

EXHIBIT 4 – OPERATING EXPENSES

2023 Cost of Service

Cooperative Hydro Embrun Inc.
EB-2022-0022

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4.1. OVERVIEW

OM&A expenses are costs incurred in providing safe and reliable electricity distribution, meeting regulatory compliance, and satisfying other operational and maintenance needs. Also included in OM&A are expenses related to maintaining a customer accounts system to keep records of customer usage, billing, and payments. The utility incurs indirect costs in reading meters and preparing invoices. Bill payments are processed, and collection processes are in place to contend with past due accounts. Billing and collecting related costs include answering customer questions, managing their complaints, and responding to service outages and emergencies. The administrative expense includes employee salaries, benefits, office supplies, insurance, outside services, regulatory costs, amongst administrative-related other expenditures.

These operating costs are necessary to comply with the Distribution System Code, environmental requirements, and government direction and expenses associated with ensuring the safety of all stakeholders, and expenses to maintain distribution service quality and reliability.

CHEI's 2023 Test Year operating costs are projected to be \$753,157, representing an increase of \$71,186 or 10.4% from its 2018 Board Approved costs. Details are introduced in Table 1 below. Explanations and details are presented in the next section and throughout this exhibit.

Table 1 – 2023 OM&A vs 2018 Board Approved OM&A

	2018 Board Approved	2023	Variance from 2018BA
Operations	\$36,569	\$47,439	\$10,870
Maintenance	\$53,115	\$49,486	-\$3,629
Subtotal	\$89,684	\$96,924	\$7,240
Billing and collecting	\$199,982	\$244,306	\$44,324
Community Relations	\$5,150	\$3,521	-\$1,629
Administrative and General+LEAP	\$387,155	\$408,405	\$21,250
Subtotal	\$592,287	\$656,233	\$63,946
Total	\$681,971	\$753,157	\$71,186
%Change (Test Year vs Last Rebasing Year			10.4%

Relevant Notes on CHEI's OM&A

CHE does not have any unionized employees (ref: Section 4.3). All non-union salaries are adjusted yearly to reflect the inflation factor published by Stats Canada (ref: Section 4.3). The utility does not have a Collective Agreement, has no affiliates, and is not a virtual utility (ref: Section 4.4). The utility does not expect significant changes in its business environment (ref: Business Plan) other than a moderate increase in residential customers (ref: Exhibit 3). The General Manager is expected to retire before the next Cost of Service in 2028 (4.3 Workforce Planning).

CHEI does not participate in OMERS and therefore does not have any OPEB embedded in its OM&A costs.

CHEI notes that it does not, nor has it ever, capitalized overhead. Therefore, there are no effects on the Test Year's OM&A. Appendix 2-D Overhead Expenses is not applicable in CHEI's case.

4.1.1 Budget Tracking and Reporting Process

CHEI has a thorough budget tracking process. The General Manager tracks the utility's OM&A monthly and measures it against the Board Approved in the previous Cost of Service and against its Board of Director approved yearly budgets. Spending is adjusted depending on the variance from the Board Approved or annual budgets. Although CHEI does not document alternative solutions, part of the management's approach is to continually look for and compare the existing service and costs to more cost-effective alternatives wherever possible. Further details on the utility's procurement policy can be found in section 4.2.7.

While preparing its application for 2023 rates, CHEI tested and analyzed many variations of its Bridge and Test year budgets before landing on a budget the Board of Directors and Manager were confident would meet its commitments to its Stakeholders. (Customers, members, regulators).

An updated budget was first inputted into the utility and OEB's models in August of 2021, and bill impacts were presented to the Board of Directors for comments and feedback. For every iteration of the budget, the Bill Impacts were analyzed, and the OM&A budget was modified to minimize bill impacts to the customers as much as possible. The final 2023 proposed budget was presented to the Board of directors for review and approval in November 2021. Several formal presentations of the budgets, rate design, and bill impacts were presented to the Board of Directors to prepare this application. The Board of Directors also asked for a special meeting to better understand the Cost Allocation and Rate Design process and how it affected the resulting Bill Impacts.

It is important to note that CHEI uses the Cost-of-Service process (i.e., determining a forward test year, load forecasting, rate design, ROE tracking) as a financial and budget planning tool.

Every year, following the audit of its financial statements, the utility inputs its trial balance into its internal cost of service model and explains its variances, and updates its budgets. CHEI also tracks its variances with its Distribution System Plan to ensure that it is on track with the level of spending it committed to in its last Cost of Service.

CHEI notes that it does not capitalize overhead costs

4.2. ANALYSIS OF OPERATING EXPENSES

4.2.1 Overview

The table below shows a summary of recoverable OM&A expenses for relevant years. As can be seen, the level of spending has remained stable since the last Board approval in 2018, with a total increase of \$71,186 or 10.4%.

The utility manages unforeseen expenses as they occur and tries to balance the increase, if any, by reducing costs or finding efficiencies wherever possible. Cost drivers are presented and explained in the upcoming section 4.2.3.

OEB Appendix 2-JA below shows a summary of CHEI Operations, Maintenance, and Administrative (“OM&A”) costs as required by the OEB’s filing guidelines.

Table 2 – Summary of Recoverable OM&A Expenses (Appendix 2-JA)

	2018 Board Approved	2018	2019	2020	2021	2022	2023
Operations	\$36,569	\$38,103	\$44,096	\$49,131	\$44,455	\$45,923	\$47,439
Maintenance	\$53,115	\$51,679	\$38,679	\$62,243	\$46,375	\$47,905	\$49,486
Subtotal	\$89,684	\$89,782	\$82,775	\$111,374	\$90,830	\$93,828	\$96,924
%Change (year over year)		0.1%	-7.8%	34.6%	-18.4%	3.3%	3.3%
%Change (Test Year vs Last Rebasing Year - Actual)							8.1%
Billing and collecting	\$199,982	\$199,708	\$219,757	\$214,452	\$217,108	\$236,739	\$244,306
Community Relations	\$5,150	\$5,150	\$4,628	\$4,445	\$3,300	\$3,409	\$3,521
Administrative and General+LEAP	\$387,155	\$395,236	\$391,298	\$408,195	\$391,128	\$405,812	\$408,405
Subtotal	\$592,287	\$600,093	\$615,683	\$627,093	\$611,535	\$645,960	\$656,233
%Change (year over year)		1.3%	2.6%	1.9%	-2.5%	5.6%	1.6%
%Change (Test Year vs Last Rebasing Year - Actual)							10.8%
Total	\$681,971	\$689,876	\$698,458	\$738,467	\$702,365	\$739,788	\$753,157
%Change (year over year)		1.2%	1.2%	5.7%	-	5.3%	1.8%
							10.4%

4.2.2 OM&A Costs per Customer and FTE

The table below shows the OM&A per customer and full-time employee. The 2023 OM&A per customer of \$299 puts the utility in the top 50% of the province. Although the utility continuously strives to find cost efficiencies, it recognizes that a minimum cost level is necessary to running a utility of any size. Although the OEB's Yearbook does not publish the OM&A per FTE, the utility is one of the most efficient utilities with fewer than five employees.

(CHEI notes that in its 2018 application, the administrative cost did not include the groupings Billing and Collecting and Community Relations. The issue was corrected in this table to provide a more accurate comparison)

Table 3 – Recoverable OM&A Cost per Customer and FTE (Appendix 2-L)

	2018 BA	2018	2019	2020	2021	2022	2023
OM&A Costs							
O&M	\$89,684.00	\$89,782.19	\$82,775.02	\$111,374.44	\$90,829.62	\$93,828.12	\$96,924.47
Admin Expenses	\$592,287.00	\$600,093.33	\$615,683.02	\$627,092.62	\$611,535.33	\$645,960.04	\$656,232.71
Total Recoverable OM&A from Appendix 2-JB ⁵	\$681,971.00	\$689,875.52	\$698,458.04	\$738,467.06	\$702,364.95	\$739,788.16	\$753,157.18
Number of Customers ^{2,4}	2281	2305	2321	2358	2404	2461	2518
Number of FTEs ^{3,4}	3	3	3	3	3	3	3
Customers/FTEs	760.37	768.33	773.67	786.14	801.47	820.21	839.42
OM&A cost per customer							
O&M per customer	39	39	36	47	38	38	38
Admin per customer	260	260	265	266	254	263	261
Total OM&A per customer	299	299	301	313	292	301	299
OM&A cost per FTE							
O&M per FTE	29,895	29,927	27,592	37,125	30,277	31,276	32,308
Admin per FTE	197,429	200,031	205,228	209,031	203,845	215,320	218,744
Total OM&A per FTE	227,324	229,959	232,819	246,156	234,122	246,596	251,052

4.2.3 OM&A Variance Analysis (by grouping)

The variance between the 2023 OM&A and previously Board Approved OM&A for 2018 was introduced in the previous section and explained below. Tables 3 to 5 provide comparatives deemed essential in determining the reasonableness of the 2023 OM&A.

The materiality threshold when comparing two years is \$10,000. The variance used to compare the last Board-approved OM&A expenses vs. the 2023 proposed expenses is \$50,000.

CHEI notes that it does not have any variances between the 2018 Board Approved and 2023 Test Year over \$50,000.

In compliance with the filing requirements released on December 16, 2021, CHEI is presenting the following comparisons.

- Last Board Approved (2018BA) vs Proposed Test Year (2023)
- Last Board Approved (2018BA) vs Last Board Actuals (2018)
- Last Historical (2021) vs Bridge Year (2022)
- Bridge Year (2022) vs Proposed Test Year (2023)

Table 4 – 2018 Board Approved OM&A vs 2023 Test Year OM&A

	2018 Board Approved	2023	Variance from 2018BA	Variance %
Operations	\$36,569	\$47,439	\$10,870	29.72%
Maintenance	\$53,115	\$49,486	-\$3,629	-6.83%
Billing and collecting	\$199,982	\$244,306	\$44,324	22.16%
Community Relations	\$5,150	\$3,521	-\$1,629	-31.62%
Administrative and General+LEAP	\$387,155	\$408,405	\$21,250	5.49%
Total	\$681,971	\$753,157	\$71,186	10.44%

Most OM&A variances from the 2018 Board Approved to the 2023 Test Year can be attributed to an increase in billing and collecting, and administrative costs for a total of \$65,574. The major contributor to the rise in Billing and Collecting costs is adjustments in salaries and increases in ORES billing fees.

The increase in Administrative Costs is related to an adjustment in remuneration for the Board of Directors and a single payout to an employee in place of vacation time.

Table 5 – 2018 Board Approved vs 2018 Actuals

	2018 Board Approved	2018 Actuals	Variance \$	Variance %
Operations	\$36,569	\$38,103	\$1,534	4.19%
Maintenance	\$53,115	\$51,679	-\$1,436	-2.70%
Billing and collecting	\$199,982	\$199,708	-\$274	-0.14%
Community Relations	\$5,150	\$5,150	\$0	-0.01%
Administrative and General	\$387,155	\$395,236	\$8,081	2.09%
Total OM&A Expenses	\$681,971	\$689,876	\$7,905	1.16%

The actual 2018 OM&A was a marginal \$7,905 over the Board-approved OM&A. The only noteworthy increase was the Outside Services increase by 16,795 vs. the Board Approved \$47,000. An increase was due to legal and business fees incurred in exploring mergers and acquisitions.

All other significant functions show minimal variance well under the materiality threshold in 2018 Actual vs. 2018 Board Approved.

Table 6 – 2021 Actual vs 2022 Bridge

	2021	2022 Bridge	Variance \$	Variance %
Operations	\$44,455	\$45,923	\$1,468	3.30%
Maintenance	\$46,375	\$47,905	\$1,530	3.30%
Billing and collecting	\$217,108	\$236,739	\$19,631	9.04%
Community Relations	\$3,300	\$3,409	\$109	3.30%
Administrative and General	\$391,128	\$405,812	\$14,684	3.75%
Total OM&A Expenses	\$702,365	\$739,788	\$37,423	5.33%

The Bridge Year OM&A expenses are \$37,423 higher than the 2021 Actuals.

The increase in billing and collecting of \$19,631 is, for the most part, due to a fee from Elster Solutions Canada for 2022 Connexo Net Sense SMA for \$10,731. Connexo is defined as bringing utility intelligence together in one future-proof application, providing a complete view to maximizing value from advanced metering infrastructure (AMI) investment. Connexo helps manage the core of a utility's business with a flexible, scalable, open-architecture framework based on industry standards and protocols. The rest of the increase is attributable to a rise in ORPC fees due to new customers. Other minor expenses include increased courses/workshop fees for the staff.

The increase in administrative and general of \$14,684 is not attributable to a single increase. It is attributable to a uniform increase of 3.3% for budgeting purposes. A breakdown can be found in table 11.

The costs related to operation and maintenance and community relations remain stable and well below the materiality threshold.

Table 7 – 2022 Bridge vs 2023 Test Year

	2022 Bridge	2023 Test Year	Variance \$	Variance %
Operations	\$45,923	\$47,439	\$1,515	3.30%
Maintenance	\$47,905	\$49,486	\$1,581	3.30%
Billing and collecting	\$236,739	\$244,306	\$7,567	3.20%
Community Relations	\$3,409	\$3,521	\$112	3.30%
Administrative and General	\$405,812	\$408,405	\$2,593	0.64%
Total OM&A Expenses	\$739,788	\$753,157	\$13,369	1.81%

The total OM&A expenses in 2023 are projected to be \$13,369 greater than the 2022 Bridge.

The only noteworthy increase of \$7,567 in Billing and Collecting expenses was due to an inflationary increase for budgeting purposes.

The costs related to operation and maintenance and community relations, and administrative and general costs remain stable and well below the materiality threshold.

4.2.4 Actual Yearly Increase vs. Inflationary Increase

Inflation Rate and Assumptions

To prepare its OM&A costs for the 2022 Bridge and 2023 Test Year, CHEI uses the PriceCap Inflation of 3.3%. When preparing its yearly budgets (i.e., 2019,2020,2021), the utility hasn't consistently applied a constant inflation factor to each cost. Instead, it uses a combination of methods, including quotes or most up-to-date costs from recent invoices and inflation where applicable. Concerning salaries, the process is dictated by CHEI's Board of Directors, who generally approves the inflation published by Stats Canada. The executive management may choose to adjust the inflation rate downwards if appropriate, as was the case in 2021.

In preparing the Cost of Service, it was decided that the PriceCap index would be used going forward rather than a blend of both.

The following rates have been used since the last Cost of Service in 2018. A comparison of proposed costs vs. hypothetical inflationary increase had been used is shown in section 4.2.1,

Table 8 – Inflation used for budgeting purposes.

	2018	2019	2020	2021	2022	2023
	Price Cap	Published (Stats Canada)	Published (Stats Canada)	Published (Stats Canada)	Price Cap	Price Cap
Inflation Rate	2.00%	1.90%	0.70%	4.7% revised down to 2.40% by Board of Directors	3.3%	3.3%
Vs						
Price Cap		1.50%	2.00%	2.20%		

In preparing the Test Year budget, CHEI has calculated the year-over-year inflationary increase in OM&A costs at a rate of 2% and compared it to its 2018 operating costs.

As shown in Table 7 below, if the utility had applied a Price Cap increase only, the 2023 resulting costs would be \$25,755 higher than its proposed OM&A Costs.

Table 9 – Hypothetical OM&A Price Cap Increase

	2018	2019	2020	2021	2022	2023
Operations	\$38,103	\$38,674	\$39,448	\$40,316	\$41,646	\$43,020
Maintenance	\$51,679	\$52,455	\$53,504	\$54,681	\$56,485	\$58,349
Billing and collecting	\$199,708	\$202,703	\$206,757	\$211,306	\$218,279	\$225,482
Community Relations	\$5,150	\$5,227	\$5,331	\$5,449	\$5,629	\$5,814
Administrative and General	\$395,236	\$401,165	\$409,188	\$418,190	\$431,990	\$446,246
Total	\$689,876	\$700,224	\$714,228	\$729,941	\$754,029	\$778,912
Price Cap		1.5%	2.0%	2.2%	3.3%	3.3%

4.2.5 Cost Drivers Analysis

Following the OEB's minimum filing requirements, OEB Appendix 2-JB, OM&A Cost Drivers, presented below, outlines the key drivers of OM&A costs throughout 2018 to 2023. An overview of the reasons behind the costs drivers is given following the table, and detailed explanations are presented in Section 4.2.2-Year over Year Variance Analysis.

Table 10 – OM&A Expenses (App 2-JB) (App, 2-JD)

Account	2018 BA	2018	2019	2020	2021	2022	2023
Operations							
5012-Station Buildings and Fixtures Expense	\$1,449	\$1,187	\$1,109	\$789	\$0	\$0	\$0
5017-Distribution Station - Operation Supplies & Expenses	\$0	\$0	\$0	\$0	\$1,052	\$1,087	\$1,123
5035-Overhead Distribution Transformers- Operation	\$3,500	\$7,667	\$2,651	\$2,565	\$1,721	\$1,778	\$1,836
5065-Meter Expense	\$1,400	\$1,309	\$11,979	\$6,490	\$3,296	\$3,405	\$3,517
5075-Customer Premises - Materials and Expenses	\$21,420	\$19,664	\$19,885	\$32,404	\$32,065	\$33,124	\$34,217
5085-Miscellaneous Distribution Expense	\$8,800	\$8,275	\$8,471	\$6,884	\$6,321	\$6,530	\$6,745
Total - Operations	\$36,569	\$38,103	\$44,096	\$49,131	\$44,455	\$45,923	\$47,439
Maintenance							
5110- Buildings and Fixtures - Distribution Stations	\$8,250	\$8,101	\$8,582	\$8,539	\$8,579	\$8,862	\$9,154
5112- Transformer Station Equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5114- Distribution Station Equipment	\$8,950	\$6,847	\$3,633	\$24,765	\$5,628	\$5,813	\$6,005
5120- Poles, Towers, and Fixtures	\$7,335	\$5,676	\$3,913	\$5,322	\$6,652	\$6,872	\$7,099
5125- Overhead Conductors and Devices	\$5,975	\$5,553	\$3,910	\$5,817	\$6,626	\$6,845	\$7,071
5135 -Overhead Distribution Lines - Right of Way	\$8,400	\$17,128	\$9,577	\$6,175	\$7,170	\$7,407	\$7,651
5150- Underground Conductors and Devices	\$10,000	\$7,721	\$5,268	\$8,113	\$8,712	\$8,999	\$9,296
5155- Underground Services	\$2,205	\$325	\$1,915	\$1,371	\$1,937	\$2,000	\$2,066
5160- Line Transformers	\$2,000	\$330	\$1,882	\$2,142	\$1,071	\$1,106	\$1,143
Total - Maintenance	\$53,115	\$51,679	\$38,679	\$62,243	\$46,375	\$47,905	\$49,486
Billing and collecting							
5315-Customer Billing	\$190,462	\$190,010	\$205,336	\$200,842	\$207,653	\$226,042	\$233,256
5330-Collection Charges	\$2,020	\$1,780	\$1,060	\$275	\$455	\$1,400	\$1,446
5335-Bad Debt Expense	\$7,500	\$7,917	\$13,361	\$13,335	\$9,000	\$9,297	\$9,604
Total - Billing and Collecting	\$199,982	\$199,708	\$219,757	\$214,452	\$217,108	\$236,739	\$244,306
Community Relations							
5410-Community Relations - Sundry	\$3,000	\$2,750	\$2,385	\$4,305	\$2,800	\$2,892	\$2,988
5515-Advertising Expense	\$2,150	\$2,400	\$2,243	\$140	\$500	\$517	\$534
Total - Community Relations	\$5,150	\$5,150	\$4,628	\$4,445	\$3,300	\$3,409	\$3,521
Administrative and General Expenses							
5605-Executive Salaries and Expenses	\$34,800	\$33,635	\$44,841	\$50,337	\$43,348	\$45,385	\$46,883
5610-Management Salaries and Expenses	\$96,630	\$96,330	\$100,719	\$112,806	\$109,713	\$112,272	\$114,518
5615-General Administrative Salaries and Expenses	\$68,000	\$60,168	\$60,024	\$64,134	\$59,891	\$61,867	\$63,908
5620-Office Supplies and Expenses	\$40,003	\$40,116	\$39,294	\$35,409	\$38,433	\$39,701	\$41,011
5630-Outside Services Employed	\$47,000	\$63,795	\$43,347	\$44,665	\$37,495	\$39,495	\$40,798
5635-Property Insurance	\$2,910	\$2,847	\$3,559	\$3,568	\$5,595	\$6,245	\$6,451
5640-Injuries and Damages	\$3,612	\$3,576	\$3,103	\$3,862	\$2,203	\$2,700	\$2,789
5655-Regulatory Expenses	\$74,300	\$74,947	\$75,653	\$72,553	\$73,545	\$75,972	\$68,600
5670-Rent	\$15,900	\$15,900	\$16,800	\$16,800	\$16,800	\$18,000	\$19,200
5680-Electrical Safety Authority Fees	\$2,000	\$1,922	\$1,958	\$2,061	\$2,106	\$2,176	\$2,247
6205-Donations	\$2,500	\$0	\$2,500	\$2,360	\$2,500	\$2,500	\$2,500
6205-Sub-account LEAP Funding	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Total - Administrative and General Expenses	\$389,655	\$395,236	\$393,798	\$410,555	\$393,628	\$408,312	\$410,905

Table 11 – Year over Year Variance Analysis and Cost Drivers (App 2-JB)) (App, 2-JD)

Account	2018BA- 2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Operations						
5012-Station Buildings and Fixtures Expense	-\$262	-\$78	-\$320	-\$789	\$0	\$0
5017-Distribution Station Equipment - Operation Supplies and Expenses	\$0	\$0	\$0	\$1,052	\$35	\$36
5035-Overhead Distribution Transformers- Operation	\$4,167	-\$5,016	-\$86	-\$844	\$57	\$59
5065-Meter Expense	-\$91	\$10,670	-\$5,490	-\$3,194	\$109	\$112
5075-Customer Premises - Materials and Expenses	-\$1,756	\$221	\$12,519	-\$339	\$1,059	\$1,093
5085-Miscellaneous Distribution Expense	-\$525	\$196	-\$1,587	-\$563	\$209	\$215
Total - Operations	\$1,534	\$5,993	\$5,035	-\$4,676	\$1,468	\$1,515
Maintenance						
5110-Maintenance of Buildings and Fixtures - Distribution Stations	-\$149	\$481	-\$43	\$40	\$283	\$292
5112-Maintenance of Transformer Station Equipment	\$0	\$0	\$0	\$0	\$0	\$0
5114-Maintenance of Distribution Station Equipment	-\$2,103	-\$3,214	\$21,132	-\$19,138	\$186	\$192
5120-Maintenance of Poles, Towers and Fixtures	-\$1,660	-\$1,763	\$1,409	\$1,331	\$220	\$227
5125-Maintenance of Overhead Conductors and Devices	-\$422	-\$1,643	\$1,907	\$810	\$219	\$226
5135-Overhead Distribution Lines and Feeders - Right of Way	\$8,728	-\$7,551	-\$3,402	\$995	\$237	\$244
5150-Maintenance of Underground Conductors and Devices	-\$2,280	-\$2,453	\$2,846	\$599	\$288	\$297
5155-Maintenance of Underground Services	-\$1,880	\$1,590	-\$544	\$566	\$64	\$66
5160-Maintenance of Line Transformers	-\$1,670	\$1,552	\$260	-\$1,071	\$35	\$37
Total - Maintenance	-\$1,436	-\$13,000	\$23,564	-\$15,869	\$1,530	\$1,581
Billing and collecting						
5315-Customer Billing	-\$452	\$15,325	-\$4,493	\$6,810	\$18,389	\$7,214
5330-Collection Charges	-\$240	-\$720	-\$785	\$180	\$945	\$46
5335-Bad Debt Expense	\$417	\$5,444	-\$27	-\$4,335	\$297	\$307
5340-Miscellaneous Customer Accounts Expenses	\$0	\$0	\$0	\$0	\$0	\$0
Total - Billing and Collecting	-\$274	\$20,049	-\$5,305	\$2,655	\$19,631	\$7,567
Community Relations						
5410-Community Relations - Sundry	-\$250	-\$365	\$1,920	-\$1,505	\$92	\$95
5515-Advertising Expense	\$250	-\$157	-\$2,103	\$360	\$17	\$17
Total - Community Relations	\$0	-\$522	-\$183	-\$1,145	\$109	\$112
Administrative and General Expenses						
5605-Executive Salaries and Expenses	-\$1,165	\$11,206	\$5,496	-\$6,989	\$2,037	\$1,498
5610-Management Salaries and Expenses	-\$300	\$4,389	\$12,087	-\$3,093	\$2,559	\$2,246
5615-General Administrative Salaries and Expenses	-\$7,832	-\$144	\$4,110	-\$4,244	\$1,976	\$2,041
5620-Office Supplies and Expenses	\$113	-\$822	-\$3,885	\$3,023	\$1,268	\$1,310
5630-Outside Services Employed	\$16,795	-\$20,448	\$1,318	-\$7,170	\$2,000	\$1,303
5635-Property Insurance	-\$63	\$712	\$9	\$2,027	\$650	\$206
5640-Injuries and Damages	-\$36	-\$473	\$759	-\$1,659	\$497	\$89
5655-Regulatory Expenses	\$647	\$706	-\$3,100	\$992	\$2,427	-\$7,372
5670-Rent	\$0	\$900	\$0	\$0	\$1,200	\$1,200
5680-Electrical Safety Authority Fees	-\$78	\$36	\$103	\$45	\$70	\$72
6205-Donations	-\$2,500	\$2,500	-\$140	\$140	\$0	\$0
6205-Sub-account LEAP Funding	\$0	\$0	\$0	\$0	\$0	\$0
Total - Administrative and General Expenses	\$5,581	-\$1,438	\$16,757	-\$16,928	\$14,684	\$2,593

5065-Meter Expense.

2018 Actual to 2019 Actual: Increase of \$12,519

- Meter expenses increase from 2018 Board Approved due to a high number of meters having reached their ten years and needing reverification. The expense was somewhat anticipated and therefore under the control of the utility. However, under the current rate-making process, a utility cannot include costs beyond the test year.

5075-Customer Premises - Materials and Expenses

2018 Actual to 2019 Actual: Increase of \$10,670.

- This account is where CHEI records its costs related to locates. For reasons outside the utility's control, there was an unusual number of locates requested in 2019 compared to other years.

5114-Maintenance of Distribution Station Equipment.

2019 Actual to 2020 Actual: Increase of \$21,132

This cost is related to a one-time maintenance service to the utility's substations. CHEI incurred \$14,776 from K-Line related to the repair and maintenance of its T1 and T2 substations. Also included in the increase is engineering costs from Stantec for a review of a recloser at the expense of \$2,828 and lastly, oil analysis expenses for \$1,694.

5315-Customer Billing.

2018 Actual to 2019 Actual: Increase of \$15,325

- There was an increase in billing and collecting salary of \$6,751, an increase in billing fees from ORES in the amount of 4021. The rest of the variance can be attributed to increased customer billing supplies and courses and workshops.

2021 Actual to 2022 Bridge Year: Increase of \$18,389.

- As explained in table 6, the increase in billing and collecting of \$19,631 is, for the most part, due to a fee from Elster Solutions Canada for 2022 Connecxo Net Sense SMA for \$10,731. The rest of the increase is attributable to a rise in ORPC fees due to new customers. Other minor expenses include increased courses/workshop fees for the staff.

5605-Executive Salaries and Expenses

2018 Actual to 2019 Actual: Increase of \$11,206

- This increase is related to the Board of Director remuneration and the staggered addition of 2 new Board Members to bring the count to 5 members instead of 3 members.

5610-Management Salaries and Expenses.

2019 Actual to 2020 Actual: Increase of \$12,087.

- The increase was related to the vacation time incurred being paid to an employee rather than vacation time being taken. Covid-19 caused certain employees to work from home; however, the offices still needed to be open and administrative services required to continue. As a result, the employee could not take vacation as planned and spent more time at the office to ensure continuity of services and billing.

5630-Outside Services Employed.

2018 BA to 2018 Actual: Increase of \$16,795.

- This increase is related to legal and business fees incurred in exploring mergers and acquisitions. Further details are presented in the business plan.

4.2.6 One-Time Costs and Regulatory Costs

One-Time Costs

The only significant one-time costs associated with this cost-of-service application which, in compliance with policy and requirements, are being amortized over five years are Regulatory Costs, which are explained in detail in the next section and include legal and accounting costs.

4.2.7 Bad Debts

CHEI confirms that its bad debt is calculated per IFRS and the OEB's previously accepted methodology, where it records its bad debts as an allowance for doubtful accounts.

Regulatory Costs

Table 12 – Regulatory Costs (App 2-M)

	Regulatory Cost Category	USoA Account	Ongoing or One-time Cost?	Last Rebasing Year Board Approved	2018	2021	2022	2023
1	OEB Annual Assessment	5655	On-Going	\$12,500	\$9,668	\$10,500	\$10,000	\$10,000
2	OEB Section 30 Costs (Applicant-originated)							
3	OEB Section 30 Costs (OEB-initiated)							
4	Expert Witness costs for regulatory matters							
5	Legal costs for regulatory matters							
6	Consultants' costs for regulatory matters	5655	On-Going	\$33,000	\$33,000	\$35,000	\$35,000	\$35,000
7	Operating expenses associated with staff resources allocated to regulatory matters							
8	Operating expenses associated with other resources allocated to regulatory matters	5655	On-Going	\$11,689	\$5,468	\$12,000	\$12,000	\$12,000
9	Other regulatory agency fees or assessments		On-Going					
10	Any other costs for regulatory matters (Cost of Service)	5655	On-Going	\$17,111	\$17,111	\$17,111	\$17,103	\$11,600
	Any other costs for regulatory matters (OEB Audit)		One-Time		\$9,700			
11	Intervenor costs							
12	Sub-total - Ongoing Costs			\$74,300	\$74,947	\$74,611	\$74,103	\$68,600
13	Sub-total - One-time Costs			\$0		\$0	\$0	\$0
14	Total			\$74,300	\$74,947	\$74,611	\$74,103	\$68,600

CHEIs Regulatory Costs include two major components. The first is costs related to the filing of the herein application, and second, the yearly contract with Tandem Energy Services for assistance in regulatory services.

The costs related explicitly to the Cost-of-Service application include legal costs of review of the application, review of the IRs, and participating in a settlement conference. Other costs include external accounting fees for populating the PILs model and reviewing balances in the deferral and variance accounts. CHEI confirms that it has not incurred any expenses to develop the utility's DSP, which was done entirely in-house.

Based on its previous experiences with Cost-of-Service applications, the utility did not include a contingent amount for an oral hearing; in the event an oral hearing is required the costs associated with such a hearing will have to be forecast and included in CHEI's claimed regulatory costs associated with the Cost-of-Service application. All regulatory costs listed below are tracked in account 5655 – Regulatory Expenses. Costs directly associated with the Cost-of-Service application are amortized over five years (2018-2022).

4.2.8 Charitable Donations and Disallowed Expenses

Charitable Donations

CHEI's Board of Directors pass a yearly resolution as to how much and where donations are made. The amount is approximately \$2500 per year and is focused on charities or local groups that service residents in its service areas. CHEI confirms that no charitable contributions have been included in OM&A expenses for 2023 other than LEAP funding.

Table 13 – Disallowed Donations

Vendor	GL Number	Description	Amount
2018			
Winchester Hospital	620500	None Profit Organisation	\$880.00
Monument de la Francophonie	620500	None Profit Organisation	\$1,310.00
Société Canadienne du Cancer	620500	None Profit Organisation	\$310.00
Total			\$2,500.00
2019			
Vendor	GL Number	Description	Amount
Winchester Hospital	620500	Non-Profit Organisation	\$800.00
Amies pour la vie	620500	Non-Profit Organisation	\$100.00
Ecole Secondaires d'Embrun	620500	Non-Profit Organisation	\$300.00
Service Des Incendies Embrun	620500	Non-Profit Organisation	\$200.00
Paroisse St-Jacques	620500	Non-Profit Organisation	\$500.00
Embrun Craft Show	620500	Non-Profit Organisation	\$100.00
Groupe Action pour enfant	620500	Non-Profit Organisation	\$100.00
Kin Club of Russell	620500	Non-Profit Organisation	\$350.00
Centre Urgel Forget	620500	Non-Profit Organisation	\$50.00
Total			\$2,500.00
2020			
Vendor	GL Number	Description	Amount
Winchester Hospital	620500	Non-Profit Organisation	\$960.00
Ecole Secondaire d'Embrun	620500	Non-Profit Organisation	\$300.00
Kin Club of Russell	620500	Non-Profit Organisation	\$100.00
Montfort Hospital	620500	Non-Profit Organisation	\$1,000.00
Total			\$2,360.00

4.2.9 Leap and CDM Costs

CHEI has included \$2,000 for the Low-Income Assistance Program (LEAP) under Deductions Donation Expense-LEAP (USoA #6205). This amount is based on the Board's determination that

the greater amount of 0.12% of a distributor's Board-approved distribution revenue requirement or \$2,000 should be included in the utility's costs.

CHEI has partnered with United Way- Centraide / Prescott Russell to assist in a program intended to provide emergency relief to eligible low-income customers who may be having trouble paying current arrears to be our lead agency.

The United Way of Prescott-Russell will pre-screen customers to see if they meet the household low-income guidelines and other eligibility criteria, including if the customer is threatened with disconnection for non-payment.

In compliance with OEB policy, CHEI:

1. Collects money from ratepayers for LEAP EFA in the amount approved by the OEB as part of the recoverable OM&A expenses.
2. Transfers program funds to United Way- Centraide.
3. Allows United Way- Centraide to determine funding allocations within their service territory by geography.
4. Receives a monthly report from the United Way- Centraide agency showing the disbursements and balance of the remaining LEAP funds.
5. Leaves the assessment of eligibility of CHEI customers and records to United Way- Centraide
6. Confirms customer and account information used in determining program eligibility, including information on payment history and arrears owing; and

CHEI Reports to the through filings 2.1.16, which is summarized below.

Table 14 – LEAP Contributions

	2018	2019	2020	2021
Agency Fee	260.87	260	260.87	565.43
Grant to Cust	1739.13	1740	1739.13	3769.57
Total	2000	2000	2000	4335

The utility is aware of the letter and guidance issued on July 14, 2021, "*July 2021 Cost Assessment Invoice and Temporary Changes to the Screening Guidelines for the Low-income Energy Assistance Program – Emergency Financial Assistance*".

In the letter, the OEB states that; In light of the COVID-19 pandemic, the OEB has decided this year that it is in the public interest to use a portion of those funds to offset the July and October 2021 cost assessment invoice amounts for Distributors. The amount being offset by the OEB's administrative monetary penalty funds will be provided as a separate line item on each Distributor's July 2021 cost assessment invoice. It's the OEB's expectation that utilities will each promptly supplement their LEAP EFA budget for 2021 by the same amount to assist consumers that are most in need.

The LEAP allocation for 2021 was adjusted accordingly.

CHEI confirms that its OM&A does not include costs directly attributable to CDM programs.

4.2.10 Procurement Policy

CHEI's procurement policy has not changed since its last two Cost of Services (2014 and 2018).

CHEI purchases equipment, materials, and services cost-effectively with full consideration given to price and product quality, the ability to deliver on time, reliability, compliance with engineering specifications, and quality of service. Vendors are screened to ensure knowledge, reputation, and the capability to meet CHEI's needs. The procurement of goods or services for CHEI is carried out with the highest ethical standards and consideration to the public nature of the expenditures.

Purchase Authorization: The General Manager, with the input of the Board of Directors, approves all purchases of goods or services.

Tendering: When goods or services are tendered, a Tender/Request for Proposal/Request for Quote will be issued to a minimum of three vendors, if available. Once again, the General Manager, along with the board members' input, shall authorize the acceptance of all external costs and contracts.

Although tendering processes provide essential information to potential suppliers and ensure a fair chance for businesses, the tendering process is not always possible in small towns where there is a limited supply of skilled services that can support utilities. The utility does not have a written procurement policy per se, however as described above, the General Manager, with the input of board members, approves all purchases of goods or services.

Certain services are acquired that fall outside of the procurement policy. For example, Hydro One, Tandem Energy Services Inc. SFIEO, Ottawa River Power, and Sproule Powerline Const. Ltd have a long standing relationship with the utility as well as fairly consistent yearly transactions. These specific suppliers offer services that are not commonly found in the service area or general surrounding area or offer efficiencies due to their intimate knowledge of CHEI's distribution system (i.e., Sproule Powerline Construction Ltd). These vendors are evaluated on a regular basis to establish the value they bring to the utility as well as the cost benefit of continuing with their services. It's evident from the reduction in costs and rates that CHEI's methodology and constant evaluation is working and in favor of all stakeholders especially its customers.

4.3. WORKFORCE PLANNING

CHEI operates with three full-time employees, a General Manager, an Administrative Coordinator, and a Collection Agent/CSR. Although titles and job descriptions have slightly changed since the last Cost of Service in 2018, the utility's workforce composition has not changed and does not intend to change in the next rate period (2023-2027).

Table 15 - Headcount (number of months worked per year)

Employee's months worked per year	2018 BA	2018	2019	2020	2021	2022
General Manager	12	12	12	12	12	12
Administrative Coordinator	12	12	12	12	12	12
Collection Agent /CSR				10	12	12
Collection Agent /CSR (resigned)	12	12	12	2		
Total Headcount	3	3	3	3	3	3

Two of CHEI's three full-time employees are eligible to retire in the next two years. One of the positions eligible for retirement is the longtime manager – the most senior position and knowledgeable staff member.

CHEI has a good understanding of its workforce and the challenges of replacing two of its employees over the next several years. It continues to update its workforce planning and aligns succession planning to its needs and compensation. Moreover, it recognizes that the quality of the workplace is integral to the attraction and retention of talent. In addition to these factors, the following organizational elements must be present for the plan to be effective:

- Active participation by the senior leadership team.
- Alignment of CHEI's current and future business strategies.
- Identify the critical gaps between the talent in place and the skill required to drive the utility's success.
- Employee input, engagement, and training.
- Connection of individual and team goals to corporate goals and providing clear expectations and feedback to manage performance.
- Continuous evaluation, monitoring, and improvement efforts.
- Monitoring and evolving within the regulated environment

4.3.1 Compensation

Staffing and Compensation Strategy

CHEI does not participate in the OMERS retirement plan. As such, Appendix 2-KA OPEBs (Other Post-Employment Benefits) Costs and an Actuarial Report are not applicable.

As in past years, finding qualified staff in smaller rural areas can be challenging. Therefore, similar to other smaller utilities CHEI will attempt to invest time and energy in training its existing employees rather than hiring a new employee if possible. CHEI's view is that risks associated with hiring are mitigated because the employer already knows the employee and has experience with the employee's work ethic, ability to work with others, and problem-solving skills. The learning curve is also cut down because its existing employees have a current understanding of the utility and energy sector.

In balancing its needs, CHEI must also rely on third-party contractors and use its workforce to its best advantage for the customer and community. The utility evaluates yearly its agreements with its consultants and contractors to ensure that they are the best option possible for the utility.

CHEI does not use specific benchmarking studies to determine salary ranges. That said, CHEI and its shareholder are aware of the salary ranges in neighboring utilities and use a combination of years of experience and neighbouring salaries as a guideline.

Periodically, the utility's Board of directors and management input will readjust employee salary to align with its neighbouring cohorts. However, as a rule, the utility applies the inflation factor as published by Statistics Canada. It is also important to note that as existing staff gain training and expertise, management may increase salaries according to new qualifications.

The salaries and wage amounts include paid salaries and wages, including overtime, vacations, float holidays, sick leave, bereavement leave, union meetings, and other miscellaneous paid leave. The benefit amounts include the employer's portion of statutory benefits (CPP and EI), employer contributions to WSIB, and CHEI's costs for providing extended health care, dental, long-term disability, life insurance, and the Employee Assistance Program.

Employee Staffing Levels:

As shown in Table 15, management and staffing levels have not changed since CHEI's last Cost of Service Application. The only change in staffing levels has been during transition periods for a replacement. There are no anticipated staffing increases for the 2022 Test Year.

Table 16 – Employee Costs (Appendix 2-K)

	2018BA	2018	2019	2020	2021	2022	2023
Number of Employees (FTEs including Part-Time)¹							
Management (including executive)	1	1	1	1	1	1	1
Non-Management (union and non-union)	2	2	2	2	2	2	2
Total	3	3	3	3	3	3	3
Total Salary and Wages including overtime and incentive pay							
Management (including executive)	218,842	217,474	228,434	236,202	236,408	240,783	248,862
Non-Management (union and non-union)	-	-	-	-	-	-	-
Total	218,842	217,474	228,434	236,202	236,408	240,783	248,862
Total Benefits (Current + Accrued) -							
Management (including executive)	30,905	28,917	24,141	26,214	28,129	29,264	30,495
Non-Management (union and non-union)	-	-	-	-	-	-	-
Total	30,905	28,917	24,141	26,214	28,129	29,264	30,495
Total Compensation (Salary, Wages, & Benefits)							
Management (including executive)	249,747	246,391	252,575	262,416	264,537	270,047	279,357
Non-Management (union and non-union)	-	-	-	-	-	-	-
Total	249,747	246,391	252,575	262,416	264,537	270,047	279,357

Compensation – Non-Union

All utility employees are non-union employees; compensation levels are reviewed by the general manager and the Board of Directors. The increase in total compensation paid to employees is attributable to the cost-of-living increase and a provision for benefit coverage.

Pension and Benefits

CHEI and its employees do not participate in OMERS' retirement plan. Instead, a percentage of the staff's annual salary is invested in a pension plan. CHEI invests 6% annually of the General Manager's salary and 5% annually of the CSRs annually which are deposited into a *Deferred Profit Share Plan* with a company named Industrial Alliance.

Table 16 below shows employee compensation from 2014 to 2018. Per Board policy which states: "Where there are three, or fewer, full-time equivalents (FTEs) in any category, CHEI may aggregate this category with the category to which it is most closely related. This higher level of aggregation may be continued, if required, to ensure that no category contains three, or fewer, FTEs", The Applicant has aggregated information relating to its three full-time employees in the FTE class. The number of employees is based on the compensation of the number of full-time equivalent (FTE) positions throughout each fiscal year.

A detailed summary of benefit program costs is presented in Table 17. Total benefits have increased 4.13% between 2018 Actual and 2023 Test Year from statutory rate increases and wage increases.

Table 17 – Employee Costs (Appendix 2-K)

	2018	2019	2020	2021
<i>Benefit</i>	Actual	Actual	Actual	Actual
<i>Statutory</i>				
<i>CPP</i>	\$8,466.00	\$9,591.00	\$9,816.00	\$10,334.00
<i>EI</i>	\$3,615.00	\$3,613.00	\$3,513.00	\$3,620.00
<i>WSIB</i>	\$2,629.00	\$2,773.00	\$2,645.00	\$2,474.00
<i>Total Statutory</i>	\$14,710.00	\$15,977.00	\$15,974.00	\$16,428.00
<i>Company</i>				
<i>DPSP</i>	\$13,011.00	\$11,224.00	\$12,324.00	\$12,794.00
<i>Health</i>	\$15,907.00	\$12,918.00	\$13,892.00	\$15,336.00
<i>Total Company</i>	\$28,918.00	\$24,142.00	\$26,216.00	\$28,130.00
<i>Total Benefit Costs</i>	\$43,628.00	\$40,119.00	\$42,190.00	\$44,558.00
		-8%	5%	6%

4.3.2 Succession Planning

In anticipation of the retirement, CHEI developed a Succession Plan to start the process of finding a replacement for the two senior-level positions in question. Overall, the risk to CHEI could be significant considering the job types that will be affected and its ability to hire experienced individuals.

The Plan is updated with assumptions re-verified, changed, and/or modified relative to each of the main positions. The plan is presented in Appendix 4A.

APPENDICES

List of Appendices

Appendix 4A	Succession Plan

APPENDIX 4A



Succession and Talent Management Plan

Cooperative Hydro Embrun - 2020

Succession and Talent Management Plan 2020

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1. Executive Summary

In today's competitive labour market, electricity distributors pay close attention to how they manage their human capital. In view of the loss of experience due to retirement, the overall shortage of experienced and talented leaders, the need to engage and retain high-potential employees at every level of the organization, and an environment that demands that businesses continually do more with less, CHEI has made Succession Planning and Talent Management an organizational priority.

Building and enhancing employee potential will benefit employees, as well as support the organization in meeting its strategic goals and objectives and encourage a culture of customer-centric excellence.

Succession Planning and Talent Management has grown significantly in recent years as more and more organizations have recognized the value of aligning workforce and human capital planning with business strategy. A systematic approach to the alignment of human capital with business needs can ensure the future viability of an organization. No matter how comprehensive a business plan is if an organization does not have the workforce to support it, it is unlikely to achieve its business objectives.

Of the two management employees eligible to retire over the next six years, one is in management. Overall the risk to CHEI is considerable given the job types that will be affected and its ability to hire. That said, CHEI's is of the mind that continuous alignment to CHEI's Business Plan is key to successful workforce planning. Knowing where the business is headed – and how it's organized – is the only way to understand the future demands on employees and leaders.

CHEI continually reviews its business and operational goals against; its workforce needs, its financial strength, and the impact on its customers. CHEI also recognizes the importance and value of maintaining a highly skilled and engaged workforce, where all employees are customer-focused and proud to work for the company.

An integrated approach to Succession Planning and Talent Management recognizes the interweaving of human resource strategies and practices with the organization's strategic goals and business results. CHEI continues to develop its human capital practices to prepare the organization to respond to current and future workforce challenges.

2. Succession Plan Steps

1. Determine What is Wanted - Review and update Core Competencies and Position Description
2. Develop Within What is Wanted - Determine Key Leaders within the organization for potential development:
 - 2.1. Identify those who may have General Manager potential.
 - 2.2. Develop skills and experience for those with General Manager potential
 - 2.2.1. Exposure to the Board: have the candidate attend and run the updates to the Board of Director meetings
 - 2.2.2. Coach/Mentor: Have the candidate shadow the outgoing General Manager. (onboarding)
 - 2.2.3. Industry experience: Provide the candidate with opportunities to challenge him or herself with real industry experience (IRM applications/Cost of Service/RRR filing/going out in the field to shadow operation work).
 - 2.2.4. Higher Continuing education: Send candidates for training to gain industry experience.
3. Prepare for The Unexpected - Determine interim leadership for unplanned absences
4. Partnerships and Collaborations - Consider potential affiliations in addition to searching for a new General Manager
5. Appoint Search Committee - Board appoints Personnel Committee as ad hoc Search Committee with defined authority/responsibilities
6. Conduct Search
 - 6.1. Recruitment Strategy
 - ✓ Hire a search firm or use a Board-managed process
 - ✓ Search internally, externally or both
 - ✓ Review and update General Manager Position Description
 - ✓ Review and update General Manager Salary Range and Benefit Package
 - ✓ Develop a timeline for the search
 - ✓ Determine if an interim appointment needed
7. Incoming General Manager Successor -
 - 7.1. Orientation: The outgoing General Manager and Board of Director will provide an orientation session for the incoming General Manager
 - 7.2. Mentoring/coaching: ensure adequate overlap (onboarding) of duties so that the incoming General Manager can shadow the outgoing General Manager for some time.
 - 7.3. Performance review process: The incoming General Manager should be provided with feedback from the outgoing General Manager and Board of Directors.

3. Benefits of a Talent Management Strategy

In the past, the electricity sector has generally benefited from its ability to attract young talent. Additionally, once employed in the industry, workers remained in the industry throughout their careers. Today these conditions are changing. Competition for staff from within the utility industry is coming from small but growing independent power producers, as well as organizations outside the electricity industry. As a result of these changes, talented younger workers have considerably more career choices. Concurrently as employees eligible to retire CHEI, it is faced with recruiting employees who are coming out of the education system value personal time, flexibility, paid time off, and cross-training opportunities more than the promise of a pension after thirty years of service.

An attractive alternative to hiring externally is to identify and develop internal talent. Organizations that effectively manage their talent provide benefits to the employee and to the customers whom the organization serves. The basis of Talent Management is to attract, retain and engage its current talents.

Attracting Employees

CHEI believes in a collaborative approach to employee coaching and building the employee/manager relationship. In its effort to make CHEI an attractive place to work, CHEI plans on reviewing and enhancing its training criteria to ensure sufficient focus is placed on the importance of the employee/manager relationship. It shall also review and determine which model provides internal and external support to managers relative to their positions and the organization's needs.

Retaining Employees

CHEI continues its focus on enhancing the employee experience while meeting the customer's needs. High levels of employee engagement in an organization are linked to superior business performance, including increased employee retention & profitability, customer excellence, and safety performance.

CHEI commits to getting feedback from its employees on the current state of the workforce relative to its engagement and concerns. The feedback results will provide CHEI with reasonable action plans to gauge success and continued and new areas of focus.

Engaging Employees

CHEI recognizes the strategic advantages of successfully engaging its employees, bringing them into the organization, making sure they know what is expected of them, making sure they know how they are going to add value, and making sure they understand how they fit into its culture and business.

CHEI shall develop and execute a long-term strategic employee engagement plan that links with its business objectives and performance management system; that exemplifies its employment brand and company mission and is aligned to its leadership training programs for management staff.

The outcomes associated with integrated talent management are:

- ✓ Supports effective Workforce Planning
- ✓ Assists organizational development of talent
- ✓ Richer career development and mapping
- ✓ Supports business continuity
- ✓ Focuses on customer service excellence
- ✓ Supports employee engagement efforts
- ✓ Aligns employees with corporate goals

4. Role of Constituencies

1. Board of Directors
 - 1.1. Owns the process and is responsible for the successful appointment and transition of the new General Manager
 - 1.2. Periodically reviews with the General Manager the General Manager Succession Plan
 - 1.3. Periodically reviews with the General Manager the organization's leadership pipeline
2. Outgoing General Manager
 - 2.1. Provides input and support to the succession process, as requested
 - 2.2. Working with the Personnel Committee of the Board of Directors periodically updates the General Manager Succession Plan
 - 2.3. Develops the leadership pipeline
3. Existing Staff and 3rd party regulatory support
 - 3.1. Aware of General Manager Core Competencies
 - 3.2. Aware of General Manager Position Description
 - 3.3. Work toward full qualification
4. Stakeholders
 - 4.1. 4.1. Includes customers, staff, shareholders, debt holders, and regulatory bodies
 - 4.2. 4.2. Aware of process and progress

5. Communication Strategy - Review, update, and implement Internal and External Communication Plan

CHEI believes that the Succession and Talent Management plan is a living document and, as such, should be reviewed and updated as part of the business plan yearly.

6. Appendix A - General Manager Position Description

Specifically, the General Manager will be responsible for:

- The general supervision of the business and affairs of the Cooperative and the performance of the Utility by directing and coordinating all activities in accordance with Ontario Energy Board regulations for LDCs, in addition to the laws and regulations governing the operation of a corporation in Ontario
- Completing, with the Board, a clear delineation of duties and responsibilities, and once established create a CEO performance contract
- Learning and understanding the business, its line of products and services, its competitive environment, and its employees to remain successful in offering customers a level of service and product quality that differentiates the Utility from the competition
- Working with an engaged and articulate Board of Directors to further the mandate of the Utility
- Explore, assess and recommend to the Board new unregulated and regulated business ventures that fit within the Utility's risk profile and contribute to the long-term sustainability of the business; balance core business demands with new revenue and profit-generating opportunities.
- Examining the capital structure of the Utility and leveraging the available capital through appropriate strategies to maximize returns for growth and shareholder dividends.
- Ensuring the Utility operates in a responsible corporate environment with due regard to the environmental footprint and public and employee safety
- Ensuring the appropriate level of engagement of the sole Shareholder through transparent information flow to members of the Cooperative.
- Developing with the collaboration of the Board's Vision, Mission, Value Statement, and actionable Strategic Plan within the inaugural year and developing supporting business development plans to suit.
- Overseeing company operations to ensure compliance, production efficiency, accuracy, quality, service, and the cost-effective management of resources

- Develop a comprehensive, inclusive, and transparent process of operational planning designed to meet strategic priorities established by the Board/changing needs in the electricity sector
- Manage and motivate a team of staff to support and further the Utility's mission and provide staff members the opportunity to develop their skills and competencies further.
- Maintaining an excellent relationship and playing an active role in interacting with all stakeholders of the Utility as well as the broader public
- Working with other like-minded utilities, potential business partners, and businesses to achieve common goals and expand/explore business opportunities
- Taking on and accepting accountability for assigned business unit P&L management, and,
- Gaining stability in the business.

7. Appendix B - General Manager Core Competencies

- 10+ years of progressive management experience in executive leadership positions
- University Degree or equivalent in Business Administration or Finance.
- Fully bilingual in French and English in both written and spoken.
- Firm track record managing the bottom-line of business-to-business or business-to-consumer services organizations
- Experience managing within both highly regulated and non-regulated industry sectors; knowledge of the electricity/power sector would also be an asset
- Experience leading a government-owned entity would be ideal
- Expertise in leading organizations and their governing bodies/owners through significant change and transformation
- Demonstrated operational understanding of the work of an organization that serves multiple stakeholders; often with differing priorities and needs
- Experience sourcing, assessing, recommending, and commercializing regulated or non-regulated business opportunities would be a solid asset
- An ability to operate effectively at both a strategic and tactical level; can roll up their sleeves and, with a strong technical foundation, participate in execution when necessary; can effectively balance delegation with participation
- Superior qualitative and quantitative analytical skills and judgment; looks for new opportunities and employs good judgment and rigor before making recommendations; can create a framework that grants decision-making authority while holding people accountable
- Strong operational leadership experience combined with solid business acumen; has developed financial management skills and P&L operating knowledge as well as experience working with ROI models, can help embed these disciplines across the organization and promote better decision making
- Knowledge of governance responsibilities and practices
- Experience working with a Board of Directors would be an asset
- Takes responsibility and likes to be held accountable for results
- A humble, confident, and curious professional who can respectfully stand their ground in making and defending recommendations
- Tenacious and resilient in working towards meeting objectives and encouraging others to deliver results
- Nimble; able to deal with ambiguity; can take and encourage others to take educated risks
- Entrepreneurial spirit with a keen interest in being part of a growing business striving to be the best in its industry; enjoys walking the floor and interacting with employees; projects a 'down-to-earth' and engaging manner; enthusiastic with a positive attitude
- Open, honest and respectful; will embrace the Utility's values and collaborative working environment

8. Appendix C - Information for Candidates

Cooperative Hydro Embrun Inc. ("CHEI" or the "Utility") is a fully licensed distributor of electricity under distribution license ED-2002-0493 issued by the Ontario Energy Board (the "OEB" or the "Board") under the Ontario Energy Board Act, 1998 (the "Act").

The Utility develops and manages an electrical distribution network in the Prescott-Russell region, specifically the town of Embrun, and delivers electricity to five customer classes via its distribution system: residential, commercial (small and large general service classes), street lighting, and unmetered scattered loads. CHEI earns income based on fixed and volumetric service charges for the distribution of this electricity. The service charges are set through a periodic rate-making process via applications to the OEB.

About the Utility

Embrun is a community in the Eastern Ontario region. Embrun is part of the larger Township of Prescott-Russell. With a population of 8,048 (entire town) or 5,655 (urban area), it is the largest community in Russell Township.

The community, primarily (but not exclusively) francophone, is located approximately a twenty-five-minute drive from Ottawa, an hour and a half from Montreal, and a five-hour drive from Toronto. Embrun is located near Trans-Canada Highway 417.

CHEI currently relies on 36 km of circuits and 281 transformers to deliver approximately 29,345,468 kWh of energy to approximately 2,325 customers. CHEI is entirely embedded within Hydro One Networks Inc.'s low voltage system. There are no other neighboring electricity distribution utilities. The Town of Embrun is also served with natural gas.

Of its approximately 2300 customers situated in the Town of Embrun, 92% are residential customers, and 8% are commercial customers. The rest of Embrun's customers are attributable to the Street Lighting and Unmetered Scattered Load customer classes.

CHEI operates with three full-time employees, which include; a General Manager and two customer service representatives.

The General Manager is responsible for all internal and external financial activities of the company, including liaison with banks and other financial institutions; providing financial reports to its Shareholder; development of budgets and tracking the company's progress towards achieving approved financial targets; coordinating metering, information systems, and customer billing, liaison with regulatory bodies including the OEB; accountants and conservation and demand management. The General Manager oversees the operation of the distribution system. He is responsible for ensuring that contractors remain safe when interfacing with the distribution system, ensuring the reliable operation – including maintenance and repair – of the distribution system, and ensuring that customer requests for electricity service are provided promptly and according to code.

All three employees are responsible for customer inquiries, providing human resources support, including salary and benefits services, maintaining effective communications.

CHEI must also balance reliance on third-party contractors and consultants and use its workforce to its best advantage for the customer and community.

Utility ownership

CHEI is structured as a Cooperative Utility registered under the Cooperative Corporations Act in September of 2000.

CHEI is a utility that is tasked with the delivery of electricity. Profits are either reinvested for infrastructure or distributed to members through dividends, paid on a member's investment into the Cooperative.

CHEI is based on voluntary and open membership with a one-time \$10 per member. Membership is available to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination. If a member wishes to leave the cooperative or move out of the service area, the membership fee is refunded back to the customer. CHEI is a democratic organization controlled by its members, who actively participate in decision-making. The elected representatives are accountable to the membership, and members have equal voting rights (one member, one vote). Each customer is a member and owner of the business with an equal say as every other member of the Cooperative. The Utility currently has 1554 members.

Mission statement

CHEI is committed to meeting customers' needs through effective customer engagement and ensuring the safe and reliable delivery of electricity through efficient operations, strong fiscal management, ongoing system renewal, and conservation initiatives.

CHEI has identified five key areas of focus that support the Utility's mission:

- To provide safe, efficient, and reliable delivery of electricity to customers.
- To maintain costs at a reasonable level, find cost efficiencies wherever possible, and make prudent investments on behalf of its customers.
- To provide a safe and engaging work environment for its employees.
- To engage with customers and the community.
- To plan and deliver system improvements required to ensure future supply.

Strategic goals

CHEI plans on achieving its strategic goals by setting and meeting the following objectives:

- Improve grid reliability.
- Create a service-based utility whose primary goal is to exceed customers' expectations at a reasonable cost.
- Promote the long-term, efficient provision of utility services consistent with OEB policy.
- Work with other utilities in the promotion of both efficient and sustainable environments.
- Operate effectively with the staff currently in place.
- Reduce operational costs where and when possible.
- Develop and adopt an actionable plan to improve customer experience.

