EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

2027 Cost of Service

Lakefront Utilities Inc.
EB-2026-0054

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9.1. OVERVIEW

The purpose of this exhibit is to identify the deferral and variance accounts used by LUI, present the principal balances recorded in each account, and calculate the associated carrying charges. The exhibit also outlines the methodology used to allocate account balances to customer classes, explains the rationale supporting the proposed disposition period, and sets out the proposed rate riders associated with the disposition of the recorded balances.

All accounts have been maintained in accordance with the OEB's Accounting Procedures Handbook. The account balances as of December 31, 2025, reconcile to the trial balance reported through the Electricity Reporting and Record-keeping Requirements and to LUI's audited financial statements. LUI has completed the OEB's DVA Continuity Schedule for both Group 1 and Group 2 accounts, and the completed model has been filed in support of the information presented in this exhibit.

In addition to the routine disposition of Group 1 and Group 2 deferral and variance account balances, this exhibit addresses the treatment of balances associated with Lakefront Utilities' MS28-3 Distribution Station Incremental Capital Module ("ICM") project approved in EB-2024-0038. Consistent with the OEB's March 27, 2025, Decision and Order, Lakefront Utilities is seeking disposition of the deferred portion of the ICM funding request that was recorded in Account 1508 pending completion of the prudence review directed by the OEB.

This exhibit also presents a proposed customer refund rate rider arising from LUI's review of historical affiliate management fee charges. As discussed in Exhibit 4, Lakefront Utilities determined that a portion of historical management fee charges was embedded in distribution rates and proposes to refund the associated amount, including carrying charges, to customers effective January 1, 2027.

LUI proposes to dispose of the following balances as per (Tab 5 and 7 of the DVA model):

- Group 1 total excluding Account 1589: credit of ($918,510)
- RSVA Global Adjustment (1589): credit of ($187,463)
- Group 2 accounts: debit of -$184,009
    - Deferred ICM Funding Request: $124,559, subject to the OEB's prudence determination
    - Management Fee Refund Amount: ($403,103), proposed for refund to customers through a temporary rate rider (Year 1 of 4)

Unless otherwise noted, all balances include carrying charges calculated to the applicable disposition date and are requested for disposition on a final basis.

Group 1 and Group 2 DVA balances are proposed to be disposed of over a one-year period. LUI has followed the OEB's guidance as set out in the Electricity Distributors' Disposition of Deferral and Variance Accounts Report.

9.1.1 Certification of Evidence

I, Navneet Malik, confirm that, to the best of my understanding or unless otherwise stated, the evidence submitted in LUIs exhibit is comprehensive and prepared in accordance with the stipulations outlined in the Chapter 2 Filing Requirements for Electricity Distribution Rate Applications issued in December of 2025, as well as other applicable OEB policies.

9.2. DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

9.2.1 DVA Balances Sought for Disposition

Table 1 – Balances Sought for Disposition (Tab 2a)

	Year End Balance	Account	Total incl Interest	Balance sought for disposal
LV Variance Account	2025	1550	-$628,759.46	kWh
Smart Metering Entity Charge Variance Account	2025	1551	-$6,925.39	# of Customers
RSVA - Wholesale Market Service Charge[5]	2025	1580	-$396,576.90	kWh
Variance WMS – Sub-account CBR Class A[5]	2025	1580	$0.00	kWh
Variance WMS – Sub-account CBR Class B[5]	2025	1580	$102,085.29	kWh
RSVA - Retail Transmission Network Charge	2025	1584	$411,962.96	kWh
RSVA - Retail Transmission Connection Charge	2025	1586	-$331,267.56	Non-RPP kWh
RSVA - Power (excluding Global Adjustment)[4]	2025	1588	$33,055.92	kWh
RSVA - Global Adjustment [4]	2025	1589	-$194,784.70	kWh

All accounts in Groups 1 and 2 listed above comply with the Accounting Procedure Handbook. For definitions of each account listed below, please refer to the Accounting Procedure Handbook using the following link:

http://www.ontarioenergyboard.ca/oeb/_Documents/Regulatory/Accounting_Procedures_Handbook_Elec_Distributors.pdf

LUI last disposed of its 1588/1589 DVA balances in its 2026 IRM.

LUI confirms that the 2025 balances are as of December 31, 2025, and have been audited.

9.2.2 Group 1 Accounts

LUI is seeking the following account balances for disposition.

1550 – LV Variance Account.
1551 - Smart Metering Entity Charge Variance Account.
1580 - RSVA - Wholesale Market Service Charge.
1584 - RSVA - Retail Transmission Network Charge.
1586 - RSVA - Retail Transmission Connection Charge.
1588 - RSVA - Power (excluding Global Adjustment).
1589 - RSVA - Global Adjustment).

LUI calculates its CBR balances and tracks in its subaccount. Out of the remaining amount of -$396,576.90. in account 1580, a sum of $102,085 is assigned to CBR Class B. The breakdown is displayed in the DVA Model Tab 2a continuity schedule.

1595 - Disposition of Residual Balances. (N/A)

LUI is not proposing to dispose of any 1595 balances as part of LUIs application as residual balances are not eligible for disposition.

LUI confirms that for all of the Group 1 accounts listed above, it has followed the Accounting Procedure Handbook.

Table 2 – Disposition Status of Account 1595

Rate Year	Fisc Yr	Disposition Period	Sunset Reached	Audit Year	Plus 2 Years	Eligible
2022	2021	2 yr	2024	2025	2027	2028
2023	2022	1 yr	2023	2024	2026	2028
2024	2023	1 yr	2024	2025	2027	2029
2025	2024	1 yr	2025	2026	2028	2030
2026	2025	1 yr	2026	2027	2029	2031

LUI also confirms that there are no residual balances for vintage Account 1595 being disposed of and that all historical dispositions of 1595 have only been done once.

None of LUI’s 1595 residual balances have met the criteria for disposition. Therefore, LUI is not filing the associated 1595 Worksheet for each of these balances sought for disposition.

9.2.3 Group 2 Accounts

Table 3 – Disposition of Group 2 Accounts

	Acct	Balance	Bill Detr	Discontinue
Pole Attachment Revenue Variance	1508	-$100,762	kWh	Yes
Green Button Initiative Costs	1508	89,813	kWh	Yes
ULO Implementation Cost14	1508	5,499	kWh	Yes
Deferred ICM Funding Request	1508	124,559	kWh	Yes
Management Fee Refund	1508	-$403,103	kWh	
Retail Cost Variance Account - Retail	1518	-$686	# of Customers	Yes
Retail Cost Variance Account - STR	1548	3,681	# of Customers	Yes
PILs and Tax Variance for 2006 and Subsequent Years- Sub-account CCA Changes	1592	-$27,570	kWh	No
Total		-$308,569		

LUI notes that costs related to Green Energy Button and the implementation of ULO are included in the utility’s OM&A.

1508 – Pole Attachment Costs $(100,762)

Lakefront is seeking disposition of the balance recorded in Account 1508, Pole Attachment Revenue Variance Account, including carrying charges accrued to the proposed disposition date.

The balance originates from 2021 when the OEB-approved pole attachment charge was $44.50 per pole. The charge reflected in Lakefront's last rebasing application was approximately $22.35 per pole. In accordance with OEB accounting guidance, Lakefront recorded the resulting incremental revenue variance in Account 1508.

The 2021 variance amounted to $85,321.80, based on approximately 3,852 pole attachments. No additional principal amounts were recorded after 2021.

Effective January 1, 2022, pole attachment charges became subject to annual updates through the OEB's IRM process. As a result, distributors are able to update the charge annually to reflect the OEB-approved amount, eliminating the need to continue recording revenue variances of this nature.

Accordingly, the balance proposed for disposition consists of the 2021 principal balance of $85,321.80 together with carrying charges of $15,440.71 accrued through the proposed disposition date, for a total disposition request of $100,762.51.

Lakefront is requesting disposition of the balance and discontinuance of the account, as the account has fulfilled its intended purpose and no further principal amounts are expected to accumulate. Details can be found in the worksheet entitled LUI 1508 Pole Attachment Calculations 2026.07.01.xls

1508 – Green Button Initiative Costs $89,813

LUI is requesting disposition of costs recorded in Account 1508 related to implementation of the Green Button initiative.

Green Button was implemented in accordance with OEB requirements to provide customers with secure, standardized access to their electricity consumption and billing information. To support implementation, LUI engaged Screaming Power Inc. to configure and deploy the Green Button platform and provide ongoing software support services. LUI also incurred consulting costs associated with implementation activities, testing, and regulatory compliance.

Green Button-related costs were incurred between 2023 and 2025 and include implementation services, software support services, and consulting costs. Total Green Button costs recorded in Account 1508 amount to $70,372.

LUI has reviewed the costs recorded in the account and confirms that the expenditures were incurred to implement the OEB-mandated Green Button initiative and were appropriately recorded in accordance with OEB accounting guidance. A summary of the costs recorded in the account is provided in Table 4.

Table 4 – Green Button Implementation Costs

Green Button Cost Category	Amount ($)
Initial implementation, configuration and deployment activities	60,444
Software support and maintenance	15,000
Additional implementation-related costs and adjustments	14,369
Total Green Button Costs Recorded in Account 1508	89,813

1508 – ULO $5,499

LUI incurred costs associated with implementation of the OEB's Ultra-Low Overnight ("ULO") pricing framework. These costs relate primarily to modifications required to LUI's customer information and billing systems and associated implementation support activities necessary to administer the new pricing option. ULO-related costs were incurred in 2023 and total $4,838. A summary of the costs recorded in Account 1508 is provided in Table 5

Table 5 – Ultra-Low Overnight Pricing Costs Recorded in Account 1508

Cost Category	Amount ($)
Customer Information System configuration and billing system modifications	3,613
Implementation support services	1,225
Total ULO Costs Recorded in Account 1508	4,838

.1518 – Retail Cost Variance Account – Retail -$686

This account was historically used to record the variance between actual retail service costs and amounts recovered through OEB-approved retail service charges. Consistent with OEB policy, this account has been discontinued, and the related costs are now embedded in OM&A. No further amounts are being recorded, and the balance represents historical activity only.

1548 – Retail Cost Variance Account – STR $3,681

This account was historically used to record variances associated with smart metering-related costs and amounts recovered through approved charges. Consistent with OEB policy, this account has been discontinued, and the related costs are now embedded in OM&A. No further amounts are being recorded, and the balance reflects historical activity only.

ACM Riders

In its March 27, 2025, Decision and Order (EB-2024-0038), the OEB approved partial recovery of the Incremental Capital Module ("ICM") request associated with Lakefront Utilities' 27.6 kV MS28-3 Distribution Station project. The project was placed in service in December 2023. The OEB approved recovery of 50% of the requested funding and directed that the remaining portion of the funding request be tracked in a deferral account pending completion of a prudence review in Lakefront Utilities' next rebasing application.

Consistent with the OEB-approved accounting treatment, Lakefront Utilities established separate sub-accounts of Account 1508 to record the approved ICM project costs, depreciation, accumulated depreciation, rate rider revenues and the deferred funding request. Upon rebasing, the approved ICM balances are transferred to their permanent accounting classifications in accordance with the OEB's Accounting Procedures Handbook. The deferred funding request balance remains in Account 1508 pending the OEB's determination in this proceeding.

1508 – ICM MS28-3 Substation Expenditure

Lakefront Utilities recorded capital expenditures associated with the MS28-3 Distribution Station project totaling $2,597,083. The balance consists of $2,535,311 recorded in 2023 and $61,772 recorded in 2024.

Upon rebasing, this balance is transferred to the appropriate property, plant and equipment accounts and included in rate base. The balance is not proposed for disposition through the DVA rate rider model.

Table 6 – Continuity of MS28-3 ICM 1508 Capital Accounts

Description	2023	2024	2025	2026	Balance at Rebasing
ICM Capital Expenditures	2,535,311	61,772	-	-	2,597,083
Depreciation Expense	28,013	56,672	57,318	57,318	199,321
Accumulated Depreciation	(28,013)	(84,685)	(142,003)	(199,321)	(199,321)
Net Book Value	2,507,298	2,512,398	2,455,080	2,397,762	2,397,762

1508 – ACM Amortization

Lakefront Utilities recorded depreciation associated with the MS28-3 Distribution Station project in accordance with the OEB-approved ICM accounting treatment. As of December 31, 2026, cumulative depreciation associated with the project totals $199,321.

Upon rebasing, this balance is transferred to the appropriate depreciation expense accounts and is not proposed for separate disposition.

1508 – ACM Accumulated Amortization

Lakefront Utilities recorded accumulated depreciation associated with the MS28-3 Distribution Station project. As of December 31, 2026, the accumulated depreciation balance totals $199,321.

Upon rebasing, this balance is transferred to accumulated depreciation within utility plant and reflected in the calculation of rate base.

1508 – ACM Rate Rider

Lakefront Utilities recorded revenues collected through the OEB-approved ICM rate riders associated with the MS28-3 Distribution Station project. As of December 31, 2025, cumulative rate rider revenues totaled $121,462, excluding carrying charges or $124,559 including $3,097 in carrying charges.

Consistent with the OEB's Accounting Procedures Handbook, these balances are transferred to Account 4080, Distribution Services Revenue, upon rebasing.

Table 7 – Continuity of ICM Rate Rider Revenues

Description	Amount ($)
Rate rider revenues collected in 2025	50,044
Additional approved funding recorded in 2026	71,418
Total ICM rate rider revenues at rebasing	124,559
Transfer to Account 4080 upon rebasing	(124,559)
Closing balance	0

1508 – Deferred Funding Request -$124,559

Consistent with the OEB's March 27, 2025, Decision and Order, Lakefront Utilities established a separate sub-account to record the portion of the ICM funding request deferred by the OEB pending completion of the prudence review requirements identified in the Decision.

Unlike the approved ICM balances described above, this account is not transferred upon rebasing. The balance remains recorded in Account 1508 pending the OEB's determination regarding recovery of the deferred funding request in this proceeding.

The table illustrates the lifecycle of the approved ICM project from in-service date through rebasing. Consistent with the OEB's Accounting Procedures Handbook, the approved ICM capital, depreciation and accumulated depreciation balances are transferred to their permanent accounting classifications upon rebasing. Previously collected ICM rate rider revenues are transferred to Account 4080, Distribution Services Revenue. The deferred funding request balance remains in Account 1508 pending the OEB's determination in this proceeding.

Table 8 – Deferred Funding Request

Description	Amount ($)
Deferred funding request balance on December 31, 2026	124,559
Proposed disposition in this application	To be determined through prudence review
Balance remaining in Account 1508	124,559

Table 9 – Disposition of ICM Related Balances at Rebasing

Description	Amount ($)	Treatment at Rebasing
ICM Rate Rider Revenues	121,462	Transferred to Distribution Revenue (Account 4080)
ICM MS28-3 Substation Expenditure	2,597,083	Transferred to PP&E and included in rate base
ICM Depreciation	199,321	Transferred to depreciation expense
ICM Accumulated Depreciation	(199,321)	Transferred to accumulated depreciation
Deferred Funding Request	121,462	Remains in Account 1508 pending OEB determination in this proceeding
Deferred Funding Carrying Charges	3,097	

1592 - Accelerated CCA $(27,571)

Account 1592 records the revenue requirement impacts associated with changes in accelerated Capital Cost Allowance (CCA) treatment relative to the assumptions reflected in rates.

The principal balance proposed for disposition consists of two components.

The first relates to the accelerated CCA treatment available in 2021. At the time rates were established, the accelerated CCA measures reflected in actual PILs calculations differed from the assumptions embedded in rates, resulting in a credit balance of approximately $45,520 being recorded in Account 1592.

The second relates to the partial phase-out of the Accelerated Investment Incentive Program (AIIP) in 2024. The reduction in the accelerated first-year CCA deduction resulted in a revenue requirement impact of approximately $24,650, which was recorded as a debit to Account 1592.

No principal variances were recorded in 2022 or 2023 as the accelerated CCA treatment reflected in rates was consistent with the tax treatment in effect during those years. Similarly, no principal variances were recorded in 2025 or 2026 as the subsequent legislative changes reintroducing accelerated CCA did not result in additional amounts requiring tracking in the account.

Accordingly, the principal balance at December 31, 2025, consists of the net impact of the 2021 accelerated CCA variance and the 2024 phase-out variance, together with applicable carrying charges calculated using the OEB-prescribed interest rates.

Table 10 – Account 1592 Continuity of Accelerated CCA Variances

Year	Description	Principal Impact
2021	Accelerated CCA variance	(45,520)
2022	Disposition of historical 2018-2020 balance	101,606
2023	No principal activity	-
2024	AIIP phase-out impact	24,650
2025	No principal activity	-
Principal Balance at Dec. 31, 2025		(20,870)
2026	Carrying Charges	(6,701)

9.2.4 Group 2 Account Proposed to be Discontinued and Request for New Variance Account Going Forward.

LUI confirms that it is requesting a new deferral or variance account (see section 9.2.9). LUI is also proposing to discontinue the use of the following accounts.

- Discontinue 1508 – Customer Choice Initiative Costs
- Discontinue 1508 – Green Button Initiative Costs
- Discontinue 1508 – ULO Implementation Costs
- Discontinue 1508 – ACM related accounts
- Discontinue 1518 – Retail Cost Variance
- Discontinue 1548 – Retail Cost Variance

- New 1508 - Management Fee Refund Variance Account

9.2.5 Accounting Orders for Previous Applications and Departure from Board Approved Balances

LUI confirms it was not instructed to apply for any specific accounting orders in its previous application other than complying with the ICM/ACM accounting rules thought the use of 1508 accounts. LUI has not made any adjustments to deferral and variance account balances that the Board previously approved on a final basis in either cost of service or IRM proceedings.

9.2.6 Explanation of Variances Between RRR Filings and 2025 Account Balances

The majority of variances relate to (i) corrections to interest that accrued in 2024 and 2025 but was not posted to the general ledger, (ii) the allocation of previously consolidated interest balances within Account 1508 to the appropriate sub-accounts, and (iii) the recording of approved ICM-related balances associated with the MS28-3 Distribution Station project. All remaining variances are attributable to rounding differences between the RRR filings and the 2025 year-end balances.

Table 11 – Variances Between RRR Reported Balances and 2025 Year-End Balances

Account Description	Account No.	Variance (RRR vs. 2025 Balance)	Explanation
LV Variance Account	1550	$(0.01)	Rounding
Smart Metering Entity Charge Variance Account	1551	$0.42	Rounding
Variance WMS – Sub-account CBR Class A	1580	$0.26	Rounding
Variance WMS – Sub-account CBR Class B	1580	$-	No variance

RSVA – Retail Transmission Network Charge	1584	$(0.49)	Rounding
RSVA – Power (excluding Global Adjustment)	1588	$0.46	Rounding
RSVA – Global Adjustment	1589	$(0.08)	Rounding
Disposition and Recovery/Refund of Regulatory Balances (2020 and prior)	1595	$(1.75)	Rounding
Disposition and Recovery/Refund of Regulatory Balances (2022)	1595	$32,889.22	Interest accrued in 2024 and 2025 was not recorded in the GL. The missing interest will be recorded in 2026.
Disposition and Recovery/Refund of Regulatory Balances (2023)	1595	$1,258.84	Interest accrued in 2024 and 2025 was not recorded in the GL. The missing interest will be recorded in 2026.
Disposition and Recovery/Refund of Regulatory Balances (2024)	1595	$(22,814.35)	Interest accrued in 2024 and 2025 was not recorded in the GL. The missing interest will be recorded in 2026.
Pole Attachment Revenue Variance	1508	$(20,245.83)	Interest was previously recorded in a consolidated Account 1508 balance. Interest is now allocated to the appropriate 1508 sub-accounts. Principal adjustments were recorded in 2025.
Customer Choice Initiative Costs	1508	$(27.50)	Remaining balance will be written off in 2026.
Green Button Initiative Costs	1508	$(6,399.21)	Interest was previously recorded in a consolidated Account 1508 balance. Interest is now allocated to the appropriate 1508 sub-accounts.
ULO Implementation Costs	1508	$(538.09)	Interest was previously recorded in a consolidated Account 1508 balance. Interest is now allocated to the appropriate 1508 sub-accounts.
Other Regulatory Asset	1508	$(4,732.20)	Interest was previously recorded in a consolidated Account 1508 balance. Interest is now allocated to the appropriate 1508 sub-accounts.
Cost Assessment – Over Board Approved	1508	$(2,187.08)	Interest was previously recorded in a consolidated Account 1508 balance. Interest is now allocated to the appropriate 1508 sub-accounts.
ICM Rate Rider	1508	$74,515.42	2026 ICM rate rider revenue plus associated interest.
ICM Depreciation	1508	$(199,321.00)	Recording of approved 50% ICM depreciation.
ICM Accumulated Depreciation	1508	$199,321.00	Recording of approved 50% ICM accumulated depreciation.
ICM MS28-3 Substation Expenditure	1508	$(2,594,998.40)	Recording of actual MS28-3 substation expenditures.
Deferred Funding Request	1508	$(124,559.28)	Balance associated with the remaining 50% ICM funding request.
Retail Cost Variance Account – STR	1548	$0.38	Rounding
PILs and Tax Variance – CCA Changes	1592	$(0.40)	Rounding

9.2.7 Interest Rates

The table below provides the interest rates by quarter applied to calculate actual and forecast carrying charges for each regulatory and variance account.

Table 12 – Interest Rates

Period	Interest Rate
Q1 2022 (Actual)	0.57%
Q2 2022 (Actual)	1.02%
Q3 2022 (Actual)	2.20%
Q4 2022 (Actual)	3.87%
Q1 2023 (Actual)	4.73%
Q2 2023 (Actual)	4.98%
Q3 2023 (Actual)	4.98%
Q4 2023 (Actual)	5.49%
Q1 2024 (Actual)	5.49%
Q2 2024 (Actual)	5.49%
Q3 2024 (Actual)	5.20%
Q4 2024 (Actual)	4.40%
Q1 2025 (Actual)	3.64%
Q2 2025 (Actual)	3.16%
Q3 2025 (Actual)	2.91%
Q4 2025 (Actual)	2.91%
Q1 2026 (Actual)	2.55%
Q2 2026 (Actual)	2.55%

LUI has used the latest OEB prescribed interest rates as published on the website at: https://www.oeb.ca/regulatory-rules-and-documents/rules-codes-and-requirements/prescribed-interest-rates

9.2.8 Disposition and Rate Riders

Board policy states that at the time of rebasing, all account balances should be disposed of unless otherwise justified by the distributor or as required by a specific Board decision or guideline. Per the above statement, LUI proposes to dispose of all its balances listed in the table below. The only account that is not sought for disposition is account 1595, which does not meet the OEB's criteria for disposition.

The 2027_DVA_Continuity_Schedule detailing each account is being filed in conjunction with LUIs application.

Table 13 – Balances Sought for Disposition (DVA Model - Tab 5 Allocation of Balances)

Account		Total Incl Interest	Allocator	Disposition
LV Variance Account	1550	-$628,759.46	kWh	Yes
Smart Metering Entity Charge Variance Account	1551	-$6,925.39	# of Customers	Yes
RSVA - Wholesale Market Service Charge[5]	1580	-$396,576.90	kWh	Yes
Variance WMS – Sub-account CBR Class A[5]	1580	$0.00	kWh	Yes
Variance WMS – Sub-account CBR Class B[5]	1580	$102,085.29	kWh	Yes
RSVA - Retail Transmission Network Charge	1584	$411,962.96	kWh	Yes
RSVA - Retail Transmission Connection Charge	1586	-$331,267.56	Non-RPP kWh	Yes
RSVA - Power (excluding Global Adjustment)[4]	1588	$33,055.92		Yes
RSVA - Global Adjustment [4]	1589	-$194,784.70		
Pole Attachment Revenue Variance	1508	-$100,762	Distribution Rev.	Yes
Green Button Initiative Costs	1508	89,813	kWh	Yes
ULO Implementation Cost14	1508	5,499	kWh	Yes
Deferred Funding Request	1508	$124,559.28	kWh	Yes
Management Fee Refund	1508	-$403,103.00	kWh	Yes
Retail Cost Variance Account - Retail	1518	-$667	# of Customers	Yes
Retail Cost Variance Account - STR	1548	3,584	# of Customers	Yes
PILs and Tax Variance for 2006 and Subsequent Years- Sub-account CCA Changes	1592	-$27,570	kWh	Yes
Group 1 total (including Account 1589)		-$1,011,209.85		Yes
Group 1 total (excluding Account 1589)		-$816,425.14		Yes
RSVA - Global Adjustment		-$194,784.70		Yes
Total Group 2 Accounts		-$308,569		Yes
Impacts Arising from the COVID-19 Emergency	1509	33,418	Distribution Rev.	No

LUI confirms the following statements:

- LUI has not made any adjustments to DVA balances previously approved by the Board on a final basis in the previous Cost of Service or IRM proceedings.
- The utility has no balances for disposition for renewable generation and smart grid development.
- LUI does not have any Market Participants. As such, it does not need to establish separate rate riders to recover balances in the RSVA's from Market Participants who must not be allocated the RSVA balances related to charges for which the MP's settle directly with the IESO.
- LUI is proposing to dispose of balances where the values for accounts 1588/1589 are entered in 2022 to 2025 and interest until December 31, 2026.
- LUI confirms that its balances proposed for disposition are consistent with the financial statements.

The determination of the rate riders is shown in the tables below. Following OEB policy, LUI is seeking a one-year disposition period. LUI has used the approved allocators.

Table 14 – Rate Rider Calculation for Group 1 Deferral / Variance Accounts Balances (excluding Global Adj.)

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Group 1 Balance (excluding 1589)	Rate Rider for Deferral/Variance Accounts
RESIDENTIAL	kWh	87,951,385	-$331,516.85	**- 0.0038**
GENERAL SERVICE < 50 KW	kWh	37,827,326	-$140,570.84	**- 0.0037**
GENERAL SERVICE > 50 TO 4999 KW	kW	306,600	-$439,546.83	**- 1.4336**
UNMETERED SCATTERED LOAD	kWh	649,183	-$2,400.85	**- 0.0037**
SENTINEL	kW	113	-$163.07	**- 1.4397**
STREETLIGHTS	kW	3,006	-$4,312.01	**- 1.4347**

Table 15 – Rate Rider Calculation for RSVA Global Adjustment

Rate Class (Enter Rate Classes in cells below)	Units	kWh	Allocated Global Adjustment Balance	Rate Rider for RSVA - Power - Global Adjustment
RESIDENTIAL	kWh	747,440	-$1,930.29	-0.0026
GENERAL SERVICE < 50 KW	kWh	5,641,440	-$14,569.21	-0.0026
GENERAL SERVICE > 50 TO 4999 KW	kWh	64,990,717	-$167,840.69	-0.0026
UNMETERED SCATTERED LOAD	kWh	38,676	-$99.88	-0.0026
SENTINEL	kWh	4,816	-$12.44	-0.0026
STREETLIGHTS	kWh	1,165,955	-$3,011.12	-0.0026

Table 16 – Rate Rider Calculation for Group 2 Accounts

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Group 2 Balance	Rate Rider for Group 2 Accounts
RESIDENTIAL	# of Customers	10,465	-$133,445.02	-$1.06
GENERAL SERVICE < 50 KW	kWh	37,827,326	-$45,502.62	-$0.0012
GENERAL SERVICE > 50 TO 4999 KW	kW	306,600	-$126,061.11	-$0.4112
UNMETERED SCATTERED LOAD	kWh	649,183	-$904.38	-$0.0014
SENTINEL	kW	113	-$284.52	-$2.5120
STREETLIGHTS	kW	3,006	-$2,371.40	-$0.7890

9.2.9 Management Fee Refund to Customers

As discussed in Exhibit 4, LUI completed a review of historical affiliate management fee charges and determined that a portion of those charges were embedded within distribution rates approved by the OEB between 2017 and 2026.

Based on the analysis presented in Exhibit 4, LUI has calculated the customer impact associated with the historical management fee arrangement to be $1,151,724, consisting of principal of $995,813 and carrying charges of $155,911 calculated to December 31, 2026.

LUI proposes to refund this amount to customers through a temporary declining rate rider over a four-year period. Rather than refunding the entire amount in a single year, LUI proposes a phased disposition that provides customers with an immediate benefit while moderating total bill impacts over time. The proposed approach avoids creating a significant one-time bill reduction followed by a corresponding increase when the rider expires and results in a more gradual transition for customers.

In addition, a phased disposition mitigates the financial impact to LUI associated with a large one-time refund and provides a more manageable recovery profile while ensuring that the full amount, including carrying charges, is returned to customers within a reasonable period. As explained in Exhibit 4, the proposed refund is not the return of a windfall amount recovered by LUI that is simply being returned; the management fee included in rates from 2017 to 2026 was concurrent with a material under-recovery of costs incurred by LUSI in the provision of service to LUI, an under-recovery that, as Exhibit 4 sets out, exceeded the value of the management fee included in rates. Accordingly, the proposed refund represents a material cash flow impact to LUI that LUI proposed to manage, in large part, through the proposal for a 4 year declining rider.

The proposed disposition schedule is presented in Table below.

Table 17 – Proposed Management Fee Refund Disposition

Year	%	Principal	Carrying Charges	Total Refund
Year 1	35%	$348,534	$54,569	$403,103
Year 2	30%	$298,744	$46,773	$345,517
Year 3	20%	$199,163	$31,182	$230,345
Year 4	15%	$149,372	$23,387	$172,759
Total	100%	$995,813	$155,911	$1,151,724

The total balance has been allocated to customer classes using the approved Distribution Revenue Allocation factors, consistent with the manner in which distribution revenues are recovered from customer classes for Group 2 accounts. The resulting class rate riders for each year are presented in the Table at the next page.

LUI submits that the proposed declining refund rider appropriately balances customer interests by returning the full amount to customers while mitigating volatility in total customer bills over the disposition period.

A draft accounting order is presented at Appendix 9A of this Exhibit.

Table 18 – Management Fee Refund Rate Rider

Rate Class	Unit	Billing Determinant	Year 1 Rider	Year 2 Rider	Year 3 Rider	Year 4 Rider
Residential	# customers	10,465	-$1.23	-$1.05	-$0.70	-$0.53
GS < 50 kW	kWh	37,827,326	-$0.0016	-$0.0014	-$0.0009	-$0.0007
GS 50 to 4,999 kW	kW	306,600	-$0.6019	-$0.5159	-$0.3439	-$0.2580
USL	kWh	649,183	-$0.0017	-$0.0015	-$0.0010	-$0.0007
Sentinel	kW	113	-$1.5153	-$1.2988	-$0.8659	-$0.6494
Streetlights	kW	3,006	-$0.7654	-$0.6561	-$0.4374	-$0.3280
Total			$403,103	$345,517	$230,345	$172,759

9.3. GLOBAL ADJUSTMENT

Table 19 – Class A Analysis

Item	Value
Number of Class A rate classes	1
Rate Class	GS > 50 to 4,999 kW
2025 Full-Year Class A Consumption	40,500,637 kWh
2024 Full-Year Class A Consumption	40,631,006 kWh
2025 Peak Demand	115,891 kW
2024 Peak Demand	103,959 kW

Table 20 – GA Transition Customer Analysis (1589)

Item	Value
Last disposition year	2024
Number of transition customers	2
Transition customer consumption	3,767,009 kWh
Transition customer share	10.85%
GA balance allocated to transition customers	$21,142
GA balance allocated through rider	$173,643
Total GA balance	$194,785

Table 21 – Summary of Class A and Transition Customer Analysis

Description	Value
Number of Class A Rate Classes	1
Class A Rate Class	GS > 50 to 4,999 kW
Number of Transition Customers	2
Transition Customer Consumption	3,767,009 kWh
Transition Customer Share of Applicable Consumption	10.85%
Transition Customer Allocation of Account 1589	$21,142
Remaining Account 1589 Balance for Rate Rider Allocation	$173,643

Accounts 1588 – Power, 1589 – Global Adjustment, and 1580 – Capacity Based Recovery Class B

LUI is requesting disposition of the December 31, 2025 audited balances recorded in Accounts 1588, 1589 and 1580, including carrying charges projected to the proposed disposition date.

LUI continues to apply the OEB's February 21, 2019 accounting guidance for Accounts 1588 and 1589. Transactions recorded in the commodity accounts are accounted for in accordance with the OEB's prescribed accounting treatment and are supported by completion of the OEB Commodity Accounts Analysis Workform.

The balances in Accounts 1588 and 1589 up to December 31, 2024, were last approved for disposition through LUI's 2026 IRM proceeding on a final basis. The balances requested in this application reflect activity recorded during 2025, including principal adjustments identified through completion of the Commodity Accounts Analysis Workform and reconciliation to LUI's audited records. Accordingly, the balances requested for disposition in this application primarily reflect activity recorded subsequent to the last approved disposition.

LUI completed the Commodity Accounts Analysis Workform for 2025 and reviewed the balances recorded in Accounts 1588 and 1589 against the expected balances derived from IESO settlement information and customer billing determinants. As part of this review, LUI identified differences between the balances reflected in the general ledger and those previously reported for regulatory purposes.

Principal adjustments of $295,805 were recorded in Account 1588 and $94,896 were recorded in Account 1589 during 2025 to align the regulatory account balances with the audited general ledger balances. These adjustments have been reflected in the balances requested for disposition in this application.

Following completion of the Commodity Accounts Analysis Workform, LUI confirmed that the resulting balances are consistent with the OEB's prescribed accounting methodology, and no further adjustments are proposed.

LUI has Class A customers within the GS > 50 kW to 4,999 kW rate class and experienced customer transitions between Class A and Class B during the period over which the Account 1589 balance accumulated. Consistent with OEB policy, LUI completed the Global Adjustment Analysis Workform to determine the portion of the Global Adjustment balance attributable to transition customers.

The analysis identified two transition customers and determined that 10.85% of the applicable non-RPP consumption during the accumulation period was attributable to those customers. Accordingly, approximately $21,142 of the Account 1589 balance has been allocated directly to the transition customers, with the remaining balance proposed for disposition through the applicable Global Adjustment rate rider.

LUI also completed the OEB's CBR Class B Analysis Workform in support of the balance recorded in Account 1580, Sub-account CBR Class B Variance Account. The analysis identified the same two transition customers and determined that 1.41% of applicable Class B consumption during the accumulation period was attributable to those customers. As a result, approximately $1,443 of the Account 1580 balance has been allocated directly to the transition customers, with the remaining balance proposed for disposition through the applicable Class B CBR rate rider.

LUI confirms that the balances requested for disposition are within the OEB's prescribed two-year disposition period and no exception to the OEB's disposition policy is being requested.

9.4. LRAMVA

LUI confirms that it is not seeking disposal of loss revenues related to conservation savings in LUIs proceeding therefore none of the LRAMVA filing requirements apply in LUIs case.

APPENDICES

List of Appendices

Appendix 9A	Accounting Order

Draft Accounting Order

Management Fee Refund Variance Account

Lakefront Utilities Inc. ("LUI") requests approval to establish a new sub-account of Account 1508 - Other Regulatory Assets and Liabilities entitled:

1508 - Management Fee Refund Variance Account

The purpose of the account is to record the customer refund arising from the review of historical affiliate management fee charges as discussed in Exhibit 4 of this Application.

The account shall record:

a) the principal amount approved by the OEB for refund to customers;
b) carrying charges calculated using the OEB's prescribed interest rates; and
c) amounts refunded to customers through the approved Management Fee Refund Rate Rider.

The account shall be effective January 1, 2027.

Carrying charges shall be recorded in the account using the interest rates prescribed by the OEB and shall be calculated on the opening monthly balance in accordance with the OEB's Accounting Procedures Handbook.

LUI proposes that the approved balance, including carrying charges, be refunded to customers through a temporary declining Management Fee Refund Rate Rider over a four-year period.

The refund shall be allocated to customer classes using the approved Distribution Revenue Allocation factors. Class-specific rate riders shall be determined using customer counts, kWh consumption, and kW demand billing determinants, as applicable to each rate class.

The balance in the account shall be reduced annually by the amounts refunded through the approved rate riders until the full approved balance has been returned to customers.

The balance in the account, including carrying charges, shall be disposed of in accordance with the OEB's Decision and Order in this proceeding and any subsequent direction of the OEB.