

"I am not conc should receive t amount being pl mates, but will b provided the wor with and satisf plished," writes M bee, M. P., for Northumberland, council for the re ing him for the i taken in the grant provements. So s will 1928 see the w ed?

Passing of F dent at

The death occurr on Monday, May 1 well known citize the person of E widow of the late man, aged 86 years Deceased was bo and came to Co years ago and res

EVOLVING WITH TECHNOLOGY

The pandemic has accelerated the need for companies to adopt virtual and digital technologies to engage with their customers. For utility providers, this means offering online features that puts information and customer service at the fingertips of ratepayers, such as automatic updates, detailed usage reports, historical data, and online self-serve options. Lakefront has been adding to their digital customer service offerings for years through programs such as:

- Customer Portal SilverBlaze
- MailChimp eNewsletter campaigns
- Lakefront's Mobile Application
- Electronic Billing Option
- LiveChat Website Feature
- www.lakefrontutilities.com
- Social Media communications via Facebook and Twitter

Having a solid digital customer experience has had a positive impact on customer service ratings. Results from Lakefront's 2020 Customer Satisfaction survey proves that customers are moving most of their communications online with 59% indicating that email is their preferred method to stay in touch with the utility.

In 2020, Lakefront continued to invest in automating some of their operations to be more efficient and increase service to their customers. LUSI, with their contractors Neptune Technology Group, installed 1,605 Radio Frequency meters in the Town of Cobourg as part of their final phase of their Water Meter Replacement Program. These meters provide a more efficient means to read meters, as well as assist in billing accuracy and water conservation efforts.

LUI also continued with the development of their Outage Management System (OMS). The OMS is scheduled to have a customer-facing outage map to better communicate outage information, such as cause and estimated time for restoration, in Q3 2021. This technology will greatly improve customer service surrounding outages, as well as provide LUI staff with situational awareness and improved outage response.

INVESTING IN OUR COMMUNITY

Holdco embraces a corporate culture that gives back to the community it serves. The pandemic limited staff's ability to participate in the usual community fundraisers and endeavors in person. However Holdco's commitment to supporting the community through unprecedented times was even more paramount during 2020 and they increased their community support in a variety of ways to help their customers when and where it was needed most.

FOOD 4 ALL

In 2020, Lakefront Staff wanted to help those impacted by the COVID-19 pandemic and chose to direct their efforts towards Northumberland Food 4 All. Staff coordinated a food drive and LUSI generously offered to match each employee contribution, made via payroll deduction, to double the positive impact on the community. In total, Lakefront and staff donated a total of $6,930 to Northumberland Food 4 All, plus boxes of non-perishable food and personal items.

SALVATION ARMY

Lakefront staff also coordinated a toy drive at the end of 2020 with the Salvation Army to help make the holidays a bit brighter for children in the community.

HELP CENTRE

In 2020 Lakefront Utilities increased their financial contribution to the Low-Income Energy Assistance Program, by presenting the Help Centre with a cheque for an additional $3,000, bringing their annual contribution to $8,580.

SCHOLARSHIP

Lakefront's multi-disciplinary scholarship program promotes and supports the academic pursuits of local students. In 2020, Lakefront awarded two $1,000 renewable scholarships to students pursuing careers as Electrical Engineering Technicians. Lakefront is proud to support the next generation of professionals in the water and electricity fields, as investing in the future leaders of the industry will help to drive innovation.

PRIORITIZING SAFETY

Messrs P McCallum & Son

COBOURG, Ont., Oct 28 1895

To Cobourg Electric Light & Power Co. Lt'd., Dr.

TO 1 Arc Lights 2 Nights, - - - $ 80

2 Inc. Lamp, 16 C.P. 2 Weeks - - $ 65

Meter present reading .... last reading .... amp. hour .... $ 1.45

" " " .... " " .... Watts .... $ ....

Meter Rent, ...

The safety of employees and the community is of the utmost importance to Holdco and drives all decisions made by the organization. Measurable goals and objectives are in place to ensure that a culture of safety is cultivated at all levels of the organization.

The pandemic greatly impacted Lakefront's operations and Lakefront reacted quickly in response. On March 23, 2020 Lakefront closed its doors to the public and implemented a shift rotation schedule. Staff in every department were split into two groups, performing essential, emergency, and filler work with very little to no contact with customers or the public. As well, all management and staff with laptop computers were directed to work from home on a rotating schedule. Weekly video conference calls were arranged to keep staff working as a team while staying apart.

This safety protocol was effective until July 11th when Lakefront decided to return to the normal 40-hour work week schedule. After implementing appropriate safety protocols, including plexiglass barriers and an electronic door entrance controlled by the Customer Service staff, Lakefront reopened its office at 207 Division Street on August 4th with reduced hours to the public. In December, Lakefront chose to close their office to the public once again when cases of COVID-19 in the community increased significantly.

Representatives from different departments at LUSI form the Joint Health and Safety Committee (JHSC) which meets bi-monthly to review recent inspections, discuss outstanding business, and prepare for any changes to safety codes. In 2020, the JHSC met 4 times, conducted a total of 48 worksite inspections, and reported 50,212 Hours Worked with No Lost-Time Injury.

In addition to regular safety training planned throughout the year, staff received extra training in response to the pandemic;

- **Using Temperature Detection Cameras to Fight COVID-19**
- **How to Use a Medical Mask**
- **COVID-19 Employee Health & Safety Training**

The Ontario Energy Board requires utilities to measure public electrical safety awareness among their customers via a biennial telephone survey. Lakefront maintains a score of 83 percent. This score reflects Lakefront's efforts to promote safety and advance prevention through its integrated safety campaign which includes safety information on **www.lakefrontutilities.com**, seasonal social media campaigns, messages distributed via the Mobile Application, information in the quarterly Stay Connected newsletters, safety materials available in the front office, and topical electric safety information playing on Lakefront's phone system.

SUPPORTING OUR PEOPLE

While remaining mindful of efficiency objectives, Holdco is committed to having an appropriately sized workforce in place to execute their corporate mission to provide safe, reliable, and integrated services. Holdco continuously adapts its corporate culture to stay competitive and current within the ever-evolving industry in order to attract and retain a skilled and adaptable workforce. In 2020, LUSI had 34 FTE, with 17 FTE working specifically for LUI.

Training and development are identified as one of LUSI's levers with the highest potential for improving collaboration between workers, attracting, and retaining great employees, making the company a better place to work, and increasing job satisfaction and morale among employees. In 2020, much of the scheduled training was postponed or cancelled due to the pandemic, however new training courses emerged in response, such as Talent Management Post COVID-19.

Lakefront increased their supports to workers in 2020 due to the pandemic by prioritizing staff's mental health. Lakefront temporarily reduced on-site work hours, while maintaining the same wages, to allow everyone to spend valuable time with family during the challenging situation. Lakefront also leveraged their membership to the Employee Assistance Program by highlighting and encouraging use of the resources and programs available to staff during the difficult time.

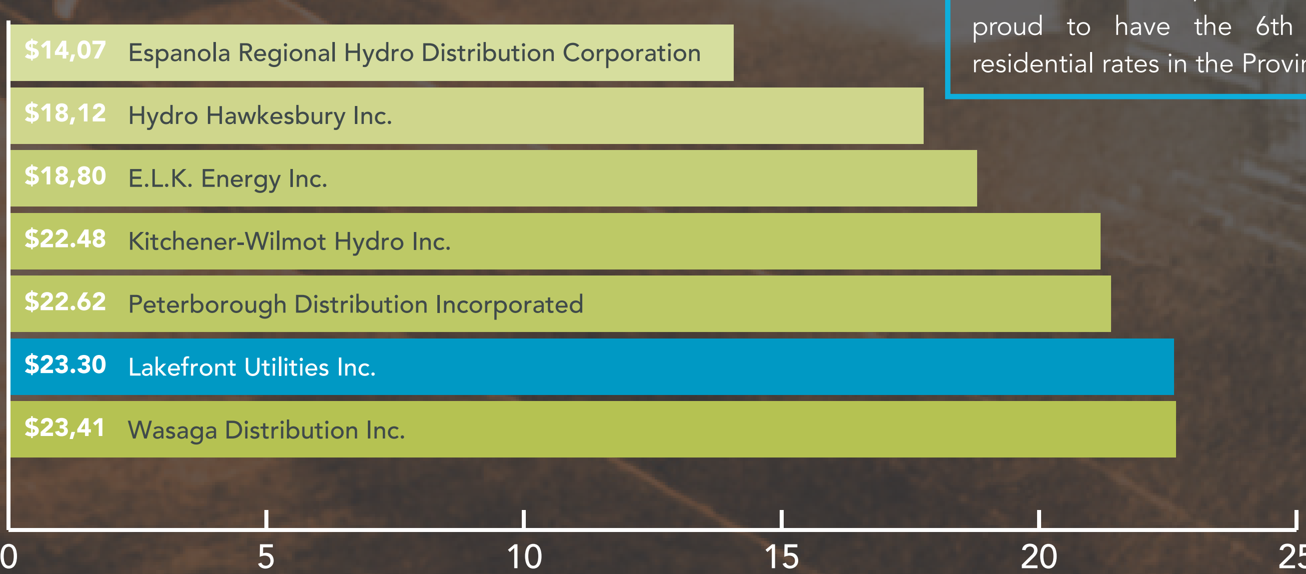
EXCEEDING STANDARDS AND EXPECTATIONS

	LUI 2020 Scorecard Results	OEB Approved Standard (on a yearly basis)
First Contact Resolution	99,77 %	
Appointment Scheduling	97,13 %	90 %
Appointment Met	100 %	90 %
Telephone Accessibility	82,27 %	65 %
Telephone Call Abandon Rate	0,62 %	10 % or Less
Written Response Enquiries	96,69 %	80 %
Reconnection Performance Standard	100 %	85 %

Utilizing the scorecard approach, designed by the Ontario Energy Board, Lakefront Utilities Inc. monitors its performance in key areas as compared to other utilities. The standardized scorecard encourages electricity distributors to operate effectively, continually improve productivity, and focus on improvements that customers value by evaluating utilities based on a series of standard metrics. The scorecard summary demonstrates LUI's commitment to exceptional customer service in 2020.

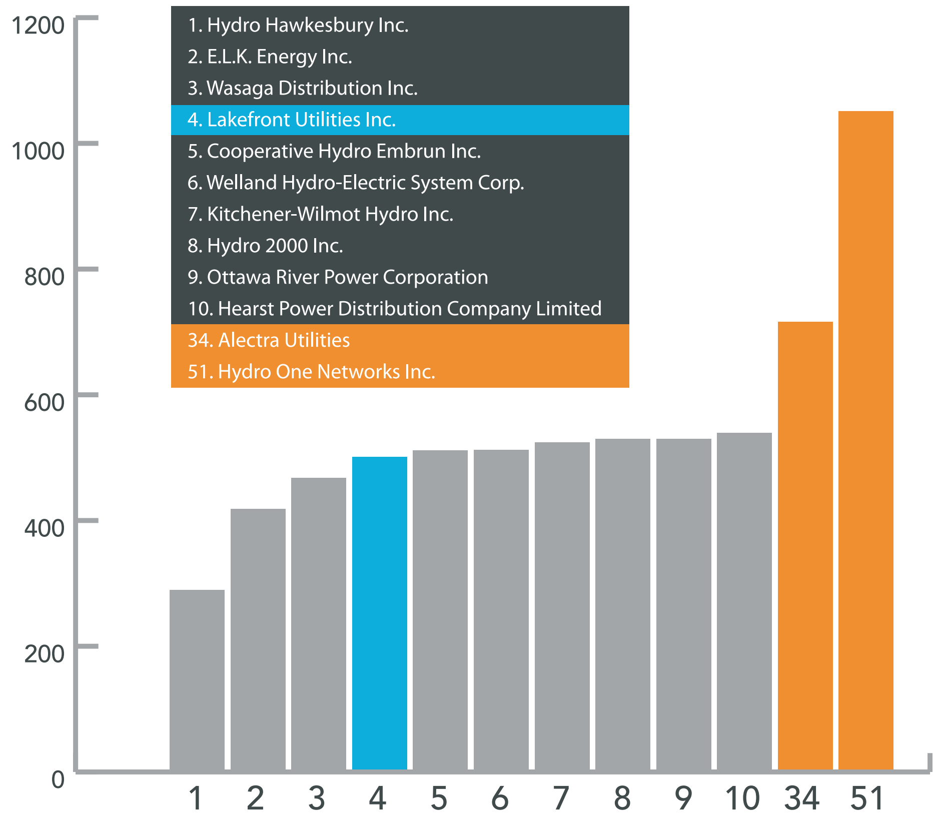
RESIDENTIAL RATE CHART 2020

LUI's residential rates are a testament of the hard work, efforts, and prudent financial management of staff. In 2020, Lakefront was proud to have the 6th lowest residential rates in the Province.



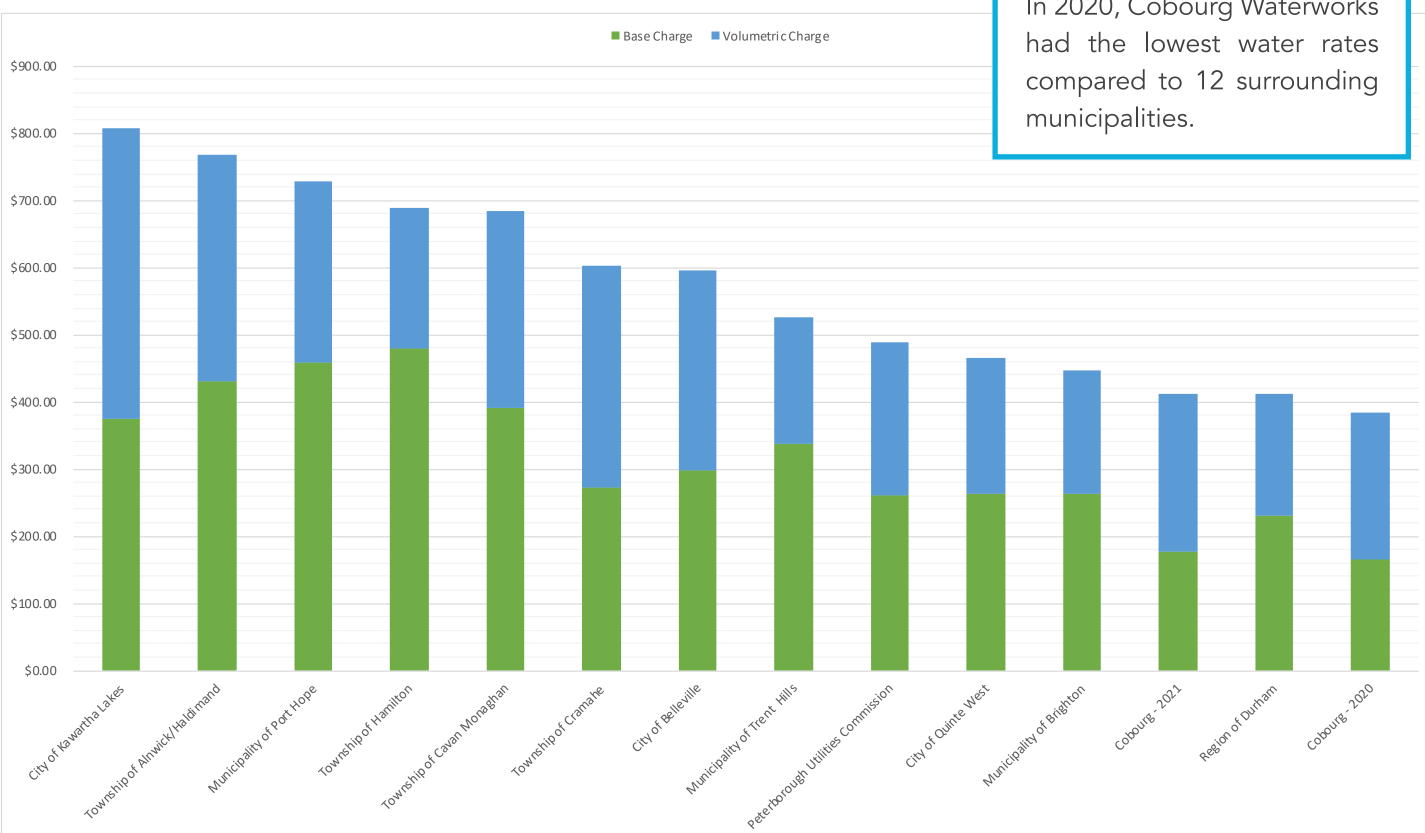
OM&A

Contributing to these low rates is the fact that Lakefront Utilities had the 4th lowest Operations, Maintenance and Administration costs in the Province in 2020.



WATER RATES COMPARISON

In 2020, Cobourg Waterworks had the lowest water rates compared to 12 surrounding municipalities.



The Cobourg, Grafton and Colborne water systems, along with portions of the Township of Hamilton water distribution system managed by LUSI, all received a final rating of 100% during the most recent Drinking Water System Inspections conducted by the Ministry of the Environment, Conservation and Parks (MECP). This latest round of perfect scores adds to LUSI's long history of surpassing industry standards for the water systems they manage.

COLLABORATING FOR EFFICIENCIES

Holdco is an active member of industry associations within the broader water and electric communities. This is an effort to remain current and to collaborate with other utilities to maximize opportunities for efficiencies, streamlined costs, and to provide value to customers and shareholders.

Lakefront Utilities Inc. is a member of Cornerstone Hydro Electric Concepts (CHEC), a collaborative organization of 15 small utilities that share resources and expertise to provide cost efficiencies and best practices to all members of the association. LUI benefits from the support available through CHEC in Finance, Regulatory, Operations, and Health and Safety by gaining access to economies of scale and ensuring all areas of its operations are efficient and cost effective.

Lakefront Utilities Inc. is a member of Utilities Standards Forum (USF), a non-profit, volunteer-based corporation owned by 50 Ontario electricity distributor members that service over 1.9 million customers. USF's primary purpose is to develop and maintain system design standards approved to Regulation 22/04. USF also offers member representatives a mechanism for collaboration and networking on other common technical challenges and regulatory requirements.

Utility Collaborative Services (UCS) is an Ontario co-operative that gives local distribution companies, such as Lakefront Utilities, the opportunity to work together and benefit from collective buying pools, hosted solutions, shared resources, and standardization. LUI is a member of UCS and has optimized the power of collaboration by joining this strong, established co-operative that shares the utility's interests and needs.

The Ontario Municipal Water Association (OMWA) acts as the voice of Ontario's public water authorities through actions which sustain and protect the life cycle of water and represents more than 180 Municipalities and Public Drinking Water Authorities in Ontario. OMWA brings together a wide cross-section of expertise to provide direction and leadership on policy, legislative, and regulatory issues. Lakefront Utility Services Inc. is a member of OMWA to aid in ensuring the safety, quality, reliability, and sustainability of drinking water in Ontario.

The Ontario Water Works Association (OWWA) is a leader in the delivery of safe drinking water. OWWA, with the support of its parent organization, the American Water Works Association, is at the forefront of research, technology, and policy development with respect to safe, sufficient, and sustainable drinking water. LUSI is a member of OWWA and benefits from its place as the authoritative 'voice' of the water industry.

NOTES

TOWN OF COBOURG HOLDINGS INC.

207 Division Street • PO Box 577 • Cobourg, Ontario K9A 4L3

905-372-2193

905-372-2581

lakefrontutilities.com

GET IT ON Google Play

Download on the App Store

Appendix D – 2018 Schedule 8

Canada Revenue Agency / Agence du revenu du Canada

Schedule 8

Capital Cost Allowance (CCA)

Corporation's name	Business number	Tax year-end Year Month Day
Lakefront Utilities Inc.	86512 5231 RC0001	2018-12-31

For more information, see the section called "Capital Cost Allowance" in the *T2 Corporation Income Tax Guide*.

Is the corporation electing under *Regulation* 1101(5q)? **101** Yes ☐ No ☒

	1 Class number * 200	Description	2 Undepreciated capital cost at the beginning of the year (amount from column 12 of last year's schedule 8) 201	3 Cost of acquisitions during the year (new property must be available for use) (see note 1 below) 203	4 Adjustments and transfers (see note 2 below) 205	5 Proceeds of dispositions during the year (amount not to exceed the capital cost) 207	6 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5) (see notes 3 and 7 below) 211	7 Reduced undepreciated capital cost (column 2 **plus** column 3 **plus** or **minus** column 4 **minus** column 5 **minus** column 6) (see note 7 below)	8 CCA rate % (see note 4 below) 212	9 Recapture of capital cost allowance (line 107 of Schedule 1) (see note 5 below) 213	10 Terminal loss (line 404 of Schedule 1) 215	11 Capital cost allowance (for declining balance method, column 7 **multiplied** by column 8, or a lower amount) (line 403 of Schedule 1) (see notes 6 and 7 below) 217	12 Undepreciated capital cost at the end of the year (column 6 **plus** column 7 **minus** column 11) 220
1.	1	Buildings	870,932	15,066		0	7,533	878,465	4	0	0	35,139	850,859
2.	1	Electrical distribution equipment	6,023,403			0		6,023,403	4	0	0	240,936	5,782,467
3.	10	Transportation equipment	348,785	37,909		0	18,955	367,739	30	0	0	110,322	276,372
4.	10	Equipment	113,021			0		113,021	30	0	0	33,906	79,115
5.	45	Computers 2004-2007	20			0		20	45	0	0	9	11
6.	47	Transmission and distribution aft	9,874,261	566,446		0	283,223	10,288,855	8	0	0	823,108	9,617,599
7.	50	Computers after 2007	34,924	22,567		0	11,284	46,207	55	0	0	25,414	32,077
8.	8	Furniture, equipment and signs	278,159			0		278,159	20	0	0	55,632	222,527
9.	6	Fences	4,791			0		4,791	10	0	0	479	4,312
10.	8	Tools	186,769	28,140		0	14,070	200,839	20	0	0	40,168	174,741
11.	47	Smart meters - from reg assets	296,665	160,947		0	80,474	377,138	8	0	0	30,171	427,441
		Totals	18,031,730	831,075			415,539	18,578,637				1,395,284	17,467,521

Appendix E – 2019 Schedule 8

	1 Class number * See note 1 200	Des-crip-tion	9 UCC (column 2 **plus** column 3 **plus** or **minus** column 5 **minus** column 8) See note 8	10 Proceeds of disposition available to reduce the UCC of AIIP (column 8 **plus** column 6 **minus** column 3 **plus** column 4 **minus** column 7) (if negative, enter "0")	11 Net capital cost additions of AIIP acquired during the year (column 4 **minus** column 10) (if negative, enter "0")	12 UCC adjustment for AIIP acquired during the year (column 11 **multiplied** by the relevant factor) See note 9	13 UCC adjustment for non-AIIP acquired during the year (0.5 **multiplied** by the result of column 3 **minus** column 4 **minus** column 6 **plus** column 7 **minus** column 8) (if negative, enter "0") See note 10 224	14 CCA rate % See note 11 212	15 Recapture of CCA See note 12 213	16 Terminal loss See note 13 215	17 CCA (for declining balance method, the result of column 9 **plus** column 12 **minus** column 13, **multiplied** by column 14 or a lower amount) See note 14 217	18 UCC at the end of the year (column 9 **minus** column 17) 220
1.	1	Buildin	859,207		8,348	4,174		4	0	0	34,535	824,672
2.	1	Electric	5,782,467					4	0	0	231,299	5,551,168
3.	10	Transp	276,372					30	0	0	82,912	193,460
4.	10	Equipn	79,115					30	0	0	23,735	55,380
5.	45	Compu	11					45	0	0	5	6
6.	47	Transn	10,530,201		912,602	456,301		8	0	0	878,920	9,651,281
7.	50	Compu	80,825		48,748	24,374		55	0	0	57,859	22,966
8.	8	Furnitu	222,527					20	0	0	44,505	178,022
9.	6	Fences	4,312					10	0	0	431	3,881
10.	8	Tools	188,700		13,959	6,980		20	0	0	39,136	149,564
11.	47	Smart	564,850		137,409	68,705		8	0	0	50,684	514,166
		Totals	18,588,587		1,121,066	560,534					1,444,021	17,144,566

Enter the total of column 15 on line 107 of Schedule 1.
Enter the total of column 16 on line 404 of Schedule 1.
Enter the total of column 17 on line 403 of Schedule 1.

Appendix F – CHEC Wage and Benefit Analysis

Achievement through Collaboration

WAGE AND BENEFIT ANALYSIS:

2020

The following is CHEC's wage and benefit analysis for the year 2020. This analysis is to assist the CHEC group with personnel planning, recruitment, and compensation as well as aid in developing effective internal policies and procedures.

May 30, 2020

Cornerstone Hydro Electric Concepts Association Ltd.
www.checenergy.ca

Executive Summary:

This is the **fifth** CHEC analysis and report (previously reported in 2011, 2014, 2016, and 2018) on compensation trends for the CHEC LDC's. All CHEC LDC's were offered participation in this analysis and to date fourteen LDCs have fully participated (management and staff / union information provided), while one LDC has partially participated (union information only). This represents a 78% participation rate for the full analysis.

Confidentiality of Information:

All the information collected through this analysis has been treated with the utmost confidentiality. To preserve the confidentiality of data supplied by participating organizations, compensation details are only reported on an aggregate basis and where a minimum of four organizations are included in the sample to ensure confidentiality. In addition, every effort has been made to identify and remove anomalies within the data.

Analysis results are only being reported to those LDCs who participated and provided data for the report. All participants are asked to consider this report strictly confidential and are asked to not share the results with any entity that has not participated in the analysis.

Disclaimer:

This analysis has not been designed to cover every possible position in your organization. It is intended to cover the most common positions found in most LDCs across the CHEC group of LDCs. The selected positions are intended to be benchmarks only and should be treated accordingly.

Project Background:

The purpose of this report is to provide a general analysis to the participating CHEC LDC's that identifies information that is useful for decision making purposes. This analysis is primarily based on data provided to CHEC.

Cornerstone Hydro Electric Concept Association (CHEC) is an association of eighteen Local Distribution Companies (LDCs) that work collaboratively to meet regulatory and operational requirements. The LDC's covered under this analysis include:

CHEC MEMBERS	
Centre Wellington Hydro	ERTH Power
Fort Frances Power Corporation	Grimsby Power
InnPower	Lakefront Utilities
Lakeland Power	Niagara-on-the-lake Hydro
Orangeville Hydro	Ottawa River Power Corporation
Renfrew Hydro	Rideau St. Lawrence Distribution
Tillsonburg Hydro	Wasaga Distribution
Wellington North Power	

The major topics that make up the report are:
1. Board Analysis
2. Management Analysis
3. Staff / Union Analysis
4. Pension Analysis and
5. Conclusion

Wage Analysis (Board):

The participants were asked to indicate how Directors are compensated for participating on the Board. It was noted that Board compensation packages are comprised of diverse elements. The following summary provides an overview of some of the compensation elements for CHEC LDC Board members.

Remuneration:

Monetary remuneration is indicated as a High / Low range. Along with the low and high ranges is the group median. The group median is used in this report as unlike the group average, it is not affected by any single value being too high or too low and is therefore considered a better measure of the group mid-point.

Position	CHEC Low Range	CHEC High Range	CHEC Median
Chair	$4,000	$23,000	$7,947
Directors	$3,000	$20,000	$6,600

Per Diem Fees:

In addition to regular compensation, some Board Members are also compensated with a per diem rate ranging from $70 (low) to $400 (high). The per diem median rate is $250. Per Diem fees typically cover Board members expenses associated with attending board meetings.

Additional Expenses:

Over and above the per diem fees, a few of the LDC's also provide expense reimbursement for i.e. industry events, training/conferences, mileage, etc. Most of the LDC's that cover these expenditures reimburse for true costs, while others covered costs up to a set maximum per year.

Analysis (Management):

The respondents were asked to indicate how management is compensated within the LDC's. The compensation packages are comprised of diverse elements. The following summary provides an overview of the compensation elements for CHEC LDC Management.

Remuneration:

Monetary remuneration is indicated as a High / Low range. Along with the low and high ranges is the group median. The group median is used in this report as unlike the group average, it is not affected by any single value being too high or too low and is therefore considered a better measure of the group mid-point.

Position	CHEC Low Range	CHEC High Range	CHEC Median
President / CEO	$99,900	$232,300	$144,000
Administrative Assistant	$43,800	$79,000	$63,200
VP/CFO	$77,000	$150,000	$123,300
Controller/Treasurer	$70,000	$124,700	$92,400
Financial Analyst	$57,800	$108,700	$78,200
Finance Assistant	$52,400	$75,700	$59,600
VP/Director Operations	$83,000	$150,000	$127,600
Operations Manager	$80,600	$148,000	$103,400
Operations Supervisor	$65,400	$123,000	$95,800
Engineering Manager	$65,500	$127,700	$103,500
Distribution Engineer	$76,500	$100,000	$87,500
CS / Billing Manager	$68,100	$121,000	$91,200
CS / Billing Supervisor	$58,000	$108,700	$81,200
Regulatory Manager	$59,700	$107,000	$91,400
IS Systems Analyst	$55,000	$79,600	$57,900
HR Manager	$59,500	$107,000	$80,900
CDM Coordinator	$55,900	$85,200	$78,300

Benefits:

Benefit packages among the LDC's was comparable with no significant differences in the benefits received among the management group. Typical management level benefits reported are as follows:

Description	Benefit
Work Hours	35 – 40 hours
Overtime	Half of the participants offered some form of OT, ranging from time-in-lieu to double time
Paid Holidays	11 – 13 days per year – Includes all standard holidays
Floater Days	1 – 3 days per year
Vacation	Scaled – Most commonly starts at 2 weeks after 1 year with an additional week at approximately 3, 9, 17, and 25 years
Medical	Medical coverage is robust offering semi-private to private and prescription coverage, some form of vision and hearing aid assistance, along with some support for other professional services such as chiropractor, osteopath, podiatrist, massage therapist, naturopath, etc. See table below for low to high ranges.
Dental	Dental coverage is also robust, covering basic dental procedures and most plans providing additional coverage for major procedures and orthodontics
Life / AD&D	Typically, some form of life insurance and/or AD&D coverage is provided. Generally, 1.5 – 2 times base salary
Sick Days	In general, most employees accrue 1-1.5 days / month
ST – LT Disability	ST typically covers 100% for up to 3 months, LT covers 66 2/3% with a monthly maximum between $3,000 and $9,000
Pension	In addition to CPP, participation in OMERS is typically offered, employee contributions are matched by employer on a 1:1 basis
Bereavement	Typically, 1 – 5 days, depending on relationship to the deceased
Jury Duty	Typically, full pay less amount received from Jury Service

Notes: In some instances, there is enhanced coverage of benefits for executive level personnel.

A few of the CHEC LDCs have also indicated that they provide some assistance in other areas such as cell phones, home & auto insurance coverage, payment of professional association fees (i.e.: CPA / P.Eng.), educational assistance, and an annual clothing allowance. These benefits are not consistent among the group.

Medical	Low	Median	High
Naturopath / year	300	600	850
Chiropractic / year	300	600	850
Massage / year	300	600	850
Physiotherapist / year	500	600	5,000
Hearing Aids / 5 years	300	500	2,500
Vision / 2 years (not incl. eye exam)	350	450	550

Annual Increase in Salary:

The annual salary increase for all management positions was tracked and was estimated to be approximately 2.12% for 2019.

Analysis (Union Staff):

The respondents were asked to indicate how union staff is compensated among the LDC's. The compensation packages are comprised of diverse elements. The following summary provides an overview of the compensation elements for CHEC LDC Staff.

Remuneration:

Monetary remuneration is indicated as a High / Low range. Along with the low and high ranges is the group median. The group median is used in this report as unlike the group average, it is not affected by any single value being too high or too low and is therefore considered a better measure of the group mid-point.

Inside Staff	Low Range	High Range	CHEC Median
Accounting Clerk	$25.10	$38.30	$30.47
Regulatory Analyst	$24.39	$35.77	$30.75
Cashier	$16.37	$31.13	$24.75
Office / Billing Clerk	$19.51	$35.99	$28.86
Customer Service Rep.	$21.76	$39.59	$28.60
IT Analyst / Generalist	$28.62	$41.92	$33.78
Sr. Engineering Tech	$43.76	$49.46	$45.39
Engineering Tech	$25.45	$47.15	$37.72
GIS/CAD/Design Tech	$25.66	$39.79	$33.77

Outside Staff	Low Range	High Range	CHEC Median
Foreman	$35.27	$51.30	$45.20
Journey / Lineman	$22.33	$44.82	$34.25
Meter Technician	$20.74	$45.07	$34.33
Meter Reader	$17.54	$36.29	$24.03
Operations Coordinator	$28.02	$36.98	$33.13
Laborer/Grounds Person	$17.54	$31.56	$25.94

It should be noted that most union staff positions are based on a progressive scale and consider experience and seniority. The low range typically represents an entry level or apprentice position, while the high range typically represents a more senior individual or a fully qualified tradesperson.

Benefits:

Benefit packages among the LDC's was comparable with no significant differences in the benefits received among the unions between LDCs. Typical union level benefits reported are as follows:

Description	Benefit
Work Hours	35 – 40 hours
Overtime	Typically paid as double-time
On-Call	Typically, a minimum of 2 hours at double time – Average on-call pay is $263 / Week
Relief Pay	Generally paid at a rate of 105% - 112%
Paid Holidays	11 – 13 days per year – Includes all standard holidays
Floater Days	1 – 3 days per year
Vacation	Scaled – Most commonly starts at 2 weeks after 1 year with an additional week at approximately 3, 9, 17, and 25 years
Medical	Medical coverage is robust offering semi-private, private and prescription coverage, some form of vision and hearing aid assistance, along with some support for other professional services such as chiropractor, osteopath, podiatrist, massage therapist, naturopath, etc. See table below for low to high ranges.
Dental	Dental coverage is also robust covering most basic dental procedures with some plans providing additional coverage for major procedures and orthodontics
Life / AD&D	Typically, some form of life insurance and/or AD&D coverage is provided. Generally, 1.5 – 2 times base salary
Sick Days	In general, most employees accrue 1 – 1.5 days / month
ST – LT Disability	ST typically covers 100% for up to 3 months, LT covers 66 2/3 with a monthly maximum between $3,000 and $8,000
Pension	In addition to CPP, participation in OMERS is typically offered, employee contributions are matched by employer on a 1:1 basis
Bereavement	Typically, 1 – 5 days, depending on relationship to the deceased
Jury Duty	Typically, full pay less amount received from Jury Service
Meal Allowance	Typically, $16 / meal when applicable
Tools	Typically supplied by the LDC
Clothing	Typically, $288 per year for safety shoes, LDC typically supplies safety equipment and clothing or an allowance in lieu of clothing
Notes: A few of the CHEC LDCs have also indicated that they provide some assistance in other areas such as payment of professional association fees (i.e.: Trade License, OACETT), educational assistance, and payment of certain classes of driver's licenses. These benefits are not consistent among the group.	

Medical	Low	Median	High
Naturopath / year	300	500	850
Chiropractic / year	300	550	850
Massage / year	300	600	850
Physiotherapist / year	500	600	5,000
Custom Orthotics / year	133	350	600
Hearing Aids / 5 years	300	500	2,500
Vision / 2 years (not incl. eye exam)	350	450	550

Annual Increase in Salary:

The annual salary increase for all union positions was tracked and was estimated to be approximately 2.1% for 2019.

Analysis (Pension):

The respondents were asked to indicate how early retirees are compensated among the LDC's. The compensation packages are comprised of diverse elements. The following summary provides an overview of the common compensation elements for early retires among the CHEC group.

Benefits:

Other post-employment benefits (OPEBs) refer to the benefits, other than pensions, that an individual employee receives as part of his or her package of retirement benefits. Typically, retiree life insurance is the most significant OPEB offering, though other benefits such as medical and dental benefits are also covered under this umbrella term.

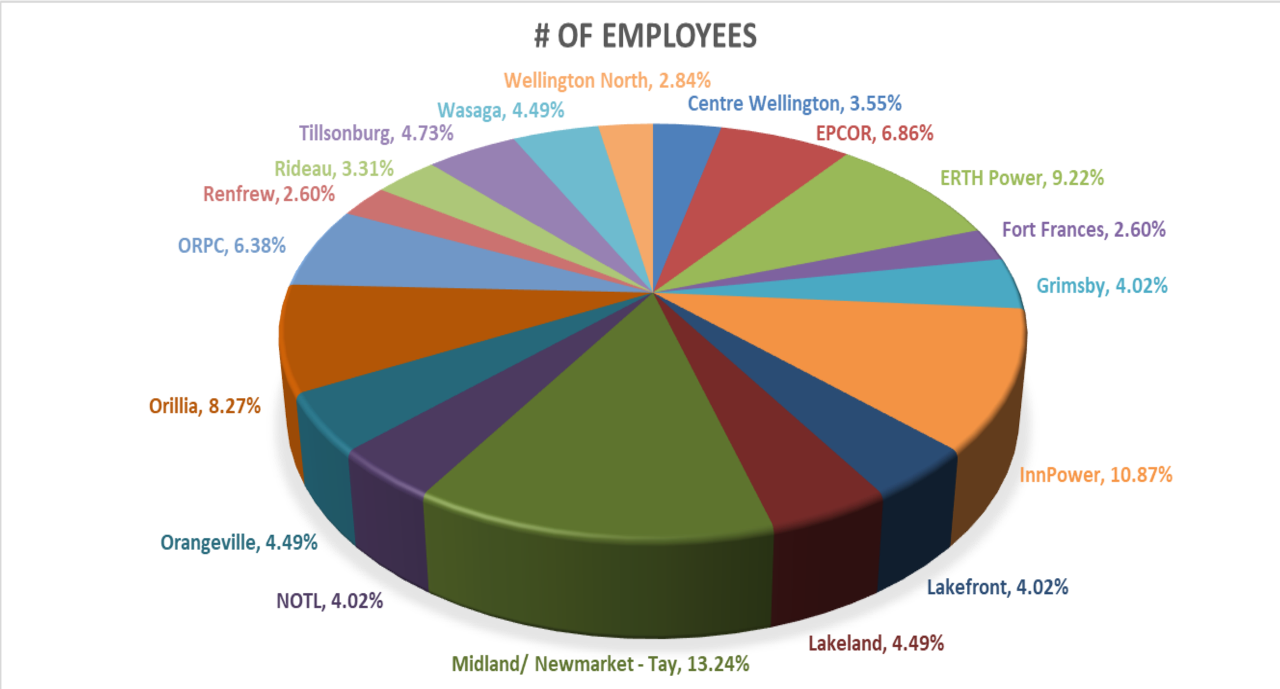
Description	Benefit
Early Retires	Typically covers the employee between the ages of 55 - 65
Pension Plan	OMERS
Other Post-Employment Benefits:	
Medical	Medical (Extended Health) coverage can be extended from retirement to the age of 65, employee typically pays 50% of the premium cost to age 65
Dental	Dental coverage can be extended from early retirement to the age of 65, employee typically pays 50% of the premium cost to age 65
AD&D	Not typically offered as a post retirement benefit
Life Insurance	Typically offered at a reduced rate of 50% of salary at retirement
Costs	Current OPEBs costs are estimated to be $6,500, per retiree, per year

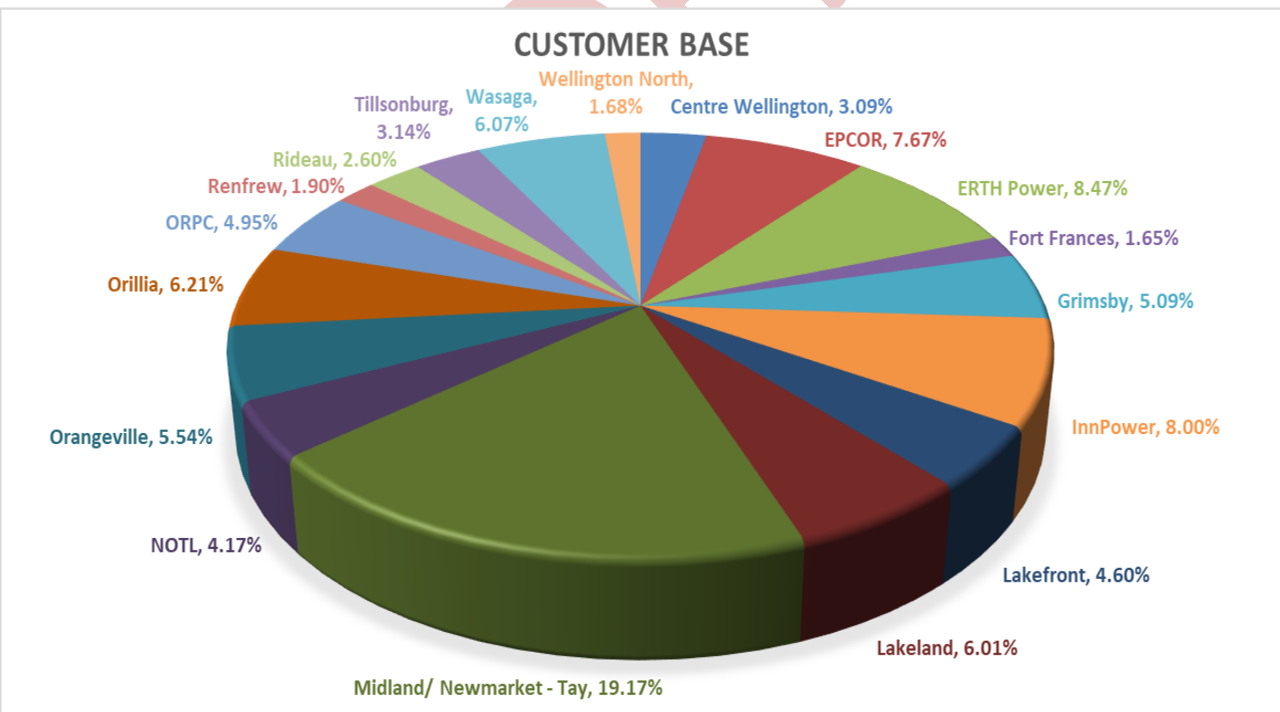
Other Post-Retirement Benefits are intended to bridge the gap between early retirement and the individual reaching the age of 65. After the age of 65, it is typically expected that various federal and provincial programs will replace OPEBs.

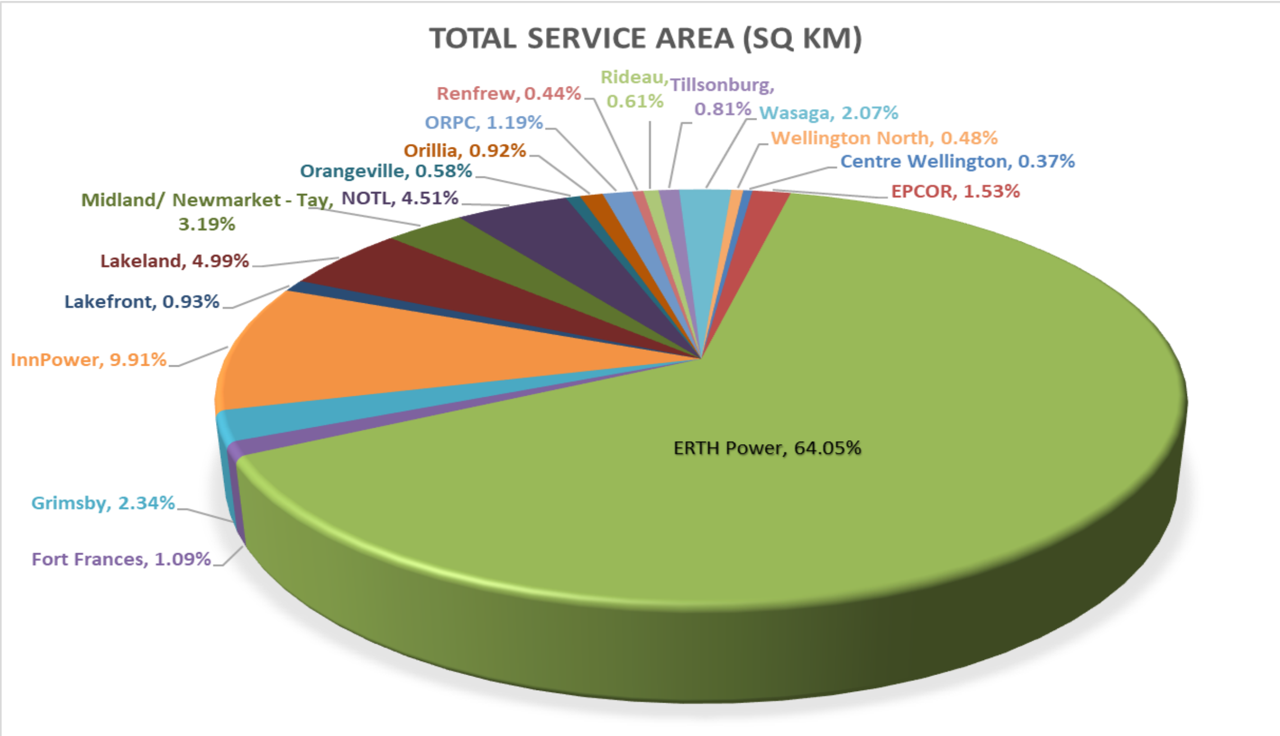
LDC Demographics:

The following is a brief comparison of demographics among the CHEC group. These demographics are provided so a basis comparison can be drawn between the number of employees in an LDC, the LDCs customer base, and the service area that those employees serve.

Utility	Employees (FTE)		Number of Customers		Service Area (Sq. km)	
Centre Wellington	15	3.55%	7,022	3.09%	11	0.37%
EPCOR	29	6.86%	17,408	7.67%	45	1.53%
ERTH Power	39	9.22%	19,238	8.47%	1,887	64.05%
Fort Frances	11	2.60%	3,745	1.65%	32	1.09%
Grimsby	17	4.02%	11,551	5.09%	69	2.34%
InnPower	46	10.87%	18,163	8.00%	292	9.91%
Lakefront	17	4.02%	10,450	4.60%	28	0.93%
Lakeland	19	4.49%	13,644	6.01%	147	4.99%
Midland/Newmarket-Tay	56	13.24%	43,524	19.17%	94	3.19%
Niagara-on-the-Lake	17	4.02%	9,461	4.17%	133	4.51%
Orangeville	19	4.49%	12,583	5.54%	17	0.58%
Orillia	35	8.27%	14,091	6.21%	27	0.92%
Ottawa River	27	6.38%	11,247	4.95%	35	1.19%
Renfrew	11	2.60%	4,312	1.90%	13	0.44%
Rideau	14	3.31%	5,909	2.60%	18	0.61%
Tillsonburg	20	4.73%	7,123	3.14%	24	0.81%
Wasaga	19	4.49%	13,789	6.07%	61	2.07%
Wellington North	12	2.84%	3,805	1.68%	14	0.48%
Total	**423**		**227,065**		**2,946**	
*The above information is from the 2018 OEB Yearbook and is as of December 31, 2018						


OF EMPLOYEES
Wellington North, 2.84%
Centre Wellington, 3.55%
EPCOR, 6.86%
ERTH Power, 9.22%
Fort Frances, 2.60%
Grimsby, 4.02%
InnPower, 10.87%
Lakefront, 4.02%
Lakeland, 4.49%
Midland/ Newmarket - Tay, 13.24%
NOTL, 4.02%
Orangeville, 4.49%
Orillia, 8.27%
ORPC, 6.38%
Renfrew, 2.60%
Rideau, 3.31%
Tillsonburg, 4.73%
Wasaga, 4.49%


CUSTOMER BASE
Wellington North, 1.68%
Centre Wellington, 3.09%
EPCOR, 7.67%
ERTH Power, 8.47%
Fort Frances, 1.65%
Grimsby, 5.09%
InnPower, 8.00%
Lakefront, 4.60%
Lakeland, 6.01%
Midland/ Newmarket - Tay, 19.17%
NOTL, 4.17%
Orangeville, 5.54%
Orillia, 6.21%
ORPC, 4.95%
Renfrew, 1.90%
Rideau, 2.60%
Tillsonburg, 3.14%
Wasaga, 6.07%



Conclusions:

As mentioned in the 2018 Wage & Benefit analysis, human resources (HR) issues commonly experienced by employers included leveraging digital technologies, managing a multigenerational workforce, employee wellness, company culture, and employee Feedback. While these issues are still valid today, when looking specifically at the utility industry, a more imminent threat is competition from the larger utilities (i.e. Alectra and Hydro One). The above wage and benefit analysis show that CHEC member LDCs are currently competitive among the group; however, larger utilities can generally offer more and often end up attracting staff from the smaller utilities.

CHEC members need to be mindful of how the larger competitors are compensating their employees so that they can remain competitive in the market, attract talent, and retain their skilled and knowledgeable staff. Therefore, later this year, CHEC will be releasing part two of the wage and benefit analysis to encompass a comprehensive analysis of the other LDC union packages (i.e. wages, benefits, etc.) to enhance the overall value of the above information, and provide a comparative basis to the entire Ontario utility sector.

LDCs must bridge the gap between the utility industry standards and their salary packages. They cannot provide compensation packages that are either less than the industry standards or are higher than current market rates.

Appendices (Position Descriptions):

The position descriptions are currently under review. We are working with the Finance Steering Committee to determine if these are relevant and required going forward. Once updated, we will be posting to the member portal so all will have access

Appendix G – Shareholder Agreement

TOWN OF COBOURG HOLDINGS INC.

SHAREHOLDERS' AGREEMENT

BORDEN LADNER GERVAIS LLP

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SHAREHOLDERS' AGREEMENT

THIS AGREEMENT made as of the 1st day of May, 2000.

B E T W E E N:

The Town of Cobourg, [a municipal corporation existing under the laws of Ontario]

("Cobourg")

- and -

The Village of Colborne, [a municipal corporation existing under the laws of Ontario]

("Colborne")

- and -

Town of Cobourg Holdings Inc., a corporation existing under the laws of Ontario

(the "Corporation")

- and -

Lakefront Utilities Inc., a corporation existing under the laws of Ontario ("WiresCo" or "Subsidiary" or collectively with ServicesCo and RetailCo "Subsidiaries")

- and -

Lakefront Utility Services Inc., a corporation existing under the laws of Ontario ("ServicesCo" or "Subsidiary" or collectively with WiresCo and RetailCo "Subsidiaries")

- and -

Cobourg Networks Inc., a corporation existing under the laws of Ontario ("RetailCo" or "Subsidiary" or collectively with WiresCo and ServicesCo "Subsidiaries")

Recitals:

1. The Corporation is a corporation existing under the laws of Ontario;

2. The authorized capital of the Corporation consists of an unlimited number of Shares of which 10,000,000 are issued and outstanding as fully paid and non-assessable;

3. Cobourg and Colborne (collectively the "Shareholders" and each a "Shareholder") shall ultimately be, on the Effective Date, the sole registered and beneficial shareholders of the Corporation holding the following numbers of Shares pursuant to the Pre-Incorporation Agreement, respectively:

NAME OF SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE TOTAL
Cobourg	9,999,999	99.99999%
Colborne	1	0.00001%

4. The Corporation shall ultimately be, on the Effective Date, the sole registered and beneficial shareholder of the Subsidiaries holding the following numbers of Shares, respectively:

NAME OF SUBSIDIARY	NAME OF SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE TOTAL
WiresCo	HoldCo	10,000,000	100%
ServicesCo	HoldCo	1,000	100%
RetailCo	HoldCo	1,000	100%

5. The parties wish to enter into this Agreement to provide for the conduct of certain affairs of the Corporation and its Subsidiaries, to provide for certain restrictions on the transfer and ownership of Shares in the capital of the Corporation, and to govern the mutual rights and obligations of the Shareholders with respect to the Corporation and each other Shareholder;

NOW THEREFORE in consideration of the premises, the mutual promises herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged) each of the parties agrees with each other party as follows:

ARTICLE I
INTERPRETATION

1.1 *Definitions*

In this Agreement the following terms shall have the following meanings unless the subject matter or context otherwise requires:

"Act" means the *Business Corporations Act* (Ontario);

"Agreement" means this Agreement, all schedules attached hereto and any agreement or schedule supplementing or amending this Agreement. All uses of the words "hereto", "herein", "hereof", "hereby" and "hereunder" and similar expressions refer to this Agreement and not to any particular section or portion of it. References to an Article, Section, Subsection or Schedule refer to the applicable article, section, subsection or schedule of this Agreement;

"Arbitration Act" means the *Arbitration Act*, S.O., 1991;

"Arbitrator" has the meaning set out in Section 10.3(a);

"Arm's Length" has the meaning attributed thereto in the *Income Tax Act* (Canada) provided that, for the purposes of Section 6.3, each Shareholder shall be deemed to be acting at Arm's Length with each other Shareholder;

"Auditors" means the firm of chartered accountants appointed as auditor of the Corporations from time to time;

"Board" means the Board of Directors of the Corporation;

"Board Committees" means committees created by the Board from time to time for the purpose of overseeing specific tasks and reporting to the Board and includes the committees referred to in Section 6.2;

"Business" means the business of the Corporation as described in this Section 1.1 or as may otherwise be conducted by the Corporation from time to time;

"Business Day" means any day other than a Saturday, Sunday, or statutory holiday in Ontario;

"Chair" means the individual elected by the Board to serve as its chairperson from time to time;

"Closing Date" means the date on which the purchase and sale of Shares is to be completed;

"Confidential Information" means any and all information and data relating in any manner to the Business and any activities, plans, ideas, products, services, policies or intentions (including without limitation, information of an operation, business, marketing, financial or economic nature), whether or not proprietary in nature, that is of value to the Corporations and is held by the Corporation as a trade secret and is not generally known to competitors of the Corporation or to the public;

"Corporation" means Town of Cobourg Holdings Inc.

"Debt" means, with respect to the Corporation, without regard to any uncapitalized interest component thereof (whether actual or imputed) that is not due and payable, the aggregate of the following amounts, each calculated in accordance with generally accepted accounting principles, unless the context otherwise requires:

(a) indebtedness for money borrowed (including, without limitation, by way of overdraft) or indebtedness represented by notes payable and drafts accepted representing extensions of credit;

(b) the face amount of all bankers' acceptances and other similar instruments;

(c) all obligations (whether or not with respect to the borrowing of money) that are evidenced by bonds, debentures, notes or other similar instruments;

(d) all liabilities upon which interest charges are customarily paid by the Corporation;

(e) any capital stock of the Corporation (or of any subsidiary of the Corporation that is not held by the Corporation or by a subsidiary of the Corporation that is wholly owned, directly or indirectly), which capital stock, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the maturity date for cash or securities constituting debt;

(f) all capital lease obligations, synthetic lease obligations, obligations under sale and leaseback transactions and purchase money obligations;

(g) the full amount of any contingent liability under any guarantee (other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business) in any manner of any part or all of an obligation of another person of the type included in items (a) through (f) above, including contingent liabilities in respect of letters of credit, letters of guarantee and similar instruments; and

(h) contingent liabilities in respect of performance bonds and surety bonds, and any other guarantee or other contingent liability of any part or all of an obligation of a person, in each case only to the extent that the guarantee or other contingent liability is required by generally accepted accounting principles to be treated as a liability on a balance sheet of the guarantor or person contingently liable,

provided that trade payables, operating leases and accrued liabilities that are current liabilities incurred and deposits received in the ordinary course of business do not constitute Debt.

"Debt/Equity Ratio" means a ratio of 50% Debt to 50% Equity;

"Disputing Shareholder" has the meaning set out in Section 10.3(c);

"**Effective Date**" means 12:01 a.m., Toronto time, May 1, 2000;

"**Electricity Act**" means the *Electricity Act, 1998* (Ontario);

"**Encumbrance**" means a mortgage, charge, pledge, hypothecation, lien (statutory or otherwise), security interest, adverse claim, assignment as security or reservation of title of any kind;

"**Energy Board Act**" means the *Ontario Energy Board Act, 1998* (Ontario);

"**Energy Legislation**" means collectively the Electricity Act, the Energy Board Act, the market rules established by the IMO and other Laws regulating the energy sector in Ontario;

"**Equity**" means the aggregate of the equity, capital stock and surplus as such amounts appear on a consolidated balance sheet of the Corporation prepared in accordance with generally accepted accounting principles;

"**Fiscal Year**" means a 12-month period ending on December 31 in each year;

"**Governmental Authority**" means any government or political subdivision (including without limitation, any municipality or federal or provincial ministry) or agency, authority, commission, department or instrumentality of any government or political subdivision, or any court or tribunal, and specifically includes the Ontario Energy Board and the IMO;

"**HoldCo**" or "**The Corporation**" means Town of Cobourg Holdings, Inc.;

"**IMO**" means the Independent Electricity Market Operator established pursuant to the Electricity Act;

"Initial Shareholder" means, at the date of this Agreement, each of Cobourg and Colborne.

"Laws" means any law, including common law, equitable principle, statute, ordinance regulation, rule, order, permit, decision, declaration, notice, demand, injunction, writ, policy, decree or award of any Governmental Authority;

"Mayor's Designate" means a serving number of town council of Cobourg as nominated by the Mayor and elected by the town council of Cobourg for the duration of his or her municipal term in office;

"Notice Period" has the meaning set out in Section 9.3(b);

"OEB" means Ontario Energy Board;

"OEB Act" means the *Ontario Energy Board Act, 1998*;

"Offer" has the meaning set out in Section 9.3(a);

"Offered Shares" has the meaning set out in Section 9.3(a);

"Other Holders" has the meaning set out in Section 9.3;

"Person" means an individual, firm, partnership, unincorporated association, corporation, bank, trust or other legal entity of any kind whatsoever;

"Predecessor Utility" means the Cobourg Public Utilities Commission and the Colborne Public Utilities Commission;

"Pre-Incorporation Agreement" means an Agreement between the Town of Cobourg and the Village of Colborne dated as of May 1, 2000, regarding the electric distribution components of the Cobourg Public Utilities Commission and the Colborne Public Utilities Commission;

"Private Director(s)" means a director that is not a member of council for either the Town of Cobourg or the Village of Colborne;

"Prospective Purchaser" has the meaning set out in Section 9.3(a);

"Purchase Notice" has the meaning set out in Section 9.3(c);

"RetailCo" means Cobourg Networks Inc.;

"Retiring Director" has the meaning set out in Section 6.1(i);

"Selling Notice" has the meaning set out in Section 9.3(a);

"Selling Shareholder" has the meaning set out in Section 9.3(a);

"ServicesCo" means Lakefront Utility Services Inc.;

"Shareholder" means any Person which is a registered holder of Shares and are initially set out in the Recitals;

"Shareholder Representative" has the meaning set out in Section 7.5;

"Shares" means common shares without par value in the capital of the Corporation;

"Subsidiary" or **"Subsidiaries"** means any subsidiary (as this term is defined in the Act) of the Corporation and includes but is not limited to Lakefront Utilities Inc., Lakefront Utility Services Inc. and Cobourg Networks Inc.;

"Third Party" means any Person with whom a Shareholder deals at Arm's Length;

"Transferee Shareholder" means any Person which acquires Shares from a Shareholder in accordance with the provisions of this Agreement; and

"WiresCo" means Lakefront Utilities Inc.

1.2 *Control*

For the purposes of this Agreement, a body corporate shall be deemed to be "controlled" by another Person or by two or more Persons if such Person or Persons (either individually or collectively and whether or not they act together jointly or in concert) directly or indirectly own, legally and beneficially, and exercise the full voting rights over, shares of such body corporate which:

(a) have attached to them voting rights, exercisable in all circumstances, which represent more than 50% of the votes attaching to all outstanding securities of such body corporate;

(b) have sufficient votes to elect a majority of the board of directors of such body corporate; and

(c) carry a right to receive, on a winding up or dissolution, more than 50% of the remaining property of such body corporate after payment of all debts and liabilities of the body corporate.

1.3 *Headings*

The division of this Agreement into Articles, Sections and Subsections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The Article and Section headings in this Agreement are not intended to be full or precise descriptions of the text to which they refer and shall not be considered part of this Agreement.

1.4 *Entire Agreement*

The execution of this Agreement has not been induced by, nor do any of the parties rely upon or regard as material, any representations, warranties, conditions, other agreements or acknowledgements not expressly made in this Agreement or in the agreements and other documents to be delivered pursuant hereto.

1.5 *Number and Gender*

In this Agreement, words in the singular include the plural and vice-versa and words in one gender include all genders.

1.6 *Accounting Principles*

Where the Canadian Institute of Chartered Accountants includes a recommendation in its Handbook concerning the treatment of any accounting matter, such recommendation shall be regarded as the only generally accepted accounting principle applicable to the circumstances that it covers and references herein to "generally accepted Canadian accounting principles" shall be interpreted accordingly.

All accounting and financial terms used herein, unless specifically provided to the contrary, shall be interpreted and applied in accordance with generally accepted accounting principles in Canada.

1.7 *Calculation of Time*

In this Agreement, a period of days shall be deemed to begin on the first day after the event which began the period and to end at 5:00 p.m. Toronto time on the last day of the period. If, however, the last day of the period does not fall on a Business Day, the period shall terminate at 5:00 p.m. Toronto time on the next Business Day.

1.8 *Statutory References*

A reference in this Agreement to a statute refers to that statute, and any regulations or rules issued thereunder, as amended, supplemented or replaced from time to time.

1.9 *Reclassification of Shares*

The provisions of this Agreement shall apply, with any necessary changes to (a) any shares or securities of any nature into which the Shares or any of them may be converted, exchanged, reclassified, redivided, redesignated, subdivided or consolidated; (b) any shares or securities of any nature that are received by a Shareholder as a stock dividend or distribution payable in shares, securities, warrants, rights or options of any nature of the Corporation; (c) any shares, securities, warrants, rights or options of any nature of the Corporation or any successor, continuing company or corporation of the Corporation that may be received by a Shareholder on a reorganization, amalgamation, arrangement, consolidation or merger, statutory or otherwise; and (d) any shares, securities, warrants, rights or options hereafter issued or allotted by the Corporation to a Shareholder, all of which shares, securities, warrants, rights or options shall be deemed to be Shares for all purposes of this Agreement.

1.10 *Interpretation*

This Shareholder Agreement should be read in conjunction with the Pre-Incorporation Agreement. If any conflict shall appear between the by-laws and the Articles of the Corporation and the provisions of this Agreement, the provisions of this Agreement shall govern.

1.11 *Governing Law*

This Agreement shall be governed by and construed, interpreted and performed in accordance with the laws of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

1.12 *Currency*

All dollar amounts referred to in this Agreement and all payments to be made hereunder are in Canadian funds.

ARTICLE II
PERMITTED BUSINESS ACTIVITIES

2.1 *Permitted Business Activities*

Subject to the restrictions in Article VII, the Corporation and the Subsidiaries may engage in the business activities which are permitted by any law applicable to the Corporation and the Subsidiaries from time to time, including the Act and as the Board or the boards of directors of the Subsidiaries may authorize including, without limitation, the business activities referred to in Section 2.2. In so doing, the Corporation and its Subsidiaries shall conform to all requirements of the OEB, the IMO and all other applicable regulatory or governmental authorities.

2.2 *Business of the Corporation*

As of the date hereof, the Corporation or one or more Subsidiaries may engage in any one or more of the following business activities and such other business activities as may be permitted by Law and authorized by the Board or board of directors of any Subsidiary, as applicable, from time to time:

(a) transmitting or distributing electricity as permitted by law;

(b) owning and/or operating an electricity generation facility as permitted by Law;

(c) retailing electricity;

(d) distributing or retailing gas or any other energy product which is carried through pipes or wires to the user;

(e) business activities that enhance or develop the ability of the Corporation to carry on any of the activities described in paragraphs (a), (c) or (d) above;

(f) business activities the principal purpose of which is to use more effectively the assets of the Corporation or any Subsidiary, as applicable, including providing meter installation and reading services, providing billing services and business activities in the telecommunications area including developing fibre optic networks and the transmission of information by way of fibre optic systems;

(g) renting, selling or maintaining equipment and appliances, including without limitation, hot water heaters;

(h) managing or operating, on behalf of a Shareholder, the provision of a public utility as defined in Section 1 of the *Public Utilities Act (Ontario)* or sewage services; and

(i) providing services related to improving energy efficiency.

ARTICLE III
GOVERNANCE

3.1 *Standards of Governance*

As required by the OBCA, the Board and the board of directors of any Subsidiaries shall supervise the management of the business and affairs of the Corporation and any Subsidiary respectively, and, in so doing, shall act honestly and in good faith with a view to the best interests of the Corporation or the Subsidiaries respectively and shall exercise the same degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, the Shareholder expects the Board to observe substantially the same standards of corporate governance as may be established from time to time by The Toronto Stock Exchange, an excerpt of which is attached to this Shareholder Agreement as Schedule "A", or any other applicable regulatory or governmental authority in Canada for publicly traded corporations with such modifications as may be necessary to reflect the fact that the Corporation itself is not a publicly traded corporation.

ARTICLE IV
TERM

4.1 *Term*

This Agreement shall come into force and effect as at and from the date of this Agreement and shall continue in force for three (3) years at which time this Agreement shall be automatically renewable for further successive terms of one (1) year each.

ARTICLE V
REPRESENTATIONS, WARRANTIES AND COVENANTS

5.1 *Representations and Warranties*

Each of the Shareholders represents and warrants as follows and acknowledges that each of the other parties hereto are relying on such representations and warranties in connection with the entering into of this Agreement:

(a) it is the registered and beneficial owner of the Shares stated to be owned by such Shareholder in the recitals hereto, free and clear of all Encumbrances and there are no outstanding agreements, options, warrants or other rights capable of becoming an agreement, option or warrant to purchase such Shares;

(b) it has the power and capacity to own Shares in the Corporation and its Subsidiaries as set out in he recitals, and to enter into and perform its obligations hereunder and has taken all necessary action to authorize the execution and delivery of this Agreement;

(c) this Agreement and the transactions contemplated herein have been duly authorized by it and constitutes a valid and binding obligation of it enforceable against it in accordance with its terms subject to the laws of bankruptcy and the availability of equitable remedies;

(d) the execution, delivery and performance of this Agreement does not and will not contravene the provisions of any resolution of its council or its constating documents or the provisions of any agreement or other instrument to which it is a party or may be bound.

5.2 *Covenants*

Each of the Shareholders covenants and agrees with each other party hereto that all of the foregoing representations and warranties pertaining to it set forth in Section 5.1 will continue to be true and correct during the continuance of this Agreement.

ARTICLE VI
BOARD OF DIRECTORS OF THE CORPORATION

6.1 *The Board*

(a) **Shareholder Action**. Each of the Shareholders agree to elect as members of the Board the nominees put forward by each other Shareholder from time to time. Colborne shall have the right attached to its share to appoint one of the members of the Corporation's Board.

(b) **The Board**. The business and affairs of the Corporation shall be managed or supervised by the Board which shall consist of, subject to Section 6.1(c), a minimum of six (6) and a maximum of seven (7) directors or such other number of directors as the Shareholders may determine from time to time by special resolution in accordance with the Act. Except as provided by Section 6.1(c), each of the Shareholders shall nominate the number of members to the Board listed opposite that Shareholder's name below:

Number of Directors	Nominee of
5 or 6	Cobourg
1	Colborne

(c) Initial Board. The first Board of Directors of the Corporation only will consist of a maximum of seven (7) directors ("Initial Board"). The first Board will consist of the four (4) currently serving Cobourg Public Utilities Commission ("PUC") commissioners to serve a term as hereinafter set out. The Mayor of Cobourg or the Mayor's Designate will serve as a Director on the first Board for as long as such person remains in office during the term of each town council of Cobourg. One (1) member of the first Board may be appointed by Colborne and if that individual is the Reeve or another member of Colborne Council that individual shall serve for as long as such person remains in office during the term of each Village Council of Colborne. One (1) independent member for the first Board may be nominated by Cobourg and be elected by the Shareholder.

(d) Term of Directors for Initial Board. The term for each member of the first Initial Board shall be as follows, subject to the discretion of the Shareholder:

(i) The Cobourg Mayor or Mayor's Designate shall be appointed for a one (1) year term or his or her elected term of office.

(ii) The member of the Board appointed by Colborne shall be appointed for one (1) year.

(iii) The independent director appointed by the Board shall be for three (3) years.

(iv) Of the four (4) currently serving public utilities commissioners, two (2) shall be appointed for a term of two years and two shall be appointed for term of one (1) year as determined by the Shareholder.

(e) <u>Term of Directors</u>. Subject to Section 6.1(d), the Cobourg Mayor or Mayor's Designate shall serve a term of his or her elected mandate; all other members of the Board following the Initial Board if appointed or reappointed shall be appointed or reappointed for terms of three (3) years. Directors may serve up to three (3) consecutive terms without an overall limit on the total number of terms that they may serve as director.

(f) <u>Qualification of Directors</u>. In addition to sound judgement and personal integrity, the qualification of candidates for Private Directors to the Board or the board of directors of any Subsidiary may include:

(i) Awareness of public policy issues related to the Corporation or a Subsidiary as applicable;

(ii) Business expertise (including retail, marketing and product development experience);

(iii) Experience on boards of corporation (public or private) having a for-profit commercial orientation;

(iv) Experience regarding corporate finance, mergers, acquisitions or significant commercial transaction;

(v) Knowledge of legal and regulatory processes;

(vi) Regulated industry knowledge including, but not limited to, knowledge of competitive energy markets, and an understanding of energy, telecommunication services or other competitive markets;

(vii) Network/infrastructure industry experience; and

(viii) Knowledge and experience with risk management strategy.

(g) Residency. Preference may be given to qualified candidates for the Board who are residents of the town of Cobourg or the Village of Colborne, however, non-residents of Cobourg or Colborne shall not be excluded from serving as Board members of the Corporation.

(h) Vacancy. If a director ceases to be a director for any reason (a "Retiring Director"), the Shareholders shall fill the vacancy thereby created as soon as reasonably possible, provided that such vacancy shall be filled by a person nominated by the Shareholder who had nominated the Retiring Director.

(i) Quorum. A quorum for a meeting of the Board shall be a majority of the members of the Board. A meeting shall be adjourned for lack of a quorum and a notice of the adjourned meeting shall be sent to all directors rescheduling the meeting to a date at least 15 days following the adjourned meeting

(j) <u>Chair and Vice Chair</u>. For the first Board, the positions of Board Chair and Vice Chair shall be recruited from the independent members or of the existing PUC commissioners sitting on the Board, subject to Shareholder approval. Subsequent to the first Board, the Chair and Vice Chair of the Board would be elected positions by a simple majority of the existing Board. In the event of a deadlock in voting, the Chair or Vice Chair positions would be decided by the Shareholder.

(k) <u>Meetings of the Board</u>. Meetings of the Board shall be held at least once in every calendar quarter or at the request of the Chair or of a majority of the members of the Board. All meetings of the Board shall be held in Canada, or by such telephone or electronic communication devices as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously. At least 15 days' written notice of the time and place of the meeting and of the business to be transacted at the meeting in sufficient detail to enable each director to assess reasonably the importance of such business to the affairs of the Corporation shall be given to each director.

(l) <u>Decisions of the Directors</u>. Decisions or resolutions of the Board shall require the approval of a simple majority of the directors present at each meeting thereof. The Chair shall not have a second or casting vote. A resolution in writing signed by all of the directors entitled to vote on that resolution at a meeting of the Board is as valid as if it had been passed at a meeting of the Board.

(m) <u>Board Duties</u>. Subject to those matters requiring Shareholder approval as set out in Sections 6.1(n) and 7.6 hereof, the Board shall supervise the management of the business and affairs of the Corporation and, without limiting the generality of the foregoing, the Board shall be responsible for, but not limited to, overseeing the following specific matters:

(i) The establishment of appropriate reserves and a dividend policy consistent with sound financial principles, all with the intention of providing the Shareholders with a reasonable rate of return on their investment while maintaining reasonable rates for customers; and

(ii) declaration of any dividend or distribution of capital in respect of the Shares;

(n) Compensation of the Board. Members of the Board shall initially be compensated at a level similar to the remuneration received by the Commissioners of the Predecessor Utility at the time of incorporation of the Corporation, including reasonable additional compensation for travel expenses and a *per diem* meeting expense. For the first Board, members will be remunerated at a rate of $3,500 per annum to be allocated on a pro rata basis over the total number of board or committee meetings to be determined, and applicable expenses as determined and approved by the Board, and shall include directors liability insurance coverage. Board member's remuneration will be calculated and paid on a quarterly basis. The Board Chair will receive, in addition to the per annum remuneration and any other amounts, the sum of $1,000 per annum. All remuneration shall be calculated and paid in equal quarterly payments. Remuneration levels for Board members of the Corporation shall be subject to Shareholder approval. Remuneration for directors of Subsidiaries shall be set by the Board of the Corporation.

(o) <u>Directors of Subsidiaries</u>. The business and affairs of Subsidiaries shall be managed or supervised by a board which shall consist of a minimum of one (1) and a maximum of three (3) directors or such other number of directors as the Board of the Corporation may determine from time to time. The directors of each Subsidiary shall be nominated by the Board of the Corporation for terms to be determined by the Board of the Corporation. The first initial term of the directors of Subsidiaries shall be one (1) year. Directors of Subsidiaries may serve subsequent terms subject to approval by the Board. Remuneration of directors of Subsidiaries shall be determined by the Board.

6.2 *Role of Nominating Committee*

After the initial Board is appointed, the Shareholder shall consider candidates nominated by the nominating committee of the Board (the "Nominating Committee"), but shall not be obligated to select such candidate. It is expected that the Nominating Committee will develop a process to identify and evaluate potential Board candidates in order to recommend a slate of qualified candidates to the Shareholder.

6.3 *Officers*

(a) The officers of the Corporation shall include a President and such other officers as the Board may determine from time to time. The Board shall appoint the officers of the Corporation from time to time.

(b) For greater certainty the parties recognize that in carrying on the ordinary course of Business, it is not practicable for the Board to be involved in the day to day affairs of the Corporation. The Board will delegate responsibilities to the officers, who will report to the Board and the Board Committees from time to time as required.

6.4 *Banking*

The Corporation's bankers shall be such financial institution as the Board shall from time to time determine. All resolutions respecting banking authority, the opening of bank accounts and the drawing on such accounts shall require the consent of the Board before becoming effective.

ARTICLE VII
SHAREHOLDERS OF THE CORPORATION

7.1 *Shareholders' Meetings*

A quorum for a meeting of the Shareholders shall be at least one individual representing, by proxy or as otherwise permitted by the Act, not less than 75% of the Shares then issued and outstanding. A meeting shall be adjourned for lack of a quorum and a notice of the adjourned meeting shall be sent to all Shareholders rescheduling the meeting to a date at least fifteen (15) days following the adjourned meeting. A quorum for the rescheduled meeting shall be those Shareholders in attendance at that meeting.

7.2 *Chair of Meetings*

The chair of any meeting of the Shareholders of the Corporation shall be the Chair or, in the absence of the Chair, the Vice Chair, or in absence of the Vice-Chair, the President of the

Corporation or, in the absence of the President, such individual as the Shareholders present or represented at such meeting shall determine.

7.3 *Regular Shareholders Meetings*

Unless the Shareholders otherwise determine, the Shareholders shall meet at least annually at the registered office of the Corporation or at such other times or places as the Shareholders may determine.

7.4 *Decisions of the Shareholders*

Except as otherwise provided herein, all decisions or resolutions of the Shareholders required pursuant to this Shareholder Agreement, the Act or other Energy Legislation, shall require, and shall be deemed to be effective upon a resolution passed by a vote of the Shareholders representing not less than 75% of outstanding voting shares at a Shareholders meeting called for that purpose or at a regular meeting of Shareholders.

Notice of Shareholder meetings with proposed resolutions must be submitted to the Cobourg Town Council and to the Reeve of the Village of Colborne at least 15 business days prior to the Shareholders meeting. If required, additional resolutions may be proposed by the Shareholder at the Shareholders meeting.

The Cobourg Town Council shall have the opportunity to review the proposed resolutions and, if required, make enquiries of the Board prior to the Shareholder meeting. The Cobourg Town Council shall pass a resolution or by-law indicating if it intends to pass the proposed Shareholder resolution as submitted or amend the resolution. The Shareholder resolution in this final form shall be then presented at the Shareholder meeting duly called to consider this aforementioned Shareholder resolution by the Shareholder Representative who shall have the authority granted by Cobourg Town Council to vote the total number of Shares outstanding and held by Cobourg.

The Colborne Shareholder Representative shall have the right to receive notice of the Shareholder meeting and receive copies of proposed Shareholder Resolutions. The Colborne Shareholder Representative shall have the right to attend the Shareholder meeting only, and have the right to vote the total number of Shares outstanding and held by Colborne at said meeting.

A Shareholder resolution in writing signed by Shareholders representing at least 75% of outstanding voting shares at a meeting of the Shareholders is as valid as if it had been passed at a meeting of the Shareholders. Colborne shall receive notice of all Shareholder meetings while it remains a Shareholder.

7.5 *Shareholder Representative*

At least 30 Business Days prior to the commencement of each Fiscal Year, and thereafter, from time to time, each Shareholder shall designate an individual (the "Shareholder Representative") who shall be the legal representative of that Shareholder for purposes of providing any consent or approval required by this Agreement or by the Act. A Shareholder may designate its Shareholder Representative or any other individual (by proxy duly completed in accordance with the Act) as its representative to attend and vote at any meeting of Shareholders. In the event that a Shareholder fails to designate its Shareholder Representative, then the Mayor of Cobourg shall be the Shareholder representative for Cobourg and the Reeve of Colborne shall be the Shareholder representative for Colborne for purposes of this Agreement and of the Act. The Shareholder may replace the Shareholder Representative at any time.

7.6 *Matters Requiring Shareholder Approval*

Subject to Section 7.4, the Shareholders agree that, without the approval of Shareholders given in accordance with this Section, the Corporation or any Subsidiary shall not:

(i) change the name of the Corporation or Subsidiary; add, change or remove any restriction on the business of the Corporation or Subsidiary;

(ii) amended articles (within the meaning of the Act) or enacted, revoke, repeal or amend any by-law;

(iii) amend its articles (within the meaning of the Act) or enact, revoke, or amend any by-law;

(iv) issue, or enter into any agreement to issue, any shares of the Corporation or any Subsidiary of any class, or any securities convertible into any shares of any class, or grant any option or other right to purchase any such shares or securities convertible into such shares;

(v) redeem, purchase for cancellation or otherwise retire any of its outstanding Shares;

(vi) sell or otherwise dispose of, by conveyance, transfer, lease, sale and leaseback, merger or other reorganization or transaction, mortgage, pledge, charge or otherwise grant a security interest in, all or substantially all of the assets or undertaking of the Corporation or any Subsidiary;

(vii) enter into any contracts, commitments or transactions that would increase the Debt/Equity Ratio of the Corporation or any Subsidiary to greater than 50% Debt;

(viii) grant security for or guarantee, or otherwise become liable for any debt, liability or obligation of any Person other than the Corporation or a Subsidiary;

(ix) take or institute the proceedings for any winding up, reorganization or dissolution of the Corporation or a Subsidiary;

(x) amalgamate with any other corporation(s) other than amalgamations which may, under the Act, be approved by a resolution of directors;

(xi) apply to continue as a corporation under the laws of another jurisdiction;

(xii) acquire any electricity distribution business outside the municipal boundaries of the shareholders which have a financial impact equal to or greater than 15% of the net book value of the assets of the Corporation or WiresCo (as shown on its last annual audited financial statement) which is licensed as a distributor under the OEB Act (the "Acquisition Threshold"). The amount of all acquisition with the Corporation or WiresCo concludes hereunder this Section 7.6 and which is below the Acquisition Threshold ("Minor Acquisition") shall be added together, regardless of the fiscal year in which such Minor Acquisition occurred, and when any subsequent proposed acquisition would exceed the Acquisition Threshold when added to the aggregate of the Minor Acquisitions, Shareholder approval shall be required as described herein, notwithstanding that the proposed acquisition may not, by itself, exceed the Acquisition Threshold; and

(xiii) enter into any joint venture, partnership, strategic alliance or other venture, including, without limitation, ventures in respect of the generation or co-generation of electricity, which will require an investment, or which would have a financial impact greater than 15% of the net book value of the assets of the Corporation or WiresCo (as shown on its last annual audited financial statement) which is licensed as a distributor under the OEB Act (the "Transaction Threshold"). The amount of all transactions which the Corporation or WiresCo concludes hereunder this Section 7.6 and which is below the Transaction Threshold ("Minor Transaction") shall be added together, regardless of the fiscal year in which such Minor Transaction occurred, and when any subsequent proposed transaction would exceed the Transaction Threshold when added to the aggregate of the Minor Transactions, Shareholder approval shall be required as described herein, notwithstanding that the proposed transaction may not, by itself, exceed the Transaction Threshold.

7.7 *Shareholder Dissent*

If the Shareholders are requested to approve a resolution of the Corporation to:

(a) amend its articles to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the Corporation;

(b) amend its articles to add, remove or change any restriction upon the business or businesses that the Corporation may carry on or upon the powers that the Corporation may exercise;

(c) amalgamate with another corporation other than a Subsidiary;

(d) be continued under the laws of another jurisdiction;

(e) sell, lease or exchange all or substantially all its property; or

(f) take or institute the proceedings for any winding up, reorganization or dissolution of the Corporation;

a Shareholder may dissent in accordance with the provisions of Section 185 of the Act, in which case such Shareholder shall have all of the rights of a dissenting shareholder pursuant to Section 185 of the Act, including the right to be paid the fair market value of the Shares held by the Shareholder.

7.8 *Unanimous Shareholder Agreement*

Each of the Shareholders acknowledges that this Agreement is intended to operate as a unanimous shareholder agreement with respect to the Corporation within the meaning of the Act. Pursuant to Section 108(2) of the Act, the discretion and powers of the Board to manage or supervise the management of the business and affairs of the Corporation are hereby restricted to the extent of the provisions of Article II of this Agreement.

7.9 *Assurances*

The Shareholders shall cause such meetings of Shareholders to be held, votes to be cast, resolutions to be passed, by-laws to be made, confirmed and/or repealed, agreements and other documents and instruments to be executed and all other acts and things to be done, to ensure that at all times the provisions of this Agreement are in effect, complied with or implemented.

7.10 *Auditors*

The Auditors shall be appointed by the Shareholders from time to time.

7.11 *Financial Statements*

The Corporation and any Subsidiary shall cause to be prepared and delivered to Shareholders as soon as reasonably practicable and in no event later than 180 days after the end of each fiscal year of the Corporation and any Subsidiary annual audited financial statements for such fiscal year prepared in accordance with generally accepted accounting principles and accompanied by a report of the Auditors.

7.12 *Annual and Special Report to Meeting of Council*

The Board of the Corporation shall report to an in camera meeting of Cobourg Town Council annually where permitted by law, and a member of the Board selected by the Board shall attend such in camera meeting and provide such information concerning the Corporation and its Subsidiaries as is appropriate pursuant to this Shareholder Agreement. The Reeve of the Village of Colborne or a designated alternate shall receive 15 business days' advance notice of this meeting and shall have the right to attend and ask questions of the Board.

7.13 *Annual Resolutions*

(a) Cobourg shall, at an in-camera meeting of town council, consider candidates for the Board as proposed by the Nominating Committee and the appointment of the auditors of the Corporation and receive the audited financial statements of the Corporation for the last completed fiscal year. The Reeve of the Village of Colborne or a designated alternate shall have the right to attend such meeting; and

(b) at a Shareholder meeting duly called, the Shareholder, by resolution in writing signed by the Shareholder Representatives representing at least 75% of the issued and outstanding shares, in accordance with Section 7.4, shall elect the necessary members of the Board and appoint the auditors for the Corporation and complete such other business as would normally be completed at an annual meeting of Shareholders under the Act and in accordance with Article VII of this Shareholders' Agreement.

7.14 *Reporting on Major Developments*

The Board may from time to time call a special meeting of Shareholders and report to the Shareholders in camera where permitted by law, on major business developments or matters that have had a materially adverse effect on the Corporation or its Subsidiaries as the Board, in its discretion, considers appropriate.

ARTICLE VIII

FINANCIAL POLICIES, RISK MANAGEMENT AND STRATEGIC PLAN

8.1 *Structure*

The Shareholder expects that the Board will establish policies to develop and maintain a prudent financial and capitalization structure for the Corporation and its Subsidiaries consistent with industry norms and sound financial principals and established on the basis that the Corporation and its Subsidiaries are intended to be self-financing entities.

8.2 *Distribution Rates*

The Shareholder expects that the Board will establish policies to ensure the establishment of just and reasonable rate for the regulated distribution business of the Corporation, or any of its Subsidiaries, which are:

(a) consistent with similar utilities and comparable growth areas and as may be permitted under the OEB Act;

(b) intended to enhance the value of the Corporation and its Subsidiaries; and

(c) consistent with the encouragement of economic development and activity within the geographic region of the Shareholder.

8.3 *Returns*

The Shareholder expects that the Board will establish polices to enhance Shareholder value by generating a reasonable return:

(a) comparable to the returns on the regulated distribution businesses received by other comparable municipalities as permitted by the OEB pursuant to the OEB Act;

(b) through the payment of dividends, interests or otherwise; and

(c) consistent with a prudent financial and capitalization structure and maintaining just and reasonable rates.

8.4 *Dividends*

The Shareholder expects that the Board will establish policies to ensure that payment of a dividend of at least 50% of the total return or dividend received by the Corporation from the Subsidiaries consistent with a prudent financial and capitalization structure and maintaining just and reasonable rates (the "Base Dividend") to the Shareholder annually, the payment of the Base Dividend is expected to commence at the latest three years following the opening of the competitive electricity market in Ontario, but shall be subject to compliance with the provisions of the Act at prudent financial practices employed by the discretion of the Board. The dividend policy shall include a provision that the Board may, after consultation with the Shareholder and consideration on various relevant factors in the payment of the dividend, including, without limitation, the factor set out directly below) declare and pay to the Shareholder, in the discretion of the Board, a dividend in excess of the Base Dividend. Factors relevant in the Board's determination of whether a dividend in excess of the Base Dividend are to be declared and paid by the Corporation to the Shareholder include, without limitation, the following:

(a) financial/business plans and requirements of the Corporation and its Subsidiaries:

(b) reinvestment requirements of the Corporation and its Subsidiaries; and

(c) financial/business plans and requirements of the Shareholders.

8.5 ***Risk Management***

The Shareholder will expect that the Board will establish policies to manage all risks related to the business conducted by the Corporation and its Subsidiaries, through the adoption of appropriate risk management strategies and internal controls consistent with industry norms.

8.6 ***Strategic Plan***

The Shareholder expects that the Board will establish policies to develop a long range strategic plan for the Corporation and its Subsidiaries which is consistent with the maintenance of a viable, competitive business and preserves the value of the business for the Shareholder. The strategic plan should also consider options relating to an on-going voltage conversion project for Cobourg, and investigate competitive energy procurement options.

ARTICLE IX
TRANSFER OF SHARES

9.1 *General Restriction on Transfer*

Save and except for transfers made pursuant to and in accordance with Article IX of this Agreement, no Shares, nor the whole or any item or part of any right, title, benefit or interest therein or thereto, may be sold, transferred, assigned, made subject to any Encumbrance or otherwise disposed. No Shareholder shall be entitled to create or grant an Encumbrance on its Shares.

9.2 *Legend on Shares*

All share certificates representing Shares of the Corporation shall bear on their face the following notation:

> "The shares represented by this certificate are subject to the provisions of the Shareholders' Agreement made as of May 1, 2000 among all of the shareholders of the Corporation as at that date, which agreement contains restrictions on the right to sell, transfer, pledge, mortgage, assign, vote or otherwise deal with or encumber such shares. Notice of such restrictions and the other provisions of such agreement is hereby given. A copy of such agreement is available for inspection from the Secretary of the Corporation on request."

9.3 *Rights of First Refusal*

If Colborne (in this Article IX called the "Selling Shareholder"), wishes to sell all, but not less than all, of its Shares to a Person with whom it deals at Arm's Length, Cobourg shall have the prior right to purchase such Shares in accordance with the following provisions:

(a) <u>Notice of Offer</u>. Colborne shall give to the Secretary of the Corporation and to Cobourg notice in writing of its desired intention to sell all, but not less than all, of its Shares (in this Article IX called the "Offered Shares"). The notice (in this Article called the "Selling Notice") shall have annexed thereto a true copy of the offer, agreement or similar document (the "Offer") containing the terms and conditions pursuant to which Colborne wishes to sell the Offered Shares to the prospective purchaser (in this Article IX called the "Prospective Purchaser"), who shall be identified, and the price and terms of payment which Colborne is willing to accept for the Offered Shares which shall be the same as set forth in the Offer;

(b) <u>Offer Open During Notice Period</u>. The Secretary of the Corporation shall thereupon be deemed to be the agent of Colborne for the purposes of offering the Offered Shares to Cobourg on the terms of payment and for the price contained in the Selling Notice and the offer by the Secretary shall be irrevocable and remain open for acceptance, as hereinafter provided, for a period of 90 days (in this Article IX called the "Notice Period") after receipt of the Selling Notice by the Secretary;

(c) <u>Acceptance of Offer</u>. Within 15 Business Days after receipt of the Selling Notice by the Secretary, the Secretary shall offer the Offered Shares for sale to Cobourg as nearly may be in proportion to the number of Shares held by Cobourg as at the date of such offer. The offer by the Secretary shall state that if Cobourg desires to purchase a number of Offered Shares less than or in excess of its proportion shall indicate in its notice to the Secretary (in this Article IX called the "Purchase Notice") stating the number of Offered Shares it desires to purchase. If, within the Notice Period, a Purchase Notice has not been received by the Secretary of the Corporation from Cobourg, Cobourg shall be deemed to have declined to purchase the Offered Shares being offered;

(d) <u>Sale</u>. If all, but not less than all, of the Offered Shares are accepted by Cobourg pursuant to the provisions of this Section 9.3, the Offered Shares shall be sold to Cobourg for the price and for the terms contained in the Selling Notice;

(e) <u>Deemed Refusal</u>. If Purchase Notices have not been received by the Secretary in respect of all of the Offered Shares within the Notice Period, Cobourg shall be deemed to have declined to purchase the Offered Shares and, subject to the provisions of paragraph (f), Colborne may within 60 days after the expiration of the Notice Period sell all, but not less than all, of the Offered Shares to a third party Prospective Purchaser at the price and upon terms of payment which are not more favourable than those specified in the Selling Notice; and

(f) <u>Prospective Purchaser Bound</u>. Colborne shall sell the Offered Shares to a Person who is not a party hereto only if such other Person simultaneously with any such sale executes and delivers to each of the other parties hereto a counterpart of this Agreement in which case such Person shall have the same rights and shall be subject to the same obligations as a party to this Agreement as if it were an original signatory in place of Colborne or its predecessor in title originally party to this Agreement, as applicable.

9.4 *Call Right*

At any time following the fifth anniversary of the date of this agreement, Cobourg may give ninety days written notice to Colborne of its desire to acquire all, but not less than all, of the shares held by Colborne in the Corporation. The purchase price for any such purchase shall be the fair market value of the shares as either agreed upon by the parties or as determined by a mutually agreed upon third party valuator. The fees and expenses of the valuator shall be borne by Cobourg. In the event the exercise of the call right requires OEB review pursuant to the OEB Act or other Energy Legislation, all the costs associated with that review shall be borne by Cobourg.

9.5 ***Piggyback Right***

In the event Cobourg receives an Offer and the Shares which the Selling Shareholder(s) wish to sell under the Offer(s) would result in a Person owning more than 75% of all of the issued and outstanding Shares, then Cobourg shall have the right to require that all, but not less than all, of Colborne's Shares be sold to the Prospective Purchaser, on the same terms and conditions as those set out in the Offer; provided that, if the Prospective Purchaser will not purchase the aggregate amount of Shares which Cobourg and Colborne requested to be sold pursuant to the immediately preceding sentence, the number of Shares which Cobourg and Colborne shall be permitted to sell to the Prospective Purchaser shall be proportionately reduced so that each may sell the same percentage of its Shares. Cobourg may only exercise its right under this Section 9.5 by written notice given to the Secretary of the Corporation within the Notice Period.

9.6 *Drag-Along Right*

If:

(a) Cobourg receives an Offer and, in accordance with the procedures set forth in Section 9.3, Colborne declines to sell all of its Shares;

(b) the aggregate number of Shares owned by Cobourg who exercised its rights under Section 9.5 to sell its Shares is not less than 75% of the total number of Shares then outstanding; and

(c) the Prospective Purchaser agrees to purchase all of the outstanding Shares on the terms set forth in the Offer;

then Cobourg shall have the right, upon written notice given to Colborne and within 10 Business Days after the Notice Period has expired to require that Colborne sell all its Shares to the Prospective Purchaser. Upon such notice being given, Colborne shall be required to sell its Shares, if applicable, to the Prospective Purchaser upon the terms and conditions set forth in the Offer provided that the closings of all such sales shall occur contemporaneously.

ARTICLE X
CLOSING OF PURCHASE TRANSACTION

10.1 *Time and Place of Closing*

The closing of any purchase and sale of Shares contemplated by Article IX of this Agreement shall unless otherwise agreed upon by the parties to such transaction, take place at the registered office of the Corporation on the date specified in the Selling Notice.

10.2 *Documents to be delivered by the Vendor*

On or before the closing of a purchase and sale of Shares contemplated hereunder, the vendor shall deliver to the purchaser the following (each in form and substance satisfactory to the purchaser):

(a) a share certificate or certificates representing the Shares being sold, duly endorsed in blank for transfer or newly issued in the name of the purchaser;

(b) a certificate of a senior officer certifying that any representations and warranties made by such vendor in this Agreement are true and correct as of the Closing Date;

(c) the written resignation of such vendor's nominee(s) to the Board and a release by such nominee(s) of all claims against the Corporation with respect to any matter or thing arising as a result of being a director (provided that this Section shall not apply where there is a sale of less than all of the Shares of the applicable Shareholder);

(d) the written release of the vendor of all claims against the Corporation, any of the other Shareholders with respect to any matter or thing arising up to and including the Closing Date as a result of being a Shareholder; and

(e) such other documents as may be reasonably required by any party to such purchase and sale to properly complete the purchase and sale of the Shares.

10.3 *Documents to be delivered by the Purchaser*

On or before the closing of a purchase and sale of Shares contemplated hereunder, the purchaser shall deliver to the vendor the following:

(a) a certified cheque or bank draft in an amount equal to the purchase price for the Shares being purchased;

(b) in the event Shares are sold to a Person who is not a Shareholder pursuant to Sections 9.3, 9.4, 9.5 and 9.6 hereof, a duly executed counterpart of this Agreement or other agreement pursuant to which such Person agrees to be bound by the provisions hereof; and

(c) such other documents as may be reasonably required by any party to such purchase and sale to properly complete the purchase and sale of the Shares.

10.4 *Failure to Complete Sale*

In the event the vendor fails to complete the subject purchase and sale transaction, the purchaser shall have the right to deposit the purchase price for the subject Shares for the account of the vendor in an interest-bearing account at a branch of the Corporation's bankers. Thereafter, notwithstanding that the documents required pursuant to Section 10.3 have not been delivered by the vendor, the purchase and sale of the subject Shares shall be deemed to be fully completed and all right, title, benefit and interest, both at law and in equity, in and to the subject Shares shall be deemed to have been transferred and assigned to and become vested in the purchaser and all right, title, benefit and interest, both at law and in equity, of the vendor or any other Person having an interest in and to the subject Shares shall cease and the records of the Corporation shall be amended accordingly.

ARTICLE XI
NON-COMPETITION AND CONFIDENTIALITY

11.1 *Non-Competition*

Each Shareholder covenants and agrees that it shall not, except through the Corporation or with the consent of all Shareholders, directly or indirectly, from the date hereof until 3 years after the party ceases to be a Shareholder, compete within Northumberland County with the Business, whether by carrying on or engaging in or being concerned with or interested in or advising, lending money to, guaranteeing the debts or obligations of or permitting the party's name or any part thereof to be used or employed by any Person engaged in or concerned with or interested in any business within Northumberland County that is competitive with the Business, or otherwise.

11.2 *Confidentiality*

Each Shareholder shall not use or disclose to any Person other than in the ordinary course of the Business of the Corporations, directly or indirectly, any Confidential Information at any time other than to employees, officers or directors of such Shareholder provided that all such Persons shall treat such information as confidential and not disclose same to any Third Party nor use the same for any purpose other than for the purposes of the Corporations or in respect of a Shareholder's investment in the Corporations, provided, however, that nothing in this Article XI shall preclude a Shareholder from disclosing or using Confidential Information if:

(a) the Confidential Information is available to the public or in the public domain at the time of such disclosure or use, without breach of this Agreement;

(b) disclosure of Confidential Information is required to be made by any law, regulation, governmental body or authority or by court order;

(c) disclosure of Confidential Information is made in connection with any arbitration pursuant to Article XI;

(d) disclosure of Confidential Information is made to a court which is determining the rights of the parties under this Agreement;

(e) the Confidential Information is properly within the legitimate possession of a Shareholder prior to its disclosure hereunder and without any obligation of confidentiality;

(f) after disclosure, the Confidential Information is lawfully received by a Shareholder from another Person who is lawfully in possession of such information and such other Person is not restricted from disclosing the information to the Shareholder;

(g) the disclosure of Confidential Information is necessary to complete a transfer of Shares in accordance with this Agreement;

(h) the Confidential Information is independently developed by a Shareholder through Persons who have not had access to, or knowledge of, the Confidential Information, other than as permitted in (a) through (g) above or (i) below; or

(i) the Confidential Information is approved by the Corporations for disclosure prior to its actual disclosure.

Each Shareholder acknowledges and agrees that the obligations under this Article XI shall remain in effect for the period of two (2) years after it ceases to be a Shareholder. Notwithstanding the foregoing restrictions, the nominees of the Shareholders on the Board shall be entitled to discuss the affairs of the Corporations with the officers, directors, employees and representatives of such Shareholder.

11.3 ***Injunctive Relief***

Each Shareholder understands and agrees that the Corporation, and consequently the other parties, will suffer irreparable harm in the event that the Shareholder breaches any of the obligations set out in this Article XI and that monetary damages shall be inadequate to compensate for the breach. Accordingly, each Shareholder agrees that, in the event of a breach or threatened breach by it of any of the provisions of this Article XI, the Corporation and the other parties hereto, in addition to and not in limitation of any other rights, remedies or damages available to them at law or in equity, shall be entitled to an interim injunction, interlocutory injunction and permanent injunction in order to prevent or to restrain any such breach by the Shareholder.

11.4 *Accounting for Profits*

Each Shareholder agrees that in the event of a violation of any of its covenants or agreements under this Article XI, the Corporation shall be entitled to an accounting and repayment of all profits, compensation, royalties, commissions, remunerations or benefits which the Shareholder directly or indirectly shall have realized or may realize relating to, growing out of, or in connection with any such violation(s); this remedy shall be in addition to and not in limitation of any injunctive relief or other rights or remedies to which the Corporation and the other parties are or may be entitled at law or in equity or otherwise under this Article XI.

11.5 *Reasonableness of Restrictions*

Each Shareholder acknowledges that it has given careful consideration to the provisions of Sections 11.1 to Section 11.5 above and, having done so, agrees that the restrictions set forth in those sections are fair and reasonable and are reasonably required for the protection of the other Shareholders' investments in the Corporation and for the protection of the interests of the Corporation and its business, and that it is being reasonably compensated for the imposition of such restrictions.

ARTICLE XII
BOOKS AND RECORDS

12.1 *Books and Records*

The Corporation shall at all times maintain at its registered office proper books of account, which shall contain accurate and complete records of all transactions, receipts, expenses, assets and liabilities of the Corporation.

ARTICLE XIII
GENERAL

13.1 *Notices*

All notices, requests, demands, consents or other communications required to be given or made or provided for in this Agreement shall be in writing and shall be deemed to have been given if delivered, if sent by registered mail or if sent by telecopier or other means of electronic transmission to:

if to Cobourg at:

Town of Cobourg
55 King Street West
Cobourg, Ontario
K9A 2M2

Fax Number: (905) 372-7421

Attention: Town Clerk

if to Colborne to:

Village of Colborne
1 Toronto Street
P.O. Box 357
Village of Colborne, Ontario
K0K 1S0

Fax Number: (905) 355-3430

Attention: Village Clerk

or at such other addresses as the party to whom such notice is to be given may have designated by notice so given to the other parties. Any notice so mailed shall be deemed to have been given on the fifth Business Day following the date of the mailing of the same or if delivered on the date of delivery and any notice given by telex, telecopier or other means of electronic communication shall be deemed to have been received on the Business Day following the date on which such transmission is completed and the appropriate confirmation received.

13.2 *Assignment and Binding Effect*

This Agreement is not assignable by any party except insofar as its benefit and burden pass with the Shares transferred in accordance with its provisions. This Agreement shall be binding on and enure to the benefit of the parties hereto and their respective successors and permitted assigns. Reference in this Agreement to any party shall be deemed to include reference to such party and its respective successors and assigns as permitted hereunder.

13.3 *Arbitration*

(a) **Selection of Single Arbitrator.** The Shareholders agree that any controversy, dispute or claim between them or any of them arising out of or relating to this Agreement or the performance, enforcement, breach, termination or validity of it, including the determination of the scope of the Agreement to arbitrate, shall be determined by arbitration before a single arbitrator (the "Arbitrator") agreed to by all of the Shareholders. If the Shareholders are unable to agree on the Arbitrator, then, an application may be made under the Arbitration Act to a judge for the appointment.

(b) **Referring Dispute**. Any Shareholder may refer a dispute to the Arbitrator by providing notice in writing to the Arbitrator and to all of the shareholders hereto expressing its intention to refer the dispute to arbitration and briefly describing the nature of the dispute.

(c) **Attempted Settlement.** Upon service of the notice referred to above, the Shareholders who are party to the dispute (the "Disputing Shareholders") will attempt to negotiate a settlement of the dispute amongst themselves. In the event that the parties are unable to reach settlement by themselves within 10 days of the service of the notice referred to above, the Shareholders will proceed with the arbitration and any Disputing Shareholders shall be free to apply to the Arbitrator for directions as to the scheduling of the arbitration itself and the pre-hearing procedures.

(d) **Decision Final and Binding.** The Shareholders agree that the award of the Arbitrator shall be final and binding without any right of appeal and shall be the sole and exclusive remedy between them regarding any claims, counterclaims, issues or disputes referred to the Arbitrator.

(e) **Place of Arbitration.** The arbitration shall take place in Cobourg, and shall be governed by the laws of the Province of Ontario.

(f) **Powers of Arbitrator.** The Shareholders agree that the Arbitrator shall have the powers and jurisdiction of an arbitrator pursuant to the Arbitration Act and such power shall include the power to award interim and interlocutory injunctions and other equitable relief.

(g) **Costs.** The Arbitrator shall have the power to award the costs of the Arbitrator's services and related costs against either party, however, each party will bear the costs of their own counsel and witness fees.

(h) Written Notices. All notices by one Shareholder to the other in connection with the arbitration shall be in writing and shall be deemed to have been duly given or made if delivered or sent by facsimile transmission to the addresses provided in this Agreement.

13.4 *Further Assurances*

Each party hereto shall do such acts and shall execute such further documents, conveyances, deeds, assignments, transfers and the like, and will cause the doing of such acts and will cause the execution of such further documents as are within its power as any other party may in writing at any time and from time to time reasonably request be done and or executed, in order to give full effect to the provisions of this Agreement.

13.5 *Severability*

If any provision of this Agreement is determined to be invalid or unenforceable by a court of competent jurisdiction from which no further appeal lies or is taken, that provision shall be deemed to be severed herefrom, and the remaining provisions of this Agreement shall not be affected thereby and shall remain valid and enforceable.

13.6 *Amendment, Modification and Waiver*

This Agreement may not be modified, amended, terminated or supplemented except as agreed, in writing, by Shareholders comprising not less than 99% of the Shares then issued and outstanding. Any waiver of, or consent to depart from, the requirements of any provision of this Agreement shall be effective only if it is in writing and signed by the party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right. No single or partial exercise of any such right shall preclude any other or further exercise of such right or the exercise of any other right.

13.7 *Time of Essence*

Time is of the essence of this Agreement.

13.8 *Counterparts*

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one agreement.

13.9 *No Partnership*

Nothing in this Agreement shall be deemed in any way or for any purpose to constitute any party a partner of or a joint venture with any other party.

13.10 *Proceedings*

The covenants, agreements and obligations herein expressed to be observed and performed by the parties hereto may be enforced by any of the parties hereto pursuant to Section 10.3 without joining the remaining parties as parties in any proceedings.

13.11 *Agreement Binds the Corporation*

The Corporation, by its execution of this Agreement, acknowledges that it has actual notice of the terms of this Agreement, consents to this Agreement and by this Agreement covenants with each of the Shareholders that it will at all times during the term of this Agreement:

(a) give or cause to be given such notices, execute or cause to be executed such deeds, transfers and documents as may from time to time be necessary or conducive to the carrying out of the terms and intent of this Agreement;

(b) do or cause to be done all such acts, matters and things as may from time to time be necessary or conducive to the carrying out of the terms and intent of this Agreement; and

(c) take no action that would constitute a contravention of any of the terms and provisions of this Agreement.

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement as of the date first above written.

THE TOWN OF COBOURG

By: Joan E Chalovich c/s

Joan Chalovich

Mayor

THE VILLAGE OF COLBORNE

By:______________________________________c/s

George Boycott

Reeve

TOWN OF COBOURG HOLDINGS INC.

By:______________________________________c/s

Angus Read

LAKEFRONT UTILITIES INC.

By:______________________________________c/s

Angus Read

LAKEFRONT UTILITY SERVICES INC.

By:______________________________________c/s

Angus Read

COBOURG NETWORKS INC.

By: Angus Read c/s
Angus Read

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SCHEDULE "A"

EXCERPTS FROM TSE GUIDELINES

CORPORATE GOVERNANCE

Introduction

[¶825-772]

Sec. 472. In 1993, the Toronto Stock Exchange Committee on Corporate Governance was established to conduct a comprehensive study of corporate governance in Canada and to make recommendations to improve the manner in which Canadian corporations are governed. The Committee was comprised of representatives from the Canadian corporate, investment and academic communities.

Following the completion of an extensive public consultation process, which included public meetings in five cities across the country and the review of approximately 150 written submissions from interested parties, the Committee released its final report in December 1994.

The report included proposed guidelines for effective corporate governance. It also recommended that the Exchange adopt a disclosure requirement which would be applicable to all listed companies incorporated in Canada. This recommendation was subsequently adopted by the Exchange. The disclosure requirement, which is set out below, is applicable in respect of listed company fiscal years ending on or after June 30, 1995.

Disclosure Requirement

[¶825-773]

Sec 473. Every listed company incorporated in Canada or a province of Canada must disclose on an annual basis its approach to corporate governance. This disclosure - a "Statement of Corporate Governance Practices" - must be made in the company's annual report or information circular. For this purpose, "approach to corporate governance" means a description of the company's system of corporate governance with reference to the guidelines set out in Section 474 and, where the company's system is different from those guidelines, an explanation of the differences.

Guidelines

[¶825-774]

Sec. 474 The following are the proposed guidelines for effective corporate governance.

13.12 The board of directors of every corporation should explicitly assume responsibility for the stewardship of the corporation and, as part of the overall stewardship responsibility, should assume responsibility for the following matters.

(a) adoption of a strategic planning process;

(b) the identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks;

(c) succession planning, including appointing, training and monitoring senior management;

(d) a communications policy for the corporation; and

(e) the integrity of the corporation's internal control and management information systems.

13.13 The board of directors of every corporation should be constituted with a majority of individuals who qualify as unrelated directors. An unrelated director is a director who is independent of management and is free from any interest and any business or other relationship which could , or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding. A related director is a director who is not an unrelated director. If the corporation has a significant shareholder, in addition to a majority of unrelated directors, the board should include a number of directors who do not have interests in or relationships with either the corporation or the significant shareholder and which fairly reflects the investment in the corporation by shareholders other than the significant shareholder. A significant shareholder is a shareholder with the ability to exercise a majority of votes for the election of the board of directors.

13.14 The application of the definition of "unrelated director" to the circumstances of each individual director should be the responsibility of the board which will be required to disclose on an annual basis whether the board has a majority of unrelated directors or, in the case of a corporation with a significant shareholder, whether the board is constituted with the appropriate number of directors which are not related to either the corporation or the significant shareholder. Management directors are related directors. The board will also be required to disclose on an annual basis the analysis of the application of the principles supporting this conclusion.

13.15 The board of directors of every corporation should appoint a committee of directors composed exclusively of outside, i.e., non-management, directors, a majority of whom are unrelated directors, with the responsibility for proposing to the full board new nominees to the board and for assessing directors on an ongoing basis.

13.16 Every board of directors should implement a process to be carried out by the nominating committee or other appropriate committee for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors.

13.17 Every corporation, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the board.

13.18 Every board of directors should examine its size and, with a view to determining the impact of the number upon effectiveness, undertake where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making.

13.19 The board of directors should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being an effective director.

13.20 Committees of the board of directors should generally be composed of outside directors, a majority of whom are unrelated directors, although some board committees, such as the executive committee, may include one or more inside directors.

13.21 Every board of directors should expressly assume responsibility for, or assign to a committee of directors the general responsibility for, developing the corporation's approach to governance issues. This committee would, amongst other things, be responsible for the corporation's response to these governance guidelines.

13.22 The board of directors, together with the CEO, should develop position descriptions for the board and for the CEO, involving the definition of the limits to management's responsibilities. In addition, the board should approve or develop the corporate objectives which the CEO is responsible for meeting.

13.23 Every board of directors should have in place appropriate structures and procedures to ensure that the board can function independently of management. An appropriate structure would be to (i) appoint a chair of the board who is not a member of management with responsibility to ensure the board discharges its responsibilities or (ii) adopt alternate means such as assigning this responsibility to a committee of the board or to a director, sometimes referred to as the "lead director". Appropriate procedures may involve the board meeting on a regular basis without management present or may involve expressly assigning the responsibility for administering the board's relationship to management to a committee of the board.

13.24 The audit committee of every board of directors should be composed only of outside directors. The roles and responsibilities of the audit committee should be specifically defined so as to provide appropriate guidance to audit committee members as to their duties. The audit committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The audit committee duties should include oversight responsibility for management reporting on internal control. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the audit committee to ensure that management has done so.

13.25 The board of directors should implement a system which enables an individual director to engage an outside adviser at the expense of the corporation in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the board.

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