

**OVERVIEW OF OPERATION, MAINTENANCE & ADMINISTRATIVE COSTS:**

In 2014 OHL is requesting \$3,495,183 in operation, maintenance and administrative costs. This is a difference of \$836,168 from the 2010 cost of service approval.

OM & A Costs			
Description	CGAAP	CGAAP	
	2010 Board Approved	2014 Test Year	Variance
Operations	378,946	507,835	128,890
Maintenance	492,423	616,413	123,990
Billing and Collecting	549,953	741,719	191,765
Community Relations	20,862	17,278	(3,584)
Administrative and General	1,216,832	1,611,938	395,106
<b>Rate Base</b>	<b>2,659,015</b>	<b>3,495,183</b>	<b>836,167</b>

There are many factors attributed to the 31.4% increase in OM&A costs since the last 2010 Board approved amount requested in rates.

OM&A Cost Increase from 2010 Board Approved to 2014		
Payroll & Benefits	388,028	14.6%
Line Apprentice Addition	63,614	2.4%
Smart Meter costs	116,880	4.4%
Safety	50,568	1.9%
File Nexus	38,400	1.4%
Easements	4,950	0.2%
UCS Costs Increase	40,021	1.5%
Bad Debts	15,000	0.6%
IT Support Increase	30,000	1.1%
Rate Application Support	29,000	1.1%
Audit Increase	7,000	0.3%
EDA Fee Increase	6,570	0.2%
GIS/USF/Training Increase	20,773	0.8%
Administration Staff Training Increase	10,665	0.4%
Inflation	14,699	0.6%
<b>Total Increase</b>	<b>836,167</b>	<b>31.4%</b>

One of the major factors is OHL payroll and benefit costs rose with OMERS increases and new employees joining at entry level salaries with salary increases increasing with proven talent. Inclusion of a new line apprentice to be hired and trained within a 5 year period due to a line persons' impending retirement.

<b>Employee Costs</b>				
	<b>2010 Board Approved</b>	<b>2014 Test Year</b>	<b>Variance \$</b>	<b>Variance %</b>
Total Salary, Wages & Benefits	1,840,368	2,257,888	417,520	23%

Another major factor in the increase of costs are some new costs notwithstanding Smart Meter costs that have associated benefits as discussed further below.

OHL has budgeted for operation expenses such as patrolling and an infrared program along with land easements that were previously capitalized. OHL's maintenance activities coincide with our Distribution System Plan to ensure customer reliability, safety and meet any environmental or government requirements. The main highlights of the 2014 test year is the safety and training expenses that are no longer considered in our overhead rate and OHL has included an additional line person to prepare for an impending retirement.

Since 2010 OHL has experienced higher costs in meter reading, even with the removal of a meter reader contractor. OHL has included smart meter related costs such as security audits, Advanced metering reading services and an operational data storage. The operational data storage not only is a source of reading verification but has enabled OHL to provide a low cost version of SCADA to improve outage management and reduce response times thereby forgoing a budgeted expense. OHL has utilized the automated meter reading infrastructure (AMI) and the operational data storage (ODS) to build an Outage Management System at no additional cost from either party. Billing costs also include smart meter related costs such as a sync operator contract, web presentment tools, an operational data storage security audit and an AS2 License.

In 2014, OHL added File Nexus operating costs to the Administrative and General expenses to go paperless and streamline the utility's operations. In 2013 and 2014 OHL removed safety and training costs from the overhead burdens and revised its' accounting policy after reviewing our position papers moving from CGAAP to IFRS. This was another factor in the increase in administration costs. OHL prides itself in being prudent when it comes to using outside services for assistance and takes great pleasure in keeping those costs at bay.

In this application OHL used inflation rates for general OM&A expenses based on the most recent IRM GDP-IPI. Union wages are based on an historical increase of 3% of past negotiations. The management increases are based on the CPI provided to OHL from MEARIE on a monthly basis. Benefit increases are based on the first six months of the previous year experiences as presented by MEARIE.