

LAKEFRONT UTILITIES INC.

Business Plan 2026-2031

STABILIZE. MODERNIZE. POSITION.

Delivering Reliable, Affordable and Sustainable Electricity Distribution Services

Plan Attribute	Current Position
Service Territory	Town of Cobourg and Village of Colborne
Utility	Ontario-regulated electricity distributor
Customer Base	Approximately 11,500 distribution customers; continued residential growth forecast
Planning Horizon	2026-2031
Regulatory Anchor	2027 Cost of Service Application (EB-2026-0054)
Strategic Theme	Stabilize. Modernize. Position.

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1. Message from the President & CEO

Lakefront Utilities Inc. (LUI) provides an essential public service to the communities of Cobourg and Colborne. As a municipally owned utility, our responsibility extends beyond the safe and reliable delivery of electricity: we must renew critical infrastructure, support community growth, maintain affordability, strengthen organizational capability and prepare the distribution system for a rapidly changing energy sector.

The 2026-2031 period is a transition point for LUI. The 2027 Cost of Service application establishes the financial and operational foundation for the next rebasing period. It reflects a deliberate move from the exceptionally lean operating model of the previous decade toward a sustainable structure that is capable of meeting today's regulatory, technical, customer-service and cybersecurity expectations while remaining cost disciplined.

This Business Plan is organized around three commitments: stabilize our financial, governance and workforce foundations; modernize the distribution system, technology platforms and operational processes; and position LUI to respond prudently to growth, electrification, climate risk and future sector opportunities.

Our priorities are grounded in the same evidence that supports the Cost of Service application: the 2027-2031 Distribution System Plan, Asset Condition Assessment, reliability analysis, customer engagement, workforce planning, load forecast and improved affiliate cost-allocation framework. The intent is to ensure that strategic decisions, budgets and regulatory commitments are aligned and measurable.

Over the plan horizon, LUI will continue to focus on reliability, customer value, system modernization, prudent capital delivery, workforce sustainability and strong governance. The objective is not growth for its own sake, but a resilient, transparent and efficient utility capable of delivering long-term value to customers and shareholders.

2. Executive Summary

LUI's 2026-2031 Business Plan is aligned with the commitments in the 2027 Cost of Service application and translates those obligations into a practical corporate roadmap. The plan recognizes that LUI is a small distributor with limited staffing depth and scale economies, but also a strong history of cost control and favourable OEB benchmarking performance.

Strategic Context

LUI's OEB benchmarking evidence places the utility in Group 1, with total costs approximately 27% below the econometric model's predicted cost level. The Business Plan is designed to preserve much of that cost discipline while addressing identified gaps in workforce resilience, asset renewal, reliability, governance and digital capability.

2027 COS / Plan Indicator	Aligned Position
Base Revenue Requirement	\$7.15 million
2027 Test Year OM&A	\$4.146 million
2027 Test Year Staffing	21 FTEs
2027 Net Capital Program	\$2.273 million
2027-2031 Average Net Capital	Approximately \$2.21 million annually
2027 Residential Customers	10,465 forecast
Remediation	\$1.152 million management-fee, including carrying charges
Cost Efficiency	OEB Group 1; approximately 27% below predicted total cost

The strategic priorities for 2026-2031 are:

- Customer Focus - accurate billing, responsive service, customer engagement, affordability supports, outage communications and modern customer tools.
- Operational Effectiveness - risk-based asset renewal, voltage conversion, distribution automation, GIS/SCADA modernization, ERP transition, AMI 2.0 and disciplined project delivery.
- Public and Regulatory Responsiveness - electrification readiness, DER integration, cybersecurity, conservation, regional planning and transparent regulatory compliance.
- Financial Performance and Governance - sustainable cash flow, prudent rate planning, capital discipline, improved shared-services governance, transparent cost allocation and strong Board oversight.
- Workforce Sustainability - rebuilding internal engineering, technical, finance, regulatory, procurement and customer-service capability to reduce operational risk and long-term consultant dependence.

3. Regulatory and Operating Context

The 2027 Cost of Service application is LUI's first rebasing application since 2022. The filing reflects material changes in the utility's operating environment, including inflation and vendor cost escalation, workforce turnover, expanded regulatory and cybersecurity expectations, customer growth, continued capital renewal and the increasing importance of digital system capabilities.

Sector Transformation

- Electrification and changing load patterns, including EV adoption and building electrification.
- Increasing distributed energy resource and capacity-information requirements.
- Greater emphasis on cybersecurity, data quality, asset health and system resilience.
- Increasing customer expectations for digital service, outage information and transparent communications.
- Continued industry pressure for affordability, productivity and evidence-based investment decisions.

Small Utility Operating Reality

LUI's size creates both advantages and constraints. Decision-making can be direct and operationally focused, but vacancies in specialized positions can have a disproportionate impact. From 2022 to 2025, retirements, resignations, vacancies and temporary absences affected finance, regulatory, engineering, operations, metering and customer service. LUI maintained continuity through internal reassignment, temporary resources and specialized consultants. The 2026-2027 workforce strategy restores minimum sustainable internal capacity while retaining the benefits of shared services and targeted external expertise.

Governance and Affiliate Cost Allocation

Preparation of the 2027 Cost of Service application included a comprehensive review of historical affiliate charges and shared-service practices. LUI discontinued the historical 12% administration-fee approach, developed a more transparent cost-causative allocation framework, strengthened documentation and management review, and initiated independent validation support through KPMG. LUI has also proposed customer remediation of \$1,151,724, including carrying charges, related to historical management-fee amounts embedded in rates. These actions reinforce the Plan's emphasis on prudence, transparency and accountability.

4. Organizational Profile

LUI is a licensed Ontario electricity distributor serving the Town of Cobourg and the Village of Colborne. LUI operates within a municipal corporate structure in which shared corporate and administrative resources are provided through Lakefront Utility Services Inc. (LUSI), with costs assigned or allocated using documented cost-causative methodologies.

System / Organization Attribute	Profile
Distribution System	Overhead and underground distribution infrastructure serving Cobourg and Colborne
Substations	Eight distribution substations
System Voltages	27.6 kV system with remaining legacy 4.16 kV infrastructure being progressively converted
Operational Technology	GIS, SCADA, OMS, smart metering and field systems
2027 Staffing	20.91 FTEs reflected in the Test Year
Customer Growth	Residential customers forecast to increase from 9,611 approved in 2022 to 10,465 in 2027
Shared Services	Finance, regulatory, billing, customer service, IT, HR, governance and other support allocated using documented drivers

Workforce Strategy

LUI's workforce strategy is focused on sustainability rather than organizational expansion. The 2027 Test Year staffing complement remains below the 22.20 FTEs approved in the 2012 Cost of Service application. Targeted additions in engineering and operations, GIS/SCADA, purchasing and inventory, metering and customer service are intended to strengthen internal capability, succession planning and operational continuity. The 2027 forecast also reflects an approximately \$41,602 reduction in engineering consulting costs as responsibilities transition to internal resources.

Compensation Philosophy

Compensation is intended to support recruitment and retention while remaining prudent. Market benchmarking indicates that LUI's benchmarked positions are expected to remain approximately 10% below the applicable market P50 in the 2027 Test Year. The objective is to narrow historical gaps that contributed to turnover, not to position compensation above sector market levels.

5. Mission, Vision and Core Values

Mission

To deliver safe, reliable and affordable electricity distribution services; invest in our people; modernize infrastructure and systems; and build trusted partnerships that support resilient and sustainable communities.

Vision

To be a trusted, efficient and resilient community utility that delivers customer value while adapting prudently to sector transformation.

Core Value	What It Means at LUI
Safety	Protect employees, customers and the public in every decision and activity.
Integrity	Act ethically, transparently and consistently with regulatory and governance obligations.
Accountability	Own commitments, measure performance and address variances early.
Reliability	Maintain dependable service through prudent asset management and operational readiness.
Customer Focus	Use customer needs and affordability considerations to inform priorities and communications.
Collaboration	Work effectively across LUI, affiliates, municipalities, regulators, sector partners including other utilities, and suppliers.
Continuous Improvement	Use technology, data and process discipline to improve efficiency and service outcomes.

6. Planning Framework and Strategic Priorities

LUI's planning framework integrates the Business Plan, annual budgets, the Distribution System Plan, Asset Condition Assessment, customer and load forecasts, workforce planning, enterprise risk management and regulatory commitments. The framework is intended to ensure that Board-approved strategic objectives translate into coordinated operating and capital plans.

Strategic Theme	2026-2031 Focus
Stabilize	Workforce continuity; financial and cash-flow discipline; governance; shared-services transparency; regulatory compliance; succession planning.
Modernize	27.6 kV standardization; GIS/SCADA; distribution automation; AMI 2.0; ERP/business systems; cybersecurity; data and asset-management maturity.
Position	Growth readiness; electrification; DER integration; climate resilience; strategic partnerships; sector opportunities without assuming expansion.

Decision-Making Principles

- Prudence and transparency in rate-funded decisions.
- Customer value and affordability, including smoothing of bill and capital impacts where practical.
- Risk-based prioritization using asset condition, reliability, safety and compliance evidence.
- Lifecycle thinking that avoids stranded investment and unnecessary like-for-like replacement of legacy assets.
- Build internal capability where recurring consultant-supported work can be performed more effectively in-house.
- Use external funding, partnerships and coordinated procurement where they reduce customer cost without increasing unacceptable risk.

7. Customer Focus

Customer engagement evidence confirms that reliability remains a leading customer priority, together with affordability, transparent communications and responsive service. LUI's customer strategy therefore focuses on service quality, billing accuracy, accessibility and improved outage information.

Priority	2026-2031 Actions	Measures
Billing and Service	Maintain accurate and timely billing; strengthen customer-service capacity; improve digital self-service and eBilling.	Billing accuracy; call/service quality; eBilling adoption
Outage Communications	Leverage OMS, GIS, SCADA and future AMI 2.0 capabilities to improve outage detection, status information and restoration communications.	Customer communications; outage information timeliness
Affordability	Administer LEAP and support eligible customers; sequence capital and refund/rider mechanisms to moderate volatility where appropriate.	LEAP administration; bill-impact monitoring
Engagement	Continue customer surveys, municipal coordination, community outreach and service-channel feedback.	Customer satisfaction; documented engagement outcomes
Collections	Maintain proactive early-stage collection practices and payment arrangements to reduce disconnections and write-offs.	Bad debt and collections indicators

Current Service Baseline

LUI issues approximately 140,000 customer bills annually. Approximately 54% are delivered electronically and billing accuracy is approximately 99.6%.

8. Operational Effectiveness

Operational effectiveness is the centerpiece of LUI's 2027-2031 Distribution System Plan (DSP). The plan combines targeted asset renewal with system standardization, automation, data improvement and workforce capability. Capital is paced to address risk while maintaining manageable customer impacts.

Asset Renewal and Reliability

- Use the 2025 Asset Condition Assessment and reliability data to prioritize end-of-life and higher-risk assets.
- Continue pole, transformer, underground and feeder renewal programs.
- Use feeder-level reliability, cause-of-interruption analysis and worst-performing feeder information to target renewal and automation.
- Coordinate planned outages, civil work and electrical work to reduce duplication and customer disruption.

Voltage Conversion and System Standardization

LUI will continue its long-standing staged conversion of remaining 4.16 kV infrastructure to 27.6 kV. The program reduces electrical losses, improves voltage performance, simplifies system configuration, reduces reliance on legacy station assets and avoids continued investment in equipment intended to be retired. Historical LUI engineering analysis of one converted feeder estimated approximately 547,000 kWh of annual energy savings and approximately \$25,700 per year at then-current energy prices; LUI does not extrapolate this feeder-specific result to the entire system without detailed engineering analysis.

MS28-3 and Contingency Capability

MS28-3 forms part of LUI's broader reliability, contingency and voltage-conversion strategy. The value of this capacity was demonstrated when MS28-1 failed on October 26, 2025, affecting approximately 4,784 customers. Approximately 7.6 MVA of MS28-1 load was transferred to MS28-3. The event demonstrated the operational flexibility and contingency benefit of the station and reinforced the importance of maintaining sufficient station and feeder transfer capability.

Automation, GIS and SCADA

The DSP includes a phased distribution automation program using SCADA-enabled switching and reclosers on priority feeders. The initial sectionalizing approach is designed to reduce the number of customers affected by representative permanent feeder outages and enable faster isolation and restoration. GIS modernization supports engineering, locates, asset management, outage response, customer service, regulatory reporting and future CCIM (Centralized Capacity Information Map) requirements.

Productivity and Continuous Improvement

- Semi-annual capital program reforecasting.
- Standardized project and resource allocation.
- Unit-cost tracking across selected capital programs.
- Enhanced contractor qualification and procurement discipline.
- Greater use of remote switching and diagnostics to reduce manual field intervention and emergency truck rolls.
- Internalization of recurring technical work where economical to reduce consultant dependence.

9. Public and Regulatory Responsiveness

LUI's strategy recognizes that sector transformation must be managed in a way that is proportionate to the utility's size and customer base. LUI will meet evolving obligations through staged investments, data improvement, targeted expertise and participation in sector and regional initiatives.

Area	Strategic Response
Electrification	Monitor EV, building-electrification and development load; incorporate capacity and service implications into planning and Conditions of Service updates.
DER and Capacity Information	Support connection requirements and evolving CCIM/capacity-information expectations through improved GIS and system data.
Cybersecurity	Continue assessments, risk remediation, staff awareness and modernization of technology and operational systems.
Energy Efficiency / eDSM	Support applicable IESO programs and customer participation consistent with provincial direction.
Regional Planning	Continue coordination with Municipalities, Hydro One, IESO and regional planning participants on supply and capacity needs.
Climate and Resilience	Use reliability, asset-condition and risk information to strengthen system resilience; phase in more advanced feeder-level and asset-health metrics as data maturity improves.
Regulatory Compliance	Maintain proactive compliance with OEB, ESA and other applicable requirements and strengthen documentation supporting filings and affiliate transactions.

10. Financial Performance and Governance

The Business Plan and by extension LUI's 2027 Cost of Service application, is designed to establish a sustainable financial foundation for the upcoming five-year rate period. LUI's financial strategy seeks to balance the funding required to maintain safe, reliable utility operations and support necessary capital renewal with the equally important objectives of customer affordability, prudent cash-flow management, and continued cost discipline. This balanced approach is intended to ensure LUI has the financial capacity to meet its operational and infrastructure obligations while maintaining a continued focus on efficiency, value for customers, and long-term financial sustainability.

Financial / Governance Priority	Plan Commitment
Revenue Requirement	Manage the 2027 base revenue requirement of approximately \$7.15 million with clear variance reporting and accountability.
OM&A Discipline	Manage the 2027 Test Year OM&A of \$4.146 million through annual budgeting, monthly variance reporting and productivity initiatives.
Capital Discipline	Deliver a paced 2027-2031 net capital program averaging approximately \$2.21 million annually.
Affiliate Cost Allocation	Use direct assignment wherever practical and documented cost drivers for shared services; periodically validate the framework.
Remediation	Implement the OEB-approved treatment, if approved, of the proposed \$1.152 million historical management-fee.
Cash Flow / Financing	Maintain adequate liquidity, prudent leverage and compliance with financing obligations while sequencing capital and regulatory cash flows.
Board Oversight	Provide regular reporting on financial performance, capital delivery, regulatory matters, enterprise risks and strategic objectives.

Governance Improvements

- Centralized repository for regulatory evidence, agreements and supporting studies.
- Enhanced management review and sign-off for regulatory filings.
- Improved documentation of affiliate transactions and allocation drivers.
- New shared-services framework emphasizing cost causality, reproducibility and transparency.
- Ongoing independent review and validation of allocation methodologies as appropriate.

11. Capital Investment Program 2027-2031

The DSP forecasts a stable net capital program across the five-year horizon. Average annual gross capital spending is approximately \$3.2 million, while average annual net capital after contributions is approximately \$2.2 million. This represents a reduction from the historical 2022-2026 average while preserving investment in reliability, renewal, modernization and growth.

Category (\$000)	2027	2028	2029	2030	2031	Average
System Access	439	589	601	587	611	565
System Renewal	479	748	777	866	1,089	792
System Service	896	465	389	468	480	540
General Plant	460	353	390	285	83	314
Total Net Capital	2,273	2,155	2,157	2,206	2,263	2,211

Major Program Priorities

- System Access - customer connections, subdivision growth, municipal relocations and other access requirements, with contributions applied where required.
- System Renewal - poles, transformers, underground assets, feeder renewal and other condition-driven replacement.
- System Service - distribution automation, SCADA, feeder transfer capability, reliability improvement and completion of voltage conversion.
- General Plant - ERP/business systems, GIS, facilities, tools, fleet and cybersecurity-related enabling investments.
- AMI 2.0 - phased modernization of the metering platform, coordinated with Measurement Canada compliance and lifecycle requirements.

Capital Pacing

The DSP forecasts average annual net capital of approximately \$2.21 million for 2027-2031, compared with approximately \$2.8 million average annual net capital over 2022-2026. The forecast is intentionally paced to reduce spending volatility while addressing identified system needs.

12. Enterprise Risk Management

Risk	Primary Mitigation
Financial / Liquidity	Prudent rate planning, cash-flow forecasting, financing discipline, phased regulatory dispositions and capital pacing.
Reliability / Asset Condition	Asset Condition Assessment (ACA) -driven renewal, maintenance, vegetation management, automation, voltage conversion and contingency planning.
Workforce / Succession	Targeted recruitment, competitive but prudent compensation, cross-training, succession planning and reduction of single-point dependencies.
Cybersecurity / Technology	Cybersecurity assessments, platform modernization, access controls, vendor management, backups and staff awareness.
Regulatory / Governance	Documented controls, regulatory repository, management sign-off, Board oversight and specialist support where required.
Affiliate / Cost Allocation	Direct assignment, documented allocation drivers, updated service arrangements and periodic validation.
Growth / Electrification	Load forecasting, development monitoring, capacity studies and coordinated system planning.
Climate / Severe Weather	Asset hardening, vegetation management, emergency preparedness, automation and risk-based renewal.
Supply Chain / Cost Escalation	Earlier procurement, vendor competition, contractor qualification, escalation allowances and project reforecasting.

Enterprise risks will be reviewed at least quarterly by management, with material risks and mitigation status reported to the Board.

13. Performance Measurement and Accountability

The Business Plan will be managed through a concise performance dashboard that connects regulatory outcomes, operating performance and strategic initiatives. Targets should be reviewed annually and updated where OEB decisions, operating experience or new evidence materially change the underlying baseline.

Outcome	Core Measures	2026-2031 Direction
Customer	Customer satisfaction; billing accuracy; eBilling adoption; service-quality indicators; complaint trends	Maintain high billing accuracy; improve digital adoption and communications
Reliability	SAIDI; SAIFI; CAIDI; feeder-level reliability; customer hours interrupted; worst-performing feeders	Improve normalized reliability over time through targeted renewal and automation
Asset Management	ACA condition profile; planned vs reactive work; asset renewal delivery	Prioritize highest-risk assets and reduce reactive interventions
Financial	OM&A variance; capital variance; cash flow; debt metrics; regulatory ROE	Maintain disciplined budgets and sustainable financial performance
People	FTE vacancies; turnover; training; succession coverage; safety performance	Stabilize key roles and reduce reliance on consultants for core functions
Governance	Regulatory compliance; audit findings; affiliate allocation documentation; Board reporting	No material compliance gaps; evidence-supported cost allocation
Modernization	GIS/SCADA milestones; automation devices; ERP/AMI progress; cybersecurity maturity	Deliver staged modernization within approved budgets

Reliability Target Setting

Rather than using a single absolute SAIDI or SAIFI target that may not reflect Loss of Supply or Major Event Day impacts, LUI will evaluate performance using normalized historical baselines, OEB reliability reporting conventions and feeder-level results. The 2027-2031 DSP uses historical normalized performance and annual improvement factors to inform future reliability expectations. This approach provides a more defensible basis for measuring continuous improvement.

14. Strategic Roadmap 2026-2031

Year	Priority Milestones
2026	Complete and defend 2027 Cost of Service application; implement workforce stabilization; continue voltage conversion; strengthen GIS and cost-allocation governance; advance automation and cybersecurity planning.
2027	Implement rebased rates subject to OEB approval; begin full-year delivery of stabilized workforce model; advance distribution automation/SCADA; commence staged ERP and AMI 2.0 activities; deliver \$2.273M net capital program.
2028	Continue AMI 2.0 deployment/recertification strategy; expand asset renewal; enhance GIS, data and asset-management practices; continue automation deployment.
2029	Expand feeder automation and remote switching; continue 27.6 kV standardization; monitor electrification and growth impacts; refine unit-cost and performance analytics.
2030	Continue targeted renewal, automation and technology upgrades; review progress against DSP, reliability and financial objectives; refresh longer-term system needs.
2031	Complete the current DSP horizon; assess remaining voltage-conversion and modernization work; prepare next planning cycle with updated customer, load, reliability, asset and financial evidence.

15. Looking to the Future

The electricity distribution sector will continue to change through electrification, distributed resources, digital technologies, cybersecurity threats, climate adaptation and evolving regulatory expectations. LUI's strategy is to respond deliberately rather than reactively.

The 2026-2031 Business Plan does not assume aggressive corporate expansion. It emphasizes disciplined investment, modernization, operational excellence, transparent governance and strategic flexibility. The utility will continue to evaluate partnerships, shared-service opportunities, external funding and sector developments where they can create demonstrable customer or shareholder value.

By 2031, LUI intends to have a more stable workforce, a more standardized and automated distribution system, stronger data and business systems, a mature cost-allocation and governance framework, and a capital program that is more predictable and evidence driven. These outcomes will position LUI to continue providing safe, reliable and affordable electricity distribution service while remaining adaptable to future community and sector needs.

Strategic Theme

STABILIZE the foundation. MODERNIZE the utility. POSITION LUI for long-term customer and community value.