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October 30, 2014

John Pickernell
Manager (Acting)
Applications Administration
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Mr. Pickernell:

Re: Lakefront Utilities Inc. - EB-2014-0090 - Audit of Group 1 Deferral and Variance Accounts

The Ontario Energy Board (the "Board") authorized an audit of Lakefront Utilities Inc.'s ("Lakefront Utilities") Group¹ deferral and variance accounts ("DVA") as per the Board Decision and Order EB-2013-0148 March 13, 2014. In the Board's Decision and Order EB-2013-0148, the Board approved the disposition of Lakefront Utilities' Group 1 DVA balance as at December 31, 2012 including interest as at April, 30, 2014, on an interim basis subject to an audit. This audit was conducted by the Board's Audit and Performance Assessment Department ("Audit").

Audit issued an engagement letter on April 14, 2014 regarding an audit of Lakefront Utilities' Group 1 DVA balances as of December 31, 2012. The objective of this audit was to examine Lakefront Utilities' DVA balances as at December 31, 2012 for accuracy and determine whether accounting policies and procedures for these accounts were properly and consistently applied and reported to the Board in accordance with Accounting Procedures Handbook ("APH"), Reporting and Record-keeping Requirements ("RRR"), and related guidelines. Audit examined entries in the Group 1 DVA accounts from January 1, 2011 to December 31, 2012. Group 1 DVA account balances as at December 31, 2010 were disposed of on a final basis as per the Board Decision and Order EB-2011-0250 dated May 17, 2012.

¹ Please refer to the July 31, 2009 *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)* [EB-2008-0046] for classification and descriptions of Group 1 and Group 2 DVA accounts.

Audit has completed its audit. Lakefront Utilities has made adjustments to balances in its Group 1 DVA balances as of December 31, 2012. The details of the required audit adjustments to the Group 1 DVA balances are as follows:

Account Name	Account Number	Total Claim ² (A)	Audit Adjustment ³ for the claim (B)	Adjustment for the corrections on IESO forms 1598 2011 and 2012 (C)	Final Revised Adjusted Balance for Total claim (D=A+B+C)
LV Variance Account	1550	\$19,067	\$820		\$19,887
RSVA - Wholesale Market Service Charge	1580	-\$579,546	\$1,853		-\$577,693
RSVA - Retail Transmission Network Charge	1584	-\$24,961	\$2,724		-\$22,237
RSVA - Retail Transmission Connection Charge	1586	\$1,950	\$882		\$2,832
RSVA – Power	1588	\$1,148,627	-\$565,910	\$737,547	\$1,320,264
RSVA - Global Adjustment	1589	-\$1,254,248	\$261,027		-\$993,221
Recovery of Regulatory Asset Balances	1590	0	0		0
Disposition of Regulatory Balances (2008)	1595	0	0		0
Disposition of Regulatory Balances (2009)	1595	-\$373,534	\$373,534		0
Disposition of Regulatory Balances (2010)	1595	\$459,624	-\$471,227		-\$11,603
Disposition of Regulatory Balances (2011)	1595	-\$1,020,360	\$1,001,074		-\$19,286
Total Group 1 Excluding Global Adjustment – Account 1589		-\$369,132	\$343,750		\$712,164
Total Group 1		-\$1,623,380	\$604,777	\$737,547	-\$281,057

Audit notes that nothing has come to its attention during this audit to lead it to believe that the account balances, as adjusted based on the results of this audit are materially misstated.

Lakefront Utilities provided Audit with an undertaking that Lakefront Utilities will voluntarily file the audit report with the Board in its upcoming 2015 IRM rate proceeding EB-2014-0090.

² Total claims for the Group 1 DVAs includes the principal balance and interest balance including projected interests as per Lakefront Utilities' 2014 IRM Decision and Order EB-2013-0148 Page 7.

³ Audit adjustment in the Table includes the adjustments on projected interests for the rate proceeding purpose. However, audit adjustments made in the G/L by Lakefront Utilities do not include the projected interests.

The audit findings discussed in this letter represent the views of Audit and are not binding on the Board.

I wish to thank Lakefront Utilities' staff for the assistance and support provided to us during this audit.

Yours truly,

A handwritten signature in cursive script that reads "D. Babaie". The signature is written in black ink and is positioned below the "Yours truly," text.

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Cc: Barry Gutteridge, Chairman – Lakefront Utilities'
Dereck Paul, President - Lakefront Utilities'