

# **2019 – 2023 Alectra Financial Plan**

**Board of Directors**

**December 14, 2018**




# Introduction

- **Five Year Financial Plan: 2019 - 2023**
- **Regulated and non-regulated businesses:**
  - Electricity Distribution Operations
  - Solar
  - Energy Solutions
  - Holding Company
- **IFRS/ Modified IFRS basis of presentation**
- **Focuses on “Shared” Alectra results accruing to voting shareholders<sup>1</sup>**
- **Zero based budget based on department/ Business Unit level plans**

<sup>1</sup> Excludes Ring Fenced Solar business accruing to former PowerStream shareholders.



# Executive Summary

- **Regulatory risks/ changes having material impact on plan:**
  - 2018 OEB ICM decision applied a new incremental materiality threshold on qualifying projects which resulted in a reduction in expected ICM revenues
  - 2018 OEB decision on capitalization policy change has resulted in a reduction in planned distribution revenue
  - OEB winter disconnection moratorium has led to reduced disconnection, reconnection, collection and late payment revenues
  - Proposed OEB customer rules will further reduce disconnection and reconnection revenue while increasing credit losses
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- **Net Income challenges emerge in results 2019+**

# Shared Consolidated Financial Plan Results

MIFRS Net Income (\$000's)	2018 Forecast	2019 Plan	2020 Plan	2021 Plan	2022 Plan	Total	2023 Plan
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LDC	2019 Financial Plan	122,114	114,374	128,189	120,118	125,737	610,532	128,476
	2018 Financial Plan	108,908	126,272	135,712	137,509	141,562	649,963	N/A
	Variance	13,206	(11,898)	(7,523)	(17,391)	(15,825)	(39,431)	N/A

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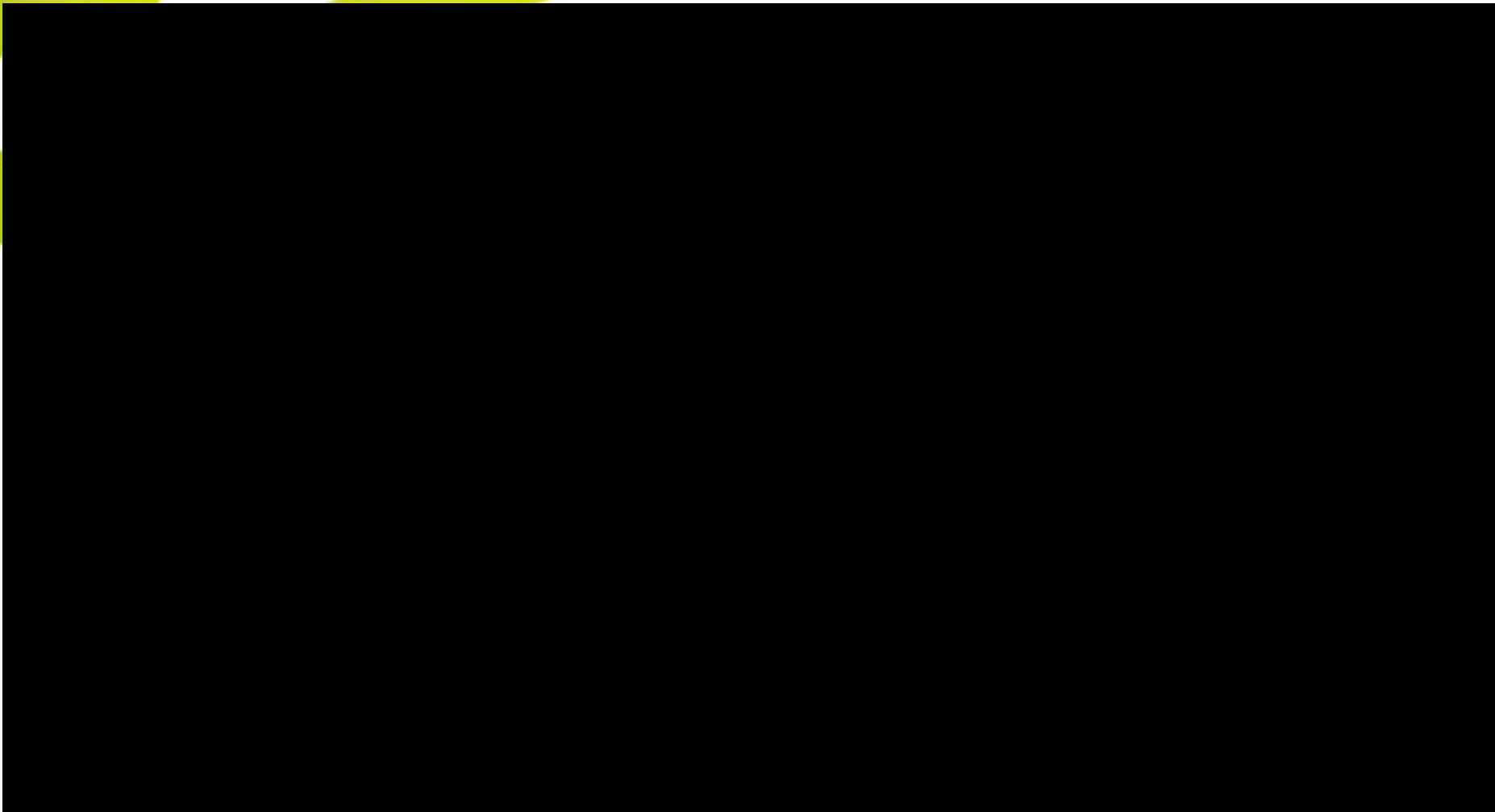
- [REDACTED]
- Unfavourable financial performance relative to 2018 plan due to lower revenue as a result of changes in merger assumptions and status quo. Depreciation expenses also unfavourable vs. 2018 plan.

- [REDACTED]

# Shared Consolidated Financial Plan Results

Dividends at policy (\$000's)		2018 Forecast	2019 Plan	2020 Plan	2021 Plan	2022 Plan	Total	2023 Plan
LDC	2019 Financial Plan	67,196	74,697	76,914	72,071	75,443	366,320	77,086
	2018 Financial Plan	70,545	75,763	81,427	82,505	84,937	395,178	N/A
	Variance	(3,349)	(1,066)	(4,514)	(10,435)	(9,495)	(28,858)	N/A

- [REDACTED]
- Dividends unfavourable compared to prior plan over the planning period
- Proposal for dividend smoothing between 2018 to 2019 to compensate for deferral of union VSP (embedded in above figures)



# Consolidated Shared Financial Plan Results

(\$MMs)	2018 Forecast	2019 Plan	2020 Plan	2021 Plan	2022 Plan	Total	2023 Plan
<b>Net Income and Capital</b>							
Local distribution operations	\$ 122.1	\$ 114.4	\$ 128.2	\$ 120.1	\$ 125.7	\$ 610.5	\$ 128.5
LDC Capital Expenditures (Gross)	\$ 357.2	\$ 388.5	\$ 349.6	\$ 327.4	\$ 330.6	\$ 1,753.3	\$ 317.0

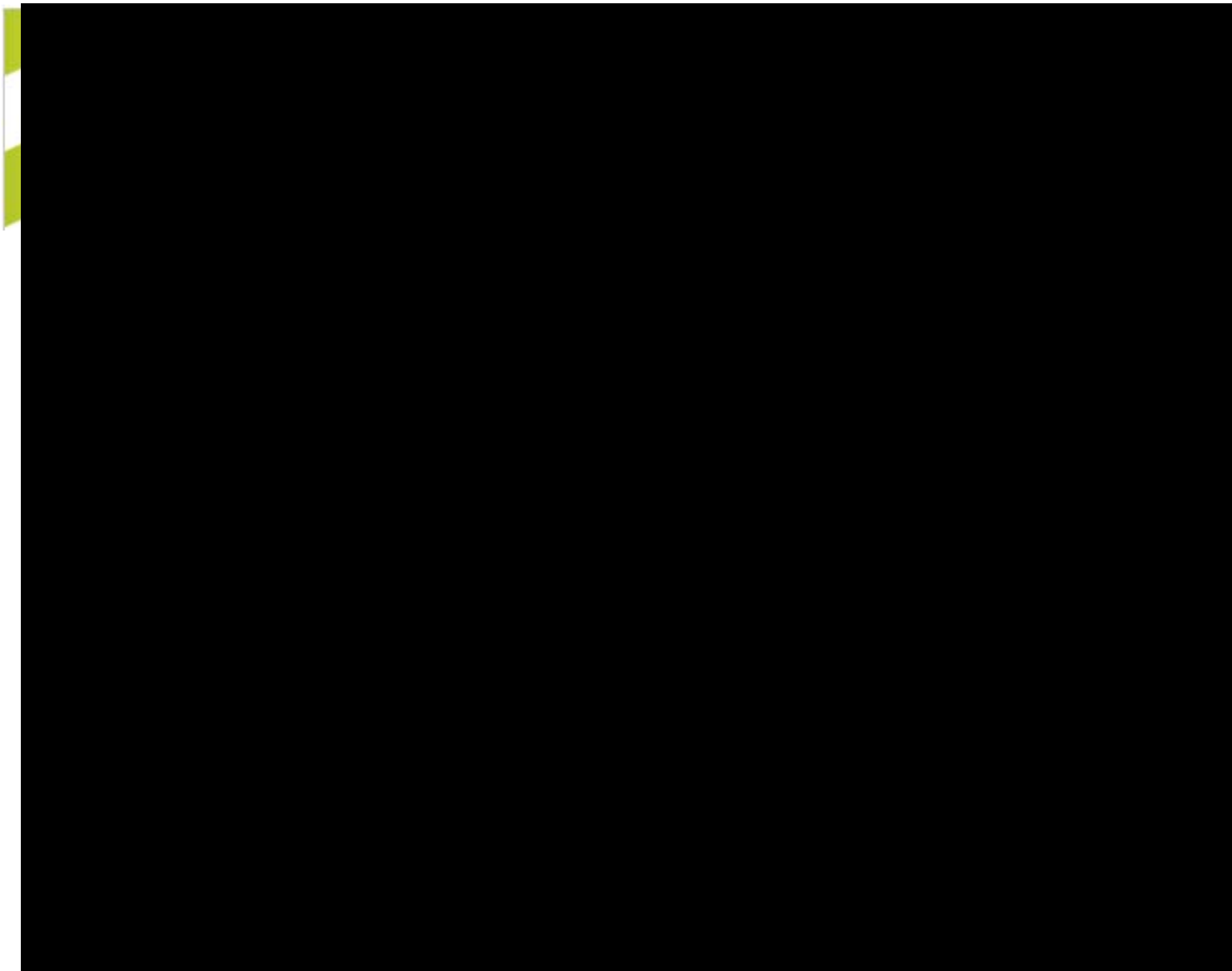
- Projected performance
  - Shared earnings unfavourable to prior plan due to impact of changes in status quo and merger assumptions which have led to decreased revenue projection
  - Supportive of A credit rating



# Key Assumptions/ Risks

- 2020 sale of Stoney Creek operation centre - \$2.1MM net gain
- Guelph merger – included net income and dividends (no detailed financials)
- Load forecast – weather/ CDM
- OEB price-cap IRM 2019 increase – 1.3%
- Customer growth rate for 2019 -1.4%
- ICM revenue of \$6.9MM in 2019 and \$38.4MM from 2019-23 based on 50% recovery of eligible ICM projects consistent with 2018 ICM decision
- Reclassification of 1,321 customers to a lower rate class
- Reduction in other revenue based on winter disconnection moratorium and OEB proposed changes to customer rules
- No new CDM programs after 2020
- OM&A non-labour inflation – 1.5% annually
- Vacancy rate – 3.0%
- [REDACTED]
- Integration net synergies lower than 2018 plan
- Innovation (GRE&T) Centre costs included in Plan
- New IFRS 16 - Leases standard implementation in 2019







# Alectra Utilities LDC: 2019 Plan over 2018 Plan

## LDC Net Income - MIFRS

	2019 Plan vs. 2018 Plan Differences					
	Favourable/ (Unfavourable)					
(\$MMs)	2018 F/B	2019	2020	2021	2022	Total
Distribution Revenue	1.9	(3.6)	(12.4)	(12.4)	(11.9)	(38.4)
Other Income	6.1	2.2	(5.6)	(2.9)	(2.5)	(2.6)
Total net revenue	8.0	(1.4)	(18.0)	(15.3)	(14.4)	(41.1)
Operating expenses	12.4	(17.4)	2.0	0.7	0.7	(1.6)
Depreciation	(1.2)	(3.2)	(8.7)	(11.5)	(11.6)	(36.1)
Total Expenses	11.2	(20.6)	(6.7)	(10.8)	(10.9)	(37.7)
Operating income	19.3	(22.0)	(24.7)	(26.1)	(25.3)	(78.8)
Derecognition	0.6	3.1	4.7	0.3	0.3	9.0
Interest income	(1.5)	1.6	1.5	1.9	1.8	6.8
Interest expense	2.6	(2.7)	(3.1)	(3.7)	(4.3)	(13.8)
Income before taxes	20.9	(20.0)	(21.5)	(27.5)	(27.5)	(75.7)
PILs	(7.7)	6.6	9.6	4.9	4.9	18.3
Pre-merger Net income	13.2	(13.5)	(11.9)	(22.6)	(22.6)	(57.4)
Guelph Hydro	-	2.6	5.8	6.6	8.2	23.2
GRE&T centre	-	(1.0)	(1.4)	(1.4)	(1.4)	(5.2)
Post-merger Net income	13.2	(11.9)	(7.5)	(17.4)	(15.8)	(39.4)

# Changes to Status Quo and Merger Assumptions

Variance Drivers (\$000's)	2018	2019	2020	2021	2022	Total
<b>LDC Revenue Variances</b>						
ICM Revenue	(2,004)	(3,383)	(7,336)	(9,868)	(11,296)	<b>(33,887)</b>
Capitalization Policy Change	(760)	(2,275)	(4,509)	(4,227)	(3,776)	<b>(15,548)</b>
						-
OEB Customer Rules Proposed Changes	(1,700)	(1,634)	(1,607)	(1,576)	(1,462)	<b>(7,980)</b>
OEB disconnection policy change	-	(1,325)	(1,325)	(1,325)	(1,325)	<b>(5,301)</b>
						-
<b>Non Labour Variances</b>						-
CDM Shared Services Costs	-	-	-	(1,500)	(2,400)	<b>(3,900)</b>
	<b>(4,465)</b>	<b>(8,617)</b>	<b>(14,777)</b>	<b>(18,497)</b>	<b>(20,259)</b>	<b>(66,615)</b>

- 2018 OEB ICM decision applied a new incremental materiality threshold on qualifying projects which resulted in a reduction in expected ICM revenues
- 2018 OEB decision on capitalization policy change has resulted in a reduction in planned distribution revenue
- OEB proposed changes to customer rules will reduce collection, connection, reconnection and late payment revenues
- OEB winter disconnection moratorium has also reduced collection, connection, reconnection and late payment revenues
- End of CDM programs in 2020 will leave shared services that were being charged to CDM unfunded



# Alectra Utilities LDC: Achievement of 2018 Productivity Target

2019 Cost Reductions vs. 2018 Productivity Target					
Summary (\$MM)	2019	2020	2021	2022	Total 19-22
Cost Reductions - 2019 Plan	6.5	7.3	7.6	9.5	30.8
Productivity Target - 2018 Plan	6.6	5.6	5.6	5.8	23.5
<b>Favourable/(Unfavourable)</b>	<b>(0.1)</b>	<b>1.7</b>	<b>2.0</b>	<b>3.7</b>	<b>7.3</b>

- Alectra faced as structural cost issue in the 2018 plan and included a productivity target of \$23.5MM in the plan over the 2019-22 period
- Cost reduction exercise completed in 2018 identified \$30.8MM in cost savings over the 2019-22 period. These savings have been embedded in the 2019 plan
  - Reduction in full time positions and average management wage increases (\$7.1MM)
  - Reduction in use of third party provider for maintenance services in Network Operations (\$5.1MM)
  - Lower consulting across the organization (\$4.1MM)



# Risks: LDC Plan

Nature of Risk and Opportunity (\$MMs)	Low	High
<b><i>Distribution and Other Revenue</i></b>		
Weather - 2019 Impact (+/- 10% consumption June-September)	(1.8)	1.8
Economy - Minimum vs. Maximum Peak Demand - 2018 Impact	(12.4)	12.4
ICM Revenue (Low - 0% recovery; High - 100% recovery)	(1.2)	1.2
Residential and Small Commercial customers - Customer Service rules	(0.8)	(1.6)
Large Commercial customers	—	(2.2)
<b><i>Operating and Capital Expenditures</i></b>		
Weather Event	(2.7)	-
System Access Capital (+/- 5%)	(3.9)	3.9
Operating Maintenance Programs (Non-wage) (+/- 3%)	(3.8)	3.8
Derecognition Losses on Distribution Renewal Program (+/-10%)	(0.6)	0.6
Vacancy Adjustment	(4.5)	-

# LDC Capital Expenditures

(\$MM's)	2018 Forecast	2019 Plan	2020 Plan	2021 Plan	2022 Plan	Total	2023 Plan
<b>Distribution System Capital Expenditures</b>							
System access	157.8	195.1	165.3	144.2	139.8	<b>802.2</b>	126.0
System service	23.7	25.5	37.3	37.2	34.8	<b>158.5</b>	49.3
System renewal	112.9	125.1	134.6	137.0	147.9	<b>657.5</b>	147.4
<b>Gross Distribution System Capital</b>	<b>294.4</b>	<b>345.7</b>	<b>337.2</b>	<b>318.4</b>	<b>322.5</b>	<b>1,618.2</b>	<b>322.7</b>
Capital contributions	(72.4)	(116.6)	(95.0)	(76.1)	(77.8)	<b>(437.9)</b>	(60.0)
<b>Net Distribution System Capital</b>	<b>222.0</b>	<b>229.1</b>	<b>242.2</b>	<b>242.3</b>	<b>244.7</b>	<b>1,180.3</b>	<b>262.7</b>
General Plant - Core	17.7	23.9	37.8	32.3	38.8	<b>150.5</b>	29.5
General Plant - Integration	45.1	34.8	3.6	3.0	-	<b>86.5</b>	-
Potential ICM decision impact	-	(15.9)	(29.0)	(26.3)	(30.7)	<b>(101.9)</b>	(35.2)
<b>Total Net Capital Expenditures</b>	<b>284.8</b>	<b>271.9</b>	<b>254.6</b>	<b>251.3</b>	<b>252.8</b>	<b>1,315.4</b>	<b>257.0</b>
<b>2018 Financial Plan</b>	<b>266.8</b>	<b>257.3</b>	<b>270.6</b>	<b>269.9</b>	<b>272.9</b>	<b>1,337.5</b>	<b>N/A</b>
<b>Difference</b>	<b>(18.0)</b>	<b>(14.6)</b>	<b>16.0</b>	<b>18.6</b>	<b>20.1</b>	<b>22.1</b>	<b>N/A</b>

- Cumulative decrease of \$22.1MM 2018-2022 relative to 2018 Plan
  - Reduction in System renewal and service projects resulting for ICM decision of \$101.9MM from 2018 to 2022
  - Increase in integration capital (\$30.5MM) and core general plant capital (\$16.3MM) relative to 2018 Plan
  - Major projects for 2019 include:
    - Transit projects \$62.8MM
    - New customer connections \$59.6MM
    - Road authority requests \$43.4MM
    - Overhead line rebuilds \$36.2MM
    - Underground cable replacement \$34.2MM

# Synergies Comparison to PY Plan

<b>2019 Financial Plan Synergies</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
Operating synergies (Non-Labour)	21.9	21.0	24.5	25.5	25.8	25.8	144.5
Operating synergies (Labour)	16.3	22.1	26.5	27.0	27.4	27.8	147.1
Operating synergies (Labour-ongoing cost increase)	(5.6)	(8.7)	(8.9)	(9.1)	(9.3)	(9.5)	(51.1)
Capital synergies	49.2	19.4	15.6	23.0	13.2	7.5	127.9
<b>Total Synergies</b>	<b>81.8</b>	<b>53.8</b>	<b>57.7</b>	<b>66.4</b>	<b>57.1</b>	<b>51.6</b>	<b>368.4</b>
Operating transition costs	4.9	15.8	0.2	0.2	-	-	21.1
Capital transition costs	45.1	34.8	3.6	3.0	-	-	86.5
<b>Total Transition Costs</b>	<b>50.0</b>	<b>50.6</b>	<b>3.8</b>	<b>3.2</b>	<b>-</b>	<b>-</b>	<b>107.6</b>
<b>Total Net Synergies</b>	<b>31.8</b>	<b>3.2</b>	<b>53.9</b>	<b>63.2</b>	<b>57.1</b>	<b>51.6</b>	<b>260.8</b>

<b>2018 Financial Plan Synergies</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
Operating synergies (Non-Labour)	18.2	16.9	18.9	18.7	18.7	18.7	110.1
Operating synergies (Labour)	17.9	24.9	31.2	33.1	33.6	33.6	174.3
Operating synergies (Labour-ongoing cost increase)	(5.3)	(5.3)	(5.4)	(5.4)	(5.5)	(5.5)	(32.4)
Capital synergies	21.1	31.7	21.0	27.7	8.0	8.0	117.5
<b>Total Synergies</b>	<b>51.9</b>	<b>68.2</b>	<b>65.7</b>	<b>74.1</b>	<b>54.8</b>	<b>54.8</b>	<b>369.5</b>
Operating transition costs	18.3	0.7	0.2	0.2	-	-	19.4
Capital transition costs	40.4	15.6	-	-	-	-	56.0
<b>Total Transition Costs</b>	<b>58.7</b>	<b>16.3</b>	<b>0.2</b>	<b>0.2</b>	<b>-</b>	<b>-</b>	<b>75.4</b>
<b>Total Net Synergies</b>	<b>(6.8)</b>	<b>51.9</b>	<b>65.5</b>	<b>73.9</b>	<b>54.8</b>	<b>54.8</b>	<b>294.1</b>

<b>Differences</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
Operating synergies (Non-Labour)	3.7	4.1	5.6	6.8	7.1	7.1	34.4
Operating synergies (Labour)	(1.6)	(2.8)	(4.7)	(6.1)	(6.2)	(5.8)	(27.2)
Operating synergies (Labour-ongoing cost increase)	(0.3)	(3.4)	(3.5)	(3.7)	(3.8)	(4.0)	(18.7)
Capital synergies	28.1	(12.3)	(5.4)	(4.7)	5.2	(0.5)	10.4
<b>Total Synergies</b>	<b>29.9</b>	<b>(14.4)</b>	<b>(8.0)</b>	<b>(7.7)</b>	<b>2.3</b>	<b>(3.2)</b>	<b>(1.1)</b>
Operating transition costs	(13.4)	15.1	-	-	-	-	1.7
Capital transition costs	4.7	19.2	3.6	3.0	-	-	30.5
<b>Total Transition Costs</b>	<b>(8.7)</b>	<b>34.3</b>	<b>3.6</b>	<b>3.0</b>	<b>-</b>	<b>-</b>	<b>32.2</b>
<b>Total Differences</b>	<b>38.6</b>	<b>(48.7)</b>	<b>(11.6)</b>	<b>(10.7)</b>	<b>2.3</b>	<b>(3.2)</b>	<b>(33.3)</b>

# Synergies Comparison to PY Plan

- Non-labour operating synergies increased \$34.4MM over 2018-23 period vs. 2018 plan
  - Reduction in the Jane Street office lease
  - Favourable financing costs resulting from lower yields on long-term debt
  - PowerStream 2016 rate application decision
  - Reduction in Corporate memberships (CEA, OEA, EDA)
  - Favourable results from benefits amalgamation
  - Lower costs to support Treasury activities
  - Partially offset by elimination of cafeteria synergies and lower volume discounts
- Labour operating synergies decreased by \$45.9MM over 2018-23 period vs. 2018 plan
  - Primarily attributable to cost structure changes in labour
- Operating transition costs increased by \$1.7MM over 2018-23 period vs. 2018 plan
  - Higher costs for ERP project and other integration projects
  - Higher costs for CIS project
- Capital Synergies increased by \$10.4MM over 2018-23 period vs. 2018 plan
  - Favourable labour synergies from avoided headcount positions
  - Reduced capital expenditures due to cancelled facilities initiatives
- Capital transition expenditures \$30.5MM higher over 2018-23 period vs 2018 plan
  - Operations voice radio system and CIS convergence projects
  - Facilities renovations at Derry road, John Street, Cityview locations







# Corporate Financial Liquidity

## Immediate Sources

- \$500MM CIBC/ TD Facility – exp October 5/20
- \$100MM overdraft with RBC
- \$300MM commercial paper (CP) program established in 2018. The CP program is carved out of \$500MM facility leaving \$200MM for bankers acceptance and letter of credit financing
- Trust Indenture – long-term debentures:
  - \$200MM 30yr in 2019 @ est cost 3.75%
  - \$250MM 30yr in 2021 @ est cost 3.80%
  - \$250MM 30yr in 2023 @ est cost 3.85%
  - [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



# Summary

- Challenges have unfavorably impacted 2019-23 forecast results due to uncontrollable regulatory events that have changed merger assumptions and status quo
- Revenue has been unfavourably impacted by OEB decisions on ICM, capitalization policy change and policy changes (winter disconnection and proposed customer rules)
- [REDACTED]
- Continued focus on mitigating financial challenges
- \$1.3B distribution capital program to support system reliability, expansion, and enhancement

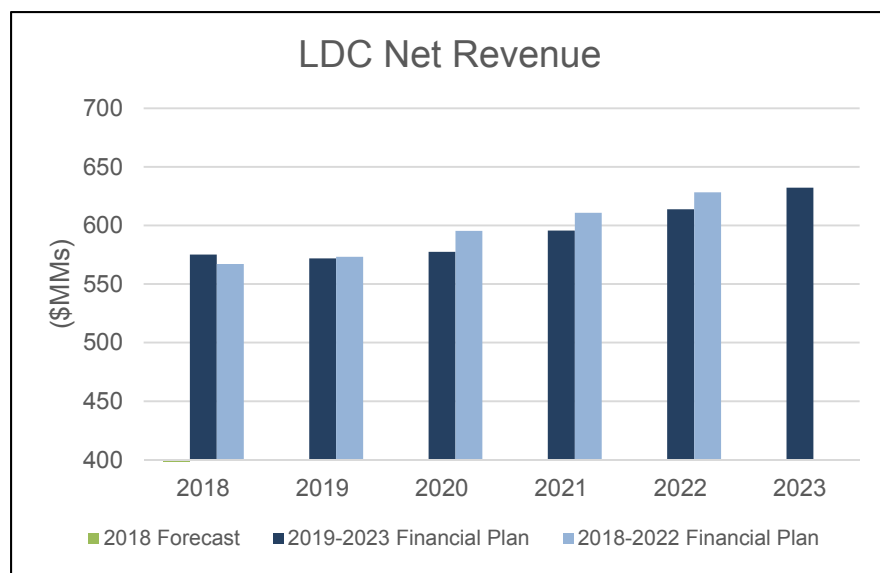


## Supporting Exhibits



## ***2019 Plan over 2018 Plan Analysis: 2019-2022***

# LDC Net Revenue Differences

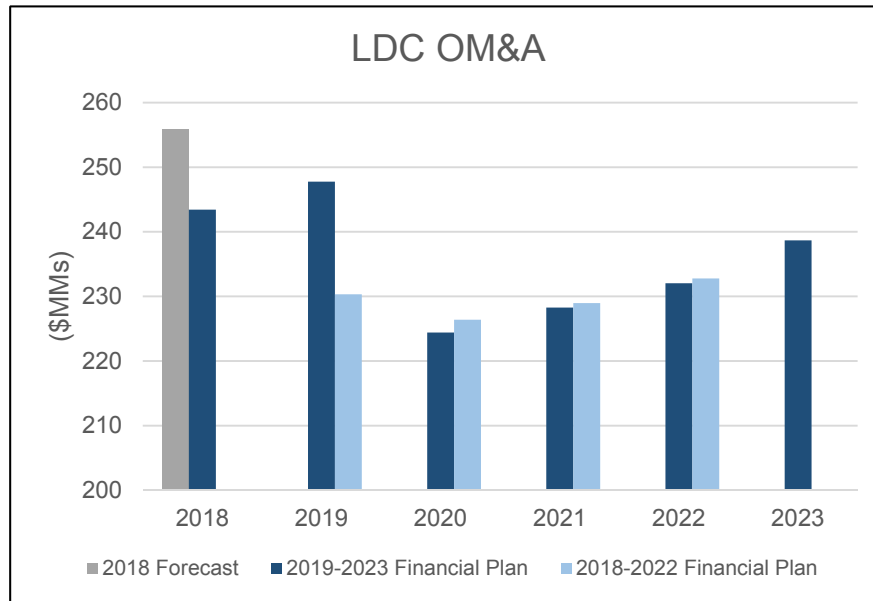


## LDC Net Revenue Differences (\$MMs)

ICM revenue	(31.9)
Customer growth and reclassifications	(18.7)
Winter disconnection ban & policy change	(11.6)
Capitalization policy	(14.8)
Distribution rates and consumption	19.3
LRAM revenue	7.0
Various other	1.5
<b>Total Impact of LDC revenue differences</b>	<b>(49.1)</b>

- Cumulative unfavourable impact of \$49.1MM
  - ICM revenue unfavourable vs. prior plan based on assumption of recovery of 50% of eligible capital based on outcome of 2018 ICM application
  - Lower forecast customer growth has resulted in unfavourable revenue compared with prior plan
  - Lower revenue due to reclassification of 1,321 customers to lower rate classes
  - Lower revenue due to OEB changes on winter disconnections and proposed customer rules
  - Impact of OEB decision on capitalization policy change included in 2019 plan
  - Favourable rates revenue and increased consumption forecast vs. prior plan
  - LRAM revenue is favourable due to energy savings forecast

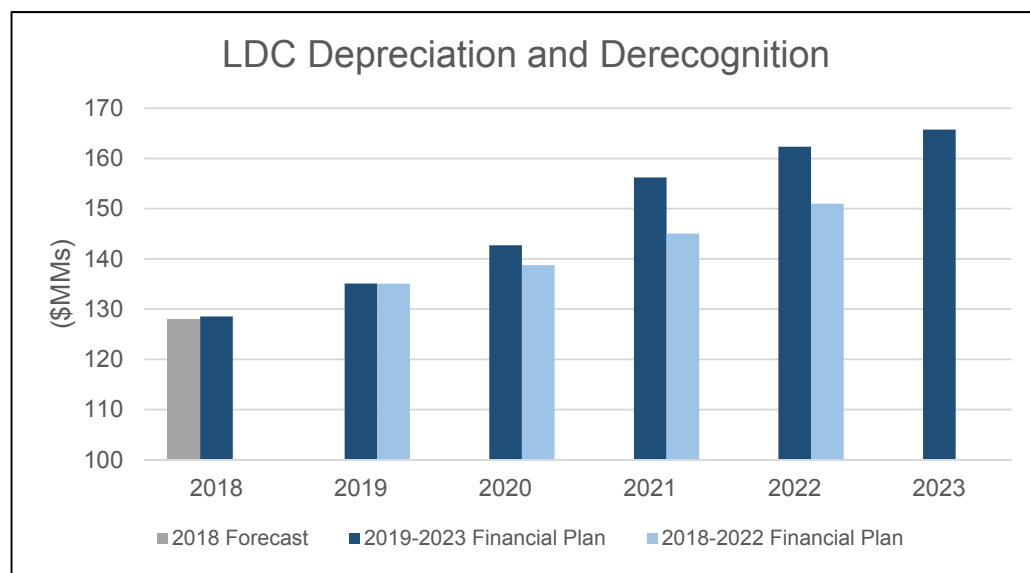
# LDC OM&A Differences



LDC OM&A Differences (\$MMs)	
Consulting	(8.5)
Outside service provider	(8.3)
Wage inflation assumption	(3.9)
Shared service recoveries from CDM	(3.9)
Software and hardware licenses	11.9
Benefit Harmonization	4.7
Repairs and maintenance	4.2
Headcount and merit changes	3.8
Postage and delivery	2.8
Various other	0.6
Impact of OM&A difference excluding offsets	
Total Impact of LDC OM&A differences	

- Cumulative unfavourable impact of [REDACTED] (excluding variances offset in affiliates)
  - [REDACTED]
  - Higher consulting to support IT and Regulatory initiatives
  - Higher OSP related to IT initiatives and to support operations maintenance programs
  - Union wage harmonization and management wage increases expected to be higher than prior plan and Business Case
  - Cost of CDM organization not being recovered after 2020 due to ending of CDM programs
  - Favourable OM&A resulting from savings achieved through benefit harmonization process
  - Favourable OM&A due to reduction in headcount and lower 2018 management merit increases

# LDC Depreciation and Derecognition Differences



LDC Dep/Derec Differences (\$MMs)	
Higher depreciation	(34.9)
Lower derecognition trending	8.4
Total impact of Dep/Derec differences	(26.5)

- Cumulative unfavourable impact of \$26.5MM
  - Refinements to estimation of depreciation from harmonization of process and changes to the capital plan
  - Increased in service capital driving higher depreciation
    - IT software - \$8.2MM unfavourable depreciation impact due to increased capital in 2019 plan
    - IFRS 16 (Leases) - \$3MM unfavourable (offset by reduction in OM&A)
    - Distribution – higher forecast in-service assets - \$5MM
  - Refinements to depreciation estimate- \$18MM unfavourable impact



# Computer Hardware/Software Capital Plan

Computer Hardware/ Software (\$000's)	2019 Plan	2020 Plan	2021 Plan	2022 Plan	Total
2019 Plan	10,219	14,540	15,213	22,795	<b>62,767</b>
2018 Plan	7,227	7,902	9,454	6,329	<b>30,912</b>
<b>Increase/ (Decrease)</b>	<b>2,992</b>	<b>6,638</b>	<b>5,759</b>	<b>16,466</b>	<b>31,855</b>

Summary of Project Additions/ Changes (\$000's)	2019 Plan	2020 Plan	2021 Plan	2022 Plan	Total
CIS Alectra	(599)	293	2,905	14,427	<b>17,026</b>
ERP Alectra	838	2,354	(1,636)	3,321	<b>4,877</b>
Operational Technology expenditures	490	325	1,926	1,126	<b>3,867</b>
Customer experience/ web portal	100	653	256	-	<b>1,009</b>
CopperLeaf C55	193	466	225	86	<b>970</b>
Data Analytics (Advanced Planning)	186	347	354	-	<b>887</b>
Asset Register	375	482	-	-	<b>857</b>
Additional Alectra security projects	259	314	171	(36)	<b>708</b>
New Customer Connection process (NCCP)	300	228	-	-	<b>528</b>
ServiceNow	172	58	59	59	<b>348</b>
Innovation Projects Automation	166	168	-	-	<b>334</b>
Alectra Meeting room transformation	415	310	-	(454)	<b>271</b>
Other	97	640	1,499	(2,063)	<b>173</b>
<b>Total</b>	<b>2,992</b>	<b>6,638</b>	<b>5,759</b>	<b>16,466</b>	<b>31,855</b>

- Computer hardware/software capital plan has increased on a plan over plan basis due to:
  - CIS upgrade and enhancements (\$17MM)
  - ERP enhancements/optimization (\$5MM)
  - Operational technology investments (\$4MM)



# LDC Revenue Variance Drivers

<b>LDC Revenue - Plan over Plan Analysis (\$000's)</b>					
<b>Revenue Variance Drivers</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Total</b>
Lower ICM revenue	(3,383)	(7,336)	(9,868)	(11,296)	(31,883)
Capitalization policy	(2,275)	(4,509)	(4,227)	(3,776)	(14,787)
Customer growth	(1,910)	(3,100)	(2,214)	(2,145)	(9,369)
Rate Reclassification	(1,285)	(2,628)	(2,675)	(2,723)	(9,311)
Winter Disconnection Ban Impact	(1,634)	(1,607)	(1,576)	(1,462)	(6,279)
OEB disconnection policy change	(1,325)	(1,325)	(1,325)	(1,325)	(5,301)
CDM Revenue	(1,563)	(1,268)	(719)	(100)	(3,650)
Other (TA, Retailer Revenue etc.)	(269)	(277)	(326)	(394)	(1,266)
Gain on transfer of deferred tax asset from RFSP	-	(1,595)	424	334	(837)
Higher consumption/demand	2,663	1,981	3,222	4,538	12,404
LRAM revenue	2,013	1,486	1,669	1,795	6,963
Higher distribution rates	855	1,983	2,021	2,061	6,919
RPP revenue	4,000	-	-	-	4,000
Waubashene transformer station settlement	2,400	-	-	-	2,400
Various Other	274	231	330	56	891
<b>Total Variance - Fav/(Unfav)</b>	<b>(1,440)</b>	<b>(17,965)</b>	<b>(15,264)</b>	<b>(14,437)</b>	<b>(49,106)</b>



## ***LDC Operating Expense Analysis: Structure Changes vs. 2018 Plan***



# LDC OM&A Variance Summary

## LDC OM&A Plan over Plan Summary

OM&A Variance Drivers (\$000's)	2019	2020	2021	2022	Total
Labour variances	(11,404)	1,440	990	210	(8,764)
Non-labour variances	(6,022)	535	(310)	532	(5,265)
Total Variance - Fav/(Unfav)	(17,426)	1,975	680	742	(14,029)



# LDC OM&A

## Labour Variance Drivers

### Labour Variance - LDC

(\$000s)	2019	2020	2021	2022	Total
Wage inflation assumption	(396)	(796)	(1,145)	(1,565)	(3,902)
Overtime - System Control Room Operations	(742)	(242)	58	58	(868)
Benefit Harmonization	2,269	1,270	839	303	4,681
Headcount and merit changes	1,063	1,045	822	843	3,773
Allocation of labour to capital	(413)	(149)	75	382	(105)
Various Other	585	189	182	188	1,144
Unfavourable change					



# LDC OM&A

## Non-Labour Variance Drivers

### LDC OM&A - Plan over Plan Analysis (\$000's)

OM&A Non-Labour Variance Drivers (\$000's)	2019	2020	2021	2022	Total
Consulting - BI & Analytics roadmap, Enterprise systems (CIS) system assessments	(3,473)	(1,900)	(1,494)	(1,658)	(8,525)
Outside service provider - CIS Cx roadmap, enterprise systems, cable locates	(3,004)	(2,220)	(1,631)	(1,441)	(8,297)
Direct Materials & Direct Vehicle charges - Central North	(828)	(602)	(601)	(613)	(2,645)
Bank charges - volume of transactions, AP link, lock box charges from RBC	(646)	(686)	(708)	(731)	(2,771)
Fleet recoveries	(378)	(336)	(413)	(370)	(1,497)
Phone / Mobile charges - increase in corporate telephone charges	(292)	(300)	(308)	(316)	(1,217)
Training and development, Mileage, Travel and accommodations, meals and entertainment	(249)	(108)	(107)	(108)	(572)
Software and hardware licenses - experience-based savings on existing licenses	2,443	2,934	3,158	3,390	11,925
Repairs and Maintenance - decreased fleet repairs, decreased insulator washing in Network Operations	908	1,093	1,095	1,113	4,209
Postage and delivery	673	684	694	705	2,756
Other - elimination of SR&ED and Apprentice ITC credits from budget	(611)	958	1,305	2,870	4,521
Rent expense - IFRS 16, change in lease standard for Jane street and Belgrave substation	686	696	(16)	(16)	1,350
Legal fees	(303)	454	456	458	1,064
Insurance	209	207	206	205	827
Various Other	(317)	559	511	575	1,329
<b>Total Variance - Fav/(Unfav)</b>	<b>(6,022)</b>	<b>535</b>	<b>(310)</b>	<b>532</b>	<b>(5,265)</b>