



**Lakefront
Utilities
Inc.**

August 16th 2024

Ontario Energy Board
2300 Yonge St.
Toronto, ON. M4P 1E4

EB-2024-0038 Lakefront Utilities Inc. 2025 IRM Application

Re: Disposition of 1588 and 1589 Accounts – Request for Interim Disposition

Lakefront Utilities Inc. (LUI) respectfully submits this letter to provide an update on the status of our 1588 and 1589 USoA accounts and to request consideration of an interim disposition for these accounts.

Background

From 2016 to 2023, LUI has not received approval to dispose of its 1588 and 1589 USoA accounts. During this time, the Ontario Energy Board (OEB) directed LUI to undergo a third-party audit of these balances. Additionally, these accounts were reviewed by the OEB's Inspection & Enforcement (I&E) group, resulting in a December 2022 report that outlined the review's findings and recommended actions. In our 2024 IRM application, LUI committed to completing the analysis of the outstanding eight years of transactions and calculating the disposition amounts for inclusion in our 2025 IRM application.

As illustrated in the table below, LUI has been carrying a significant liability on its financial statements—a substantial burden for a small utility like ours. This balance has raised concerns not only from a third-party audit financial reporting perspective but also among company management, our board of directors, our audit committee, and our owners. Most importantly, we are concerned about the impact on our customers. The uncertainty surrounding these balances is problematic, and delaying annual dispositions creates intergenerational inequity, particularly for customers who have changed ownership during this period.

Amount	USoA		
Years	1588	1589	Grand Total
2015	\$879,029.96	-\$1,550,984.23	-\$671,954.27
2016	\$1,080,372.19	-\$2,364,025.10	-\$1,283,652.91
2017	\$647,300.22	\$847,792.93	\$1,495,093.15
2018	-\$20,719.44	-\$1,216,457.01	-\$1,237,176.45
2019	-\$292,144.38	-\$1,084,833.56	-\$1,376,977.94
2020	-\$87,319.75	-\$1,076,656.89	-\$1,163,976.64
2021	-\$130,276.41	-\$1,630,921.15	-\$1,761,197.56
2022	\$179,866.20	-\$1,787,064.21	-\$1,607,198.01
2023	\$183,398.12	-\$1,395,574.56	-\$1,212,176.44



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Recent Developments

Since the winter of 2023, LUI has allocated significant resources to conduct a comprehensive review of its transactions and update our calculation methods in accordance with the I&E report and the 2018 OEB accounting guidance. Our goal is to ensure full compliance with OEB directives.

In recent discussions with OEB Rates and I&E staff, we shared our plan to file for the disposal of the 1588 and 1589 accounts. However, staff have expressed concerns that addressing eight years of dispositions may require extensive time and resources from the I&E team for review. The Rates staff have suggested that the I&E review be completed before any disposition is approved.

Proposed Approach

LUI is committed to working closely with the OEB to resolve this issue in a timely manner. While our current position is to pursue final disposition, we understand and respect the concerns expressed by OEB staff. Therefore, we propose to file for the disposition of these accounts on an interim basis, with the understanding that final disposition would be completed in 2026 for mid-year implementation. This is preferred over waiting for disposition in our 2026 IRM rates, which would be effective January 1, 2026.

We believe this approach strikes a balance between addressing the significant liabilities on our financial statements and allowing adequate time for a thorough review by the I&E team. We are hopeful that this proposal will be acceptable to the OEB and will facilitate a resolution that is fair to all stakeholders involved.

Thank you for your consideration of this matter. We look forward to your guidance on the next steps.

Regards,

A handwritten signature in black ink, appearing to be 'Dereck C. Paul', written over a horizontal line.

Dereck C. Paul
President & CEO