EPCOR Electricity Distribution Ontario Inc.

Cost of Service Application

EB-2022-0028

May 27, 2022

Exhibit 4 – Operating Expenses

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Contents

4.0 OPERATING EXPENSES

4.1 Overview

The operating costs discussed in this exhibit represent expenditures that are required to maintain and operate EEDO's distribution system assets at the targeted levels of performance, to meet customer expectations, ensure public and employee safety, and provide reliable service. These operating costs are necessary to comply with a variety of legal requirements, including the Distribution System Code, environmental regulations, and various government direction. Operations, Maintenance and Administration (OM&A) expenses consist of but are not limited to: the expenditures necessary to maintain and operate EEDO's distribution system assets; the costs associated with metering, billing, and collecting from EEDO's customers; the costs associated with ensuring the safety of all stakeholders; and costs to maintain distribution service quality and reliability.

EEDO's 2022 Bridge Year and 2023 Test Year budgets do not include any costs related to the impacts of COVID-19 on operating expenses. Any COVID-19 related costs incurred in 2020 Actual and 2021 Actual were tracked as directed in the OEB's March 25, 2020 letter.

EEDO's 2023 Test Year distribution expenses are projected to be $8,218,415, equivalent to an increase of $2,693,043 or 48.7% above EEDO's 2013 Board Approved expenses. This is equivalent to a 4.1% CAGR over the 10 years since the last Board Approved expenses in 2013. Of this $2,693,043 increase, $1,945,155 relates to OM&A and $747,888 relates to depreciation. It has been 10 years since EEDO's last approved rates were established in 2013 and there have been many changes including significant growth in the distribution system, 10 years of cost inflation, and increases in service levels being provided to the utility.

Table 4.1-1

Distribution Expenses

($)

		A	B	C
	Expense Category	**2013 Board Approved**	**2023 Test Year**	**Difference (A-B)**
1	Operations	582,100	977,066	394,966
2	Maintenance	1,490,900	1,640,206	149,306
3	Billing and Collecting	993,862	1,109,304	115,442
4	Community Relations	138,000	188,553	50,553
5	Administrative and General	1,380,298	2,615,186	1,234,888
6	**Total**	**4,585,160**	**6,530,315**	**1,945,155**
7	% Change		42.4%	
8	Compound annual growth rate			3.6%
9	Depreciation	940,212	1,688,100	747,888
10	Property Taxes	-	-	-
11	**Total Distribution Expenses**	**5,525,372**	**8,218,415**	**2,693,043**
12	% Change		48.7%	
13	CAGR (2013 BA to 2023 T)			4.1%

EEDO's 2023 Test Year OM&A costs are forecast to be $6,530,315, which represents an increase of $1,945,155 from the 2013 Board Approved amount, or equivalent to an increase at an annualized rate of 3.6%.

Table 4.1-2 below illustrates the 2013 Board Approved, historical actuals and projections for the 2022 Bridge Year and 2023 Test Year for the OM&A major functions:

Table 4.1.-2

Recoverable OM&A Expenses

($)

Appendix 2-JA
Summary of Recoverable OM&A Expenses

	2013 Last Rebasing Year OEB Approved	2013 Last Rebasing Year Actuals	2014 Actuals	2015 Actuals	2016 Last Rebasing Year Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Bridge Year	2023 Test Year
Reporting Basis												
Operations	$ 582,100	$ 657,706	$ 706,743	$ 721,686	$ 754,396	$ 886,046	$ 885,794	$ 866,849	$ 1,149,538	$ 1,060,428	$ 1,061,707	$ 977,066
Maintenance	$ 1,490,900	$ 1,395,752	$ 1,462,370	$ 1,667,027	$ 1,727,736	$ 1,303,848	$ 1,424,249	$ 1,391,638	$ 1,636,327	$ 1,391,926	$ 1,468,826	$ 1,640,206
SubTotal	**$ 2,073,000**	**$ 2,053,457**	**$ 2,169,113**	**$ 2,388,712**	**$ 2,482,131**	**$ 2,189,894**	**$ 2,310,043**	**$ 2,258,487**	**$ 2,785,865**	**$ 2,452,353**	**$ 2,530,533**	**$ 2,617,273**
%Change (year over year)		-0.9%	5.6%	10.1%	3.9%	-11.8%	5.5%	-2.2%	23.4%	-12.0%	3.2%	3.4%
%Change (Test Year vs Last Rebasing Year - Actual)												27.5%
Billing and Collecting	$ 993,862	$ 839,380	$ 809,917	$ 823,062	$ 895,356	$ 974,046	$ 949,464	$ 975,000	$ 1,010,748	$ 985,537	$ 1,070,448	$ 1,109,304
Community Relations	$ 138,000	$ 153,000	$ 161,767	$ 210,766	$ 158,939	$ 225,346	$ 227,791	$ 241,736	$ 239,793	$ 176,984	$ 181,661	$ 188,552
Administrative and General	$ 1,380,298	$ 1,369,268	$ 1,423,503	$ 1,282,167	$ 1,380,719	$ 1,228,690	$ 1,311,958	$ 2,118,937	$ 2,075,033	$ 1,897,222	$ 2,383,437	$ 2,615,186
SubTotal	**$ 2,512,160**	**$ 2,361,648**	**$ 2,395,188**	**$ 2,315,994**	**$ 2,435,015**	**$ 2,428,082**	**$ 2,489,214**	**$ 3,335,673**	**$ 3,325,573**	**$ 3,059,743**	**$ 3,635,546**	**$ 3,913,043**
%Change (year over year)		-6.0%	1.4%	-3.3%	5.1%	-0.3%	2.5%	34.0%	-0.3%	-8.0%	18.8%	7.6%
%Change (Test Year vs Last Rebasing Year - Actual)												65.7%
Total	**$ 4,585,160**	**$ 4,415,105**	**$ 4,564,301**	**$ 4,704,707**	**$ 4,917,146**	**$ 4,617,976**	**$ 4,799,257**	**$ 5,594,161**	**$ 6,111,438**	**$ 5,512,097**	**$ 6,166,079**	**$ 6,530,315**
%Change (year over year)		-3.7%	3.4%	3.1%	4.5%	-6.1%	3.9%	16.6%	9.2%	-9.8%	11.9%	5.9%

	2013 Last Rebasing Year OEB Approved	2013 Last Rebasing Year Actuals	2014 Actuals	2015 Actuals	2016 Last Rebasing Year Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Bridge Year	2023 Test Year
Operations[4]	$ 582,100	$ 657,706	$ 706,743	$ 721,686	$ 754,396	$ 886,046	$ 885,794	$ 866,849	$ 1,149,538	$ 1,060,428	$ 1,061,707	$ 977,066
Maintenance[5]	$ 1,490,900	$ 1,395,752	$ 1,462,370	$ 1,667,027	$ 1,727,736	$ 1,303,848	$ 1,424,249	$ 1,391,638	$ 1,636,327	$ 1,391,926	$ 1,468,826	$ 1,640,206
Billing and Collecting[6]	$ 993,862	$ 839,380	$ 809,917	$ 823,062	$ 895,356	$ 974,046	$ 949,464	$ 975,000	$ 1,010,748	$ 985,537	$ 1,070,448	$ 1,109,304
Community Relations[7]	$ 138,000	$ 153,000	$ 161,767	$ 210,766	$ 158,939	$ 225,346	$ 227,791	$ 241,736	$ 239,793	$ 176,984	$ 181,661	$ 188,552
Administrative and General[8]	$ 1,380,298	$ 1,369,268	$ 1,423,503	$ 1,282,167	$ 1,380,719	$ 1,228,690	$ 1,311,958	$ 2,118,937	$ 2,075,033	$ 1,897,222	$ 2,383,437	$ 2,615,186
Total	**$ 4,585,160**	**$ 4,415,105**	**$ 4,564,301**	**$ 4,704,707**	**$ 4,917,146**	**$ 4,617,976**	**$ 4,799,257**	**$ 5,594,161**	**$ 6,111,438**	**$ 5,512,097**	**$ 6,166,079**	**$ 6,530,315**
%Change (year over year)		-3.7%	3.4%	3.1%	4.5%	-6.1%	3.9%	16.6%	9.2%	-9.8%	11.9%	5.9%

EEDO’s OM&A costs were fairly stable between 2013 and 2018. This can be attributed to several factors that both increased and decreased OM&A as follows:

- the loss of ability to charge employee costs to the town of Collingwood for administrative services no longer being provided;
- an increase in operations FTEs to keep up with increasing operational and capital demands as a result of significant customer growth and aging infrastructure; partially offset by
- increased employee time and charges to capital as EEDO focused more employee time on capital work.

2019 General & Administrative costs increased relative to 2018 due to having a full year of shared services being provided by EPCOR affiliates. EPCOR affiliates provide a suite of services to EEDO that includes enhancements to the direct operations of the utility (for example adding dedicated HSE resources to ensure the health and safety of EEDO’s employees and customers, adding operational support for EEDO’s continually growing capital requirements, and adding supervisory, oversight and governance support to functions which were embedded in EEDO but had only limited resources to perform the function (for example HR and IT). Further details regarding the services provided by EPCOR affiliates is provided in section 4.4.2.

2020 Operations & Maintenance costs increased relative to 2019 due to higher labour costs as a result of lower time spent on capital projects primarily due to COVID-19 mitigation measures impacting crew availability and effectiveness, additional operational time being required to restore outages and repair damage caused by several storms in the year, and lower labour vacancies. In addition there were increased contractor costs for substation maintenance primarily due to addressing issues identified upon acquisition to align safety and operating standards with EPCOR’s.

2021 OM&A decreased relative to 2020 due to higher amounts of employee time spent on capital projects primarily due to completing planning activities late in 2020 and early in 2021 to allow capital work to commence earlier in 2021 as well as having more historically normal weather in 2021 (adverse weather in 2020 resulted in more time being spent on operating activities such as system repair). These lower OM&A costs were partially offset by higher contractor costs as a result of the utility being at a high point in its tree trimming cycle activity. Shared services costs from affiliates were lower due to an allocation error further discussed in section 4.4.2.

2022 OM&A increases relative to 2021 due to increases to Shared service costs due to correction of the allocation error from 2021 and cost increases further discussed in section 4.4.2.

EEDO believes that the proposed costs for the 2023 Test Year reflects the minimum cost required to operate the utility in a manner that provides the level of service expected by customers while maintaining safe, reliable, and efficient operations. EEDO will continue to seek cost savings and efficiencies to minimize the impacts to ratepayers. The proposed OM&A costs for the 2023 Test Year are aligned with EEDO's expectations for annual costs going forward.

4.1.1 OM&A Cost per Customer and Cost per FTE

Table 4.1.1-1 below, taken from the OEB's Chapter 2 Appendix, worksheet "App.2-L OM&A per Cust-FTE" shows the proposed 2023 Test Year OM&A cost per customer of $344 compared to the 2013 Board Approved amount of $285. This is a $59 increase per customer over the 10-year period, equivalent to 20.7% or 1.9% annualized, which is in-line with inflation. The 2023 Test Year proposed OM&A per customer of $344 is lower than the escalated 2020 industry average OM&A expenses per customer of $353[1].

As noted in the previous section, the utility has experienced incremental expenses that were not accounted for in the 2013 Board-approved amount specifically, increased spending for an additional Linesperson crew in order to keep up with operational and capital work demands as a result of the growing system and aging infrastructure; restructuring staff upon amending services provided to the Town of Collingwood in 2016; provision of additional required services as a result of EPCOR acquiring EEDO in 2018 and additional IT costs to modernize the grid and prioritize and address the OEB's cyber-security framework.

Table 4.1.1-1

Recoverable OM&A Cost per Customer and per FTE

Appendix 2-L

Recoverable OM&A Cost per Customer and per FTE [1]

	Last Rebasing Year 2013 - OEB Approved	Last Rebasing Year 2013 - Actual	2014 Actuals	2015 Actuals	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Bridge Year	2023 Test Year
Reporting Basis												
OM&A Costs												
O&M	$ 2,073,000	$ 2,053,457	$ 2,169,113	$ 2,388,712	$ 2,482,131	$ 2,189,894	$ 2,310,043	$ 2,258,487	$ 2,785,865	$ 2,452,353	$ 2,530,533	$ 2,617,273
Admin Expenses[6]	$ 2,512,160	$ 2,361,648	$ 2,395,188	$ 2,315,994	$ 2,435,015	$ 2,428,082	$ 2,489,214	$ 3,335,673	$ 3,325,573	$ 3,059,743	$ 3,635,546	$ 3,913,043
Total Recoverable OM&A from Appendix 2-JB [5]	$ 4,585,160	$ 4,415,105	$ 4,564,301	$ 4,704,707	$ 4,917,146	$ 4,617,976	$ 4,799,257	$ 5,594,161	$ 6,111,438	$ 5,512,097	$ 6,166,079	$ 6,530,315
Number of Customers [2,4]	16,080	16,143	16,281	16,450	16,697	16,980	17,248	17,608	18,087	18,366	18,667	18,977
Number of FTEs [3,4]	22.9	22.4	23.0	23.8	25.4	27.5	28.7	28.5	29.4	28.2	28.7	28.2
Customers/FTEs	702	722	709	691	657	618	600	618	614	652	651	673
OM&A cost per customer												
O&M per customer	$129	$127	$133	$145	$149	$129	$134	$128	$154	$134	$136	$138
Admin per customer	$156	$146	$147	$141	$146	$143	$144	$189	$184	$167	$195	$206
Total OM&A per customer	$285	$273	$280	$286	$294	$272	$278	$318	$338	$300	$330	$344
OM&A cost per FTE												
O&M per FTE	$90,445	$91,869	$94,432	$100,288	$97,722	$79,729	$80,405	$79,231	$94,611	$87,082	$88,225	$92,859
Admin per FTE	$109,606	$105,657	$104,275	$97,235	$95,867	$88,401	$86,642	$117,020	$112,940	$108,650	$126,750	$138,832
Total OM&A per FTE	$200,051	$197,526	$198,707	$197,522	$193,588	$168,131	$167,047	$196,252	$207,552	$195,732	$214,975	$231,691

1 – Calculated by applying the OEB's annual inflation parameters (2.2% in 2021, 3.3% in 2022, forecast 3.0% in 2023) to the 2020 Yearbook of Electricity Distributors average OM&A expense per customer of $324
2 – Data Source: OEB [2020 Yearbook of Electricity Distributors]

As illustrated in Table 4.1.1-2 below, EEDO's distribution revenue per customer is among the lowest of LDCs with a similar customer count based on information from the OEB's 2020 Yearbook of Electricity Distributors. EEDO's 2023 Test Year distribution revenue per customer based on this filing would be $496, which would still put EEDO amongst the lowest amounts in Table 4.1.1-2, even with taking into account the numbers in the comparison are from 2020.

Table 4.1.1-2

Distribution revenue and OM&A per customer[2]

	Electricity Distributor	Distribution Revenue per Customer $	OM&A per customer $	Number of Customers #
1	E.L.K. Energy Inc.	271	196	12,611
2	Wasaga Distribution Inc.	317	248	14,238
3	**EPCOR Electricity Distribution Ontario Inc.**	**409**	**339**	**18,203**
4	Welland Hydro-Electric System Corp.	421	284	24,054
5	Orangeville Hydro Limited	437	255	12,697
6	Westario Power Inc.	456	254	23,953
7	Halton Hills Hydro Inc.	492	298	11,684
8	Grimsby Power Incorporated	498	307	22,564
9	North Bay Hydro Distribution Limited	507	284	24,290
10	Festival Hydro Inc.	536	285	13,936
11	Lakeland Power Distribution Ltd.	548	390	23,547
12	ERTH Power Corporation	558	315	21,654
13	Orillia Power Distribution Corporation	588	430	14,552
14	Innpower Corporation	602	332	19,281
15	Algoma Power Inc.	2,071	1,113	12,124

EEDO's proposed 2023 Test Year OM&A per FTE is $231,691 compared to $200,051 as the 2013 Board-Approved amount. This represents a 15.8% increase over the 10-year period or 1.5% annualized. The increase in OM&A per FTE is driven by the increase in OM&A costs over the 10-year period and is partially offset by an increase in FTEs. As noted in section 4.4.1, EEDO's full-time employee (FTE) headcount has increased from 22.9 FTEs in 2013 to 28.2 FTEs. The primary driver for the increase in FTEs is higher operations FTE as a result of increased operational and capital work demands.

1 – Calculated by applying the OEB's annual inflation parameters (2.2% in 2021, 3.3% in 2022, forecast 3.0% in 2023) to the 2020 Yearbook of Electricity Distributors average OM&A expense per customer of $324
2 – Data Source: OEB 2020 Yearbook of Electricity Distributors

4.1.2 Non-Distribution Activities

This Exhibit excludes all activities that do not qualify for inclusion in the calculation of the revenue requirement for rate making. Specifically, expenditures associated with the following activities have been removed from EEDO's historical financial results as well as for the purpose of determining distribution costs to distribute electricity as required for this Application:

- Non-electricity billing services
- Services provided to affiliates by EEDO employees
- Judicial inquiry
- Charitable Donations
- Conservation Demand Management ("CDM")

Non-electricity billing services: EEDO provides water & sewer utility billing services to a municipality in the area it serves. The provision of these services allows EEDO to defray a portion of its billing & collection costs that it would otherwise incur and lower the cost of providing billing & collection services to its distribution customers. All costs associated with providing these services have been excluded in this Exhibit and the Cost of Service Application.

Services to affiliates: EEDO employees also provide services to companies affiliated with EEDO. The services being provided include:

- Information Technology for items including operational technology, SCADA, cybersecurity, and management support
- Information Services for items including second level infrastructure and desktop support, and GIS services
- Regulatory for items such as rate applications, compliance work, and OEB industry consultation

All costs associated with providing services to affiliates have been excluded in this Exhibit and the Cost of Service Application.

Judicial Inquiry: EEDO received a summons for the Town of Collingwood Judicial Inquiry dated June 29, 2018. The Town of Collingwood Judicial Inquiry is an independent inquiry established pursuant to section 274(1) of the Municipal Act 2001, pursuant to a majority vote of the Council of the Town of Collingwood. EEDO was required to produce all documents related to the inquiry concerning the 50% share sale of Collingwood Utility Services Corp. to PowerStream Inc. The inquiry concluded its public hearings on December 2, 2019 and a report was released on November 3, 2020. EEDO incurred legal and other expenses in 2018 to 2021 pursuant to its involvement in the inquiry totaling $1,266,169 and the breakdown of these costs is shown in Table 4.1.2-1 below:

Table 4.1.2-1

Judicial Inquiry Costs by year

($)

		A	B	C	D	E
	Expense	**2018**	**2019**	**2020**	**2021**	**Total**
1	Judicial Inquiry costs	59,748	962,287	61,268	182,866	1,266,169

All costs associated with the judicial inquiry have been excluded in this Exhibit and the Cost of Service Application.

Charitable donations: As permitted under regulation, Operations, Maintenance & Administration ("OM&A") expenditures include donations under the Low-Income Energy Assistance Program ("LEAP"). However, all other charitable donations have been excluded as they are not a required cost associated with the distribution of electricity to the areas that EEDO serves.

Conservation and demand management: As a condition of its license, EEDO was mandated to undertake CDM activities initiated by the Minister of Energy for the purpose of reducing consumption in the province. Under *Bill 87, Fixing the Hydro Mess Act*, 2019, this activity was moved to the Independent Electricity System Operation ("IESO") to centralize program delivery. CDM activities were terminated in 2018. All costs associated with this function have been removed from this Exhibit and the Cost of Service Application.

4.1.3 Business Environment Changes

The main business environment changes affecting EEDO's operations since its last approval in 2013 are:

- In 2016 the Town of Collingwood reduced the services being provided by Collus PowerStream's shared service affiliate Collus Solutions. This resulted in the Collus Solutions employees that provided services to Collus PowerStream being transferred to Collus PowerStream as Collus Solutions was no longer able to recover the cost of the employees from the Town of Collingwood. This had the impact of increasing the overall FTEs relative to the 2013 Board Approved amounts. EEDO was able to mitigate some of the increase in FTE through reduction in headcount from attrition and shifting employee positions to shared services (resulting in less than a full FTE to provide the required services), however the services which most of these employees were providing was necessary for operation of the utility and some of attrition was not sustainable for continued operations utility. See section 4.4.1 which highlights the various changes in FTEs since the 2013 Board Approved filing.

- In July 2017, Collus PowerStream entered into a collective agreement with the Power Workers' Union for hourly employees who were not previously unionized. The employees covered by this agreement include employees that work in the Finance, Billing & Collecting, Engineering and Information Technology departments.

- In October 2018, EPCOR acquired Collus PowerStream and has worked to create efficiencies by implementing a shared service model that maximizes the value of services being provided. However some services were noted that were required to be added to provide safe and reliable services (including for example adding HSE resources) and to complete capital and operating work required for the growing utility system.

- Customer counts have increased 17.6% (from 16,143 in 2013 to a forecast of 18,977 for 2023) or 1.6% annualized. The growth in EEDO's service territory has put increased pressure on the utility to keep up with increased capital demands to support this growth and to maintain the service levels expected by stakeholders, as well as increasing demands on appropriate maintenance of the growing system, all of which has resulted in increases in OM&A costs since 2013 Board Approved amounts.

- EEDO has increased focus on grid modernization by leveraging operational technology to provide operational and customer benefits such as improved system reliability, customer communication, and safety. In addition, EEDO recognizes the cyber security threats posed by having an interconnected grid and is working to mitigate those risks. The additional investment into this technology brings many benefits but is not without cost.

4.1.4 Trends

EEDO strives to operate safely and provide a reliable supply of electricity to customers in a cost effective manner. It does this while engaging with its many stakeholders and complying with all legal requirements it is subject to, including:

- Customers
- Ontario Energy Board (OEB)
- Electrical Safety Authority (ESA)
- Independent Electricity System Operator (IESO)
- Ontario laws and regulations
- Measurement Canada
- Technical Standards and Safety Authority
- Canada Revenue Agency
- Lenders' requirements

EEDO is constantly evaluating its processes and policies to ensure that it follows best practices and is keeping up with the pace of technological innovation occurring within the electrical distribution industry.

Activities at EEDO are fundamentally driven by the direction of the OEB and trends and revisions to its mandates and vision. The OEB continues to focus on increasing customer value and prudent system planning as laid out in the Renewed Regulatory Framework. Increased customer expectations for their utilities, changes in technology, and shifting societal views have driven a sharp focus on:

- optimization of infrastructure investments
- building a smarter grid
- promoting greener and sustainable energy
- increasing customer value
- leveraging smart metering data
- providing consumers greater choice and control
- sustaining consumer confidence
- support for cost and resource sharing among utilities

EEDO has worked hard to ensure that OEB and other industry initiatives are followed and implemented. The effort required to respond to these initiatives and keep up with the increased expectations can lead to the requirement for additional resources, resulting in increased cost pressures. Where possible, EEDO offsets these new costs by seeking operational efficiencies and ensuring that the path followed represents good value to the customer.

4.1.5 OM&A Budget Development

Development of EEDO's annual budget is a key management process in order to plan and execute on its short-term and long-term goals. EEDO's annual budget process entails preparing an updated current year forecast and budget for the two fiscal years following the current year forecast. A full budgeted of capital expenditures, expenses, and revenues is prepared.

EEDO employs a zero-based/bottom-up approach to budgeting OM&A that takes into account program changes and also takes into account historical cost and service levels. Department management works closely with Finance to develop their department's budgets by determining their operational needs for the budget periods and building up their costs based on those needs. The capital budgets are prepared with the Distribution System Plan used as a starting point and adjustments made based on a review of project prioritization and resource availability.

Once an initial budget has been prepared, a series of review meetings are held with departmental and senior management to review the budgets and underlying assumptions. Questions and queries that arise from the review meetings are addressed by the budget preparers and the budgets are revised until determined to be reasonable.

A comprehensive budget presentation is prepared by management and then presented to the EEDO board of directors for approval.

As part of its monthly reporting process, EEDO compares actual operating results to the approved budget in order to review and investigate variances so that corrective action can be taken if needed.

4.1.6 Inflation rate

EEDO's 2022 Bridge Year expenses were budgeted based on expected costs and did not employ any inflation rate in forecasting costs. The proposed 2023 Test Year expenses were budgeted based on expected cost levels with inflation rates applied to account for the change in prices that relates to inflation. In some instances EEDO adjusted 2023 costs to reflect known changes in prices.

Table 4.1.6-1 summarizes the inflation rates that EEDO has applied to various cost categories to estimate the change in prices for the 2023 Test Year.

Table 4.1.6-1
Summary of Inflation Rates 2023

	Expense Category	A 2023 Test Year
1	Non-Unionized Salary	2.7%
2	Unionized Salary	2.0%
3	Contractors	1.7%
4	Materials	2.5%
5	Other	2.0%

EEDO notes that the range of inflation rates used for 2023 are below the OEB approved 3.3% inflation rate for electricity distributors in setting 2022 rates per EB-2021-0212.

4.1.7 Conversion from Canadian GAAP to IFRS

Subsequent to EEDO's previous cost of service application for the 2013 year, EEDO converted its financial reporting framework from Canadian GAAP (CGAAP) to IFRS with a transition date of January 1, 2014.

As detailed in Appendix 2-Y, there are no material differences in the 2023 revenue requirement between CGAAP and MIFRS.

EEDO applied the deemed cost election permitted under IFRS 1 in its transition to IFRS. The deemed cost election permits rate regulated entities to use the Canadian GAAP carrying amount of items of PP&E and intangible assets as deemed cost at the transition date. There were no impacts to retained earnings on opening balances of PP&E and intangible assets at the date of transition.

Fixed asset continuity schedules and depreciation schedules prepared under CGAAP and MIFRS for the 2015 year have been provided in Appendix 2. The appendices show no difference in fixed assets net book value or depreciation expense between the two accounting frameworks.

4.2 OM&A Summary and Cost Driver Tables

The changes in costs explained in sections 4.2.1 to 4.2.3 are considered to be within the distributors control unless otherwise noted.

4.2.1 2013 OEB Approved to 2023 Test Year

The 2023 Test Year OM&A of $6,530K has increased from 2013 OEB Approved of $4,585K by $1,945K which represents a 42.4% increase or an annualized increase of 3.6% over 10 years.

Table 4.2.1-1
Change in OM&A from 2013 OEB Approved to 2023 Test Year
($)

Description	2013 OEB Approved	2023 Test Year	Variance	Annualized % Change
Operations & Maintenance	2,073,000	2,617,272	544,272	2.4%
Billing & Collecting	993,862	1,109,304	115,442	1.1%
Community Relations	138,000	188,553	50,553	3.2%
General & Administrative	1,380,298	2,615,186	1,234,888	6.6%
Total	**4,585,160**	**6,530,315**	**1,945,155**	**3.6%**

Given the long period of time since EEDO's last OEB rate application (i.e. 2013 OEB Approved versus 2023 Test Year), providing variance explanations by USofA accounts would not be meaningful. EEDO has provided variance explanations by OM&A major category for this purpose instead in order to highlight significant differences in the overall trend from 2013 OEB Approved to 2023 Test Year.

The increase in OM&A costs from 2013 OEB Approved to 2023 Test Year are primarily due to the following items:

Operations & Maintenance has increased by $544K or 2.4% on an annualized basis. This is primarily due to:

a) Labour costs have increased due to an increase in positions. As described in greater detail in section 4.4.1, EEDO's Operations FTE has increased by 5.5 FTE from 2013 to 2023. The increase primarily relates to the addition of 5 positions comprised of 3 Linespersons, 1 Inspector/Locator, and 1 Stores Assistant. The increase to salaries and benefits as a result of these 5.5 FTE is $759K. These positions were added to address growing operational and capital work demand as a result of system growth which were not being met with existing resources.

b) Inflation - A significant portion of the costs to operate the utility are driven by labour. The Power Workers' Union collective labour agreement has seen increases from 2013 to 2023 of 27.0% or 2.4% annualized. Ontario's Consumer Price Index ("CPI") has escalated on an annualized basis of 1.9% from 2013 to 2021, and extrapolating over 10 years would result in non-labour cost increases in Ontario of 20.9% from 2013 to 2023. Based on a blended inflation rate of 2.2% the increase in both labour and non-labour costs attributable to inflation is approximately $504K.

c) Customer Growth – EEDO's service areas continue to see sustained growth with a forecast 2023 Test Year customer level of 18,977 which represents a 17.6% increase or an annualized increase of 1.6%. The impact that the increase in customers has had in EEDO's OM&A over the 10-year period is difficult to determine, however the Pacific Economics Group's "Empirical Research in Support of Incentive Rate-Setting: 2020 Benchmarking Update Report to the OEB – August 2021" estimates that for an average company a 1% change in customers would have an associated change in costs by 0.44%. Based on EEDO's increase in customer count over from 2013 to 2023 there would be approximate increases in Operations and Maintenance costs of 7.7% or $159K attributable to customer growth.

d) Capitalized OM&A – EEDO has seen a significant increase in demand for capital work over the 10 year period since the last cost of service application. As noted in table 2.2-1 in Exhibit 2, capital additions have increased from approximately $1.8 million in 2013 OEB Approved to $4.3 million in the 2023 Test Year. As noted above, additional FTEs have been added since 2013 OEB-Approved to help complete this additional capital, and in the last few years additional efforts have been put towards freeing employee capacity to work on capital projects. Capitalized OM&A for the 2023 Test Year is $1,379k, compared to $419k in 2013 OEB Approved which represents a 960k increase in capitalized OM&A. The 2013 OEB Approved assumed 19.5% of Operations FTEs working on capital compared to 35.5% in the 2023 Test Year, this is consistent with recent historical actuals. Given EEDO's expanded capital program, EEDO anticipates capitalized labour to continue at this level.

General & Administration has increased by $1,234K or 6.6% on an annualized basis, this is primarily due to:

a) Inflation - Ontario's Consumer Price Index ("CPI") has escalated on an annualized basis of 1.9% from 2013 to 2021, and extrapolating over 10 years would result in non-labour cost increases in Ontario of 20.9% from 2013 to 2023. Based on the CPI inflation rate of 1.9% the increase in General and Administrative costs attributable to inflation is approximately $285K.

b) Shared Services – As described in greater detail in section 4.4.2, the nature, amount and delivery of Shared Services has changed from 2013 Approved to 2023 Test Year. As noted in Section 4.4.2 of this evidence, Shared Service costs in the 2023 Test Year are $1,665k. Partially offsetting these Shared Service costs are several costs which have been removed since 2013 OEB Approved including – 0.55 FTE for CEO and HR Manager positions ($278K) which were removed and replaced with Affiliate Shared Service costs, 0.55 FTE for a Controller position which was removed and not replaced ($72K), $132K Service Fee previously charged by Collus Solutions, $94K in costs charged from the Collingwood Public Utilities Service Board, $22K in costs charged from the Town of Collingwood and $216K of building lease costs from the Collingwood Public Utilities Service Board (EEDO's lease with the Town of Collingwood has been included as a capital lease and amortization of the Lease Asset is included in USofA account 6045). The increase in costs relating to corporate allocations from EPCOR Utilities Inc are not within EEDO's control.

Billing & Collecting has increased by $115K or 1.1% on an annualized basis. This is primarily due to inflation and customer growth, partially offset by lower smart meter reading and operating costs as well as lower per customer billing costs from technological enhancements such as electronic billing. Pursuant to EB-2017-0183, EEDO no longer bills customers for the collection notice delivery and stopped using a metering contractor to perform disconnects.

Community Relations has increased by $51K or 3.2% on an annualized basis. This is primarily due to increased staff costs related to inflation and increased staff time required due to customer growth.

Table 4.2.1-2 shows the 2013 OEB Approved to 2023 Test Year variances by USofA account for information purposes.

Table 4.2.1-2

Change in OM&A from 2013 OEB Approved to 2023 Test Year by USofA

($)

USoA Account	Account Description	Last Rebasing Year (2013 OEB-Approved)	2023 Test Year	Variance (Test Year vs. Last Rebasing Year (2013 OEB-Approved)
	Reporting Basis	MIFRS	MIFRS	MIFRS
5005	Operation Supervision and Engineering	132,000	340,390	208,390
5010	Load Dispatching	88,500	149,489	60,989
5012	Station Buildings and Fixtures Expense	27,000	56,138	29,138
5016	Distribution Station Equipment Operation Labour	0	5,080	5,080
5017	Distribution Station Equipment Operation Supplie	0	0	0
5020	Overhead Distribution Lines and Feeders Operatio	30,000	74,116	44,116
5025	Overhead Distribution Lines and Feeders Operatio	30,000	32,149	2,149
5030	Overhead Sub transmission Feeders Operation	0	15,612	15,612
5035	Overhead Distribution Transformers Operation	34,800	23,384	-11,416
5040	Underground Distribution Lines and Feeders Opera	8,000	20,461	12,461
5045	Underground Distribution Lines and Feeders Opera	5,000	5,513	513
5050	Opr UG Sub-trasmission Feeders	0	111	111
5055	Underground Distribution Transformers Operation	12,000	7,842	-4,158
5065	Meter Expense	6,000	5,966	-34
5070	Opr Customer Premise - Labour	0	1,189	1,189
5075	Customer Premises Materials and Expenses	0	0	0
5085	Miscellaneous Distribution Expense	60,000	212,571	152,571
5096	Other Rent	172,800	27,057	-145,743
5105	Maintenance Supervision and Engineering	60,000	151,388	91,388
5110	Maintenance of Buildings and Fixtures Distributi	12,000	19,037	7,037
5114	Maintenance of Distribution Station Equipment	52,000	106,165	54,165
5120	Maintenance of Poles, Towers and Fixtures	144,000	97,602	-46,398
5125	Maintenance of Overhead Conductors and Devices	288,000	183,721	-104,279
5130	Maintenance of Overhead Services	172,200	219,331	47,131
5135	Overhead Distribution Lines and Feeders Right of W	101,000	196,617	95,617
5145	Maintenance of Underground Conduit	0	3,124	3,124
5150	Maintenance of Underground Conductors and Devices	117,000	86,312	-30,688
5155	Maintenance of Underground Services	204,000	247,819	43,819
5160	Maintenance of Line Transformers	75,000	47,442	-27,558
5175	Maintenance of Meters	241,700	281,651	39,951
5305	Supervision	84,000	142,745	58,745
5310	Meter Reading Expense	179,000	176,294	-2,706
5315	Customer Billing	522,276	584,902	62,626
5320	Collecting	119,586	141,723	22,137
5325	Collecting Cash Over and Short	0	0	0
5335	Bad Debt Expense	60,000	63,640	3,640
5340	Miscellaneous Customer Accounts Expenses	0	0	0
5410	Community Relations	0	263	263
5415	Energy Conservation	0	0	0
5420	Community Safety Program	0	3,942	3,942
5425	Miscellaneous Customer Service and Informational E	138,000	184,348	46,348
5605	Executive Salaries and Expenses	348,000	1,665,154	1,317,154
5610	Management Salaries and Expenses	134,208	7,147	-127,061
5615	General Administrative Salaries and Expenses	349,392	545,271	195,879
5630	Outside Services Employed	216,000	44,554	-171,446
5635	Property Insurance	28,887	33,264	4,377
5640	Injuries and Damages	64,800	66,078	1,278
5645	Employee Pensions and benefits	3,306	0	-3,306
5646	Employee Pensions & OPEB	0	0	0
5655	Regulatory Expenses	81,000	162,844	81,844
5660	General Advertising Expenses	2,000	16,941	14,941
5665	Miscellaneous General Expenses	69,000	52,900	-16,100
5670	Rent	43,200	0	-43,200
5675	Maintenance of General Plant	30,000	117	-29,883
5680	Electrical Safety Authority Fees	8,040	8,667	627
6205	Donations & LEAP	31,465	12,250	-19,215
	Total	4,585,160	6,530,315	1,945,156

4.2.2 2013 OEB Approved to 2013 Actuals

Table 4.2.2-1 below shows the difference in 2013 Board Approved and 2013 Test Year for EEDO's OM&A amounts by Uniform System of Account.

Table 4.2.2-1 2013 Board Approved and 2013 Actual OM&A by USofA - ($)

USoA Account	Account Description	Last Rebasing Year (2013 OEB-Approved)	Last Rebasing Year (2013 Actuals)	Last Rebasing Year (2013 Actuals) vs Last Rebasing Year (2013 OEB-Approved)
	Reporting Basis	MIFRS	MIFRS	MIFRS
5005	Operation Supervision and Engineering	132,000	173,554	41,554
5010	Load Dispatching	88,500	72,162	-16,338
5012	Station Buildings and Fixtures Expense	27,000	28,604	1,604
5016	Distribution Station Equipment Operation Labour	0	0	0
5017	Distribution Station Equipment Operation Supplie	0	0	0
5020	Overhead Distribution Lines and Feeders Operatio	30,000	45,078	15,078
5025	Overhead Distribution Lines and Feeders Operatio	30,000	35,041	5,041
5030	Overhead Sub transmission Feeders Operation	0	0	0
5035	Overhead Distribution Transformers Operation	34,800	18,339	-16,461
5040	Underground Distribution Lines and Feeders Opera	8,000	12,987	4,987
5045	Underground Distribution Lines and Feeders Opera	5,000	1,373	-3,627
5050	Opr UG Sub-trasmission Feeders	0	0	0
5055	Underground Distribution Transformers Operation	12,000	14,310	2,310
5065	Meter Expense	6,000	4,507	-1,493
5070	Opr Customer Premise - Labour	0	0	0
5075	Customer Premises Materials and Expenses	0	0	0
5085	Miscellaneous Distribution Expense	60,000	78,950	18,950
5096	Other Rent	172,800	172,800	0
5105	Maintenance Supervision and Engineering	60,000	110,394	50,394
5110	Maintenance of Buildings and Fixtures Distributi	12,000	10,849	-1,151
5114	Maintenance of Distribution Station Equipment	52,000	25,327	-26,673
5120	Maintenance of Poles, Towers and Fixtures	144,000	134,621	-9,379
5125	Maintenance of Overhead Conductors and Devices	288,000	280,454	-7,546
5130	Maintenance of Overhead Services	172,200	151,927	-20,273
5135	Overhead Distribution Lines and Feeders Right of W	101,000	112,951	11,951
5145	Maintenance of Underground Conduit	0	0	0
5150	Maintenance of Underground Conductors and Devices	117,000	83,516	-33,484
5155	Maintenance of Underground Services	204,000	190,265	-13,735
5160	Maintenance of Line Transformers	75,000	65,773	-9,227
5175	Maintenance of Meters	241,700	229,674	-12,026
5305	Supervision	84,000	76,243	-7,757
5310	Meter Reading Expense	179,000	166,651	-12,349
5315	Customer Billing	522,276	440,132	-82,144
5320	Collecting	119,586	117,121	-2,465
5325	Collecting Cash Over and Short	0	-77	-77
5335	Bad Debt Expense	60,000	39,310	-20,690
5340	Miscellaneous Customer Accounts Expenses	0	0	0
5410	Community Relations	0	0	0
5415	Energy Conservation	0	82	82
5420	Community Safety Program	0	0	0
5425	Miscellaneous Customer Service and Informational E	138,000	152,918	14,918
5605	Executive Salaries and Expenses	348,000	322,582	-25,418
5610	Management Salaries and Expenses	134,208	117,936	-16,272
5615	General Administrative Salaries and Expenses	349,392	333,990	-15,402
5630	Outside Services Employed	216,000	205,843	-10,157
5635	Property Insurance	28,887	28,887	0
5640	Injuries and Damages	64,800	56,333	-8,467
5645	Employee Pensions and benefits	3,306	0	-3,306
5646	Employee Pensions & OPEB	0	3,306	3,306
5655	Regulatory Expenses	81,000	114,339	33,339
5660	General Advertising Expenses	2,000	2,934	934
5665	Miscellaneous General Expenses	69,000	90,050	21,050
5670	Rent	43,200	43,200	0
5675	Maintenance of General Plant	30,000	27,584	-2,416
5680	Electrical Safety Authority Fees	8,040	7,113	-927
6205	Donations & LEAP	31,465	15,169	-16,296
	Total	4,585,160	4,415,105	-170,054

Operations & Maintenance

- Operations and Maintenance Supervision and Engineering (USofA 5005/5105) was higher than 2013 Board Approved due to lower amount of time spent supervising capital work.
- Operations Load dispatching & SCADA (USofA 5010) were lower than 2013 Board Approved due to less labour being allocated from Collus Solutions for load dispatching activities.
- Overhead Distribution Lines and Feeders Labour (USofA 5020) was higher than 2013 Board Approved due to a higher amount of time spent on this activity which was offset by a lower amount of time spent on Overhead Distribution Transformers Operation (USofA 5035).
- Miscellaneous distribution expenses (USofA 5085) was higher than 2013 Board Approved due to a higher amount of labour spending time on miscellaneous distribution system operation activities.
- Several maintenance accounts (USofA 5114/5120/5125/5130/5150/5155/5160) were lower than 2013 Board Approved due to lower labour costs from Linesperson vacancies that were not backfilled during 2013.
- Overhead Distribution Lines and Feeders Right of Way (USofA 5135) were higher than 2013 Board Approved due to higher tree trimming activity in 2013.

Billing & Collecting

- Meter Reading (USofA 5310) was lower than 2013 Board Approved due to lower outside costs associated with smart meter reading.
- Customer Billing (USofA 5315) was lower than 2013 Board Approved due to lower computer lease costs as a result of an amended lease agreement with Collingwood Public Utilities as well as lower costs associated with billing fulfillment services and smart meter billing.

- Bad debt expense (USofA 5335) was lower than 2013 Board Approved due to a lower amount of accounts receivable write-offs net of recoveries during 2013. This variance was not within EEDO's control.

General & Administration

- Executive Salaries & Expenses (USofA 5605) was lower than 2013 Board Approved due to lower Executive incentive pay, benefits and travel during 2013. In addition, Board expenses were lower due to lower travel and administrative costs. These decreases in expenses were partially offset by consultant costs for strategic planning undertaken by the utility.

- Management Salaries & Expenses (USofA 5610) was lower than 2013 Board Approved due to lower incentive pay and salary raises in 2013.

- Regulatory expense (USofA 5655) was higher than 2013 Board Approved due to a greater amount of one-time costs being amortized in 2013 relative to the Board Approved one-time costs.

4.2.3 2022 Bridge Year to Test Year

Table 4.2.3-1 below shows the differences in 2022 Bridge Year and 2023 Test Year for EEDO's OM&A amounts by Uniform System of Account.

Table 4.2.3-1 - 2022 Bridge Year and 2023 Test Year OM&A by USofA ($)

USoA Account	Account Description	2022 Bridge Year	2023 Test Year	2023 Test vs 2022 Bridge
	Reporting Basis	MIFRS	MIFRS	
5005	Operation Supervision and Engineering	336,864	340,390	3,526
5010	Load Dispatching	139,568	149,489	9,921
5012	Station Buildings and Fixtures Expense	54,087	56,138	2,052
5016	Distribution Station Equipment Operation Labour	4,894	5,080	186
5017	Distribution Station Equipment Operation Supplie	0	0	0
5020	Overhead Distribution Lines and Feeders Operatio	71,407	74,116	2,709
5025	Overhead Distribution Lines and Feeders Operatio	30,974	32,149	1,175
5030	Overhead Sub transmission Feeders Operation	15,041	15,612	571
5035	Overhead Distribution Transformers Operation	129,507	23,384	(106,123)
5040	Underground Distribution Lines and Feeders Opera	19,713	20,461	748
5045	Underground Distribution Lines and Feeders Opera	5,312	5,513	201
5050	Opr UG Sub-trasmission Feeders	107	111	4
5055	Underground Distribution Transformers Operation	7,555	7,842	287
5065	Meter Expense	5,748	5,966	218
5070	Opr Customer Premise - Labour	1,145	1,189	43
5075	Customer Premises Materials and Expenses	0	0	0
5085	Miscellaneous Distribution Expense	213,717	212,571	(1,146)
5096	Other Rent	26,068	27,057	989
5105	Maintenance Supervision and Engineering	145,855	151,388	5,533
5110	Maintenance of Buildings and Fixtures Distributi	13,884	19,037	5,153
5114	Maintenance of Distribution Station Equipment	102,285	106,165	3,880
5120	Maintenance of Poles, Towers and Fixtures	89,578	97,602	8,024
5125	Maintenance of Overhead Conductors and Devices	78,943	183,721	104,777
5130	Maintenance of Overhead Services	211,315	219,331	8,016
5135	Overhead Distribution Lines and Feeders Right of W	189,431	196,617	7,186
5145	Maintenance of Underground Conduit	3,010	3,124	114
5150	Maintenance of Underground Conductors and Devices	78,700	86,312	7,612
5155	Maintenance of Underground Services	238,761	247,819	9,057
5160	Maintenance of Line Transformers	45,708	47,442	1,734
5175	Maintenance of Meters	271,357	281,651	10,294
5305	Supervision	137,528	142,745	5,217
5310	Meter Reading Expense	169,851	176,294	6,443
5315	Customer Billing	563,526	584,902	21,377
5320	Collecting	136,543	141,723	5,180
5325	Collecting Cash Over and Short	0	0	0
5335	Bad Debt Expense	63,000	63,640	640
5340	Miscellaneous Customer Accounts Expenses	0	0	0
5410	Community Relations	253	263	10
5415	Energy Conservation	0	0	0
5420	Community Safety Program	3,798	3,942	144
5425	Miscellaneous Customer Service and Informational E	177,611	184,348	6,737
5605	Executive Salaries and Expenses	1,549,679	1,665,154	115,475
5610	Management Salaries and Expenses	6,886	7,147	261
5615	General Administrative Salaries and Expenses	525,342	545,271	19,928
5630	Outside Services Employed	42,926	44,554	1,628
5635	Property Insurance	27,591	33,264	5,673
5640	Injuries and Damages	59,206	66,078	6,872
5645	Employee Pensions and benefits	0	0	0
5646	Employee Pensions & OPEB	0	0	0
5655	Regulatory Expenses	88,628	162,844	74,216
5660	General Advertising Expenses	16,322	16,941	619
5665	Miscellaneous General Expenses	51,015	52,900	1,885
5670	Rent	0	0	0
5675	Maintenance of General Plant	113	117	4
5680	Electrical Safety Authority Fees	8,350	8,667	317
6205	Donations & LEAP	7,380	12,250	4,870
	Total	6,166,079	6,530,315	364,236

The increase in OM&A costs by USofA account from 2022 Bridge Year to 2023 Test year are primarily due to the following items:

a. The increase in USofA account 5125 is primarily due to higher than normal costs incurred related to USofA account 5035 in the 2021 Actual and 2022 Bridge Year related to spending operational time on a program to identify and mitigate PCBs in transformers. The additional focus on this program resulted in lower time available to be spent on 5125-related activities in 2021 Actual and expected in 2022 Bridge Year. For 2023 Test Year it is anticipated that costs levels in the 5125 account will return to more normal historical trend levels.

b. The increase in USoFA account 5655 is primarily related to costs for completing this Application of $360,000 incurred in the 2021 Actual and 2022 Bridge Year years. The costs of completing this Application are included in the 2023 Test Year costs in account 5655 for $72,000 ($360,000/5) as these costs will be recovered over the five year cost of service term. Note since EEDO did not have a cost of service application since 2013 and the costs of that application were included in costs for 2013 Actual through 2017 Actual years and none since 2017 Actual, the 2022 Bridge Year costs for account 5655 do not include any prior application costs and results in a $72,000 variance from 2022 Bridge Year to 2023 Test Year. The remainder of the variance in this account is due to inflationary increases. See section 4.4.4 for additional details.

c. Account 5605 is related entirely to Shared Services provided by affiliates of EEDO. Please refer to section 4.4.2 for descriptions of 2022 Bridge Year to 2023 Test Year differences in Shared Services provided by affiliates of EEDO. Of the $115,475 increase in account 5605, $83,153 relates to corporate cost allocations from EPCOR Utilities Inc. that are not within EEDO’s control.

d. The increase in USofA account 5315 is primarily due to inflationary increases and customer growth.

e. The increase in USofA account 5175 and account 5615 is primarily due to inflationary increases.

These increases are partially offset by:

f. Please refer to a. above for the reason for the decrease in USofA account 5035. As a result of expecting to complete the work on the PCB in transformers program in 2022 Bridge Year, costs in the 5035 account are expected to return to more normal historical trend levels.

4.2.4 Recoverable OM&A Cost Driver Table (2-JB)

Appendix 2-JB
Recoverable OM&A Cost Driver Table[1,3]

OM&A	Last Rebasing Year (2013 Actuals)	2014 Actuals	2015 Actuals	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Bridge Year	2023 Test Year
Reporting Basis	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Opening Balance[2]	$ 4,585,160	$ 4,415,105	$ 4,564,301	$ 4,704,707	$ 4,917,146	$ 4,617,976	$ 4,799,257	$ 5,594,161	$ 6,111,438	$ 5,512,097	$ 6,166,079
Operations	$ 75,606	$ 49,037	$ 14,943	$ 32,710	$ 131,651	-$ 252	-$ 18,945	$ 282,690	-$ 89,111	$ 1,279	-$ 84,640
Maintenance	-$ 95,148	$ 66,618	$ 204,657	$ 60,709	-$ 423,888	$ 120,402	-$ 32,611	$ 244,689	-$ 244,401	$ 76,901	$ 171,380
Billing and Collecting	-$ 154,482	-$ 29,462	$ 13,144	$ 72,294	$ 78,690	-$ 24,582	$ 25,536	$ 35,747	-$ 25,211	$ 84,911	$ 38,856
Community Relations	$ 15,000	$ 8,767	$ 48,998	-$ 51,826	$ 66,407	$ 2,445	$ 13,945	-$ 1,944	-$ 62,808	$ 4,677	$ 6,891
Administrative and General	-$ 11,030	$ 54,235	-$ 141,336	$ 98,552	-$ 152,029	$ 83,268	$ 806,979	-$ 43,904	-$ 177,811	$ 486,215	$ 231,749
Closing Balance[2]	$ 4,415,105	$ 4,564,301	$ 4,704,707	$ 4,917,146	$ 4,617,976	$ 4,799,257	$ 5,594,161	$ 6,111,438	$ 5,512,097	$ 6,166,079	$ 6,530,315

Given the long time frame from the last OEB approved distribution rates (i.e. 2013 OEB Approved), providing cost driver explanations by USofA accounts would not be meaningful. EEDO has provided variance explanations by OM&A major category for this purpose instead in order to highlight significant differences in the overall trend from 2013 OEB Approved to 2023 Test Year.

2013 Actuals vs 2013 Board Approved – Decrease of $170,055

EEDO's OM&A costs were lower primarily due to vacancies in 2 linesperson positions. The lower wage & benefits costs was partially offset by lower OM&A transferred to capital due to lower labour availability, creating net savings of $117,000. Billing & Collecting costs were lower by $76,000 as a result of lower bad debt expense from lower write-offs net of recoveries, lower smart meter reading costs, and lower computer lease costs as a result of re-negotiating lease costs.

2014 Actuals vs 2013 Actuals – Increase of $149,196

OM&A increased $127,000 as a result of backfilling the 2 vacant linesperson positions, higher allocations for CEO salaries & expenses from Collus Solutions of $102,000 primarily due to the CEO no longer allocating costs to the town starting May 2014, partially offset by lower board expenses due to lower travel costs of $20,000, lower outside consultant usage of $17,000 and $12,000 in lower bad debt expense from lower write-offs net of recoveries.

2015 Actuals vs 2014 Actuals – Increase of $140,406

OM&A increased as a result of hiring 3 additional linesperson position mid-way through the year, this was partially offset by increased position vacancies and transfers to capital for a net increase to OM&A of $90,000. Contractor costs increased by $122,000 primarily due to higher tree-trimming costs due to being at the high point in the trimming cycle. There were additional training costs of $19,000 for linespersons compared to prior year due to hiring the additional headcount in the year. Billing & Collecting costs were $18,000 higher due to starting to provide after-hours phone service for customers through a contractor for after hours, as well as additional expenditures on energy conservation and community survey. These increases were partially offset by the elimination of the annual management fee paid to Collus Solutions of $132,000.

2016 Actuals vs 2015 Actuals – Increase of $212,439

OM&A increased $214,000 as a result of having a full-year of the 3 linespersons hired in 2015, partially offset by an increase in capitalized labour and vehicle costs due to an increase in capital project work. In addition, labour allocations from Collus Solutions were $203,000 higher as a higher proportion of FTE for IT, Engineering, and Finance staff was allocated to Collus PowerStream compared to prior year primarily due to the termination of services provided by these employees to the Town of Collingwood. These partial positions were required for safe and reliable operation of the utility system and could not simply be removed. These higher costs were partially offset by a lower proportion of Billing & Collecting staff being allocated primarily due to vacancies as a result of a retirement of a Collections Clerk and the resignation of a Billing Clerk. Bad debt expense was higher by $29,000 due to higher write-offs than recoveries. These increases were partially offset by a reduction in contractor costs of $121,000 due to lower tree-trimming costs as well as $65,000 for lower materials consumed during maintenance work primarily due to the type of maintenance work being performed. CEO salaries & expenses were lower by $35,000 due to the mid-year retirement of the CEO, partially offset by a retirement allowance paid to the CEO.

2017 Actuals vs 2016 Actuals – Decrease of $299,170

OM&A decreased $347,000 as a result of an increase in capitalized labour and vehicle costs as capital projects employed more internal labour relative to contractors. Salaries and related expenses relating to the retired CEO were $260,000 lower in the year, this position remained vacant until the acquisition by EPOR where leadership services were provided through shared services from an affiliate. This was partially offset by an increase of $150,000 in salaries & expenses as a result of increased FTE due to the residual impacts of the termination of services to the Town of Collingwood in the prior year. Training costs were $39,000 higher than prior year for operations staff primarily due to timing of compliance training for linespersons and bad debt expense was $19,000 higher due to higher write-offs than recoveries. Outside services costs were

$35,000 higher due to legal costs associated with negotiating a new collective agreement with PWU and regulatory costs were $49,000 higher due to costs associated with developing a business plan for the next cost of service filing.

2018 Actuals vs 2017 Actuals – Increase of $181,281

OM&A increased $186,000 as a result of shared services and corporate allocations as a result of EPCOR ownership starting in the last quarter of 2018. In addition, contractor costs were $151,000 higher due to increased tree trimming and substation maintenance activity primarily due to addressing deficiencies found through routine station inspections. This was partially offset by a decrease of $102,000 for regulatory costs due to no longer amortizing one-time costs from the 2013 cost of service application and not having regulatory application costs in 2018 comparable to 2017 as the 2018 filing was deferred for 5 years after the acquisition of EEDO by EPCOR. Outside services was lower by $57,000 primarily due to lower consultant usage primarily due to lower external legal usage.

2019 Actuals vs 2018 Actuals – Increase of $794,904

OM&A increased by $904,000 as a result of having a full-year of shared service and corporate allocations as discussed further in section 4.4.2. Billing & Collecting labour costs were $52,000 higher due to lower vacancies from maternity leave and less time spent on Town of Collingwood billing activities. Training costs were $27,000 higher due to addressing safety compliance gaps identified post acquisition. These increases were partially offset by a decrease in bad debt expense of $21,000 and a decrease in outside services of $59,000 primarily due to lower legal and audit fees relating to the EEDO acquisition in the prior year. Rent expense decreased by $127,000 as a result of the IFRS accounting change to capitalize lease arrangements as right of use assets. The decrease in OM&A is offset by an increase in depreciation expense related to this change in accounting.

2020 Actual vs 2019 Actuals – Increase of $517,277

OM&A increased $304,000 due to higher operations FTE as a result of lower vacancies from turnover as well as lower capitalized labour & vehicle costs due to lower time spent on capital projects primarily due to impacts of COVID-19 on operational crew availability and effectiveness, and adverse weather conditions in 2020. Salary costs were higher by $137,000 due to annual increases and retroactive pay relating to the new collective agreement for PWU Outside workers. Contractors were $77,000 higher due to higher tree trimming activity. Post employment benefits expense increased by $23,000 as 2019 included an actuarial gain which did not recur, bad debt expense was $11,000 higher primarily due to higher write-offs than recoveries, and insurance costs were $20,000 higher due to increased premium costs. OM&A decreased $71,000 due to transferring the HR Manager to the EOUI/EOOMI shared service business unit partially offset by increases in shared service and corporate allocation.

2021 Actual vs 2020 Actuals – Decrease of $599,341

OM&A decreased $423,000 due to higher capitalized labour & vehicle costs due to higher time spent on capital projects due to earlier planning, allowing more capital work to be completed in the year and due to more normal weather conditions in 2021 (2020 had adverse weather conditions which resulted in additional time being required for repair and restoration work). Shared Services & corporate allocations decreased by $68,000, partly due to an error in the 2021 calculations ($99,327 of costs inadvertently missed) – refer to section 4.4.2 for additional details. Management salaries decreased by $12,000 as a result of residual impacts of the transfer of the HR Manager to the shared service affiliate in 2020. Outside services costs were $25,000 lower primarily due to lower consultant usage for a pay equity report. Bad debt expense was $56,000 lower due to a true-up to the allowance for doubtful accounts provision to align with the estimated recoverable accounts receivable. Insurance costs were $25,000 lower due to reduced premium costs. Miscellaneous general expenses were $47,000 lower as a result of exiting CHEC membership in 2021. These decreases were partially offset by higher incentive pay of $68,000 as a result of above Target performance of the short-term incentive plan in 2021.

2022 Bridge Year vs 2021 Actuals – Increase of $653,982

OM&A increased $140,000 due to lower capitalized labour & vehicle costs due to less time spent on capital projects as well as increased FTE as a result of reduced vacancy for a linesperson. Shared services costs were $458,000 higher due to shared service and corporate allocation increases – refer to section 4.4.2 for details on these changes, partially offset by lower costs resulting from transferring the embedded IT manager to the EOOMI shared service affiliate. Bad debt expense is $60,000 higher as a result of a return to historical write-offs net of recoveries. In addition, approximately $93,000 of the OM&A increase can be explained by inflationary increases to salaries, materials and contractors. These increases are partially offset by lower incentive pay of $76,000 due to forecasting short-term incentive at Target for 2022 Bridge Year.

2023 Test Year vs 2022 Bridge Year – Increase of $364,236

Shared services costs were $115,000 higher due to shared service and corporate allocation increases – refer to section 4.4.2 for details on these changes. Regulatory expenditures are $72,000 higher due to amortization of one-time costs associated with this cost of service application. Vehicle depreciation that is burdened to OM&A is $53,000 higher due to the purchase of a bucket truck in 2022 and fleet vehicles in 2022 and 2023. In addition, approximately $131,000 of the OM&A increase can be explained by inflationary increases to salaries, materials and contractors and customer growth.

4.3 OM&A Programs

As requested in Chapter 2A Filing Requirements, Appendix 2-JD: OM&A Programs Table is provided below and shows OM&A costs by OM&A Program for 2013 OEB Approved through the 2023 Test Year.

Table 4.3-1

OM&A Costs

($)

USoA Account	Account Description	Last Rebasing Year (2013 OEB-Approved)	Last Rebasing Year (2013 Actuals)	2014 Actuals	2015 Actuals	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Bridge Year	2023 Test Year	Variance (Test Year vs. 2021 Actuals)	Variance (Test Year vs. Last Rebasing Year (2013
	Reporting Basis	MIFRS	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS		
5005	Operation Supervision and Engineering	132,000	173,554	151,161	156,082	205,247	277,268	313,673	315,361	430,727	336,877	336,864	340,390	3,513	208,390
5010	Load Dispatching	88,500	72,162	76,711	73,255	84,385	63,197	131,866	162,739	165,113	135,975	139,568	149,489	13,514	60,989
5012	Station Buildings and Fixtures Expense	27,000	28,604	37,270	65,717	36,802	28,406	31,006	31,957	47,811	57,037	54,087	56,138	-898	29,138
5016	Distribution Station Equipment Operation	0	0	0	0	0	0	0	1,740	5,729	4,768	4,894	5,080	312	5,080
5017	Distribution Station Equipment Operation	0	0	0	0	0	0	0	2,272	0	0	0	0	0	0
5020	Overhead Distribution Lines and Feeders	30,000	45,078	29,075	19,882	31,187	12,363	34,883	59,159	93,035	73,912	71,407	74,116	205	44,116
5025	Overhead Distribution Lines and Feeders	30,000	35,041	45,087	24,565	72,594	73,841	60,436	65,616	37,185	30,176	30,974	32,149	1,972	2,149
5030	Overhead Sub transmission Feeders Oper	0	0	0	0	0	0	4,853	6,754	3,715	14,654	15,041	15,612	958	15,612
5035	Overhead Distribution Transformers Oper	34,800	18,339	8,759	4,115	614	12,172	215	5,391	38,179	126,173	129,507	23,384	-102,788	-11,416
5040	Underground Distribution Lines and Feed	8,000	12,987	3,786	0	3,596	6,461	8,678	6,530	19,748	19,205	19,713	20,461	1,255	12,461
5045	Underground Distribution Lines and Feed	5,000	1,373	510	0	1,382	755	1,982	646	21,322	5,175	5,312	5,513	338	513
5050	Opr UG Sub-trasmission Feeders	0	0	0	0	0	0	0	37	830	104	107	111	7	111
5055	Underground Distribution Transformers C	12,000	14,310	1,744	0	0	1,008	591	0	33,955	7,361	7,555	7,842	481	-4,158
5065	Meter Expense	6,000	4,507	4,743	3,139	754	3,400	258	23,258	1,752	5,600	5,748	5,966	366	-34
5070	Opr Customer Premise - Labour	0	0	1,044	0	0	0	0	0	0	1,116	1,145	1,189	73	1,189
5075	Customer Premises Materials and Expens	0	0	0	0	0	0	0	654	128	0	0	0	0	0
5085	Miscellaneous Distribution Expense	60,000	78,950	174,053	202,130	145,034	234,374	124,100	160,213	222,442	216,899	213,717	212,571	-4,329	152,571
5096	Other Rent	172,800	172,800	172,800	172,800	172,800	172,800	173,254	24,522	27,868	25,397	26,068	27,057	1,660	-145,743
5105	Maintenance Supervision and Engineerin	60,000	110,394	97,904	105,174	164,018	174,453	171,266	155,277	219,837	142,100	145,855	151,388	9,288	91,388
5110	Maintenance of Buildings and Fixtures Di	12,000	10,849	7,033	4,565	3,590	17,276	35,736	28,551	26,219	13,526	13,884	19,037	5,511	7,037
5114	Maintenance of Distribution Station Equip	52,000	25,327	49,602	35,931	29,841	45,678	77,454	72,755	195,506	99,651	102,285	106,165	6,513	54,165
5120	Maintenance of Poles, Towers and Fixtur	144,000	134,621	101,840	91,286	135,211	39,631	101,513	52,195	114,286	35,160	89,578	97,602	62,442	-46,398
5125	Maintenance of Overhead Conductors an	288,000	280,454	306,569	354,024	425,737	173,953	180,382	104,477	147,924	76,911	78,943	183,721	106,810	-104,279
5130	Maintenance of Overhead Services	172,200	151,927	151,863	154,567	155,658	106,358	81,856	120,044	241,846	205,874	211,315	219,331	13,457	47,131
5135	Overhead Distribution Lines and Feeders	101,000	112,951	76,671	168,299	97,948	67,172	169,641	155,307	114,693	193,239	189,431	196,617	3,378	95,617
5145	Maintenance of Underground Conduit	0	0	0	-613	534	0	186	5,019	1,850	2,932	3,010	3,124	192	3,124
5150	Maintenance of Underground Conductors	117,000	83,516	76,108	127,173	83,053	116,661	90,764	75,308	60,447	81,017	78,700	86,312	5,295	-30,688
5155	Maintenance of Underground Services	204,000	190,265	272,528	325,506	279,865	195,519	163,425	253,921	221,913	232,614	238,761	247,819	15,204	43,819
5160	Maintenance of Line Transformers	75,000	65,773	49,984	45,954	71,049	80,466	71,901	119,190	46,186	44,531	45,708	47,442	2,911	-27,558
5175	Maintenance of Meters	241,700	229,674	272,267	255,161	281,232	286,681	280,125	249,595	245,619	264,371	271,357	281,651	17,280	39,951
5305	Supervision	84,000	76,243	79,790	90,766	92,517	99,716	111,720	129,857	136,080	133,987	137,528	142,745	8,758	58,745
5310	Meter Reading Expense	179,000	166,651	166,533	170,502	204,891	187,458	221,602	180,848	175,358	165,478	169,851	176,294	10,816	-2,706
5315	Customer Billing	522,276	440,132	433,805	431,512	425,281	493,860	441,715	508,232	546,560	549,017	563,526	584,902	35,885	62,626
5320	Collecting	119,586	117,121	102,233	101,200	114,296	115,562	103,985	106,451	92,750	133,028	136,543	141,723	8,695	22,137
5325	Collecting Cash Over and Short	0	-77	-36	171	-12	19	9	0	0	0	0	0	0	0
5335	Bad Debt Expense	60,000	39,310	27,592	28,912	58,382	77,429	69,951	48,890	60,000	4,027	63,000	63,640	59,613	3,640
5340	Miscellaneous Customer Accounts Expens	0	0	0	0	0	0	483	722	0	0	0	0	0	0
5410	Community Relations	0	0	0	0	0	1,180	0	2,043	159	247	253	263	16	263
5415	Energy Conservation	0	82	0	2,588	0	0	0	0	0	0	0	0	0	0
5420	Community Safety Program	0	0	0	2,588	9,700	0	9,900	0	7,935	3,700	3,798	3,942	242	3,942
5425	Miscellaneous Customer Service and Info	138,000	152,918	161,767	205,591	149,239	224,166	217,891	239,693	231,699	173,038	177,611	184,348	11,310	46,348
5605	Executive Salaries and Expenses	348,000	322,582	429,993	370,415	307,949	48,458	209,559	1,113,550	1,201,144	1,091,659	1,549,679	1,665,154	573,494	1,317,154
5610	Management Salaries and Expenses	134,208	117,936	109,525	123,483	176,363	213,557	218,391	182,609	23,175	11,051	6,886	7,147	-3,904	-127,061
5615	General Administrative Salaries and Expe	349,392	333,990	276,947	308,901	392,529	403,613	482,486	489,581	509,903	511,817	525,342	545,271	33,454	195,879
5630	Outside Services Employed	216,000	205,843	188,518	68,317	141,037	176,032	118,497	59,136	67,563	41,820	42,926	44,554	2,733	-171,446
5635	Property Insurance	28,887	28,887	29,258	29,680	17,561	15,767	14,109	17,828	20,950	31,224	27,591	33,264	2,041	4,377
5640	Injuries and Damages	64,800	56,333	56,284	45,508	55,423	53,262	60,532	67,117	86,830	62,024	59,206	66,078	4,054	1,278
5645	Employee Pensions and benefits	3,306	0	0	-6,830	0	0	0	0	0	0	0	0	0	-3,306
5646	Employee Pensions & OPEB	0	3,306	-4,409	0	2,961	5,487	1,133	-21,440	1,589	9,487	0	0	-9,487	0
5655	Regulatory Expenses	81,000	114,339	122,730	122,296	101,685	150,823	49,217	56,590	40,165	57,079	88,628	162,844	105,765	81,844
5660	General Advertising Expenses	2,000	2,934	10,688	11,156	13,572	11,469	9,156	10,597	1,044	15,902	16,322	16,941	1,039	14,941
5665	Miscellaneous General Expenses	69,000	90,050	90,600	95,359	89,742	88,115	89,768	95,566	102,098	49,701	51,015	52,900	3,199	-16,100
5670	Rent	43,200	43,200	64,992	64,992	64,992	43,200	43,200	0	0	0	0	0	0	-43,200
5675	Maintenance of General Plant	30,000	27,584	29,320	30,730	393	2,466	0	31,181	4,136	110	113	117	7	-29,883
5680	Electrical Safety Authority Fees	8,040	7,113	7,682	7,434	7,630	7,751	7,687	7,913	8,068	8,135	8,350	8,667	532	627
6205	Donations & LEAP	31,465	15,169	11,377	10,725	8,883	8,691	8,222	8,710	8,369	7,214	7,380	12,250	5,037	-19,215
	Total	4,585,160	4,415,105	4,564,301	4,704,707	4,917,146	4,617,976	4,799,257	5,594,161	6,111,438	5,512,097	6,166,079	6,530,315	1,018,219	1,945,156

A description of the costs that are recorded in the USofA accounts is provided below:

OPERATIONS AND MAINTENANCE PROGRAM DESCRIPTION

Operations & Maintenance

These expenses relate to the operation (USofA accounts 5000-5096) and maintenance (USofA accounts 5105-5195) of EEDO's electrical system. This includes both direct labour costs and non-capital material spending to support both scheduled and reactive maintenance events. In addition, costs are allocated from support departments to cover the costs of Labour Burden, Information Technology, Engineering and Stores. EEDO's maintenance strategy is, to the extent possible, to minimize reactive and emergency-type work through an effective planned maintenance program, including predictive and preventative actions.

EEDO's customer responsiveness and system reliability are monitored continually to ensure that its maintenance strategy is effective. This effort is coordinated with EEDO's capital project work so that where maintenance programs have identified matters which require capital investments, EEDO may adjust its capital spending priorities to address those matters.

Predictive Maintenance

Predictive maintenance activities involve the testing of elements of the distribution system. These activities include infrared thermography testing, transformer oil analysis, planned visual inspections and pole testing. These evaluation tools are all administered using a grid system with appropriate frequency levels. Any identified deficiencies are prioritized and addressed within a suitable time frame.

Preventative Maintenance

Preventative maintenance activities include inspection, servicing and repair of network components. This includes overhead and pad-mounted switch maintenance. Also included are regular inspection and repair of substation components and ancillary equipment. The work is performed using a combination of time and condition based methodologies.

Emergency Maintenance

This item includes unexpected system repairs to the electrical system that must be addressed immediately. The costs include those related to repairs caused by storm damage, emergency tree trimming and on-call premiums. EEDO constantly evaluates its maintenance data to adjust predictive and preventative actions. The ultimate objective is to reduce this emergency maintenance. An answering service company has been contracted to contact "on call" lineperson and supervisory staff in the event of service problems outside of normal business hours.

Service Work

The majority of costs related to this work pertain to service upgrades requested by customers, and requests to provide safety coverage for work (overhead line cover ups). This includes service disconnections and reconnections by EEDO for all service classes; assisting pre-approved contractors; the making of final connections after Electrical Safety Authority ("ESA") inspection for service upgrades; and changes of service locations.

Network Control Operations

EEDO maintains a Supervisory Control and Data Acquisition ("SCADA") system. Network operating costs are charged to account 5085.

Metering

The metering department is responsible for the installation, testing, and commissioning of new and existing simple and complex metering installations. Testing of complex metering installations ensures the accuracy of the installation and verifies meter multipliers for billing purposes. Revenue Protection is another key activity performed by the metering department, by proactively investigating potential diversion and theft of power.

Substation Services

Substation services activities address the maintenance of all equipment at EEDO's 14 substations. This includes both labour costs and non-capital material spending to support both scheduled and emergency maintenance events. As with the maintenance activities, substation maintenance strategy focuses on minimizing, to the extent possible, emergency-type work by improving the effectiveness of EEDO's planned maintenance program (including predictive and preventative actions) for its substations.

Operations Area:

The Operations area coordinates drafting and design services for capital projects and provides distribution system asset information to many departments within EEDO. Engineering costs are allocated to operations, maintenance and capital based on total labour, truck and material costs. A standard overhead percentage is set at the beginning of the year for all jobs, and adjusted to actual at year end.

Stores/Warehouse:

The Stores area is accountable for managing the procurement, control, and movement of materials within EEDO's service centre. This includes monitoring inventory levels, issuing material receipts, material issues, and material returns as required. The cost of the stores department is allocated to all departmental and capital as an overhead cost based on direct material costs. A standard overhead percentage is set at the beginning of the year and adjusted to actual at year end.

Garage/Transportation/Fleet

The Garage and Transportation Fleet area has as one of its objectives keeping maintenance schedules to ensure vehicle reliability and safety, and the minimization of vehicle down time. Vehicle costs are allocated to operations, maintenance, and capital accounts based on number of hours used. A standard "cost per hour" is set for all vehicles within the fleet (one rate for passenger vehicles and pickup and another rate for bucket trucks and work platforms).

Labour Burden

This department collects the cost of all employee benefits and payroll taxes such as EI, CPP, EHT, WSIB, and group insurances. Costs are allocated to all departments and capital projects based on direct labour. An overhead rate is set at the beginning of each year and adjusted to actual at year end.

Customer Service

The Customer Service group is responsible for the customer care activities for the approximately 18,500 customers in EEDO's service area. These activities include meter reading, billing, call centre, collections, and other back office functions.

EEDO aspires to achieve customer service excellence in its processes and customer programs. The costs associated with the Customer Service department are reported in USofA accounts 5305 to 5340.

Meter Reading

EEDO had transitioned to fully electronic meter reading in conjunction with TOU billing and does not employ contract meter reading services.

Billing

EEDO processes monthly billings of approximately 18,500 electricity invoices monthly or approximately 222,000 annually to customers. An annual billing schedule is created based on the meter reading schedule to ensure timely billing of services. The billing functions includes Electronic Billing Transactions (EBT) and retailer settlement functions for 1300 retailer accounts; account adjustments; processing meter changes; and other various account related field service orders and mailing services. EEDO offers customers a number of billing and payment options including equal payment plan and a preauthorized payment plan.

Collections

Collections involve a combination of activities, including the collection of overdue active accounts, security deposits and final bills for service termination. In an effort to minimize credit losses, EEDO enforces a prudent credit policy in accordance with the Distribution System Code. Active overdue accounts are collected by in-house staff through notices, letters and direct telephone contact. Final bill collections are turned over to a collection agency after collection methods are exhausted. EEDO has a collection insurance policy for commercial customers.

Community Relations

EEDO is committed to providing consumer information and responses, in a timely and proactive manner, on electricity distribution and related issues. EEDO maintains a presence in the communities it serves, where staff is available to answer customer questions in a friendly environment.

ADMINISTRATIVE AND GENERAL EXPENSES

Administrative and general expenses include expenses incurred in connection with the general administration of the utility's operations (i.e. Finance and Regulatory functions). Within EEDO the following activities are considered to be part of general administration and, as such, all expenses incurred within these functional areas are accounted for as administrative and general expenses:

- Executive Management (5605);
- Management Salaries and Expenses (5610)
- Finance and Administrative Services (5615)
- Outside Service Employed: (5630)
- Employee Post-Retirement Benefits: (5645)
- Regulatory Expenses: (5655)
- Miscellaneous General Expense: (5665)
- Maintenance of General Plant: (5675)
- Electrical Safety Authority ("ESA"): (5680)

Executive Salaries and Expenses: 5605

This account previously included expenses for Executive Management including salaries and related expenses, this account currently includes costs for Shared Services & Corporate allocations.

Administrative Services: 5615

Administrative Services is comprised of several sub-accounts: Accounting/Finance and Regulatory. The Finance department is responsible for the preparation of statutory, management and Board of Directors financial reporting in accordance with IFRS; all daily accounting functions, including accounts payable, accounts receivable, and general accounting; internal control processes; preparation of consolidated budgets and forecasts; and supporting tax compliance. The department is also responsible for all regulatory reporting and compliance with applicable codes and legislation governing EEDO, including development and preparation of rate filings, performance reporting, and compliance. The Regulatory department is responsible for providing regulatory services including compliance, preparing rate applications, and consulting with the OEB and industry on regulatory matters.

Expenses included in Administrative Services include salary and related payroll burdens associated with the Senior Manager, Financial & Regulatory Reporting, Senior Manager, Regulatory, Accounts Payable/Customer Relations Clerk, Accounting Administrator, as well as incidental expenses relating to the Finance and Regulatory departments.

Outside Service Employed: 5630

Outside Services Employed include, but are not limited to, costs for services provided by consulting and professional fees of accountants and auditors, actuaries, legal services, public relations counsel and tax consultants.

Employee Post-Retirement Benefits: 5645

Employee Post-Retirement Benefits include annual expenses for post-retirement benefits provided to eligible EEDO employees in accordance with company policy and as provided in the collective bargaining agreement between EEDO and its union. The annual expense and liability are determined in accordance with IAS 19 Employee Benefits and supported by an actuarial valuation that is completed every three years. The most recent full valuation was for the year end 2019 (see to Exhibit 4, Tab 2, Appendix B).

Regulatory Expenses: 5655

Regulatory Expenses include those expenses incurred in connection with Decisions and Orders on Cost Awards for hearings, proceedings, technical sessions, and other matters before the OEB or other regulatory bodies, including annual assessment fees paid to a regulatory body. Annual fees assessed by the OEB are included in this expenditure category.

Miscellaneous General Expense: 5665

This only includes membership dues in the Test Year.

Maintenance of General Plant: 5675

Expenses under Maintenance of General Plant include all costs of operating the office building that are not included in EEDO’s building lease. These include items such as: building utility costs, maintenance & repairs to the office building, lawn care & snow removal.

Electrical Safety Authority ("ESA"): 5680

Expenses under Electrical Safety Authority ("ESA") fees include all annual charges from the ESA as well as annual audit expenses.

4.4 Additional Details on OM&A Expenses

4.4.1 Workforce Planning and Employee Compensation

Overview

EEDO's overall compensation philosophy is to be competitive and equitable in order to attract and retain qualified personnel in an industry that has an aging workforce and is competing for a limited amount of skilled resources. EEDO's total rewards package focuses on several elements including base pay, incentive awards, funding for after hours education and development, internal training programs for personal and career development, work life balance, retirement savings as well as health, dental, life insurance and disability programs. The compensation package includes a base wage and benefits package for the unionized employees. Non-unionized employees are eligible for incentive pay in addition to the base wage and benefits package.

Staffing and Compensation

The number of employees reflected in a time period in Table 4.4.1-1 below is based on the computation of the number of full-time equivalent (FTE) positions in that year. For example, if a new employee was added half way through a particular calendar year, it would count as 0.5 FTE in that calendar year. The salaries and wages amounts include all salaries and wages paid, inclusive of overtime, vacations, holidays, sick leave, bereavement leave, and incentive pay. The benefits amount includes the employer's portion of statutory benefits (CPP, EI and EHT), employer contributions to OMERS and WSIB and EEDO's costs for providing extended health care, dental, long-term disability, life insurance, and post-employment benefits for its employees. The employee headcount, compensation and benefit information are provided in Appendix 2-K and in Table 4.4.1-1 below. EEDO has aggregated the executive and management together in the management category.

Table 4.4.1-1

Appendix 2-K Employee Costs

Appendix 2-K
Employee Costs

	Last Rebasing Year (2013 OEB Approved)	Last Rebasing Year (2013 Actuals)	2014 Actuals	2015 Actuals	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Bridge Year	2023 Test Year
Number of Employees (FTEs including Part-Time)[1]												
Management (including executive)	2.75	3.75	4.06	4.43	4.74	5.33	4.73	5.23	4.34	3.47	2.93	2.60
Non-Management (union and non-union)	20.17	18.60	18.91	19.39	20.66	22.14	24.00	23.27	25.10	24.69	25.75	25.59
Total	22.92	22.35	22.97	23.82	25.40	27.47	28.73	28.51	29.45	28.16	28.68	28.19
Total Salary and Wages including ovetime and incentive pay												
Management (including executive)	$ 429,991	$ 617,409	$ 643,069	$ 657,198	$ 812,126	$ 738,532	$ 771,857	$ 712,282	$ 631,168	$ 538,935	$ 482,857	$ 450,612
Non-Management (union and non-union)	$ 1,605,613	$ 1,474,242	$ 1,653,959	$ 1,790,226	$ 1,977,502	$ 1,940,020	$ 2,093,401	$ 2,177,392	$ 2,399,134	$ 2,417,262	$ 2,556,255	$ 2,634,374
Total	$ 2,035,604	$ 2,091,651	$ 2,297,028	$ 2,447,424	$ 2,789,628	$ 2,678,552	$ 2,865,258	$ 2,889,674	$ 3,030,301	$ 2,956,197	$ 3,039,112	$ 3,084,986
Total Benefits (Current + Accrued)												
Management (including executive)	$ 90,208	$ 174,531	$ 158,230	$ 160,914	$ 194,431	$ 210,576	$ 213,589	$ 203,540	$ 178,620	$ 159,599	$ 136,043	$ 127,291
Non-Management (union and non-union)	$ 333,867	$ 416,744	$ 406,965	$ 438,334	$ 473,434	$ 469,909	$ 492,747	$ 528,474	$ 592,999	$ 630,040	$ 641,591	$ 666,957
Total	$ 424,075	$ 591,275	$ 565,195	$ 599,248	$ 667,865	$ 680,485	$ 706,336	$ 732,014	$ 771,619	$ 789,639	$ 777,634	$ 794,248
Total Compensation (Salary, Wages, & Benefits)												
Management (including executive)	$ 520,199	$ 791,940	$ 801,299	$ 818,112	$ 1,006,557	$ 949,108	$ 985,446	$ 915,822	$ 809,788	$ 698,534	$ 618,900	$ 577,903
Non-Management (union and non-union)	$ 1,939,480	$ 1,890,986	$ 2,060,924	$ 2,228,560	$ 2,450,936	$ 2,409,929	$ 2,586,148	$ 2,705,866	$ 2,992,133	$ 3,047,302	$ 3,197,846	$ 3,301,331
Total	$ 2,459,679	$ 2,682,926	$ 2,862,223	$ 3,046,672	$ 3,457,493	$ 3,359,037	$ 3,571,594	$ 3,621,688	$ 3,801,920	$ 3,745,836	$ 3,816,746	$ 3,879,234
Total Compensation Breakdown (Capital, OM&A)												
OM&A	$ 2,253,759	$ 2,323,502	$ 2,528,008	$ 2,240,867	$ 2,608,256	$ 2,141,106	$ 2,439,249	$ 2,518,630	$ 2,817,715	$ 2,338,704	$ 2,483,929	$ 2,500,567
Capital	$ 205,920	$ 359,424	$ 334,214	$ 805,804	$ 849,236	$ 1,217,931	$ 1,132,345	$ 1,103,058	$ 984,205	$ 1,407,132	$ 1,332,817	$ 1,378,667
Total	$ 2,459,679	$ 2,682,926	$ 2,862,223	$ 3,046,672	$ 3,457,493	$ 3,359,037	$ 3,571,594	$ 3,621,688	$ 3,801,920	$ 3,745,836	$ 3,816,746	$ 3,879,234

Workforce Planning

The workforce plan from the 2013 cost of service application (EB-2012-0116) was predicated on providing non-utility services to the Town of Collingwood which allowed affiliate employees in Collus Solutions to be allocated between utility activities for Collus PowerStream and non-utility activities for the Town of Collingwood. The Collus PowerStream 2013 OEB Approved FTE of 22.92 included 9.35 FTE (17 headcount) allocated from Collus Solutions for providing services to Collus Powerstream. The remaining 7.65 FTE of the 17 Collus Solutions employees were dedicated to providing services for non-utility activities for the Town of Collingwood.

In 2016, the Town of Collingwood reduced the scope of services received from Collus Solutions to customer billing support. The employees who were no longer providing services to the Town of Collingwood could no longer allocate their costs to the Town of Collingwood and were moved to Collus PowerStream mid-year 2016. The remaining Collus Solutions employees who provided customer billing services were moved to Collus PowerStream at the end of 2016. The 2013 filing FTE estimated that 2.70 FTE of the 7.65 FTE provided customer billing support and 4.95 FTE provided non-customer billing services.

Collus PowerStream mitigated the impact of the additional FTEs to the best of its ability by not back-filling some positions vacated through attrition over time. The end result is that by the end of 2017, management and administrative FTE increased 2.07 FTE to 11.12 from the 2013 Test Year.

Since EEDO was acquired by EPCOR in 2018, EEDO has reviewed its operational and business goals against its workforce requirements, financial strength and the impact on customers. EEDO's workforce plan is designed to ensure the size, experience, knowledge, and skills of its workforce can achieve its objectives to provide safe, reliable, secure, cost–efficient and environmentally responsible operation of EEDO's electrical distribution system.

EEDO has sought to optimize its workforce by leveraging a shared service model that is described in greater detail in section 4.4.2. The shared service model allows EEDO to optimize the overall FTE and operating expense impact of management positions and provide services to areas that EEDO would not otherwise be able to support a whole FTE such as Customer Service, Health Safety and Environment and Operations Engineering. Table 4.4.1-2 below provides an overview of the impacts on headcount up to the year before EPCOR's acquisition of EEDO (2017) and the subsequent change in headcount thereafter.

Table 4.4.1-2
Embedded Employees – Headcount

	Category	2013 Test Year	2017 Actual	2023 Test Year	2013 vs 2017	2017 vs 2023	2013 vs 2023
1	Management	6	6	3	-	(3)	(3)
2	Administration	8	6	6	(2)	-	(2)
3	Billing & Collecting	6	7	7	1	-	1
4	Linesperson	7	10	10	3	-	3
5	Locator	1	1	2	-	1	1
6	Meter Technician	2	2	2	-	-	-
7	Stores Assistant	-	1	1	1	-	1
8	**Total**	**30**	**33**	**31**	**3**	**(2)**	**1**

From 2017 to 2023 the three headcount reduction in Management relates to the elimination of one Hydro Services Manager position and moving the HR Manager and Ops Network & Security Manager to shared service resources as further discussed in section 4.4.2.

Further information related to position and FTE changes from the 2013 Approved year to the 2017 Actual year are discussed after Table 4.4.1-3 below.

EEDO monitors operational requirements and balances the use of internal resources against the use of external contractors. Scenarios such as seasonal work, lack of expertise or lack of internal capacity give rise to a situation where employing external contractors makes economic and operational sense. In situations where an internal resource can be justified, EEDO prefers to hire a permanent employee rather than using external contractors.

EEDO's workforce plan is built on two key components that go hand in hand:

i) building and maintaining a skilled workforce, and
ii) offering market-competitive employee compensation

To ensure EEDO can achieve its objectives, employees must possess the appropriate skills (i.e., education) and training, both technical and non-technical to complete the work and have access to any necessary ongoing training and development required to be successful. As EEDO is now part of EPCOR, its employees are leveraging EPCOR's program offerings to meet some of their training and developmental needs. In addition, EEDO recognizes the importance of cross-training its employees as a cornerstone for running an efficient utility business. As a result, EEDO focuses on cross-training its employees to fill in service gaps when needed. Cross-training of employees promotes teamwork, increases employee morale and provides improved customer service by allowing one team member to step in and resolve issues when another employee is either away or unavailable.

Lastly and equally important is to ensure EEDO's employees are receiving total compensation that is competitive. EEDO's compensation strategy and structure are based on EPCOR's (EEDO's parent) compensation philosophy, which is determined by the Human Resources and Compensation Committee of the EPCOR Board. EPCOR's compensation philosophy targets the "mid-market" or 50th percentile of a defined peer group for total employee compensation. EPCOR's defined peer group is comprised of Energy, Utility and Pipeline organizations of similar size to EPCOR. These organizations may be autonomous companies, subsidiaries and/or divisions or joint ventures. A copy of EEDO's compensation guidelines has been provided in Exhibit 4, Tab 2, Appendix A.

In order to attract and retain staff at all levels, EEDO offers a comprehensive employee benefits package. These benefits include medical and dental coverage, long term disability and life insurance and a company sponsored defined retirement plan (OMERS).

A detailed description of EEDO employee compensation, benefits, pension plan and post-retirement benefits is provided in a subsequent section.

Table 4.4.1-3
FTE change by year

	Year	Management	Administration	Billing & Collections	Operations	Total
1	2013 OEB Approved	2.75	6.30	4.37	9.50	22.92
2	2013 Actuals	3.75	5.47	3.85	9.28	22.35
3	Change	1.00	(0.83)	(0.52)	(0.22)	(0.57)
4	2014 Actuals	4.06	5.47	3.85	9.59	22.97
5	Change from 2013	0.31	-	-	0.31	0.62
6	2015 Actuals	4.43	5.03	3.98	10.38	23.82
7	Change from 2014	0.37	(0.44)	0.13	0.79	0.85
8	2016 Actuals	4.74	5.20	2.88	12.58	25.40
9	Change from 2015	0.31	0.17	(1.10)	2.20	1.58
10	2017 Actuals	5.33	5.02	3.90	13.21	27.46
11	Change from 2016	0.59	(0.18)	1.02	0.63	2.06
12	2018 Actuals	5.48	5.37	4.55	13.33	28.73
13	Change from 2017	0.15	0.35	0.65	0.12	1.27
14	2019 Actuals	5.23	4.37	5.48	13.42	28.50
15	Change from 2018	(0.25)	(1.00)	0.93	0.09	(0.23)
16	2020 Actuals	4.34	5.39	4.85	14.86	29.44
17	Change from 2019	(0.89)	1.02	(0.63)	1.44	0.94
18	2021 Actuals	3.47	5.80	4.66	14.23	28.16
19	Change from 2020	(0.87)	0.41	(0.19)	(0.63)	(1.28)
20	2022 Bridge Year	2.93	5.61	5.18	14.96	28.68
21	Change from 2021	(0.54)	(0.19)	0.52	0.73	0.52
22	2023 Test Year	2.60	5.61	5.02	14.96	28.19
23	Change from 2022	(0.33)	-	(0.16)	-	(0.49)

Employee Staffing

2013 Approved vs 2023 Test Year

- Proposed 2023 Test Year total FTE is 28.19 which represents an increase of 5.27 FTE from the 2013 Board Approved FTE.
    - Operations FTE increased from 9.50 FTE in 2013 Board Approved to 14.96 FTE in 2023 Test Year due to:
        - The addition of 5 operations positions comprised of 3 Linespersons, 1 Inspector Locator, and 1 Stores Assistant.
        - The addition of the 3 Linesperson positions in 2015 was required due to growing capital and operating demands that were not being met by existing

resources. Capex has grown significantly since the 2013 year ($1.8 million in 2013 to a forecast amount of $4.3M for the 2023 Test Year) and customer counts have also continued to grow since 2013. This has resulted in increased capital and operating labour to keep up with the growing utility system.

  - The addition of 1 Inspector Locator position in 2019 was required due to growing operating demands that were not being met by the single Inspector Locator position for reasons similar to those noted in the immediately preceding bullet.

  - The addition of 1 Stores Assistant in 2017 to manager EEDO's inventory was required due to the Storekeeper retiring and not being replaced by the Collingwood Public Utility.

  - A reduction in vacancy representing 0.46 FTE

- Management FTE has decreased from 2.75 FTE in 2013 Board Approved to 2.60 FTE in 2023 Test Year due to:
  - a decrease in FTE of 1.10 for the CEO and HR Manager positions (each a 0.55 FTE in 2013 Board Approved). The CEO position went vacant in 2015 and was not replaced. Executive oversight is now provided from EOOMI with approximately 35% of two positions allocated to EEDO for the 2023 Test Year. The HR Manager position was replaced by a HR Consultant position with approximately 35% of the position allocated to EEDO for the 2023 Test Year. See section 4.4.2 below for additional details.

  - an increase in FTE of 0.95 FTE relating to an increase in allocated time to the utility for the General Manager, Finance Senior Manager, and Regulatory Senior Manager

- Administration FTE has decreased from 6.30 FTE in 2013 to 5.61 FTE in 2023 Test Year due to:

        - A decrease of 1.55 FTE for vacated Manager, Hydro Services and Controller positions that were eliminated.
        - A decrease of 0.55 FTE for the Computer Systems & Network Technician position that was moved to EOOMI, with 35% of the position now allocated to EEDO. See section 4.4.2 for additional details.
        - An increase of 1.41 FTE relating to an increase in allocated time to the utility for the Systems support Technician, Engineering Technologist, GIS Technician and Accounting Administrator positions.
    - Billing & Collecting FTE increased from 4.37 FTE in 2013 to 5.02 FTE in 2023 Test Year due to an increase in allocated time to the utility as a result of a relative increase in utility work demands.
- Salaries & Wages has increased from $2,035K in the 2013 Test Year to $3,085K in the 2023 Test Year, an increase $1,050K.
    - A significant driver of this increase is the addition of 5 operations positions noted above. These additional 5 positions have added $556K in salaries & wages relative to the 2013 Actual. Note that approximately $197K of the added salaries & wages related to these positions is deployed to capital activities.
    - Excluding the additional 5 FTE noted above, the remaining increase in salaries & wages from 2013 to 2023 of $494k (24.2% or 2.2% on an annualized basis) is primarily due to inflationary and step increases.

2013 Actual vs 2013 Board Approved

- 2013 Actual total FTE were 0.57 lower than the 2013 Board Approved due to 2 linesperson positions vacancies mid-year and not backfilled in 2013 as well as a lower amount of employee hours charged from Collus Solutions for Billing & Collecting.

- There was an increase in total salaries and wages of $56K due to wages paid to the previous CFO of 60K, inflationary and step increases of approximately 3%, partially offset by the decrease in FTE.

2014 Actual vs 2013 Actual

- 2014 Actual FTE were 0.62 higher than 2013 Actual due to back-filling linesperson vacancies and the CEO no longer allocating time to the Town of Collingwood starting in May 2014.
- There was an increase in total salaries and wages of $205K due to the increase in FTE and inflationary and step increases of approximately 3%.

2015 Actual vs 2014 Actual

- Management increased 0.37 FTE in 2015 Actual from 2014 Actual due to an increased amount of employee hours charged from Collus Solutions.
- Administration decreased 0.44 FTE in 2015 Actual from 2014 Actual due to a decreased amount of employee hours charged from Collus Solutions.
- Billing & Collecting increased 0.13 FTE in 2015 Actual from 2014 Actual due to an increased amount of employee hours charged from Collus Solutions.
- Operations increased 0.79 FTE in 2015 Actual from 2014 Actual. This increase is due to the creation of 3 new linesperson positions due to increased operational and capital work requirements, partially offset by increased vacancies due to turnover.
- There was an increase in total salaries and wages of $150K due to the increase in FTE and inflationary and step increases of approximately 3%.

2016 Actual vs 2015 Actual

- Management increased 0.31 FTE in 2016 Actual from 2015 Actual due to the transfer of Collus Solutions employees to Collus PowerStream mid year as a result of those employees no longer providing services to the Town of Collingwood, partially offset by a vacancy in the CEO position, which was not subsequently back-filled.
- Administration increased 0.17 FTE in 2016 Actual from 2015 Actual due to Collus Solutions employees being moved to Collus PowerStream mid year as a result of those employees no longer providing services to the Town of Collingwood, partially offset by retirement of one employee at the end of 2015 which lead to removal of a position (Operations Supervisor) which was not back-filled in 2016 and one position becoming vacant mid-year which led to removal of the position (Controller).

- Billing & Collecting decreased 1.10 FTE in 2016 Actual from 2015 Actual due to the retirement of one employee at the end of 2015 and a vacancy in early 2016 which were not back-filled until 2017.
- Operations increased 2.20 FTE in 2016 Actual from 2015 Actual due to having a full-year of the 3 new linesperson crew positions created in 2015.
- There was an increase in total salaries and wages of $342K due to the increase in FTE and inflationary and step increases of approximately 3% as well as a retirement allowance paid to the CEO of $139K.

2017 Actual vs 2016 Actual

- Management increased 0.59 FTE in 2017 Actual from 2016 Actual primarily due to the promotion of the Computers Systems & Network Technician to IT Services Manager and the remaining impact of the mid-year transfer of employees from Collus Solutions in 2016. The increase was partially offset by the remaining impact of the CEO's 2016 retirement and turnover in the Regulatory & Billing Manager position.
- Administration decreased 0.18 FTE in 2017 Actual from 2016 Actual due to the promotion of the Computers Systems & Network Technician position to management (0.79 FTE) and the remaining impact of the Controller position that was vacated mid-year in 2016 (0.46 FTE). The decrease was partially offset by the remaining impact of the mid-year transfer of employees from Collus Solutions in 2016 and increases of 0.50 FTE for training a new employee that was replacing a mid-year retirement and 0.32 FTE for back-filling a previously vacant position.
- Billing & Collecting increased 1.02 FTE in 2017 Actual from 2016 Actual primarily due to creating a new Customer Relations/Accounts Payable position from a vacated position.
- Operations increased 0.63 FTE in 2017 Actual from 2016 Actual due to the creation of a new Stores Assistant position (0.21 FTE) which was required as the utility no longer had access to a Storekeeper who retired and was not backfilled through Collingwood Public Utilities, as well as decreased vacancies relative to 2016 (0.42 FTE).
- There was a decrease in total salaries and wages of $111K primarily due to the vacated CEO position, partially offset by due to the increase in FTE and inflationary and step increases of approximately 3%.

2018 Actual vs 2017 Actual

- Management increased 0.15 FTE in 2018 Actual from 2017 Actual primarily due a decrease in vacancy in the Regulatory & Billing Manager position compared to 2017 (0.16 FTE).
- Administration increased 0.35 FTE in 2018 Actual from 2017 Actual primarily due to a decrease in vacancies relative to 2017 (0.72 FTE), partially offset by a maternity leave (0.33 FTE).
- Billing & Collecting increased 0.65 FTE in 2018 Actual from 2017 Actual due to a decrease in vacancies relative to 2017.
- Operations increased 0.12 FTE in 2018 Actual from 2017 Actual due to a decrease in vacancies relative to 2017.
- There was an increase in total salaries and wages of $187K due to the increase in FTE and inflationary and step increases of approximately 3%.

2019 Actual vs 2018 Actual

- Management decreased 0.25 FTE primarily due to an increase in vacancies relative to 2018.
- Administration decreased 1.00 FTE in 2019 Actual from 2018 Actual due to an increase in time spent on non-utility work (0.62 FTE) and an increase in vacancies primarily due to a maternity leave (0.38 FTE).
- Billing & Collecting increased 0.93 FTE in 2019 Actual from 2018 Actual due to decrease in vacancies relative to 2018 (0.43 FTE) and decreased employee time spent on non-utility activities (0.50 FTE).
- Operations increased 0.09 FTE in 2019 Actual from 2018 Actual due to the creation of a new Inspector Locator position (0.35 FTE) mid-year, partially offset by increased vacancies from turnover (0.26 FTE).
- There was an increase in total salaries and wages of $25K due to inflationary and step increases of approximately 3%, partially offset by the decrease in FTE.

2020 Actual vs 2019 Actual

- Management decreased 0.89 FTE in 2020 Actual from 2019 Actual primarily due to moving the Manager, HR position to EOUI (0.88 FTE).
- Administration increased 1.02 FTE in 2020 Actual from 2019 Actual due to a decrease in vacancies as a result of an employee returning from maternity leave (0.67 FTE) and a decrease in time spent on non-utility activities (0.35 FTE).
- Billing & Collecting decreased 0.63 FTE in 2020 Actual from 2019 Actual primarily due to an increase in vacancies due to maternity leave (0.70 FTE).
- Operations increased 1.44 FTE in 2020 Actual from 2019 Actual due to a decrease in vacancies relative to 2019.
- There was an increase in total salaries and wages of $141K due to inflationary and step increases of approximately 3% and the increase in FTE.

2021 Actual vs 2020 Actual

- Management decreased 0.87 FTE in 2021 Actual to 3.47 FTE primarily due to elimination of the Manager, Hydro Services position (0.92 FTE) and increased time spent on non-utility work (0.14 FTE), partially offset by coverage for one employee on short-term leave (0.19 FTE).
- Administration increased 0.41 FTE in 2021 Actual from 2020 Actual primarily due to coverage for the Operations Supervisor position (0.43 FTE), a decrease in time spent on non-utility activities (0.19 FTE), partially offset by an increase in vacancies (0.21 FTE) due to turnover and maternity leave.
- Billing & Collecting decreased 0.19 FTE primarily due to an increase in vacancies due to maternity leave (0.36 FTE), partially offset by a decrease in time spent on non-utility activities (0.17 FTE).
- Operations decreased 0.63 FTE in 2021 Actual from 2020 Actual due to an increase in vacancies due to turnover.
- There was a decrease in total salaries and wages of $74K due to the decrease in FTE, partially offset by inflationary and step increases of approximately 3%.

2022 Bridge Year vs 2021 Actual

- Management decreased 0.54 FTE in 2022 Bridge Year from 2021 Actual primarily due to moving the Ops Network & Security Manager position to EOOMI mid-year and due to a reduction in the impact of coverage for one employee on short-term leave.
- Administration decreased 0.19 FTE in 2022 Bridge Year from 2021 Actual due to an increase in vacancies (0.19 FTE).
- Billing & Collecting increased 0.52 FTE in 2022 Bridge Year from 2021 Actual due to training a new employee that was replacing an employee that retired in early 2022 (0.17 FTE) and a decrease in vacancies (0.35 FTE)
- Operations increased 0.73 FTE in 2022 Bridge Year from 2021 Actual due to a decrease in vacancies.
- There was an increase in total salaries and wages of $83K due to inflationary and step increases of approximately 3% and the increases in FTE.

2023 Test Year vs 2022 Bridge Year

- Management decreases 0.33 FTE in 2023 Test Year from 2022 Bridge Year due to the remaining effect of moving the Ops Network & Security Manager position to EOOMI mid-year in 2022.
- Billing & Collecting decreases 0.16 FTE in 2023 Test Year from 2022 Bridge Year primarily due to non-recurring additional FTE for training required in 2022.
- There was an increase in total salaries and wages of $46K due to inflationary and step increases of approximately 3%, partially offset by the decreases in FTE.

Compensation/Performance System

Management

EEDO's structure for compensating management employees has three components:

- Base compensation (annual salary)
- Employer Paid benefits; and
- Short term incentive (STI) Program

"Base compensation" refers to the annual salary for salaried employees or the hourly wage rate times the standard number of hours worked (2,080 for 8.0 hour per day employees). It does not include any employer-paid benefits such as health or retirement plan premiums. Time-related benefits such as vacation allowance and short-term disability are included in the annual base salary.

EEDO's total rewards package is focused on several elements, including base pay. Although base pay is important, the combined value of all of the total rewards provided to employees is where EEDO will leverage a competitive advantage when attracting, retaining and engaging employees.
Each total rewards element has a cost to EEDO and a value to the employee. EEDO offers a comprehensive total rewards package that provides competitive base salary, incentive awards, funding for afterhours education and development, internal training programs for personal and career development, work life balance, retirement savings as well as health, dental, life insurance and disability programs.

The key to long term attraction and retention of employees is finding employees and candidates who see value in what EEDO can offer from a total rewards perspective.

Base Compensation is established to provide appropriate pay differentials between position levels to account for differences in scope of responsibilities. It recognizes the acquisition of knowledge, skills and experience pertinent to the employee's position. Individuals' base compensation to move within the range based on an annual evaluation of demonstrated / observed competencies. Compensation can also vary depending on the performance of the individual. Base compensation is reviewed annually with all adjustments effective April 1 of each year. Variable pay is tied to company and business unit performance targets which are established annually.

EEDO participates in the MEARIE Group's annual Management Salary Survey of Local Distribution Companies prepared by Korn Ferry and uses this information in setting salary ranges that are market competitive with other utilities.

<u>Short Term Incentive Program (STI)</u>

EPCOR's STI program is designed to provide employees a competitive incentive plan that focuses on Business Unit ("BU") performance and the performance of the individual and includes a minor component related to EPCOR ("Corporate") financial performance. Target payout levels under the STI program are expressed as a percentage of salary in accordance with EPCOR's STI program.

EEDO has included its target STI amount in its 2023 Test Year revenue requirements. All EEDO non-represented employees are eligible to participate in the STI plan.

The relative weightings of the STI Program for 2021 to 2023 are shown in Table 4.4.1-4 below.

Table 4.4.1-4
Short Term Incentive Program Measures
Weightings 2021-2023
(%)

		A	B	C
	STI Performance Measure	**2021A**	**2022 Bridge Year**	**2023 Test Year**
1	EPCOR Financial Performance	10	10	10
2	BU Activity Measure	90	90	90
3	**Total**	**100**	**100**	**100**

The first measure, which accounts for 10% of the overall weighting, is related to EPCOR achieving its financial performance target. The financial component of STI calculations for EEDO will be based on net income. The net income target is based on a forecast of the following year's net income. Threshold performance is set at 85% of target net income and stretch performance is set at 115% of target net income.

The second measure, which accounts for 90% of the overall weighting, is related to non-financial performance measures focused on three broad categories of activities in the areas of Safety, Operational Efficiency and Customer Service and each category will be weighted equally at 30% and will total to a relative weighting of 90%. These specific activity measures are designed to engage and focus all employees on improving overall performance as a utility service provider.

Targets and measures are reviewed and approved by the Human Resources and Compensation Committee of EPCOR's Board of Directors. Performance is measured based on actual performance relative to target performance. Points are awarded based on the weighting assigned to each measure. Actual performance results must achieve a minimum threshold performance of target to be awarded 50% of the points related to that measure. Actual performance that meets the target level of performance will be awarded 100% of the points related to that measure. Performance that exceeds target will be awarded up to 120% of the points related to that measure.

The points awarded for each performance measure will be summed to arrive at an overall point total. The overall point total will be used to determine the STI funding amount.

The level of the target STI amount for individual employees is set as a percentage of base salary. This ranges from 5.0% for non-Management, 10% for Management and 15% for Senior Management.

The STI calculated amounts will be aggregated into a STI bonus pool. The STI bonus pool will be comprised of the total STI funding amount that relates to the performance level achieved.

Individual employee performance will influence the determination of an individual employee's share of the STI bonus pool. Individual employee performance is rated on a scale from "5" to "1", where the highest rating for "Outstanding" performance is "5", "Fully Successful" performance is "3", and the lowest rating for "Unacceptable" performance is "1". The most common individual performance rating is expected to be a "3".

Union

At the previous cost of service filing in 2013, 9.5 FTE of EEDO's job positions were represented by the International Brotherhood of Electrical Workers ("IBEW"). On June 28, 2017 a representation vote was conducted by the Ontario Labour Relations Board which resulted in EEDO's staff representation changing from IBEW to the Power Worker's Union ("PWU").

The majority of EEDO's staff are unionized (2023 - 25.6 FTE) through the PWU CUPE Local 1000. There are two collective agreements with PWU, one for Outside workers and one for Inside workers. The PWU Inside workers agreement is new since the previous cost of service filing (EB-2012-0116) and was established July 1, 2017.

The Outside workers agreement represents Linesperson, Meter Technician, Inspector/Locator, and Stores Assistant positions. The Inside workers agreement represents Billing & Collecting, Accounting, IT, and Engineering positions.

Through collective bargaining PWU have been awarded wage increases as outlined in Table 4.4.1-5 below:

Table 4.4.1-5 – Annual average union wage increase

	Type of Worker	A 2013	B 2014	C 2015	D 2016	E 2017	F 2018	G 2019	H 2020	I 2021	J 2022 Bridge Year	K 2023 Test Year
1	Outside	2.8%	2.3%	2.3%	2.50%	2.4%	2.1%	2.5%	2.8%	2.10%	3.1%	2.0%
2	Inside	N/A						1.3%	1.6%	2.6%	2.0%	2.0%

Benefits for unionized staff are a negotiated item and achieved only within the collective bargaining process. Unionized staff do not participate in the short term incentive program.

EMPLOYEE PENSION AND BENEFITS

EEDO offers a comprehensive employee benefits package. These benefits include a defined benefit pension plan, medical and dental coverage, long term disability, and life insurance.

OMERS Pension Plan

The company offers a pension plan for its full-time employees through the Ontario Municipal Employee Retirement System ("OMERS"). OMERS is a multi-employer, contributory, public sector pension fund established for employees of municipalities, local boards and school boards in Ontario. Participating employers and employees are required to make plan contributions based on participating employees' contributory earnings. The company accounts for its participation in OMERS as a defined contribution plan and recognizes the expense related to this plan as contributions are made.

Each year, an independent actuary determines the funding status of OMERS Primary Pension Plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2021. The results of this valuation disclosed total actuarial liabilities of $120.8 (2020 - $113.1) billion in respect of benefits accrued for service with actuarial assets at that date of $117.7 (2020 - $109.8) billion, indicating an actuarial deficit of $3.1 (2020 - $3.2) billion. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. OMERS has not announced any changes to its contribution rates, however there is the possibility that OMERS could raise contributions to cover the unfunded liability. EEDO has not included any provision in the 2023 Test Year OM&A to reflect this risk.

The contribution rates for normal retirement age 65 members were 9.0% (2020 – 9.0%) for employees earning up to $61,600 (2020 - 58,700) and 14.6% (2020 – 14.6%) thereafter.

Supplemental Earnings

These benefits relate to the cost of providing retirement benefits to EPCOR executives above maximum contributory earnings. The cost of this benefit is charged to all EPCOR business operations based on the headcounts of that operation.

Group Benefits

All EEDO employees participate in the Mearie group employee benefit plan. Employees receive dental benefits, extended health care, wellness spending account, long term disability, and life insurance through the group plan.

Other Health Initiatives

These costs are for providing supplementary benefits to employees for services including Employee & Family assistance and mental wellness resources.

Miscellaneous Other

These costs represent items such as safety subsidies, fitness allowance, and vision care costs.

The table below summarizes the yearly total employee benefit expenses for EEDO included in OM&A from 2013 through the 2023 Test Year.

Table 4.4.1-6

Benefit Expenses

	Type of benefit	A 2013	B 2014	C 2015	D 2016	E 2017	F 2018	G 2019	H 2020	I 2021	J 2022	K 2023
1	*Statutory*											
2	CPP & EI	85,388	93,640	96,115	98,200	116,010	121,622	131,496	131,854	143,988	150,034	154,000
3	EHT	44,708	45,717	50,991	52,542	56,406	60,948	54,973	65,058	67,368	65,056	65,617
4	WSIB	21,853	18,100	19,877	28,161	29,913	40,958	34,587	33,062	33,184	25,870	25,869
5	**Sub-Total Statutory**	**151,949**	**157,457**	**166,983**	**178,903**	**202,329**	**223,528**	**221,056**	**229,974**	**244,540**	**240,960**	**245,486**
6												
7	*Active*											
8	OMERS	198,510	208,968	216,503	237,658	298,994	297,028	273,530	324,697	320,661	316,499	319,343
9	Group Benefits	189,638	161,376	172,488	206,740	187,461	210,378	150,116	170,763	181,417	168,859	173,467
10	Supplemental Earnings	-	-	-	-	-	7,411	28,697	31,690	28,695	29,556	30,443
11	Other Health Initiatives	-	-	-	-	-	25	25,746	29,644	28,192	29,038	29,909
12	Misc Other	-	-	-	-	20,477	12,514	19,379	5,920	5,289	3,820	3,935
13	**Sub-Total Active**	**388,148**	**370,344**	**388,991**	**444,398**	**506,932**	**527,356**	**497,468**	**562,714**	**564,254**	**547,772**	**557,097**
14	Other Post-Employment Benefits	51,178	37,394	43,274	44,564	54,468	41,992	107,222	64,884	66,647	67,525	68,876
15	**Total Benefit Costs**	**591,275**	**565,195**	**599,248**	**667,865**	**763,729**	**792,876**	**825,746**	**857,572**	**875,441**	**856,257**	**871,459**
16	Less: non-distribution activities	-	-	-	-	(83,244)	(86,540)	(93,732)	(85,953)	(85,802)	(78,624)	(77,211)
17	**LDC Benefit Costs**	**591,275**	**565,195**	**599,248**	**667,865**	**680,485**	**706,336**	**732,014**	**771,619**	**789,639**	**777,634**	**794,248**

Other Post-Employment Benefits

EEDO pays certain health, dental, and life insurance benefits on behalf of its retired employees. These plans provide benefits to employees when they are no longer providing active service.

Employee future benefit expense is recognized in the period in which the employees render services on an accrual basis.

A breakdown of the OMERS pension and OPEB amounts included in OM&A and capital are provided in Table 4.4.1-7 below.

Table 4.4.1-7

Pension & OPEB in OM&A and Capital

	Type of benefit	A 2013 OEB Approved	A 2013 Actual	B 2014 Actual	C 2015 Actual	D 2016 Actual	E 2017 Actual	F 2018 Actual	G 2019 Actual	H 2020 Actual	I 2021 Actual	J 2022 Bridge Year	K 2023 Test Year
1	OMERS OM&A	161,109	171,869	184,608	159,241	179,284	190,584	205,125	189,174	240,643	200,204	205,977	205,850
2	OMERS Capital	13,046	26,641	24,360	57,262	58,374	108,410	91,903	84,356	84,054	120,457	110,522	113,493
3	OPEB OM&A	51,178	51,178	37,394	43,274	44,564	54,468	41,992	107,222	64,884	66,647	67,525	68,876
4	**Total**	**225,333**	**249,688**	**246,362**	**259,777**	**282,222**	**353,462**	**339,020**	**380,752**	**389,581**	**387,308**	**384,024**	**388,219**

Cash costs related to other post-employment benefits for 2017 to 2021 Actual, 2022 Bridge Year, and 2023 Test Year are provided in Table 4.4.1.-8 below.

Table 4.4.1-8

Other Post-Employment Benefits

	A **2017 Actual**	**B** **2018 Actual**	**C** **2019 Actual**	**D** **2020 Actual**	**E** **2021 Actual**	**F** **2022 Bridge Year**	**G** **2023 Test Year**
Retiree Costs	78,457	57,402	85,383	81,059	70,422	83,833	85,510

Projected post-employment benefit costs used in the Application were provided to EEDO by its independent advisor and actuary, RSM, a firm of consultants and actuaries with considerable experience in the field of pensions and benefits. The most recent actuarial report from 2019 is attached as Exhibit 4, Tab 2, Appendix B.

EEDO proposes that the cost of post-retirement benefits will be recovered using the default accrual basis and not the cash basis. The post-retirement benefit expense included in OM&A for the 2023 Test Year in row 14 of Table 4.4.1-6 is based on the 2022 actuarial report's projected accrued expense and then inflated by 2%.

4.4.2 Shared Services and Corporate Cost Allocation

The nature, amount and delivery of Shared Services provided by affiliates to EEDO has changed since EEDO's last approved Cost of Service filing for the 2013 year. At the time of EEDO's last rate application (OEB Approved 2013), EEDO received Shared Services from an affiliate (Collus PowerStream Solutions Corp.) related to supervisory, operational, engineering, finance, information technology and administrative services. Several of these functions (previously included in Shared Service allocations) are now embedded within EEDO. Refer to the end of this section for 2023 Test Year versus 2013 Actual variances and explanations.

As of the October 1, 2018 acquisition date by EPCOR and for subsequent periods, EEDO has received Shared Service support from several EPCOR affiliates in order to conduct the operations of the utility.

EEDO obtains Shared Services from its affiliate companies EPCOR Water Services Inc. ("EWSI"), EPCOR Distribution and Transmission Inc. (EDTI), EPCOR Ontario Operations Management Inc. ("EOOMI") and EPCOR Ontario Utilities Inc. (EOUI) (collectively "Affiliate Shared Services"), as well as its parent EUI ("Corporate Shared Services"). A detailed explanation of the types of services provided by each affiliate to EEDO is set out in the next section below.

Shared Services costs are determined on a cost recovery basis in accordance with the Affiliate Relationship Code for Electric Utilities (ARC) and the services are delivered in accordance with a Service Level Agreement ("SLA"). The allocation of Shared Services is assessed regularly and adjusted as appropriate.

For some functional categories, such as Human Resources, Supply Chain and Public and Government Affairs, services are provided from EUI and EOOMI or EWSI. In these instances, the services provided by EUI tend to be more related to governance, oversight and broad policy considerations, while the services provided by EOOMI or EWSI are more tactical and/or more direct oversight in nature and are driven by the specific business needs of EEDO.

Table 4.4.2-1 below shows the 2019 Actual through 2021 Actual, 2022 Bridge Year and 2023 Test Year's total Shared Services costs provided to EEDO.

Table 4.4.2-1

Shared Services and Corporate Cost Allocated to EEDO

($)

		A	B	C	D	E
	Expense Category	**2019A**	**2020A**	**2021A**	**2022 Bridge Year**	**2023 Test Year**
1	Affiliate Shared Services	365,093	557,435	510,909	757,748	790,070
2	Corporate Shared Services	740,333	681,659	659,924	791,931	875,084
3	**Total Shared Services and Corporate Costs**	**1,105,426**	**1,239,094**	**1,170,833**	**1,549,679**	**1,665,154**

Affiliate Shared Services

Table 4.4.2-2 below shows the 2019 Actual through 2021 Actual, 2022 Bridge Year and 2023 Test Year's total affiliate Shared Services from EWSI, ECSI and EOUI.

Table 4.4.2-2

Affiliate Shared Services Allocated to EEDO

($)

	A	B	C	D	E
Affiliate Service Provider	**2019A**	**2020A**	**2021A**	**2022 Bridge Year**	**2023 Test Year**
1 EWSI	103,993	39,677	15,027	15,000	15,300
2 EDTI	-	24,155	24,888	40,000	40,800
3 EOOMI/EOUI	261,100	493,603	470,994	702,748	733,970
4 **Total**	**365,093**	**557,435**	**510,909**	**757,748**	**790,070**

Shared Services Provided by EWSI

The following is a general description of the Shared Services provided by EWSI to EEDO:

a. Supply Chain Management (SCM) - services for purchasing and strategic sourcing including management of the end-to-end procurement process for the goods required by EEDO.
b. Public and Government Affairs (P&GA) – services related to internal and external communication and stakeholder and public consultation requirements of EEDO.
c. Human Resources (HR) – provides human resource consulting; support of recruitment efforts and disability management for EEDO employees.
d. Project Management Office (PMO) – provides project controls, governance and project standardization and support for EEDO.

The Shared Services costs are determined on a cost recovery basis in accordance with the ARC and and are reflected in a SLA between the parties. The allocation methodologies have been designed to ensure that the allocation of EWSI's Shared Services costs are fair and reasonable, cost-effective, predictable and reflect the benefit received by function. Costs are directly charged based on time spent supporting EEDO's operations.

Table 4.4.2-3 below shows the 2019A – 2021A, 202 Bridge Year and 2023 Test Year's total EWSI Shared Services costs.

Table 4.4.2-3
EWSI Shared Services Costs Allocated to EEDO
($)

		A	B	C	D	E
	Shared Service	**2019A**	**2020A**	**2021A**	**2022 Bridge Year**	**2023 Test Year**
1	SCM	88,639	27,928	1,694	1,700	1,734
2	P&GA	8,299	-	4,516	4,500	4,590
3	HR	1,302	11,749	7,400	7,400	7,548
4	PMO	5,753	-	1,417	1,400	1,428
5	**Total**	**103,993**	**39,677**	**15,027**	**15,000**	**15,300**
6	Variance		(64,316)	(24,650)	(27)	300

EWSI shared costs are expected to be flat from the 2021 Actual to the 2023 Test Year. EWSI shared costs have reduced from the 2019 Actual and 2020 Actual levels primarily due to EEDO no longer requiring as much SCM services as costs incurred in 2019 Actual and 2020 Actual, which primarily related to supporting EEDO in setting up EEDO's inventory in the Oracle Inventory system and related training costs for EEDO staff to learn the system.

The overall trend in costs from the 2022 Bridge Year to the 2022 Test Year remains flat with increases primarily due to inflation.

Shared Services Provided by EDTI

The following is a general description of the Shared Services provided by EDTI to EEDO:

a. Systems control operation services – these services include monitoring EEDO's SCADA alarms for station outages/issues, and being first point of call from Util-Assist if there is an outage afterhours reported from customers and contacting the on-call technician if a situation arises. Services also include contacting Hydro-One if hold-offs from Hydro One are required.

These services were previously provided by EEDO's former 50% shareholder Alectra and in the 2019 Actual year, Alectra did not charge any amounts to provide these services (this appears to have been an error on Alectra's part as a service level agreement at an annual cost of $26,400 was in place between EEDO and Alectra). Alectra was no longer able to provide these services after 2019 and EEDO does not have the capacity to self-perform these services.

The Shared Services costs are determined on a cost recovery basis in accordance with the ARC and are reflected in a SLA between the parties. The allocation methodologies have been designed to ensure that the allocation of EDTI's Shared Services costs are fair and reasonable, cost-effective, predictable and reflect the benefit received by function. Costs are directly charged based on an estimate of spent supporting EEDO's operations.

Table 4.4.2-4 below shows the 2019A – 2021A, 202 Bridge Year and 2023 Test Year's total EDTI Shared Services costs.

Table 4.4.2-4

EDTI Shared Services Costs Allocated to EEDO

($)

	A	B	C	D	E
Shared Service	**2019A**	**2020A**	**2021A**	**2022 Bridge Year**	**2023 Test Year**
1 System Controls	-	24,155	24,888	40,000	40,800

3	**Total**	**-**	**24,155**	**24,888**	**40,000**	**40,800**
4	Variance		24,155	733	15,112	800

The increase in costs from the 2021 Actual Year to the 2023 Test Year is the result of adding the following additional services in 2022:

a. Monitoring SmartMap in addition to monitoring SCADA; and
b. Developing switching orders for both planned and unplanned outages.

The overall trend in costs from the 2022 Bridge Year to the 2023 Test Year remains flat with increases primarily due to inflation.

Shared Services Provided by EOOMI/EOUI

Beginning in 2022, Shared Services related to EPCOR's Ontario operations are provided by EOOMI. The individuals providing this service were transferred to EEOMI from EOUI at the end of fiscal 2021, and prior to 2022, these same services were provided by EOUI. Appropriate SLAs, compliant with ARC, are and were in place relating to all historical years since EEDO was acquired by EPCOR in 2018.

The following is a general description of the Shared Services provided by EOOMI/EOUI to EEDO, along with the rationale for service being required by EEDO:

a. Management Oversight – the Vice President, Ontario Region and the Director, Operations Ontario Region (reporting to the Vice President, Ontario Region) provide direct management and oversight to the employees and operations of EEDO, with EEDO's General Manager reporting directly into the Director, Operations Ontario Region. The Vice President Ontario Region position spends a portion of their time on new business development and as a result 25% of this positions costs has been removed from the cost allocation pool and is not allocated to EEDO as part of the cost allocations noted below.

Prior to the CEO retirement in 2015, EEDO had a CEO position. Management oversight services replaces the CEO position with the Vice President, Ontario Region allocating 35% of 75% of this position's costs and the Director, Operations Ontario allocating 35% of this position's costs in 2023 Test Year. This equates to an approximate 0.61 FTE in 2023 Test Year for executive-level oversight costs which EEDO believes is reasonable.

b. Regulatory – one Analyst, Regulatory supports the development and coordination of regulatory applications, monitors and coordinates activities or initiatives from government, departments or agencies that may affect EEDO and manages the interface between these external stakeholders.

EEDO has 1 regulatory position embedded at approximately 0.7 FTE for the 2023 Test Year. This service will add approximately 0.33 FTE for the 2023 Test Year and is required to ensure EEDO meets all of its regulatory requirements annually.

c. Human Resources – one Consultant, Human Resources supports EEDO's staff and provides a full range of human resources services including human resource management and consulting, talent management and recruitment support, disability management and labour relations.

Prior to EPCOR acquiring EEDO in 2018, EEDO had a full FTE Manager for HR. HR services are now provided from EOOMI and for the 2023 Test Year will result in an approximate 0.43 FTE for HR services.

d. Health, Safety and Environment ("HSE") – one Manager, HSE Services ensures EEDO's health, safety and environment practices and procedures are well designed and in compliance with legislation and compatible with EUI's safety management standards and procedures as well as working with EEDO staff to implement those practices and procedures.

Prior to EPCOR's acquisition of EEDO, EEDO did not have any embedded HSE employees. EPCOR determined that dedicated HSE support was required for utility operations of EEDO. HSE services are provided by EOOMI and allow EEDO to access HSE support without hiring a full FTE dedicated to the utility. For the 2023 Test Year the HSE support from EOOMI is equivalent to an approximate 0.35 FTE.

e. Customer Service – one Manager, Customer Operations provides oversight and management of EEDO's customer service and billings embedded staff.

Prior to EPCOR's acquisition of EEDO, there was a split Manager Regulatory and Billing position. Due to increased customer counts and the amount of regulatory support required for EEDO it was determined that a single position could not fulfill both responsibilities. In order to save costs versus hiring a dedicated full FTE Customer Service Manager in EEDO, customer service oversight services are now provided by EOOMI at an approximate 0.55 FTE for the 2023 Test Year.

f. OT and SCADA Support – one Computer System & Network Technician positon will provide OT and SCADA support to EEDO.

See variance explanations to Table 4.4.2-7 for additional information related to this service.

g. Operational Support – one Manager, Operations Engineering provides operations engineering support to EEDO's capital and operational engineering activities.

Operational support for EEDO's operating and capital programs has increased since 2013. Annual capital has increased from approximately $1.8 million in 2013 to over $4.2 million in 2023 Test Year while customer counts have increased from just over 16,000 in 2013 to almost 19,000 in 2023 Test Year. Increases in capital and customers have resulted in increased engineering and operational support to manage capital and operating programs. In order to save costs versus hiring a dedicated, full FTE engineering and operational support position, these services are now being provided by EOOMI at an approximate 0.35 FTE for the 2023 Test Year.

h. Ontario Facilities – office space and leasehold costs for EOOMI's employees that support EEDO.

EOOMI/EOUI provide services to the following businesses/operations in Ontario, and each of these businesses/operations are allocated a portion of EOOMI/EOUI costs based on the cost allocators for each business/operation:

a. EPCOR Electricity Distribution Ontario
b. EPCOR Natural Gas Limited Partnership – Aylmer, a regulated natural gas utility
c. EPCOR Natural Gas Limited Partnership – South Bruce, a regulated natural gas utility
d. EPCOR GL Industrial Water Inc. (Darlington) – a wastewater treatment facility operation
e. EOOMI – EOOMI is included in the cost allocation methodology and all costs allocated to EOOMI remain in EOOMI.

As further businesses/operations are added in Ontario in upcoming years these new businesses/operations will be added to the EOOMI cost allocation model and will receive a proportionate share of EOOMI costs related to providing services to these new businesses/operations.

Table 4.4.2-5 below provides information on the cost allocators used to allocate Affiliate Shared Services costs from EEOMI to EEDO. The EEOMI costs are shared amongst all Ontario regulated operations and non-regulated activities as these costs support all of these businesses/operations.

Table 4.4.2-5

Allocation of EOOMI Costs – Cost Allocators

	Responsibility Centre and Function	A Allocator
1	Management Oversight	ON Composite - Revenue, Assets, Headcount
2	Regulatory	Functional Cost Causation – Regulatory Filings
3	Human Resources	Functional Cost Causation – Headcount
4	HSE	Functional Cost Causation – Headcount
5	Customer Service	Functional Cost Causation – Customer Count
6	OT and SCADA Support	ON Composite - Revenue, Assets, Headcount
7	Operational Support	ON Composite - Revenue, Assets, Headcount
8	Ontario Facilities	Functional Cost Causation – Head Office Salaries
9	Head Office Corporate Allocations (HOCA)	Functional Cost Causation – Head Office Salaries

For the Regulatory, the number of Regulatory Filings Function Cost Causation allocator is appropriate as the number of Regulatory Filings in a given fiscal year will drive the work effort in that year. It is anticipated that for most fiscal years there will be a similar amount Regulatory Filings between the regulated utilities which EOOMI provides services to.

For both the Human Resources and HSE, the Headcount Functional Cost Causation allocator is appropriate as the services provided by these areas are highly related to the level of Headcount which the services are being provided in respect of.

For Customer Service, the Customer Count Functional Cost Causation allocator is appropriate as the services provided by this area is highly related to the amount of Customers which the services are being provided in respect of.

For Management Oversight, OT and SCADA Support and Operational Support, there is not a single Functional Cost Causation allocator which would appropriately allocate the services of these areas. The Composite cost allocator, which is a measure of the relative total size of a service recipient based on three pools – Revenues, Assets and Headcount, which are equally weighted, is appropriate where the services are more oversight and governance in nature or where the services are more dependent on the relative size of the business/operation that the service are being provided to.

Table 4.4.2-6 below shows the 2019A-2021A, 2022 Bridge Year and 2023 Test Year's % allocation to EEDO of each of EOOMI/EOUI's Affiliate Shared Service total costs for the year.

Table 4.4.2-6
EOOMI/EOUI Shared Services Costs Allocated to EEDO
($)

		A	B	C	D	E
	Shared Service	**2019A**	**2020A**	**2021A**	**2022 Bridge Year**	**2023 Test Year**
1	Management Oversight	25%	25%	20%	38%	37%
2	Regulatory	10%	10%	N/A	33%	33%
3	Human Resources	55%	70%	55%	48%	48%
4	HSE	33%	33%	33%	38%	37%
5	Customer Service	N/A	18%	25%	59%	56%
6	OT and SCADA Support	N/A	N/A	N/A	38%	37%
7	Operational Support	N/A	40%	40%	38%	37%
8	Ontario Facilities	23%	26%	22%	29%	26%
9	HOCA	23%	26%	22%	29%	26%

For the services provided for 1 through 7 in the table above, the costs being allocated from EOOMI to EEDO are based on the related staff costs for the people performing the tasks. As a result, the percentages in the table above will translate approximately into FTEs based on the number of positions providing the relevant services multiplied by the percentages shown in the table.

Due to various changes in the businesses/operations which EOUI/EOOMI were servicing, the 2021A and prior years allocations to EPCOR's various Ontario businesses/operations were based on estimates of time spent by each Affiliate Shared Service area. For 2022 Bridge Year and all proceeding years, EOOMI costs will be allocated based on the Cost Allocators noted in Table 4.4.2-5 above.

Table 4.4.2-7 below shows the 2019A – 2021A, 2022 Bridge Year and 2023 Test Year's total EOOMI/EOUI Affiliate Shared Services costs allocated to EEDO.

Table 4.4.2-7

EOOMI/EOUI Shared Services Costs Allocated to EEDO ($)

		A	B	C	D	E
	Shared Service	**2019A**	**2020A**	**2021A**	**2022 Bridge Year**	**2023 Test Year**
1	Management Oversight	122,727	157,590	143,121	225,331	223,165
2	Regulatory	11,475	12,533	-	29,179	39,715
3	Human Resources	-	111,042	83,007	56,978	58,851
4	HSE	54,000	58,038	54,459	67,840	67,218
5	Customer Service	-	5,811	30,780	77,990	75,984
6	OT and SCADA Support	-	-	-	34,923	58,663
7	Operational Support	-	57,709	58,186	67,632	67,012
8	Ontario Facilities	62,098	75,975	70,757	108,923	107,142
9	HOCA	10,800	14,905	30,684	33,952	36,220
10	**Total**	**261,100**	**493,603**	**470,994**	**702,748**	**733,970**
11	Variance		232,503	(22,609)	231,754	31,222

The increases in EOUI shared costs from the 2021 Actual to the 2023 Test Year are primarily due to the following items:

a. Implementing the ON Composite – Revenue, Assets, Headcounts allocator for Management Oversight and including 100% of the Director Operations, Operations Ontario Region. EOOMI has reviewed the accountabilities and time spent by this position and has determined that this position fully supports the various Ontario Operations. In the 2021 Actual, a portion of this position costs were not allocated to the various Ontario operations (40%). The position also previously allocated costs evenly to EPCOR's three regulated Ontario operations (thus EEDO was receiving 20%) however the ON Composite allocator results in a higher allocation to EEDO (35%). The impact of these changes is $50,948.

b. Implementing the ON Composite – Revenue, Assets, Headcounts allocator for Management Oversight for the Vice President, Ontario Region. EOOMI has reviewed the accountabilities and time spent by this position and has determined that 75% of this position supports the various Ontario Operations. In the 2021 Actual a portion of this position costs were not allocated to the various Ontario operations (40%). The position also previously allocated costs evenly to EPCOR's three regulated Ontario operations (thus EEDO was receiving 20%) however the ON Composite allocator results in a higher allocation to EEDO (35%). The impact of these changes is $25,159.

c. Adding an Analyst, Regulatory position to assist the existing Senior Manager, Regulatory (this position is embedded EEDO) with required regulatory applications and requirements for EPCOR's Ontario operations ($42,123). EPCOR attempted to operate with a single regulatory position in Ontario however the level of work required for meeting all regulatory requirements has necessitated an additional regulatory FTE.

d. HSE has increased from 2021 Actual primarily due to wage inflation.

e. Customer Service has increased $45,204 from 2021 Actual. For the 2021 Actual, the Customer Service Manager had spent additional time in setting up billing and customer service activities for one of EPCOR's new regulated utilities and spent a higher than normal amount of time on that implementation. For 2022 Bridge Year and 2023 Test Year, Customer Service costs are allocated based on the ON Customer Count allocator as number of customers being serviced is an appropriate cost causation allocator.

f. OT and SCADA Support being added half way through 2022 Bridge Year. In prior years, the Computer System & Network Technician position was embedded in EEDO at approximately a 0.6 FTE and this position also provided IT support services. This position has been moved to EOOMI and will allocate approximately 39% (or 0.39 FTE) costs to EEDO related to OT and SCADA support. As a result of no longer receiving IT support related to this position, EUI will be providing additional Direct IT Applications support to EEDO beginning in 2022 Test Year – see table 4.4.2-12 below for more information on the change in Direct IT Applications costs in 2023 Test Year.

g. Ontario Facilities costs increased from 2021 Actual to 2023 Test Year due to cost inflation and the Head Office Salaries cost allocator being slightly higher for EEDO for the 2023 Test Year.

These costs are partially offset by:

- 2021 Actual includes $28,268 related to the former Human Resources Manager that retired in 2021, with no similar amount in 2023 Test Year. There was an overlap period with the new Consultant, Human Resources in order to provide transition for the accountabilities to the new person.

The overall trend in costs from the 2022 Bridge Year to the 2023 Test Year shows an increase primarily due to a full year of OT and SCADA Support services in 2023 Test Year (versus a half year in 2022 Bridge Year) and inflation.

Corporate Shared Services from EUI

EEDO obtains Corporate Shared Services from its parent corporation, EUI. The amounts paid by EEDO to EUI in respect of these services (referred to collectively as Corporate Services Costs) include direct and allocated Corporate Costs and Corporate Asset Usage Fees, the latter being costs associated with the general plant assets used by EUI in providing Corporate Shared Services to EEDO. The direct and allocated Corporate Costs and Corporate Asset Usage Fees are determined on a cost recovery basis in accordance with the ARC. The direct and allocated Corporate Costs and Corporate Asset Usage Fees are reflected in a SLA between EEDO and EUI.

Table 4.4.2-8 below shows the 2019A – 2021A, 2022 Bridge Year and 2023 Test Year's Corporate Services costs charged to EEDO.

Table 4.4.2-8
Corporate Services Costs Charged to EEDO
($)

		A	B	C	D	E
	Expense Category	**2019A**	**2020A**	**2021A**	**2022 Bridge Year**	**2023 Test Year**
1	Corporate Costs Directly Assigned	129,972	134,456	134,104	152,226	178,166
2	Corporate Costs Allocated	432,001	399,857	468,544	472,172	524,202
3	Corporate Asset Usage Fees	178,360	147,346	57,276	167,533	172,716
4	**Total EEDO Costs**	**740,333**	**681,659**	**659,924**	**791,931**	**875,084**

Consistent with its approach in previous years, EUI has allocated Corporate Services costs to the EPCOR business units using the following five step process:

a. Categorize Corporate Services costs as directly assignable or allocable.

b. Assign directly assignable costs to the appropriate business unit.

c. Review/develop/modify allocation method for allocable costs.

d. Apply allocation method to allocable costs.

e. Conduct a final review for reasonableness.

Step 1 – Categorize Corporate Services costs as either directly assignable or allocable

The first step was to review each Corporate Services cost and categorize it into one of two defined groups:

- Directly assignable costs.
- Allocable costs.

Directly assignable costs are costs that are directly associated with a particular business unit's activity or operation. The relevant Corporate Services department and business unit work together to determine the quantum of directly assigned costs, if any, related to the Corporate Service in question.

Allocable costs are those costs that provide benefits to EUI business units but by their nature cannot be directly assigned, and are charged to business units using appropriate cost allocators. These costs are allocated among EPCOR business units using cost allocators that reflect the factor or factors that drive the cost of providing the Corporate Service to each business unit.

Step 2 – Assign directly assignable costs to business units

Once the directly assignable costs are identified and determined they are charged directly to each business unit. Directly assignable costs are included in the budgets of the business units and are not included in the budgets of the respective Corporate Services departments (i.e., they are removed from the Corporate Services departments' "cost pools", with the remaining costs forming the pool of allocable costs for each department).

Step 3 – Review/develop/modify allocation method for allocable costs

EUI's cost allocation process is designed to ensure that the allocation of Corporate Services costs among business units is appropriate, fair and reasonable, cost-effective, predictable, reflects the benefit received by function or cost causation and provides for consistency with the transfer pricing principles in the ARC, and EUI's Inter-Affiliate Code of Conduct.

EUI's approach to determining its allocation methods is as follows:

The costs associated with a Corporate Services department, except for the Treasury department, are allocated on one of two bases: (i) using a single "functional cost causation allocator", or (ii) using a "composite cost causation allocator". The allocation methods used for Treasury costs are different as reflected in rows 19-20 of Table 4.4.2-9, below. For Corporate Asset Usage fees, the allocation method is further described starting in rows 30 of Table 4.4.2-9, below.

A functional cost causation allocator has been used where the costs can be logically allocated using an identified cost causation driver, such as headcount. The composite cost allocator has been used where the costs cannot be allocated using a particular functional cost causation allocator. The latter types of costs tend to be related to Corporate Services that are of a governance nature, and it is appropriate that these types of costs be allocated based on a composite cost allocator which factors in the business unit's share of EUI's total revenues, assets, and headcount.

The allocation methods applicable to EUI's allocable Corporate Services costs are summarized in Table 4.4.2-9 below.

Table 4.4.2-9

EUI's Allocators to EEDO

	Department and Function	A Allocators
	Supply Chain Management	
1	Mailroom	Functional Cost Causation - Headcount
2	Disaster Recovery Planning	Functional Cost Causation - Direct IS Costs
3	Procurement	Functional Cost Causation - SCM Embedded Headcount
4	Real Estate	Composite - EUI Revenue, Assets, Headcount
5	Security	Functional Cost Causation - Headcount
6	SCM Corporate	Composite - EUI Revenue, Assets, Headcount
	Human Resources	
7	Total Rewards	Functional Cost Causation - Headcount
8	Human Resources Consulting	Functional Cost Causation - Headcount
9	Talent Development	Functional Cost Causation - Headcount
10	Learning and Development	Functional Cost Causation - Headcount
	Information Services	
11	Major Capital Projects	Functional Cost Causation - Headcount
12	Application Services	Functional Cost Causation - Headcount
13	Infrastructure Operations	Functional Cost Causation - Direct IS Costs
	Corporate Finance Services	
14	Corporate Finance	Composite - EUI Revenue, Assets, Headcount
15	Accounts Payable	Functional Cost Causation - Number of Invoices
16	Accounts Receivable	Functional Cost Causation - Number of AR Invoices
17	Management Development Program	Composite - EUI Revenue, Assets, Headcount
	Executive and Executive Assistants	
18	Executive and Executive Assistants	Composite - EUI Revenue, Assets, Headcount
	Treasury	
19	Treasurer - Corporate Finance	40% PP&E, 30% CapEx, 30% Acquisitions
20	Treasury Operations	50% of (NI + Depreciation), 50% Debt
21	Taxation	Composite - EUI Revenue, Assets, Headcount
	EUI Board	
22	All Costs	Composite - EUI Revenue, Assets, Headcount
	Audit and Risk Management	
23	Internal Audit	Composite - EUI Revenue, Assets, Headcount
24	Organizational Project Management	Functional Cost Causation - PP&E
25	Centre of Excellence	Composite - EUI Revenue, Assets, Headcount
26	Risk Management	Functional Cost Causation - PP&E
	Public and Government Affairs	
27	VP Public & Government Affairs	Functional Cost Causation - Weighted Average of Costs for P&GA
28	Corporate Communications	Functional Cost Causation - Net Income
29	Government Relations	Functional Cost Causation - EUI Revenue, Assets, Headcount
30	Community Relations	Functional Cost Causation - Net Income
	Legal Services	
31	Legal Services	Composite - EUI Revenue, Assets, Headcount
	Health, Safety and Environment	
28	All Functions	Functional Cost Causation - Headcount
	Incentive Compensation	
29	All Costs	Average Corporate Cost Allocation
	Asset Usage Fees	
30	Leasehold Asset Costs - Disaster Recovery Leaseholds and EPCOR Tower (Leasehold Improvements)	Occupancy of EPCOR Tower and Business Unit's Proportionate Share of Corporate Services
31	Human Resources Information Services	Headcount
32	Information System Infrastructure	Business Unit's Weighted Average of Information Systems operating costs
33	Financial Systems	Business Unit's Weighted Average of i) the operating costs related to finance and payroll functions, and ii) the number of purchase order lines
34	Furniture and Fixture Assets	Business Unit's Proportionate Share of Corporate Services

The allocation percentages used in developing the 2022 Bridge Year and 2023 Test Year were based on EUI's 2023 Budget. Tables 4.4.2-10 and 4.4.2-11 below summarize the allocation percentages reflected in the in the 2022 Bridge Year and 2023 Test Year.

Table 4.4.2-10

Corporate Shared Services Allocation Percentages 2022

		A EDTI	B EEA	C EEDO	D Other	E CDN Total	F US Utilities	G Total
	Functional Cost Causation Allocators							
1	Headcount	712	328	32	1,845	2,917	442	3,359
2	CAD Headcount percentage	24.4%	11.2%	1.1%	63.3%	100.0%	0.0%	100.0%
3	Headcount percentage	21.2%	9.8%	1.0%	54.9%	86.8%	13.2%	100.0%
4	Assets	2,821.02	205.72	69.98	8,651.87	11,748.59	1,932.60	13,681.19
5	Assets percentage	20.6%	1.5%	0.5%	63.2%	85.9%	14.1%	100.0%
6	PP&E	2,703.90	0.88	38.83	8,126.54	10,870.15	1,608.95	12,479.10
7	PP&E percentage	21.7%	0.0%	0.3%	65.1%	87.1%	12.9%	100.0%
8	CapEx	203.00	1.33	3.46	490.12	697.91	106.59	804.50
9	CapEx percentage	25.2%	0.2%	0.4%	60.9%	86.8%	13.2%	100.0%
10	Debt	1,554.02	44.47	20.28	2,604.19	4,222.95	755.73	4,978.69
11	Debt percentage	31.2%	0.9%	0.4%	52.3%	84.8%	15.2%	100.0%
12	Revenues	729.78	422.43	9.31	714.18	1,875.70	313.63	2,189.33
13	Revenues percentage	33.3%	19.3%	0.4%	32.6%	85.7%	14.3%	100.0%
14	Depreciation	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1
15	Depreciation Percentage	28.4%	2.1%	0.5%	51.8%	82.9%	17.1%	100.0%
16	Net Income	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1
17	Net Income Percentage	26.0%	13.5%	0.0%	46.3%	85.8%	14.2%	100.0%
18	Direct IS	2.75	1.62	0.10	4.79	9.26	0.97	10.23
19	CAD Direct IS percentage	29.7%	17.5%	1.1%	51.7%	100.0%	0.0%	100.0%
20	Direct IS percentage	26.9%	15.9%	1.0%	46.8%	90.5%	9.5%	100.0%
21	Invoice Lines	95,300	7,478	13,981	329,469	446,228	0.00	446,228
22	Invoice Lines percentage	21.4%	1.7%	3.1%	73.8%	85.0%	0.0%	100.0%
23	AR Invoices	4,611	264	0	2,989	7,864	0.00	7,864
24	AR Invoices Percentage	58.6%	3.4%	0.0%	38.0%	100.0%	0.0%	100.0%
25	SCM Embedded Headcount	34	0	0	39	73	5	78
26	SCM Embedded Headcount percentage	43.2%	0.0%	0.0%	50.4%	93.6%	6.4%	100.0%
27	PO Lines	11,417	268	1,103	24,211	36,999	0	36,999
28	PO Lines percentage	30.9%	0.7%	3.0%	65.4%	100.0%	0.0%	100.0%
29	Acquisitions	2	1	0	3	6	4	10
30	Acquisitions percentage	20.0%	10.0%	0.0%	30.0%	60.0%	40.0%	100.0%
	Treasury Allocators							
31	**Treasurer - Corporate Finance Allocator**							
32	PP&E %	21.7%	0.0%	0.3%	65.1%	87.1%	12.9%	100.0%
33	Calculation Weighting %	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
34	**Weighting - PPE**	**8.7%**	**0.0%**	**0.1%**	**26.0%**	**34.8%**	**5.2%**	**40.0%**
35	CapEx %	25.2%	0.2%	0.4%	60.9%	86.8%	13.2%	100.0%
36	Calculation Weighting %	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
37	**Weighting - Cap Ex**	**7.6%**	**0.0%**	**0.1%**	**18.3%**	**26.0%**	**4.0%**	**30.0%**
38	Acquisitions %	20.0%	10.0%	0.0%	30.0%	60.0%	40.0%	100.0%
39	Calculation Weighting %	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
40	**Weighting - Acquisitions**	**6.0%**	**3.0%**	**0.0%**	**9.0%**	**18.0%**	**12.0%**	**30.0%**
41	**Total - All Weightings - Treasurer Corporate Finance Allocation**	**22.2%**	**3.1%**	**0.3%**	**53.3%**	**78.9%**	**21.1%**	**100.0%**
42	**Treasury Operations - Allocator**							
43	Weighting - Net Income + Depreciation	27.2%	7.8%	0.3%	49.0%	84.3%	15.7%	100.0%
44	Calculation Weighting %	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
45	**Weighting - Net Inc + Depn**	**13.6%**	**3.9%**	**0.1%**	**24.5%**	**42.2%**	**7.8%**	**50.0%**
46	Debt %	31.2%	0.9%	0.4%	52.3%	84.8%	15.2%	100.0%
47	Calculation Weighting %	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
48	**Weighting - Debt**	**15.6%**	**0.4%**	**0.2%**	**26.2%**	**42.4%**	**7.6%**	**50.0%**
49	**Total - NI & Depn + Debt - Treasury Operations Allocation**	**29.2%**	**4.4%**	**0.3%**	**50.7%**	**84.6%**	**15.4%**	**100.0%**
	Composite Cost Causation Allocator							
50	Revenues	33.3%	19.3%	0.4%	32.6%	85.7%	14.3%	100.0%
51	Assets	20.6%	1.5%	0.5%	63.2%	85.9%	14.1%	100.0%
52	Headcount	21.2%	9.8%	1.0%	54.9%	86.8%	13.2%	100.0%
53	**Average - Composite Cost Causation**	**25.0%**	**10.2%**	**0.6%**	**50.3%**	**86.1%**	**13.9%**	**100.0%**

Note 1: Forecast net income will not be provided as EPCOR's policy, as established by its Board of Directors, does not permit the disclosure of forward looking net income information.

Table 4.4.2-11
Corporate Shared Services Allocation Percentages
2023

		A EDTI	B EEA	C EEDO	D Other	E CDN Total	F US Utilities	G Total
	Functional Cost Causation Allocators							
1	Headcount	721	319	32	1,737	2,809	444	3,252
2	CAD Headcount percentage	25.7%	11.3%	1.1%	61.8%	100.0%	0.0%	100.0%
3	Headcount percentage	22.2%	9.8%	1.0%	53.4%	86.3%	13.7%	100.0%
4	Assets	2,964.73	192.71	72.23	9,112.66	12,342.33	2,067.89	14,410.23
5	Assets percentage	20.6%	1.3%	0.5%	63.2%	85.6%	14.4%	100.0%
6	PP&E	2,847.69	0.84	41.07	8,590.69	11,480.29	1,735.66	13,215.95
7	PP&E percentage	21.5%	0.0%	0.3%	65.0%	86.9%	13.1%	100.0%
8	CapEx	222.00	0.70	3.42	428.74	654.86	109.22	764.08
9	CapEx percentage	29.1%	0.1%	0.4%	56.1%	85.7%	14.3%	100.0%
10	Debt	1,614.86	40.59	21.81	2,847.76	4,525.01	807.55	5,332.56
11	Debt percentage	30.3%	0.8%	0.4%	53.4%	84.9%	15.1%	100.0%
12	Revenues	786.60	419.34	10.74	744.16	1,960.83	328.24	2,289.07
13	Revenues percentage	34.4%	18.3%	0.5%	32.5%	85.7%	14.3%	100.0%
14	Depreciation	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1
15	Depreciation Percentage	28.5%	2.0%	0.6%	51.6%	82.8%	17.2%	100.0%
16	Net Income	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1
17	Net Income Percentage	27.9%	9.7%	0.3%	48.2%	86.0%	14.0%	100.0%
18	Direct IS	2.96	1.83	0.11	4.89	9.79	0.97	10.76
19	CAD Direct IS percentage	30.2%	18.7%	1.1%	49.9%	100.0%	0.0%	100.0%
20	Direct IS percentage	27.5%	17.0%	1.0%	45.5%	91.0%	9.0%	100.0%
21	Invoice Lines	95,300	7,478	13,981	329,469	446,228	0.00	446,228
22	Invoice Lines percentage	21.4%	1.7%	3.1%	73.8%	100.0%	0.0%	100.0%
23	AR Invoices	4,611	264	0	2,989	7,864	0.00	7,864
24	AR Invoices Percentage	58.6%	3.4%	0.0%	38.0%	100.0%	0.0%	100.0%
25	SCM Embedded Headcount	34	0	0	33	66	5	71
26	SCM Embedded Headcount percentage	47.2%	0.0%	0.0%	45.8%	93.0%	7.0%	100.0%
27	PO Lines	11,417	268	1,103	24,211	36,999	0	36,999
28	PO Lines percentage	30.9%	0.7%	3.0%	65.4%	100.0%	0.0%	100.0%
29	Acquisitions	2	1	0	3	6	4	10
30	Acquisitions percentage	20.0%	10.0%	0.0%	30.0%	60.0%	40.0%	100.0%
	Treasury Allocators							
31	**Treasurer - Corporate Finance Allocator**							
32	PP&E %	21.5%	0.0%	0.3%	65.0%	86.9%	13.1%	100.0%
33	Calculation Weighting %	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
34	**Weighting - PPE**	**8.6%**	**0.0%**	**0.1%**	**26.0%**	**34.7%**	**5.3%**	**40.0%**
35	CapEx %	29.1%	0.1%	0.4%	56.1%	85.7%	14.3%	100.0%
36	Calculation Weighting %	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
37	**Weighting - Cap Ex**	**8.7%**	**0.0%**	**0.1%**	**16.8%**	**25.7%**	**4.3%**	**30.0%**
38	Acquisitions %	20.0%	10.0%	0.0%	30.0%	60.0%	40.0%	100.0%
39	Calculation Weighting %	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
40	**Weighting - Acquisitions**	**6.0%**	**3.0%**	**0.0%**	**9.0%**	**18.0%**	**12.0%**	**30.0%**
41	**Total - All Weightings - Treasurer Corporate Finance Allocation**	**23.3%**	**3.0%**	**0.3%**	**51.8%**	**78.5%**	**21.5%**	**100.0%**
42	**Treasury Operations - Allocator**							
43	Weighting - Net Income + Depreciation	28.2%	5.8%	0.4%	49.9%	84.4%	15.6%	100.0%
44	Calculation Weighting %	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
45	**Weighting - Net Inc + Depn**	**14.1%**	**2.9%**	**0.2%**	**25.0%**	**42.2%**	**7.8%**	**50.0%**
46	Debt %	30.3%	0.8%	0.4%	53.4%	84.9%	15.1%	100.0%
47	Calculation Weighting %	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
48	**Weighting - Debt**	**15.1%**	**0.4%**	**0.2%**	**26.7%**	**42.4%**	**7.6%**	**50.0%**
49	**Total - NI & Depn + Debt - Treasury Operations Allocation**	**29.2%**	**3.3%**	**0.4%**	**51.7%**	**84.6%**	**15.4%**	**100.0%**
	Composite Cost Causation Allocator							
50	Revenues	34.4%	18.3%	0.5%	32.5%	85.7%	14.3%	100.0%
51	Assets	20.6%	1.3%	0.5%	63.2%	85.6%	14.4%	100.0%

52	Headcount	22.2%	9.8%	1.0%	53.4%	86.3%	13.7%	100.0%
53	**Average - Composite Cost Causation**	**25.7%**	**9.8%**	**0.7%**	**49.7%**	**85.9%**	**14.1%**	**100.0%**

Note 1: Forecast net income will not be provided as EPCOR's policy, as established by its Board of Directors, does not permit the disclosure of forward looking net income information

Step 4 – Apply allocation methods to allocable costs

Once the allocation methods were determined, they were applied against EUI's final budgeted Corporate Services costs to arrive at the amounts charged to each business unit.

Step 5 - Final review of Corporate Services costs for reasonableness

The resulting Corporate Services costs were carefully reviewed by management to confirm that the process set out above was properly applied, and that the resulting charges were reasonable.

Directly Assigned Corporate Services Costs

The following is a general description of the Corporate Shared Services costs that are directly assigned to EEDO:

- Information Services ("IS") Application Support – in this cost category are large business unit specific applications. The support costs for each application are recorded in general ledger accounts specific to the application.
- IS Infrastructure Operations – this cost category is made up of charges for the servers, storage, user devices, network and employee services (i.e., service desk services, licensing).

Table 4.4.2-12 shows the Corporate Services costs for 2019 Actual – 2021 Actual, 2022 Bridge Year and 2023 Test Year that are directly assigned to EEDO for IS Application Support and IS Infrastructure Support (i.e., desktops, servers, network, databases, printers, etc.).

Table 4.4.2-12

Directly Assigned Corporate Services Costs to EEDO

($)

	Expense Category	A **2019A**	B **2020A**	C **2021A**	D **2022 Bridge Year**	E **2023 Test Year**
1	IS Application Support	44,330	50,29	56,141	64,171	83,542
2	IS desktops, printers and network	85,642	84,16	77,963	88,055	94,624
4	**Total EEDO Costs**	**129,972**	**134,456**	**134,104**	**152,226**	**178,166**
5	Variance		4,484	(352)	18,122	25,940

The increase in costs from the 2021 Actual Year to the 2023 Test Year is the result of the following:

a. IT Application Support cost increases in due to additional IT support being required as a result of the Computer System & Network Technician being moved to EOOMI and this position no longer providing IT support to EEDO (approximately $18,000). See variance explanations to Table 4.4.2-7 for additional information.

b. The remaining variance is due to general cost inflation.

The increase in costs from 2022 Bridge Year to 2023 Test Year is primarily due to the additional IT support being required as a result of the Computer System & Network Technician being moved to EOOMI and this position no longer only providing IT support to EEDO and general cost inflation.

Allocated Corporate Shared Services Costs

The following is a general description of the Corporate Services costs that are allocated to EEDO:

a. Supply Chain Management (SCM) includes mailroom, disaster recovery planning facilities, procurement, real estate, security and space rent of EPCOR Tower located in Edmonton which houses the majority of the Corporate Services employees.

b. Human Resources (HR) includes the administration and management of employee compensation and benefits programs; administration and management of payroll functions; human resource consulting; support of recruitment efforts, job and organizational design, and succession and workforce planning; labour and employee relations; administration and management of Human Resource and Information System (HRIS); the delivery of professional development courses and technical training across all EPCOR business units and Corporate Services departments.

c. Information Services (IS) manages the implementation of major applications and the installation of major computer hardware devices, user support services related to shared business system applications and the operation and maintenance of the computer hardware platforms (i.e., servers, networks, etc.) and operating systems that shared applications (i.e., Oracle business system) and business unit specific systems applications.

d. Corporate Finance Services includes Corporate Finance (corporate accounting, consolidated reporting and analysis and audit fees), accounts payable, accounts receivable, management development of junior level finance employees.

e. Executive and Executive Assistants provide governance and leadership services to EUI subsidiaries.

f. Treasury performs the services associated with raising capital and provides banking and cash management services to EPCOR subsidiaries. This group also provides taxation services to all business unit operations and EUI.

g. Board Costs includes EUI's Board of Directors that provide corporate governance functions to EPCOR and its subsidiaries.

h. Audit and Risk Management provides audit and ensures compliance the Canadian legislation equivalent to the United States' Sarbanes-Oxley Act (commonly referred to as "CSOx") and provides insurance and Enterprise Risk Management services to EPCOR subsidiaries. This group also includes the Finance centre of excellence (i.e., best practices, support and training for the Oracle Financial suite of products.)

i. Public and Government Affairs (P&GA) provides internal/external communication services, liaison services and briefing support in relation to all three levels of government (federal, provincial, and municipal), as well as government agencies and staff, with respect to existing or proposed policies and legislation and community relations (i.e., community engagement tools, processes and investment strategies to support EPCOR's reputation and relationship objectives. EEDO notes that a portion of Community Relations costs includes community donations ($1,904) and these costs have been removed and not included in the revenue requirement.

j. Legal Services provides legal, governance, and compliance related activities to EEDO and other EUI business units and subsidiaries.

k. Health, Safety and Environment (HSE) provides governance, maintenance, and ongoing implementation of HSE requirements, HSE reporting and plans and related program administration (i.e., Alcohol and Drug Program).

l. Incentive Compensation is paid to Corporate Services employees based on individual performance ratings and EUI's overall annual corporate targets. EUI's structure for compensating its non-union employees has four components: base compensation (annual salary), employer paid benefits, Short Term Incentive (STI), and Medium Term Incentive (MTI) for participating directors, vice presidents and executives. EUI's structure for compensating unionized employees has three components: base compensation (hourly wages / annual salaries), employer paid benefits and STI. The compensation was designed to bring employee total compensation to a level which is at par with comparable positions in the market from which EUI must draw employees (i.e., to market value). The program itself is not a separate service, but the costs of any incentives are tracked separately.

EEDO's Allocated Corporate Shared Services costs for 2019 Actual – 2021 Actual 2022 Bridge Year and 2023 Test Year are shown in Table 4.4.2-13 below.

Table 4.4.2-13

EUI Corporate Shared Services Costs Allocated to EEDO ($)

	Function	A **2019A**	B **2020A**	C **2021A**	D **2022 Bridge Year**	E **2023 Test Year**
1	SCM	69,960	44,887	47,483	49,072	53,970
2	HR	92,417	101,46	110,466	116,390	127,880
3	IS	109,00	83,157	96,801	112,552	131,460
4	Corporate Finance Services	42,388	40,639	45,673	44,467	42,921
5	Executive and Executive	19,794	19,192	19,817	21,209	22,036
6	Treasury	6,647	6,452	9,861	9,338	10,448
7	Board	11,776	10,068	10,017	11,477	12,642
8	Audit and Risk Management	9,926	13,268	14,679	16,781	16,124
9	P&GA	2,536	2,609	10,574	3,736	21,123
10	Legal Services	14,427	15,530	15,743	15,771	16,805
11	HSE	8,607	16,828	14,779	15,514	12,353
12	Incentive Compensation	44,517	45,762	72,652	55,865	56,441
13	**EEDO Total**	**432,00**	**399,85**	**468,545**	**472,172**	**524,203**
14	Variance		(32,144	68,688	3,627	52,031

EUI Board costs are shown in row 7 of Table 4.4.2-13. For the 2023 Test year the amount of EUI Board costs included in the EUI Corporate Shared Service Costs allocated to EEDO is $12,642.

The increase in EUI Corporate Shared Services cost from 2021 Actual to 2023 Test Year are primarily due to the following items:

a. The increase in HR costs is primarily due to increases in training-related costs back to pre-COVID levels (approximately $8k), additional net staff costs for moving disability management services in house for 2023 Test Year ($5k), increases in costs related to Diversity, Equity and Inclusion initiatives ($2k) and general cost inflation.

b. The increase in IT costs is primarily due to various IT operating projects (EPCOR.com and JIRA replacement) in 2023 Test Year ($15k), increases in staff costs in 2022 Bridge Year related to filing various vacancies ($10k) and general cost inflation.

c. The increase in P&GA costs is primarily due to increases in the allocation percentage for EEDO. The cost driver for EEDO is net income and EEDO is anticipating earning it's ROE for 2023 Test Year versus having lower earnings in 2021 Actual as a result of there being a long time lag from EEDO's last cost of service filing in 2013.

These costs are partially offset by:

d. Lower Incentive Compensation for 2021 Actual as EPCOR's results for the 2021 Actual period were above Target. The 2023 Test Year includes Incentive Compensation amounts at Target.

The increase in EUI Corporate Shared Services cost from 2022 Bridge Year to 2023 Test Year is primarily due to the following items:

a. The increase in HR costs is primarily due to additional net staff costs for moving disability management services in house for 2023 Test Year ($5k), increases in costs related to Diversity, Equity and Inclusion initiatives ($2k) and general cost inflation.

b. The increase in IT costs is primarily due to various IT operating projects (EPCOR.com and JIRA replacement) in 2023 Test Year ($15k) and general cost inflation.

c. The increase in P&GA costs is primarily due to increases in the allocation percentage for EEDO. The cost driver for EEDO is net income and EEDO is anticipating earning its ROE for 2023 Test Year versus having lower earnings in 2022 Bridge Year as a result of there being a long time lag from EEDO's last cost of service filing in 2013.

Allocated Corporate Asset Usage Fees

EUI charges fees relating to general plant assets owned by EUI that are used in providing Corporate Shared Services to EPCOR business units. These fees are referred to as Corporate Asset Usage Fees. The categories of assets for which Corporate Asset Usage Fees are charged include the following:

- Leasehold Assets – disaster recovery and EPCOR Tower leasehold improvements benefitting employees in Corporate Shared Services departments that work at EPCOR Tower and support EUI subsidiaries including EEDO.

- Human Resources Information Systems (HRIS) - software application that is used by EUI's HR department to manage the employees of the EPCOR group, including functions such as recruiting, hiring, managing and paying employees (including the calculation of pensions, CPP, UIC, income tax and other payroll deductions).

- Information Services (IS) Infrastructure - IS assets include servers, electronic storage devices, information system networks, desktops and IS Applications.

- Financial Systems - represent the current financial application that is used to pay invoices, record and report financial information, prepare financial statements, calculate depreciation, purchase goods and services and manage project costs. The software application, Oracle Financials, uses modules that include Accounts Payable, Accounts Receivable, General Ledger, Purchasing, Projects and Fixed Assets.

- Furniture and Fixture Assets - represent furniture such as offices, workstations, chairs, tables, file cabinets and shelves used by employees in Corporate Shared Services departments.

The Asset Usage Fee for each category of corporate assets is comprised of two components: "return on" capital and "return of" capital (or depreciation expense). The return on capital component is calculated using the service recipient's weighted average cost of capital ("WACC").

EUI's 2019 Actual – 2021 Actual, 2022 Bridge Year and 2023 Test Year's Asset Usage Fees allocated to EEDO are shown in Table 4.4.2-14.

Table 4.4.2-14

Corporate Asset Usage Fees to EEDO

($)

		A	B	C	D	E
	Asset Category	**2019A**	**2020A**	**2021 A**	**2022 Bridge Year**	**2023 Test Year**
1	Leasehold Assets	5,274	4,936	6,111	4,443	4,451
2	HRIS	2,592	3,031	2,798	2,430	2,434
3	IS Infrastructure	101,786	77,926	-	96,689	105,351
4	Financial Systems	33,184	32,984	32,388	31,455	28,847
5	Furniture and Fixtures	4,241	2,187	2,603	2,189	2,446
6	Return on Assets	31,362	26,282	13,376	30,327	29,187
7	2021 inadvertent error	-	-	99,307	-	-
8	**Total EEDO**	**178,360**	**147,346**	**156,583**	**167,533**	**172,716**
9	Variance		(31,014)	9,237	10,950	5,183

The 2021 Actuals includes an inadvertent error in the calculation of IS Infrastructure costs and Return on Assets as amounts were missed in the allocation to EEDO. The correct amount of IS Infrastructure in the absence of this inadvertent error would have been $95,257 for IS Infrastructure and $17,426 for Return on Assets, which resulted in EEDO costs being too low by $99,307 as noted in row 7 of the table above.. These cost levels would make these values consistent with prior and go forward years.

The Corporate Asset Usage Fees from 2021 Actual to 2023 Test Year, after correcting for the inadvertent error noted in paragraph 135 above, remain flat, with increases primarily due to inflation

The overall costs for Corporate Asset Usage Fees from 2022 Bridge Year to 2023 Test Year remain flat, with increases primarily due to inflation.

2023 Test Year to 2013 OEB Approved

Table 4.4.2-15 outlines EEDO's 2013 Actual and 2023 Test Year Shared Service allocation costs.

Table 4.4.2-15
2013 Actual vs. 2023 Test Year – Shared Service Costs
($)

		A **2013A**	B **2023 Test Year**	C **Variance**	D **Variance %**
1	Collus PowerStream Solutions Corp.	974,448	N/A	(974,448)	N/A
2	Service Fee	132,000	N/A	(132,000)	N/A
3	Town of Collingwood	22,133	N/A	(22,133)	N/A
4	Collingwood Public Utilities Service Board	310,082	N/A	(310,082)	N/A
5	Affiliate Shared Services	N/A	790,070	790,070	N/A
6	Corporate Shared Services	N/A	875,084	875,084	N/A
7	**Total EEDO**	**1,438,663**	**1,665,154**	**226,491**	**16%**

The 2013 Actual for Town of Collingwood includes amounts for property maintenance and vehicle fuel. These costs are now directly incurred by EEDO.

The 2013 Actual Collingwood Public Utilities Service Board includes $216,000 for building lease charges. When EEDO was acquired by EPCOR in October 2018, the Town of Collingwood entered into a new lease agreement with EEDO. This lease is now treated as a Right of Use Asset and included in rate base. The 2013 Actual also includes $72,290 for shared employee charges which no longer exists and $21,792 for computer lease charges and EEDO now sources all computer hardware and software internally.

The 2013 Actual for Collus PowerStream Solutions Corp. includes 17 headcount which were allocated to EEDO at 55%, resulting in approximately 9.4 FTE allocated to EEDO. Since 2013, these FTEs were either embedded in EEDO, vacated and subsequently filled in EOUI/EOOMI or vacated and not filled. A high-level summary of the Collus PowerStream Solutions Corp. headcount included in 2013 Actual and what has happened with these positions compared to 2023 Test Year is provided below. Please see section 4.4.1 for further information of the headcount which were embedded in EEDO in 2016.

a. CEO position, one headcount, replaced by the Vice President, Ontario Region and the Director, Operations Ontario Region in EOOMI. In 2013 Actual the CEO position was allocated at 0.55 FTE to EEDO while the Vice President, Ontario Region and the Director, Operations Ontario Region are allocated at 0.7 FTE in total in the 2023 Test Year in Shared Services.

b. Manager HR position, one headcount, was vacated and not replaced. HR support is now provided by the Consultant, Human Resources in EOOMI. In 2013 Actual the Manager HR position was allocated at 0.55 FTE while the Consultant, Human Resources is allocated at 0.43 FTE in the 2023 Test Year in Shared Services.

c. Controller position, one headcount, was vacated and has not been replaced. In 2013 Actual the Controller position was allocated at 0.55 FTE and there is no corresponding cost in the 2023 Test Year for EEDO.

d. One Payroll/Benefits Coordinator position, one VP Operations position, one Billing & Regulatory Manager position, one CFO position, one Computer Systems and Network Technician in IT position, one System Support Technician IT position, one GIS Technician position, one Engineering Technologist position and six Billing and Collecting positions were embedded in EEDO in 2016.

4.4.3 Purchase of Non-Affiliate Services

EPCOR's procurement policy, which is included as Exhibit 4, Tab 2, Appendix C, is applicable to all its subsidiaries. The policy highlights EPCOR's policy and guidelines over the procurement of goods and services. Schedule A of the policy includes levels of signing authority for procurement of goods and services.

EPCOR abides by the New West Partnership Trade Agreement (NWPTA), which stipulates most pieces of work greater than $75,000 (greater than $200,000 for construction) in value should be competitively bid through a public posting process if there is not an existing agreement in place that can be leveraged. EPCOR also adheres to all Canadian trade partnership agreements as applicable, such as the Comprehensive Economic Trade Agreement and Canadian Free Trade Agreement.

EEDO confirms that it is not aware of any material transactions that were not in compliance with EPCOR's procurement policy.

4.4.4 One-time Costs

EEDO has identified a total of $360,000 in one-time costs for the 2021 Actual year, 2022 Bridge Year and 2023 Test Year, of which EEDO is proposing to recover $360,000 in this Application. Table 4.4.4-1 below outlines the expenditure of one-time costs pertaining to each of the years identified. The amounts identified for the 2021 Actual year and 2022 Bridge Year have been excluded from regulatory costs as part of recoverable OM&A in Section 4.2 for those years in Table 4.4.4-1.

Table 4.4.4-1

Total One-time Costs for 2021 and 2022

($)

	One-time Cost Category	A 2021 Actual	B 2022 Bridge Year	C 2023 Test Year	D Total
1	EB-2022-0028 - 2023 Cost of Service	106,430	253,570	-	360,000
2	**Total**	**106,430**	**253,570**	**-**	**360,000**

The one-time costs identified are comprised of regulatory expenses for the EB-2022-0028 cost of service application. EEDO has included one-fifth of the one-time costs identified in Table 4.4.4-1 in recoverable OM&A in its revenue requirement, assuming a five year period until the next cost of service application is filed.

Regulatory costs related to Price Cap IR applications are considered ongoing costs throughout the 2023 to 2027 period and are therefore included within the OM&A costs in the Application as reflected in Table 4.4.5-1. The one-time costs in Table 4.4.4-1 are described further below.

Costs related to EEDO's 2023 Cost of service application (EB- 2022-0028)

These one-time costs are related to the preparation and defense of this Application and are incremental to the costs on which rates are based. These one-time costs include amounts incurred in 2021 as well as forecasted costs for 2022 associated with defending the Application which are accounted for in the regulatory expense account 5655 – Regulatory expenses.

Table 4.4.4-2

One-time Cost of Service application costs

	One-time Cost Category	A **Amount proposed for recovery**
1	Customer engagement contractor	20,000
2	Distribution System Plan study	100,000
3	Load and forecast report	20,000
4	Cost allocation study	20,000
5	Legal counsel	110,000
6	Printing and advertising	5,000
7	Intervenor and OEB costs	75,000
8	Settlement – 2 day conference	10,000
9	**Total**	**360,000**
10	**Total cost per year over 5 years**	**72,000**

EEDO is proposing to recover the $360,000 in one-time costs outlined in Table 4.4.4-2 above by amortizing these costs over the five-year period of this Application starting with the 2023 Test Year and the four subsequent years covered by the Price Cap IR Term. Accordingly, EEDO has included one-fifth of these costs, $72,000 in the regulatory OM&A costs included in Section 4.2 for the 2023 Test Year.

4.4.5 Regulatory Costs

EEDO's regulatory costs include two major components:

- One-time costs related to the filing of this application, and
- OEB assessment costs and Cost Awards as determined by the OEB

Table 4.4.5-1 below highlights EEDO's regulatory costs.

Table 4.4.5-1

Regulatory Costs ($)

Appendix 2-M
Regulatory Cost Schedule

	Regulatory Cost Category	USoA Account	USoA Account Balance	Last Rebasing Year (2013 OEB Approved)	Last Rebasing Year(2013 Actual)	Most Current Actuals Year 2021	2022 Bridge Year	Annual % Change	2023 Test Year	Annual % Change
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)=[(G)-(F)]/(F)	(I)	(J) = [(I)-(G)]/(G)
	Regulatory Costs (Ongoing)									
1	OEB Annual Assessment	5655		37,773	42,184	86,470	69,816	-19.26%	71,212	2.00%
2	OEB Section 30 Costs (OEB-initiated)	5655		3,633	-	-	1,000		2,300	130.00%
3	Expert Witness costs for regulatory matters	5655		-	-	-	-		0	
4	Legal costs for regulatory matters	5655/1460		-	-	-	-		0	
5	Consultants' costs for regulatory matters	5655/1525		-	-	-	-		0	
6	Operating expenses associated with staff resources allocated to regulatory matters	5615		70,000	-	100,893	102,911	2.00%	104,969	2.00%
7	Operating expenses associated with other resources allocated to regulatory matters [1]	0		-	-	-	-		0	
8	Other regulatory agency fees or assessments	5655		800	-	3,129	230	-92.65%	850	269.57%
9	Any other costs for regulatory matters (Advertising)	0		-	-	-	-		0	
10	Intervenor costs	5655		-	-	-	-		0	
11	Include other items in green cells, as applicable	0		-	-	-	-		0	
12										
	Regulatory Costs (One-Time)									
1	Expert Witness costs			20,000	-	-	-		-	
2	Legal costs			40,000	69,579	-	-		110,000	
3	Consultants' costs			147,794	219,915	-	-		160,000	
4	Incremental operating expenses associated with staff resources allocated to this application.			-	-	-	-		-	
5	Incremental operating expenses associated with other resources allocated to this application. [1]			-	1,677	-	-		15,000	
6	Intervenor costs			46,600	45,811	-	-		50,000	
7	OEB Section 30 Costs (application-related)			-	9,374	-	-		25,000	
8	Include other items in green cells, as applicable			-	-	-	-		-	
9								#VALUE!		#VALUE!
1	Sub-total - Ongoing Costs [2]		$ -	$ 112,206	$ 42,184	$ 190,492	$ 173,957	-8.68%	$ 179,331	3.09%
2	Sub-total - One-time Costs [3]		$ -	$ 254,394	$ 346,356	$ -	$ -		$ 360,000	
3	Total		$ -	$ 366,600	$ 388,540	$ 190,492	$ 173,957	-8.68%	$ 251,331	44.48%

Application-Related One-Time Costs	Total
Total One-Time Costs Related to Application to be Amortized over IRM Period	$ 360,000
1/5 of Total One-Time Costs	$ 72,000

The costs related to Cost of Service application include costs of having a third-party perform an Asset Condition Assessment study for all EEDO's major assets to be used as evidence in the utility's 2023 Distribution System Plan (DSP); a third-party to review the DSP that EEDO staff have prepared according to the OEB's Chapter 5 Filing Requirements; legal review by an appointed Legal Counsel; a rate consultant to assist with navigating through the necessary filing requirements. The regulatory costs proposed in this application also include provisions for legal fees related to a Settlement Conference (assuming a 2-day event) and includes a provision for intervenors. These costs are also summarized in section 4.4.4 in Table 4.4.4-2. Costs associated with the Cost of Service application are amortized over a period of 5-years (2023-2027) in USofA account 5655 – Regulatory expenses.

4.4.6 Low-income Energy Assistance Programs (LEAP)

The Low-income Energy Assistance Plan ("LEAP") is an emergency financial assistance program offered by the Ontario Energy Board (OEB) in order to assist low-income energy customers better manage their bill payments and energy costs.

The program includes emergency financial assistance and the application of special customer service practices and standards for eligible low-income customers. To qualify for the program, customers must meet the income eligibility criteria as defined by the OEB. EEDO has partnered with the United Way of Simcoe Muskoka in administering the Low Income Energy Program Emergency Funding Assistance (LEAP EFA). EEDO had previously partnered with Empower Simcoe to administer the program until 2022.

EEDO provides, each year, the greater of 0.12% of total service revenue requirement or $2,000 to the fund. As such, EEDO has calculated the 2023 LEAP EFA to be included in the revenue requirement as follows:

Table 4.4.6-1
LEAP EFA Calculation
($)

		A **2023** **Test Year**
1	Revenue Requirement	10,208,496
2	Percentage Applied	0.12%
3	**LEAP Fund**	**12,250**

4.4.7 Charitable and Political Donations

EEDO confirms that it is not requesting for any recovery of charitable or political contributions in its revenue requirement other than funding for LEAP (Section 4.4.6).

EEDO is allocated a portion of Community Relations costs from its Corporate Shared Services (Section 4.4.2). Consistent with the OEB rules, donations included in Community Relations costs have been excluded from the applied-for revenue requirement as reflected in Section 4.4.2.

4.5 Conservation and Demand Management

Historically, CDM activity has been predominately funded through programs contracted with the IESO and funded through the Global Adjustment (GA) mechanism, and therefore costs directly attributable to these CDM programs (e.g. staff labour dedicated to such programs) must not be included in the revenue requirement to be recovered through distribution rates.

EEDO confirms that no such costs are included in the revenue requirement and is not requesting any approvals for CDM funding for the 2023 Test Year.

Appendix A – EPCOR Management & Salaried Compensation Administration Guidelines

EPCOR Management & Salaried

Compensation Administration Guidelines

(Applicable to all Permanent and Temporary Management & Salaried Employees)

Updated December 2021

Table of Contents

EPCOR's Total Rewards

Benefits	**Pension**	**Savings Plans**
Incentives	**Base Pay**	**Scheduled Days Off & Personal Leave**
Annual Vacation	**After Hours Personal Development**	**EPCOR School of Business**

EPCOR's total rewards package is focused on several elements, including base pay. Although base pay is important, the combined value of all of the total rewards provided to employees is where EPCOR will leverage a competitive advantage when attracting, retaining and engaging employees.

Each total rewards element has a cost to EPCOR and a value to the employee. EPCOR offers a comprehensive total rewards package that provides competitive base salary, incentive awards, funding for after hours education and development, internal training programs for personal and career development, work life balance, retirement savings as well as health, dental, life insurance and disability programs.

The key to long term attraction and retention of employees is finding employees and candidates who see value in what EPCOR can offer from a total rewards perspective.

EPCOR's Compensation Philosophy

EPCOR's Board of Directors determines a compensation philosophy and a comparator group of companies that EPCOR will measure itself against in order to assess market competitiveness.

EPCOR's compensation philosophy is to be a median payer (or 50th percentile) of the market. The median is the middle value in a series of values.

The median of the market is the most common compensation philosophy used by employers and does not mean that EPCOR is a low payer in the market place or seeking 'average' employees.

At EPCOR, the median of the market is used to develop the middle or 'target' of the salary grade. As a result, employees have the ability to earn above the median when they continue to demonstrate sustained successful and/or exceptional performance over time in a role.

EPCOR's Comparator Groups

The EPCOR Board has established two main comparator groups in Canada that are used to determine EPCOR's competitive positioning. The first comparator group is used to compare compensation for industry specific roles (e.g. engineering, project management, operations, etc.) and consists of the following companies:

Alberta Electric System Operator	Fortis BC Energy
AltaGas Ltd.	Pembina Pipeline
AltaLink Management Ltd.	SaskEnergy
ATCO Ltd.	SaskPower
BC Hydro and Power	TC Energy –Pipeline
Capital Power Corporation	TC Energy – Pipeline Group
Enbridge Inc.	TC Energy – Power & Storage
Enmax Corporation	TransAlta Corporation
FortisAlberta Inc.	TransMountain

The second comparator group is used to compare compensation for shared services (e.g. Finance, IT, P&GA, HR, etc.) and non-industry specific roles. It consists of the industry specific companies identified above and also includes the following companies:

Alberta Energy Regulator	Nutrien
Algonquin Power	Ontario Power Generation
Bruce Power	ShawCor
Cogeco Inc.	Siemens Canada
Corix	Siemens Energy Canada
Dow Chemical	Siemens Energy Canada – Dist Gen (PRW)
Energir	Siemens Energy Canada – PGI Business Unit
Ericsson Canada Inc.	Siemens Energy Transformers Canada Inc.
Independent Electricity System Operator	Sierra Wireless
INEOS Canada Partnership	Stantec Inc.
Methanex	Telus Corporation
Nova Chemicals	Toronto Hydro Electric Systems

Companies in each comparator group are reviewed periodically by the EPCOR Board using a pre-established set of evaluation criteria and any changes require Board approval.

In cases where market data from the peer groups is not applicable or available, EPCOR will review regional wage data to ensure rates are competitive with the local market.

Internal Equity

Internal equity is the relative difference between two or more people and/or positions. It can refer to a number of items including employee salaries, performance rating, classification assignment and/or salary grade of a position.

Equity issues can be very sensitive for employees because they see these items as a reflection of how they are valued.

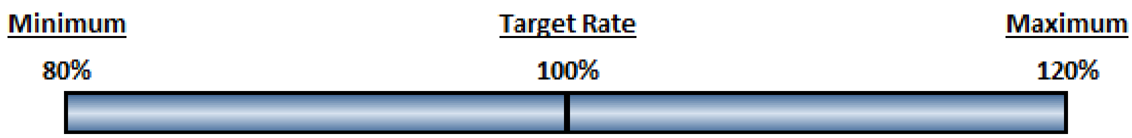
Managers should consider internal equity when making salary decisions for promotions or when hiring externally.

Salary Grade Development

A salary grade structure for all Management & Salaried positions has been developed and is reviewed annually against external market data to ensure alignment to EPCOR's compensation philosophy.

The median market data is used to create the target rate (i.e. middle) of the salary grade.

A salary grade minimum is set using 80% of the target rate and a maximum is established using 120% of the target rate.



Compa-ratio

An employee's salary within a salary grade depends on several factors including length of time in a role, qualifications, performance history, demonstrated capability and proficiency.

EPCOR uses compa-ratios when assessing an employee's placement in a salary grade upon hire or promotion. Compa-ratios are also used for other purposes, including the annual base pay review program.

The compa-ratio for each employee is determined by taking their annual salary and dividing it by the target rate (i.e. middle) of the salary grade assigned to their position.

A compa-ratio equivalent to 1.0 means the employee is earning at the target rate of the salary grade. A compa-ratio greater than 1.0 means the employee is earning more than the target rate and a compa-ratio below 1.0 means an employee is earning less than the target rate.

Example: $92,000 salary / $100,000 target rate = 0.92 compa-ratio

Salary Positioning Within the Salary Grade

The middle of the salary grade represents EPCOR's competitive positioning to the external market; however, initial placement in the salary grade may be impacted by a number of other factors, including: internal equity, compression or inversion with in-scope direct reports, market considerations and an employee's previous position and/or salary history.

Salary grade placement should generally align an employee's skills, experience and abilities relative to the minimum level of qualifications and experience required for the position.

The following provides some general guidelines on employee placement and progression over time:

- When an employee has a significant gap in terms of qualifications and/or experience for a position, the Manager should work with Human Resources to establish a development plan. In this scenario, the employee is placed in a lower salary grade until specific milestones are achieved (e.g. formal education, certification, designation, years of experience, etc.). Once the employee possesses the minimum level of qualifications and/or experience required for the position, they will be promoted into the salary grade assigned to the position.
- An employee newer to a role and/or who is close to meeting the minimum qualifications required for a position should fall in the 0.80 to 0.90 compa-ratio of the salary grade.
- An employee possessing the minimum qualifications required for a position should fall in the 0.90 to 1.0 compa-ratio of the salary grade.
- An employee that is fully qualified, very experienced in a role and has consistently demonstrated fully successful and/or exceptional performance year over year may reach or exceed the 1.0 compa-ratio of the salary grade over time.

Salary Positioning Scenario	Placement in the Salary Grade
Significant Development Required	Developmental Plan at a lower salary grade
Development Required	0.80 - 0.90
Fully Qualified for the Role	0.90 – 1.0
Very Experienced and Consistently Demonstrating Fully Successful and/or Exceptional Performance in a role	At or Above 1.0

There is no defined timeframe in which an employee moves towards the target rate. Once an employee is placed in a salary grade, the employee will progress through the grade during the annual base pay review.

Salary Grade Structure

Stratum	Grade	Professional/Management
1	SG1	Professional
	SG2	Professional
	SG3	Professional
	SG4	Professional
2	SG5	Professional/Management
	SG6	Professional
	SG6-M	Management
	SG7	Professional
	SG7-M	Management
3	SG8	Professional
	SG8-M	Management
	SG9	Professional
	SG9-M	Management

For Legal or Ontario structures, please consult your Human Resources consultant.

Professional versus Management Salary Grade

Salary Grades 6 to 9 have an "M" designation indicating a Manager role. A Manager designation indicates that the position has at least one permanent continuous position reporting to it (temporary, casual, contractor do not count).

If a position is identified as a Manager role, and loses its direct report, the position should be placed at the appropriate Salary Grade level unless there is a plan to have permanent continuous positions reporting to it in the near future. Positions identified with a Manager Salary Grade, but with no direct reports on the permanent basis will be reviewed and may be reclassified.

Determining Salary Placement for External Hires

Determining salaries for new hires can be a negotiation and it is important to determine what salary is reasonable and the maximum salary EPCOR would be willing to offer.

When negotiating salary with a candidate, consider the entire total rewards package the candidate will receive from EPCOR relative to his/her current total rewards package and the internal equity of existing employee salaries.

It is not unreasonable to offer a candidate less base salary because EPCOR provides short term incentives as well as an employer matching savings plan, or to provide a candidate with a take it or leave it salary offer.

The maximum salary that can be offered to an external candidate is a 1.05 compa-ratio in the salary grade. Any salary offer above a 1.05 compa-ratio requires approval through the

Exceptions Process. Please refer to the ‘Exceptions Process’ section at the end of this document for additional information.

External hires with a starting salary below a 0.90 compa-ratio, are eligible for a one-time salary adjustment at the completion of 6 months in the new position. The external hire may receive up to a 5% increase, not to exceed the 0.90 compa-ratio of the salary grade. The adjustment is contingent upon successful performance and will be subject to discretion of their Manager and will also be in addition to any annual base pay review adjustment (if applicable). Internal equity should be a key consideration when determining the salary adjustment amount. If the 6 month period ends close to the annual base pay review, please consult with Human Resources to determine the most effective approach for processing the one-time adjustment.

Any other requests to offer something outside of EPCOR’s standard terms of offer will also require approval through the Exceptions Process before it can be offered to a candidate.

Please consult with Human Resources to assist in determining an appropriate salary offer to a candidate or to initiate the Exceptions Process.

Internal Promotions, Lateral Transfers and Transfers to Lower Level Positions

Promotion

When a permanent or temporary Management & Salaried employee transfers to a position that is assigned to a higher salary grade than their current position, it is considered a promotion.

When determining the promotional salary increase amount, internal equity should be a key consideration.

An employee can receive up to a 5%, 10% or 15% increase on promotion, provided the salary does not exceed the 1.0 compa-ratio (i.e. target rate) of the salary grade assigned to the higher level position.

5% is for those moving between the same Salary Grade (i.e. SG6 to SG6M)
10% is for those moving between Salary Grades (i.e. SG5 to SG6 or SG6 to SG7M)
15% is for those moving between Stratum levels (i.e. S1 to S2 or S2 to S3).

This does not include those in programs such as the EIT program.

Any request to provide more than outlined above on promotion or to exceed the 1.0 compa-ratio of the new salary grade requires approval through the Exceptions Process.

The only case where an employee could receive more than outlined above on promotion, without additional approval, would be if more was required to bring the employee to a 0.80 compa-ratio.

Individuals will not be eligible for a promotional amount if they have been provided one in the past for the same Salary Grade. Example: An individual is promoted to a SG7P from SG6. After some time in this role, the individual transfers back into a SG6 or SG6M position, then is transferred again to a SG7 or SG7M position. As this employee already received a promotional amount on the first promotion, their salary should still be competitive at the SG7 or SG7M position and no additional promotional amount should be provided. If the current salary is not competitive (i.e. drops below 0.90 CR of the salary grade), an exception request will be required to increase the individuals salary.

Please consult with Human Resources to assist in determining an appropriate salary offer on promotion or to initiate the Exceptions Process.

Newly Promoted Management & Salaried Employees with a Compa-ratio Below 0.90

Effective January 1, 2017, newly promoted Management & Salaried employees with a compa-ratio below 0.90 after promotion, are eligible for a one-time salary adjustment at the completion of 6 months in the new position. The employee may receive up to a 5% increase, not to exceed the 0.90 compa-ratio of the salary grade. The adjustment is contingent upon successful performance and will be in addition to any annual base pay review adjustment. Internal equity should be a key consideration when determining the salary adjustment amount. If the 6 month period ends close to the annual base pay review, please consult with Human Resources to determine the most effective approach for processing the one-time adjustment.

Lateral Transfer

When a permanent or temporary employee transfers from one job to another and both are assigned to the *same salary grade*, it is considered a lateral transfer. Employees are not eligible for a base salary increase on a lateral transfer.

Where an employee is moving into a management level within the same salary grade from the professional level, they are eligible to receive up to a 5% increase as long as the new salary does not exceed the 1.0 compa-ratio of the new salary grade.

Example: An employee moves from SG6 to SG6-M would be eligible for up to a 5% increase.

The following table clarifies whether a position movement within the management/salaried structure is considered a lateral transfer or a promotion with corresponding promotional increase percentages (if applicable):

		S2					S3			
		SG5	SG6	SG6M	SG7	SG7M	SG8	SG8M	SG9	SG9M
S2	SG5	⇦⇨	⇧ (10%)	⇧ (10%)	⇧ (10%)	⇧ (10%)	⇧ (15%)	⇧ (15%)	⇧ (15%)	⇧ (15%)
	SG6		⇦⇨	⇧ (5%)	⇧ (10%)	⇧ (10%)	⇧ (15%)	⇧ (15%)	⇧ (15%)	⇧ (15%)
	SG6M			⇦⇨	⇧ (10%)	⇧ (10%)	⇧ (15%)	⇧ (15%)	⇧ (15%)	⇧ (15%)
	SG7				⇦⇨	⇧ (5%)	⇧ (15%)	⇧ (15%)	⇧ (15%)	⇧ (15%)
	SG7M					⇦⇨	⇧ (15%)	⇧ (15%)	⇧ (15%)	⇧ (15%)
S3	SG8						⇦⇨	⇧ (5%)	⇧ (5%)	⇧ (5%)
	SG8M							⇦⇨	⇧ (5%)	⇧ (5%)
	SG9								⇦⇨	⇧ (5%)
	SG9M									⇦⇨

⇧ Denotes all promotional increases and salary shall not exceed the 1.0 compa-ratio

Transfers to Lower Level Positions

When a permanent or temporary employee transfers to a position with a lower salary grade, treatment of salary and short term incentive targets will depend on the circumstance surrounding the transfer.

An employee initiated request to transfer to a lower level position occurs when an employee would formally request to move into a lower level position, or apply on and accept a lower level position. If an employee's salary is greater than the maximum of the salary grade, it will be reduced to fit within the salary grade. If an employee's salary falls within the salary grade, the Manager may offer to either maintain salary or offer a lower salary in order to maintain internal equity with existing employees. Short term incentive (STI) target percentages will be reduced to align with the target percentage assigned to the lower level position. These changes become effective date of transfer to the lower level position.

When a transfer to a lower level position is initiated by EPCOR, an employee's salary and target STI percentage will be maintained for a transition period. The transition period is defined as the end of the current calendar year plus one additional calendar year. For instance, if the date of transfer is November 1, 2017, the end of the transition period is December 31, 2018. During the transition period, if the salary exceeds the maximum of the salary grade, they will not be eligible for a base pay increase. After the transition period, the employee's salary may be reduced to be within the salary grade range of the lower level position. An employee's target STI percentage will be maintained for a transition period, after which the target STI percentage will be reduced to align with the target percentage assigned to the lower level position.

Please consult with Human Resources when dealing with employees transferring to lower level positions.

Union Transfers to Management & Salaried Positions

There is a significant difference in the total rewards between Management & Salaried employees and union employees. Management & Salaried employees are eligible for scheduled days off, higher STI target percentages and participation in the savings plan match program.

When transferring to a Management or Salaried position, union employees will receive a significant increase in total rewards before taking into account any increase to base salary.

EPCOR employs a large number of CSU employees in highly technical and professional capacities and, as a result, transfers into salaried positions are not always a promotion and may actually be a lateral move.

The following table clarifies whether a technical/professional employee in CSU transferring to a Management or Salaried position is considered a lateral transfer (⇦⇨), a promotion (⇧) or a move to a lower level position (⇩):

CSU52 Class Level	Stratum 2					Stratum 3
	Salary Grade 5	Salary Grade 6	Salary Grade 6M	Salary Grade 7	Salary Grade 7M	
D1	⇧	⇧	⇧	⇧	⇧	⇧
D2	⇦⇨	⇧	⇧	⇧	⇧	
D3	⇩	⇦⇨	⇧	⇧	⇧	
D4	⇩	⇦⇨	⇧	⇧	⇧	
T1	⇧	⇧	⇧	⇧	⇧	
T2	⇦⇨	⇧	⇧	⇧	⇧	
T3	⇩	⇦⇨	⇧	⇧	⇧	
T4	⇩	⇦⇨	⇧	⇧	⇧	

CSU52 Class Level	Stratum 2					Stratum 3
	Salary Grade 5	Salary Grade 6	Salary Grade 6M	Salary Grade 7	Salary Grade 7M	
IT1	⇦⇨	⇧	⇧	⇧	⇧	⇧
IT2	⇩	⇦⇨	⇧	⇧	⇧	
IT3	⇩	⇩	⇧	⇦⇨	⇧	
IT4	⇩	⇩	⇧	⇦⇨	⇧	
P1	⇦⇨	⇧	⇧	⇧	⇧	
P2	⇩	⇦⇨	⇧	⇧	⇧	
P3	⇩	⇩	⇧	⇦⇨	⇧	
P4	⇩	⇩	⇧	⇦⇨	⇧	

Employees transferring from IBEW or CUPE are most often moving into a Management position. Please consult with Human Resources when dealing with any IBEW or CUPE employees transferring to a salaried position, as they will be reviewed on a case by case basis to determine if the position is a promotion or a lateral move.

Salary Treatment Guidelines for Union Transfers to Management & Salaried Positions

The following table outlines different scenarios and salary treatment for union employees transferring from permanent or temporary positions into Management & Salaried positions:

Scenario	Salary Treatment
Lower Level Position	Not eligible for an increase and salary must not exceed the maximum of the salary grade.
Lateral Transfer to Professional Salary Grade	No increase on lateral transfers. Employee can maintain salary upon transfer, even if it is greater than the 1.0 compa-ratio. Salary cannot exceed the maximum of the salary grade.
Lateral Transfer to Management Position – same Salary Grade	Can provide up to a 5% increase, provided the salary does not exceed the 1.0 compa-ratio of the salary grade. Example T3 to SG6M or P3 to SG7M.
Promotion to Salaried Position - higher salary grade than lateral transfer	Can provide up to a 10% increase on promotion, provided the salary does not exceed the 1.0 compa-ratio of the salary grade assigned to the higher level position.
Promotion with Stratum Change	Can provide up to a 15% increase on promotion, provided the salary does not exceed the 1.0 compa-ratio of the salary grade assigned to the higher level position.

Increases in the above scenarios are only applicable when an individual's hourly rate, when converted to an annual salary, is below a 1.0 compa-ratio. In all instances, individuals can maintain salary upon transfer as long as the salary does not exceed the maximum of the salary grade.

When determining salary for an employee transferring from the union, internal equity of existing employees should be a key consideration.

Any request to provide more than what is specified above for union transfers to Management & Salaried positions requires approval through the Exceptions Process.

Please consult with Human Resources to assist in determining an appropriate salary offer to a union employee transferring to a Management & Salaried position or to initiate the Exceptions Process.

Acting Premium Pay

An acting premium may be provided to employees temporarily assuming the responsibilities of a higher level Management & Salaried position. Instead of adjusting base salary, an acting premium is paid as a percentage of salary. To be eligible an employee must be:

(a) Temporarily assigned to a higher level position,
(b) Assume the full duties of the role for the duration of the temporary assignment, and
(c) Assume the role for a period of 60 or more consecutive calendar days.

The Manager can provide the employee with an acting premium of up to 10% of an employee's base salary when acting in a higher salary grade role, or 5% when an employee is acting as a manager in the same salary grade (i.e. employee is in a professional level salary grade and acts as a manager; SG6 to SG6M). When determining the acting increase amount, internal equity should be a key consideration as well as what an employee's salary would be if promoted into the role in a permanent capacity.

Temporary acting premiums are pensionable, but will not change an employee's salary or the target STI percentage used to determine their STI award.

Any request to provide more than a 10% acting premium requires approval through the Exceptions Process.

Job Evaluation

Job evaluation is the objective assessment of a position with the goal of determining where the position fits into an organization's hierarchy. Job evaluation is focused on the accountabilities of positions and not how well someone may perform in a role.

Whether an employee is a strong or a weak performer will not have any bearing on the outcome of a job evaluation and is why job evaluation is not used as a reward or recognition tool. EPCOR has other programs (e.g. base pay review, Corporate STI Awards, etc.) that are specifically designed to reward and recognize employee contributions and performance.

Managers have autonomy to create and design positions. Human Resources is accountable for determining where those positions fit within the job evaluation or classification hierarchy.

Positions performing the same or similar work are assigned to the same job evaluation or classification level and salary grade. Job evaluation levels are very broadly defined, which means that small changes in a position will typically not change the classification or salary grade of a position.

A new position to the organization must be reviewed to determine its job level before it can be posted.

A job review of an existing position will be conducted by Human Resources when there are substantial changes in the accountability of a position or after major organizational structure changes that alter the accountability of a position. This includes positions that may gain or lose direct reports.

To initiate a job review, the Manager must complete and forward an updated position description and organizational chart to Human Resources.

The effective date for changes tied to job evaluation decisions will be the first day of the pay period immediately following the submission date of the updated job description and organization chart to Human Resources for review.

Annual Base Pay Review

All permanent full-time and part-time Management & Salaried employees, with the exception of employees in the Engineers in Training (EIT) are eligible to participate in the annual base pay review. Salary increases for employees in the EIT are administered under separate programs.

The annual base pay review is intended to include a thorough review of salaries. Adjustments are made to reward performance as well as to address equity, low placement in the salary grade and compression/inversion (if applicable) issues.

A base pay budget is approved each year by the EPCOR Board of Directors and salaries are reviewed in March of each year with increases typically processed on the second pay in April. A base pay increase matrix is developed to assist with assigning base pay awards.

The base pay matrix is developed using aggregate employee performance (APfR rating) and compa-ratios across EPCOR. The following table is a representative example of a base pay matrix (actual ranges and individual amounts will vary based on the annual budget, compa-ratios and performance rating distribution):

Performance Level	**Compa-Ratios**			
	<0.89	**0.90 - 0.99**	**1.0 – 1.09**	**>1.10**
Outstanding (5)	3 – 4	2.5 – 3.5	2 – 3	1 – 2
Exceeds Expectations (4)	2.5 – 3.5	2 – 3	1 – 2	0 – 1
Fully Successful (3)	1.5 – 2.5	1 – 2	0 – 1	0
Partially Meeting Expectations (2)	0 – 1	0	0	0
Unacceptable (1)	0	0	0	0
Too Soon to Rate	0 – 2.5	0 – 2	0	0

*Representative example of a Base Pay matrix

Employees are excluded from the annual base pay review if they were hired or received promotional increases between January 1st and the April payroll processing date for base pay review increases.

Other than promotional increases, all other salary reviews or adjustments are expected to be handled during the annual base pay review. Any base pay increases outside of the annual base pay review require approval through the Exceptions Process. Please contact Human Resources for more information or to initiate this process.

Exceptions Process

A request to provide any terms and conditions outside of existing policies or guidelines to an employee or candidate requires approval through the Exceptions Process.

The Exceptions Process is designed to ensure there is proper review of exceptional circumstances that would necessitate a deviation from existing policies, guidelines or practices. Internal equity is a key consideration in this review, as are the business requirements initiating the request to do something different.

The Manager will be responsible for engaging Human Resources in discussion and providing a clear rationale to support the request before offering anything to an employee or a candidate. Human Resources will be responsible for bringing exceptions forward for approval.

The final approval authority for any exception is the SVP, Corporate Services. Each exception is reviewed on a case by case basis and anything approved will not create a practice or a precedent for future exceptions. Please contact Human Resources for more information or to initiate this process.

Should you require additional information on any of the items in this document, please contact Human Resources.

Appendix B – RSM report on the Actuarial Valuation of Post-Retirement Non-Pension Benefits as at December 31, 2019

EPCOR ELECTRICITY DISTRIBUTION ONTARIO INC.

REPORT ON THE ACTUARIAL VALUATION OF POST-RETIREMENT NON-PENSION BENEFITS

AS AT DECEMBER 31, 2019

FINAL – January 24, 2020

RSM

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Purpose

RSM Canada Consulting LP was engaged by EPCOR Electricity Distribution Ontario Inc. (the "Corporation") to perform an actuarial valuation of the post-retirement non-pension benefits sponsored by the Corporation and to determine the accounting results for those benefits for the fiscal period ending December 31, 2019. The nature of these benefits is defined benefit.

This report is prepared in accordance with the International Financial Reporting Standards ("IFRS") guidelines for post-retirement non-pension benefits as outlined in the International Accounting Standard 19 – Employee Benefits ("IAS 19").

The most recent full valuation was prepared as at December 31, 2016 based on the assumptions chosen by management at that date and in accordance with IAS 19. The Corporation was previously known as COLLUS PowerStream at the time.

The purpose of this valuation is threefold:

i) To determine the Corporation's liabilities in respect of post-retirement non-pension benefits at December 31, 2019;

ii) To determine the defined benefit costs to be recognized for fiscal year 2019; and

iii) To provide all other pertinent information necessary for compliance with IAS 19.

Note that all monetary figures in this report are rounded to the nearest hundreds of dollars and summated figures in this report may not match total figures due to rounding.

The intended users of this report include the Corporation and its auditors. This report is not intended for use by the plan beneficiaries or for use in determining any funding of the benefit obligations.

Included in the Appendix attached hereto are detailed accounting schedules containing the results of the valuation.

SECTION A — VALUATION RESULTS

Section A.1 shows the key valuation results compared to previous year's figures projected from the most recent full valuation as well as a breakdown between active and retired individuals and type of benefit.

Section A.2 shows the sensitivity of the valuation results to certain changes in assumptions. We have shown an increase/decrease in the health and dental claims cost trend rates by 1% per annum and an increase/decrease in the discount rate by 1% per annum.

Section A.3 shows the development of changes in the present value of defined benefit obligation as a result of the re-measurement at December 31, 2019.

Valuation Results

Section A.1—Valuation Results

Results from the actuarial valuation as at December 31, 2019 compared to previous year's figures projected from the most recent full valuation:

	December 31, 2018	December 31, 2019
Present Value of Defined Benefit Obligation (PV DBO)	**845,500**	**874,700**

	CY 2018	CY 2019
Current Service Cost	24,100	25,100
Interest Cost	31,900	31,500
Defined Benefit Cost Recognized in Income Statement	**56,000**	**56,500**
Actuarial (Gain)/Loss	-	50,700
Defined Benefit Cost Recognized In OCI	**-**	**50,700**
Defined Benefit Cost	**56,000**	**107,200**

The following table provides results from the actuarial valuation as at December 31, 2019 broken down by active (including LTD) and retired individuals and type of post-retirement non-pension benefit:

Dec. 31, 2019 PV DBO	Actives (incl. LTD)	Retirees	Total
Life	144,400	306,100	**450,500**
Health	95,200	169,100	**264,300**
Dental	57,600	102,300	**159,900**
Total	**297,200**	**577,500**	**874,700**

Sensitivity Analysis

Section A.2—Sensitivity Analysis

	Dec. 31, 2019 PV DBO	Difference	% Difference
Base Assumptions	874,700		
Cost Trends +1%	911,100	36,400	4%
Cost Trends -1%	843,600	(31,100)	-4%
Discount Rate +1%	753,200	(121,500)	-14%
Discount Rate -1%	1,037,600	162,900	19%

Management's best estimate assumptions are those outlined in *Section C – Summary of Actuarial Method and Assumptions* in this report.

Development of Changes in the Present Value of Defined Benefit Obligation

Section A.3—Development of Changes in the Present Value of Defined Benefit Obligation

PV DBO at December 31, 2018	845,500
2019 Current Service Cost	25,100
2019 Benefit Payments	(78,000)
2019 Interest Cost	31,500
Expected PV DBO at December 31, 2019	**824,000**
Actuarial (Gain)/Loss at December 31, 2019	50,700
PV DBO at December 31, 2019	**874,700**

The increase indicated above of $50,700 in the PV DBO from the expected PV DBO at December 31, 2019 is due to the re-measurement of the liability; a breakdown of the changes is as follows:

Change in composition of active and retiree data (actual experience different from expected)	14,400
Change in assumptions:	
Discount Rate	110,900
Withdrawal	9,100
Claim Cost Trend	4,400
Corrections to Include Survivor Benefits	1,100
Mortality Improvement Table	(700)
H/D Claims Cost	(88,500)
Total Actuarial (Gain)/Loss at December 31, 2019	**50,700**

Pursuant to IAS 19, the re-measurement of the PV DBO at December 31, 2019 based on the changes in the assumptions and experience is recognized immediately in other comprehensive income at December 31, 2019.

SECTION B — PLAN PARTICIPANTS

Section B.1 sets out the summary information with respect to the plan participants valued in the current valuation compared to those valued in the previous valuation.

Section B.2 reconciles the number of participants in the previous valuation to the number of participants in the current valuation.

Participation Data

Section B.1—Participant Data

Membership data as at September 30, 2019 was received from the Corporation and included information such as name, gender, age, date of hire, current salary, benefit amounts and other applicable details for all active employees and people in receipt of benefits.

The Corporation has indicated that one member's status will be changed from Active to Retired between September 30 and December 31. Adjustment has been made to reflect the change. Although the data provided reflected status and benefit information as at September 30, no other changes in status and other member data occurring from September 30 to December 31 are expected to be material to the valuation results.

We have reviewed the data and compared it to the data used in the previous valuation for consistency and reliability for use in this valuation. The main tests of sufficiency and reliability that were conducted on the membership data are as follows:

- Date of hire prior to date of birth;
- Ages under 18 or over 100;
- Abnormal levels of benefits and/or premiums; and
- Duplicate records

In addition, the following tests were performed:

- A reconciliation of statuses from the prior valuation to the current valuation;
- A review of the consistency of individual data items and statistical summaries between the current and prior valuations; and
- A review of the reasonableness of changes in such information since the prior valuation.

	December 31, 2016	September 30, 2019
Employee Count		
Male	19	25
Female	8	9
Total	**27**	**34**
Employee Average Service		
Male	10.3	7.7
Female	15.4	12.7
Total	**11.8**	**9.0**
Retiree (in Receipt of Benefits) Count		
Male	15	16
Female	2	3
Total	**17**	**19**

	Employee Count as of September 30, 2019			Employee Avg Service as of September 30, 2019		
Age	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
< 30	8	-	8	3	-	3
30 - 35	4	4	8	6	4	5
36 - 40	3	-	3	9	-	9
41 - 45	4	2	6	9	10	10
46 - 50	1	-	1	8	-	8
51 - 55	4	1	5	12	30	16
56 - 60	-	1	1	-	11	11
61 - 65	1	1	2	25	37	31
66 - 70	-	-	-	-	-	-
71 - 75	-	-	-	-	-	-
> 75	-	-	-	-	-	-
Total	**25**	**9**	**34**	**7.7**	**12.7**	**9.0**

Participant Reconciliation

Section B.2—Participation Reconciliation

	Actives	Disabled	Retired
As at Dec. 31, 2016	**27**	**1**	**16**
New Entrants	13	-	-
Actives	-	1	4
Terminated	(3)	-	-
Retired	(4)	-	-
Deceased	-	-	(1)
Disabled	(1)	-	-
As at Sep. 30, 2019	**32**	**2**	**19**

SECTION C — SUMMARY OF ACTUARIAL METHOD AND ASSUMPTIONS

Actuarial Method

The aim of an actuarial valuation of post-retirement non-pension benefits is to provide a reasonable and systematic allocation of the cost of these future benefits to the years in which the related employees' services are rendered. To accomplish this, it is necessary to:

- make assumptions for discount rates, mortality, and other decrements;
- use these assumptions to calculate the present value of the expected future benefits; and,
- adopt an actuarial cost method to allocate the present value of expected future benefits to the specific years of employment.

The Defined Benefit Obligation and Current Service Cost were determined using the projected benefit method, pro-rated on service. This is the method stipulated by IAS 19. Under this method, the projected post-retirement benefits are deemed to be earned on a pro-rata basis over the years of service in the attribution period. IAS 19 stipulates that the attribution period commences on the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) and ends on the date when further service by the employee will lead to no material amount of further post-retirement non-pension benefits under the plan, other than from further salary increases.

For each employee not yet fully eligible for benefits, the Present Value of the Defined Benefit Obligation (PV DBO) is equal to the present value of expected future benefits multiplied by the ratio of the years of service to the valuation date to the total years of service in the attribution period. The Current Service Cost is equal to the present value of expected future benefits multiplied by the ratio of the year (or part) of service in the fiscal year to total years of service in the attribution period.

The PV DBO at December 31, 2019 is based on membership data as at September 30, 2019 and management's best estimate assumptions established for calculations as at December 31, 2019.

For health and dental benefits, the Corporation has selected the premium rates charge to retirees as management's best estimate of the benefits costs to be incurred. The total monthly premium rates, inclusive of premium taxes, used are as follows:

Effective Period	Health Single	Health Family	Dental Single	Dental Family
January 1, 2017 – December 31, 2017	$ 99.07	$ 292.69	$ 52.52	$ 176.60
January 1, 2020 – December 31, 2020	$ 94.09	$ 277.97	$ 49.67	$ 166.99

The rates above are at the 100% level and prior to any cost-sharing provisions under the plan.

Management's Best Estimate Assumptions

The following are management's best estimate economic and demographic assumptions for calculations as at December 31, 2019.

Economic Assumptions

Discount Rate

The rate used to discount future benefits is assumed to be 3.00% per annum as of December 31, 2019. This rate reflects the Corporation's expected projected benefit cash flows for post-retirement non-pension benefits and the market yields on high quality bonds at the time of preparing the valuation.

The assumption used in the previous valuation was 3.90% per annum as at December 31, 2016.

Salary Increase Rate

The rate used to increase salaries is assumed to be 3.50% per annum. This rate has been chosen by the Corporation's management and reflect the expected Consumer Price Index adjusted for productivity, merit and promotion and for company-specific information.

This salary increase rate assumption remains unchanged from the previous valuation .

Claims Cost Trend Rate

The rates used to project benefit costs into the future were chosen based on a research paper published by the Canadian Institute of Actuaries – *Model of Long-Term Health Care Cost Trends in Canada* - dated March 2018.

The following table provides a sample of the health and dental trend rates used in the valuation and the assumptions used in the previous valuation:

	Current Valuation	
Year	**Health**	**Dental + Vision**
2020	4.20%	4.50%
2025	5.30%	5.60%
2030	5.30%	5.30%
2035	4.60%	4.60%
2040 and thereafter	4.00%	4.00%

	Previous Valuation	
Year	**Health**	**Dental**
2020	5.35%	4.50%
2021	5.14%	4.50%
2022	4.93%	4.50%
2023	4.71%	4.50%
2024 and thereafter	4.50%	4.50%

Demographic Assumptions

Mortality Table

The mortality tables used are as per the Canadian Institute of Actuaries Canadian Pensioners' Mortality Pension Experience Subcommittee final report dated February 11, 2014 (CIA Report). More specifically, the Canada Pensioners Mortality ("CPM") Table Public Sector (CPM2014 PUBL) has been used with the generational projection of mortality improvement based upon the CIA MI-2017 mortality improvement scale published in 2017.

The mortality improvement assumption has been updated from the CPM Improvement Scale B1-2014, which was used in the previous actuarial valuation for the Corporation.

Rates of Withdrawal

Termination of employment is assumed to be in accordance with the following withdrawal table:

Age Bucket	Current Valuation	Previous Valuation
18 – 29	3.50%	3.50%
30 – 34	2.00%	2.50%
35 – 39	1.65%	2.15%
40 – 49	1.30%	1.75%
50 – 54	0.95%	1.40%

Retirement Age

All active employees are assumed to retire at age 59 (or immediately if currently over age 59). For employees who meet the minimum service requirement to be eligible for post-retirement benefits between ages 59 and 65, the retirement age will be extended to this date.

This assumption remains unchanged from the previous valuation.

Disability

No provision was made for future disability.

This assumption remains unchanged from the previous valuation.

Other Assumptions

Family/Single Coverage

The following assumptions were chosen for the current valuation and are unchanged from the previous valuation:

- Coverage Type at Retirement (i.e. family, single) – The employee's coverage type at the valuation date will remain the same until the employee reaches the assumed retirement age.
- Spousal Gender – For employees with family coverage, the retiree has a spouse of the opposite gender at the date of retirement.
- Spousal Age Offset – Male spouses are assumed to be three years older than female spouses

Expenses and Taxes

For health and dental coverage, the above premium rates are inclusive of expenses and taxes and therefore no additional assumptions regarding expenses is required.

For life coverage, it is assumed that 10% of the accrued benefit obligation reflects the cost of sponsoring and administering the program for life insurance. No additional information is available regarding the costs for the life insurance program.

These assumptions remain unchanged from the previous valuation.

SECTION D — SUMMARY OF POST-RETIREMENT BENEFITS

The following is a summary of the plan provisions that are pertinent to this valuation, based on information provided by and discussions with the Corporation.

Eligibility

All employees who retire from the Corporation are eligible for post-retirement life insurance benefits. All employees who retire with a minimum of 25 years of active service are eligible for extended health and dental benefits.

One individual has been granted post-retirement extended health and dental benefits without the minimum years of service under a special circumstance.

Participant Contributions

The Corporation shall pay 100% of the cost of the post-retirement life, health and dental benefits for the eligible retirees.

Past Service

Past service is defined as continuous service prior to joining the plan if the participant was employed by a prior local distribution company before joining the Corporation.

Length of Service

Length of service is defined as continuous service from the date of hire to the valuation date, measured in years and months.

Summary of Benefits

Life Insurance

Upon retirement, all employees are entitled to post-retirement life insurance benefits, as per the MEARIE plan, based upon the following table:

Plan Option	Amount of Coverage	Eligibility
1	Flat $2,000.	Employee retires with less than 10 years of service in the Plan.
2	50% of final annual earnings, reducing by 2.5% of final annual earnings each year for 10 years, to a final benefit equal to 25% of final annual earnings. Reduction occurs on the anniversary date of retirement.	If employee was ever insured under Employee Plan option 2, 3, or 4, or if employee retires with 10 or more years of service in Plan but was never in superseded plan.
3	50% of final annual earnings.	Employee was insured under the superseded plan and was hired on or after May 1, 1967 and elected coverage under option 1 only.
4	70% of final amount insured under the life plan immediately prior to retirement.	Employee was insured under the superseded plan and was hired before May 1, 1967 and elected coverage under option 1 only.

Health and Dental Benefits

Eligible employees are entitled to post-retirement health and dental benefits to age 65. Coverage for health and dental benefits continues to the dependents of a deceased pensioner up to 2 years.

A detailed description of the health and dental benefits covered under the post-retirement non-pension benefits plan can be found in benefit information booklets provided to employees.

ACTUARIAL CERTIFICATION

An actuarial valuation has been performed on the post-retirement non-pension benefit plans sponsored by EPCOR Electricity Distribution Ontario Inc. (the "Corporation") as at December 31, 2019, for the purposes described in this report.

In accordance with the Canadian Institute of Actuaries Consolidated Standards of Practice General Standards, we hereby certify that, in our opinion, for the purposes stated in the Executive Summary:

1. The data on which the valuation is based is sufficient and reliable;
2. The assumptions employed, as outlined in this report, have been selected by the Corporation as management's best estimate assumptions (no provision for adverse deviations) and we express no opinion on them;
3. All known legal and constructive obligations with respect to the post-retirement non-pension benefits sponsored by and identified by the Corporation are included in the calculations; and
4. This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

We are not aware of any subsequent events after the date of completing this valuation that would have a significant effect on the valuation results contained herein.

The latest date on which the next actuarial valuation should be performed is December 31, 2022. If any supplemental advice or explanation is required, please advise the undersigned.

Respectfully submitted,

RSM CANADA CONSULTING LP

Stanley Caravaggio

Stanley Caravaggio, FSA, FCIA
Director

Jamie Wong

Jamie Wong, ASA, ACIA
Senior Associate

Toronto, Ontario

January 24, 2020

SECTION E — EMPLOYER CERTIFICATION

**Post-Retirement Non-Pension Benefit Plan
of EPCOR Electricity Distribution Ontario Inc.
Actuarial Valuation as at December 31, 2019**

I hereby confirm, as an authorized signing officer of the administrator of the Post-Retirement Non-Pension Benefit Plan of EPCOR Electricity Distribution Ontario Inc. that, to the best of my knowledge and belief, for the purposes of the valuation:

i) The membership data summarized in Section B is accurate and complete;

ii) The assumptions upon which this report is based as summarized in Section C, are management's best estimate assumptions and are adequate and appropriate for the purposes of this valuation; and

iii) The summary of Plan Provisions in Section D is an accurate and complete summary of the terms of the Plan in effect on December 31, 2019.

EPCOR ELECTRICITY DISTRIBUTION ONTARIO INC.

December 31, 2019	[signature]
Date	Signature
Cindy Shuttleworth	Senior Manager Financial & Regulatory Reporting
Name	Title

RSM

APPENDIX —
DETAILED ACCOUNTING SCHEDULES

RSM

EPCOR
Estimated Benefit Expense (IAS 19)
FINAL

	Actuals CY 2019 *	Projected ** CY 2020	Projected ** CY 2021	Projected ** CY 2022
Discount Rate at January 1	3.90%	3.00%	3.00%	3.00%
Discount Rate at December 31	3.00%	3.00%	3.00%	3.00%
Health Benefit Cost Trend Rate at December 31	5.30%	4.40%	4.70%	4.90%
Dental Benefit Cost Trend Rate at December 31	4.50%	4.70%	4.90%	5.10%
Long Term Health and Dental Benefit Cost Trend Rate	4.50%	4.00%	4.00%	4.00%
First Year Of Long Term Health and Dental Benefit Cost Trend Rate	2024	2040	2040	2040
Assumed Increase in Employer Contributions	actual	expected ***	expected ***	expected ***
A. Change in the Net Defined Benefit Liability/(Asset) Recognized in Balance Sheet				
Net Defined Benefit Liability/(Asset) as at January 1	845,464	874,722	876,311	885,799
Defined Benefit Cost Recognized in Income Statement	56,524	64,884	66,647	67,525
Defined Benefit Cost Recognized in Other Comprehensive Income	50,698	-	-	-
Benefits Paid by the Employer	(77,964)	(63,295)	(57,160)	(50,786)
Net Defined Benefit Liability/(Asset) as at December 31	874,722	876,311	885,799	902,538
B. Determination of Defined Benefit Cost				
B1. Determination of Defined Benefit Cost Recognized in Income Statement				
Current Service Cost	25,071	39,592	41,215	41,713
Interest Cost	31,453	25,292	25,432	25,812
Defined Benefit Cost Recognized in Income Statement	56,524	64,884	66,647	67,525
B2. Remeasurements of the Net Defined Benefit Liability/(Asset) Recognized in Other Comprehensive Income				
Net Actuarial Loss/(Gain) arising from Changes in Financial Assumptions	26,804	-	-	-
Net Actuarial Loss/(Gain) arising from Changes in Demographic Assumptions	8,364	-	-	-
Net Actuarial Loss/(Gain) arising from Experience Adjustments	15,529	-	-	-
Return on Plan Assets (Excluding Amounts Included in Net Interest Cost)	-	-	-	-
Change in Effect of Asset Ceiling	-	-	-	-
Defined Benefit Cost Recognized in Other Comprehensive Income	50,698	-	-	-
Total Defined Benefit Cost	107,222	64,884	66,647	67,525
C. Change in the Present Value of Defined Benefit Obligation				
Present Value of Defined Benefit Obligation as at January 1	845,464	874,722	876,311	885,799
Current Service Cost	25,071	39,592	41,215	41,713
Interest Cost	31,453	25,292	25,432	25,812
Benefits Paid	(77,964)	(63,295)	(57,160)	(50,786)
Net Actuarial Loss/(Gain)	50,698	-	-	-
Present Value of Defined Benefit Obligation as at December 31	874,722	876,311	885,799	902,538

* The expected December 31, 2019 PV DBO and CY 2019 defined benefit cost are calculated based on membership data and management's best estimate assumptions at December 31, 2016.

** Projected CY 2020, 2021, and 2022 results are provided for informational purposes only. Significant changes such as re-negotiated benefits, increased benefit costs, or significant swings in demographics may require revised projections or a full actuarial review.

*** Based on exepcted benefits to be paid to those eligible for benefits.

EPCOR

Estimated Benefit Expense (IAS 19)

FINAL

	Actuals CY 2019 *	Projected ** CY 2020	Projected ** CY 2021	Projected ** CY 2022
Discount Rate at January 1	3.90%	3.00%	3.00%	3.00%
Discount Rate at December 31	3.00%	3.00%	3.00%	3.00%
Health Benefit Cost Trend Rate at December 31	5.30%	4.40%	4.70%	4.90%
Dental Benefit Cost Trend Rate at December 31	4.50%	4.70%	4.90%	5.10%
Long Term Health and Dental Benefit Cost Trend Rate	4.50%	4.00%	4.00%	4.00%
First Year Of Long Term Health and Dental Benefit Cost Trend Rate	2024	2040	2040	2040
Assumed Increase in Employer Contributions	actual	expected ***	expected ***	expected ***

D. Calculation of Component Items

	CY 2019	CY 2020	CY 2021	CY 2022
Interest Cost				
Present Value of Defined Benefit Obligation as at January 1	845,464	874,722	876,311	885,799
Benefits Paid	(38,982)	(31,648)	(28,580)	(25,393)
Accrued Benefits	806,482	843,075	847,732	860,406
Interest Cost	31,453	25,292	25,432	25,812
Expected Present Value of Defined Benefit Obligation as at December 31				
Present Value of Defined Benefit Obligation as at January 1	845,464	874,722	876,311	885,799
Current Service Cost	25,071	39,592	41,215	41,713
Benefits Paid	(77,964)	(63,295)	(57,160)	(50,786)
Interest Cost	31,453	25,292	25,432	25,812
Expected Present Value of Defined Benefit Obligation as at December 31	824,024	876,311	885,799	902,538

E. Net Actuarial Loss/(Gain)

	CY 2019	CY 2020	CY 2021	CY 2022
Net Actuarial Loss/(Gain) as at December 31				
Expected Present Value of Defined Benefit Obligation	824,024	876,311	885,799	902,538
Actual Present Value of Defined Benefit Obligation	874,722	876,311	885,799	902,538
Net Actuarial Loss/(Gain) as at December 31	50,698	-	-	-

* The expected December 31, 2019 PV DBO and CY 2019 defined benefit cost are calculated based on membership data and management's best estimate assumptions at December 31, 2016.

** Projected CY 2020, 2021, and 2022 results are provided for informational purposes only. Significant changes such as re-negotiated benefits, increased benefit costs, or significant swings in demographics may require revised projections or a full actuarial review.

*** Based on exepcted benefits to be paid to those eligible for benefits.

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Appendix C – EPCOR Procurement Policy

EPCOR UTILITIES INC.

Procurement Policy

January 01, 2019

Table of Contents

1.0 DEFINITIONS

1.1 **Accounts Payable (AP)** means the EPCOR Utilities Inc. group responsible for processing of all invoices and payments to suppliers for services or goods rendered.

1.2 **Blanket Purchase Agreement** Blanket Purchase Agreement is an agreement with suppliers for specific goods or services where pricing and quality have been identified for a pre-determined period of time. These agreements can be accessed by the BU through the self-serve process where they can order the release of these goods or services with the creation of a Blanket Release.

1.3 **Blanket Release** means the Oracle generated purchase document.

1.4 **Budgeted Foreign Exchange Rate** means the exchange rate to convert foreign currencies to Canadian dollars as approved by the Board in the annual budget.

1.5 **Business Unit or BU** means a business unit of EPCOR.

1.6 **CESAP** means the Contract Execution and Spending Authority Policy of EPCOR.

1.7 **Commit** means the commitment of EPCOR to a third party for the procurement of goods and/or services.

1.8 **Competitive Bidding** is a procurement method, in which bids are invited from contractors, suppliers and/or vendors for goods and/or services to certain scope, specifications and terms and conditions. The principle goal of a competitive bid is to use competition to capture best value while mitigating risk to EPCOR.

1.9 **Contract(s)** means any written document that legally binds EPCOR, including but not limited to agreements, amending agreements, change orders, letter agreements, letters of intent and/or memorandums of understanding, purchase orders, executed or to be executed by one or more Employees on behalf of EPCOR evidencing that EPCOR Utilities Inc., or a specific Legal Entity, and one or more third parties have exchanged legally binding rights, duties, obligations or promises for consideration.

1.10 **Draw Down Purchase Order** means a type of Purchase Order in Oracle which utilizes a $1 unit price; may be used in the situations described in Section 5.1.1 (iv) and (v).

1.11 **Emergency** means a situation requiring immediate action by an Employee for the protection of the environment, health and safety of Employees and/or the public or to prevent serious material harm or damage to EPCOR assets or prevent significant interruptions in the provision of services where the appropriate authorizations cannot be obtained before the immediate action must be taken.

1.12 **Employee(s)** means all employees and Corporate Officers of EPCOR.

1.13 **EPCOR** means any one or all of EPCOR Utilities Inc. and its direct and indirect Canadian subsidiaries, as applicable.

1.14 **EUI** means EPCOR Utilities Inc.

1.15 **Legal** means EUI’s Legal Department and external lawyers when directed by EUI’s Legal Department.

1.16 **Legal Entity** means the Canadian incorporated direct and indirect subsidiaries of EPCOR.

1.17 **Oracle** means EPCOR's Enterprise Resource Planning (ERP) system where the Purchasing module resides.

1.18 **Master Contract** means any Contract other than an International Swaps and Derivatives Association agreement wherein there is no set commitment or obligation on behalf of EPCOR to incur or procure a good or service from a third party but a causal relationship is established in preparation for and facilitation of same.

1.19 **Policy** means this Procurement Policy, as amended from time to time.

1.20 **Procurement Approval** means the approval of a purchase after the approval of a requisition by the appropriate BU.

1.21 **Procurement Approval Group** means a Procurement Employee's Commit limit as set out in Schedule "A" hereto.

1.22 **Purchase Order** means written authorization for a supplier to provide a good and/or service at a specified price, which becomes a legally binding contract once issued to the supplier.

1.23 **Procurement** means the Procurement organization operating within each EPCOR line of business responsible for the acquisition of goods, services, construction and facilities on behalf of the Business Units. This responsibility includes maintaining and administering the Procurement Policy, developing sourcing strategies, providing expert advice on procurement and contracting best practices, managing and overseeing purchasing activities, negotiation of contracts, and supplier relationship management.

1.24 **Regulator** means a third party organization or agreement that places obligations on EPCOR impacting EPCOR's procurement sourcing methods. Examples of such organizations or agreements include but are not limited to municipalities, Governments, Alberta's Electric System Operator (AESO), agreements with municipalities, trade agreements.

1.25 **Self-Serve** means the process for the creation of Blanket Releases against Blanket Purchase Agreements.

1.26 **SVP** means Senior Vice President.

1.27 **Standard Form Contracts** means those contracts set out in Appendix "A" of EPCOR's Legal Contract Review Procedure located on Legal's intranet site.

1.28 **Value Added Taxes** means all Goods and Services Tax, Provincial sales taxes, any State or Federal taxes, import/export taxes or duties.

2.0 INTRODUCTION AND PURPOSE

2.1 This Policy applies to all Employees of EPCOR.

2.2 The purpose of the Policy is to set out clear lines of accountability and control over the procurement of goods and/or services for EPCOR.

2.3 All amounts set out in this Policy are maximum limits, expressed in Canadian dollars (or the equivalent in any other currency or currencies at the applicable Budgeted Foreign Exchange Rate approved in the annual budget) exclusive of all Value Added Taxes.

3.0 GUIDING PRINCIPLES

3.1 EPCOR has adopted the following set of guiding principles that assist in the overall understanding of the procurement of goods and/or services. These guiding principles also ensure that high standards of practice are maintained.

3.1.1 EPCOR will maintain high legal, ethical, and professional standards in the procurement of goods and/or services.

3.1.2 Whenever possible, EPCOR will use fair and open competitive procurement processes; and

3.1.3 EPCOR will ensure that no one supplier shall be intentionally given an advantage over another in the procurement process. All suppliers shall be given the same opportunity to participate in EPCOR's procurement process to the extent they can provide the goods and/or services to the required specifications and/or requirements.

4.0 APPLICATION

4.1 Applicability

4.1.1 This Policy supersedes all existing Procurement Policies related to the procurement of goods and/or services at EPCOR.

4.1.2 This Policy applies to all Employees of EPCOR and to all procurement activity carried out by EPCOR, except as provided in 4.1.3.

4.1.3 This Policy does not apply to intercompany transactions between EUI and its subsidiaries.

5.0 ORDERING METHODS

5.1 EPCOR uses the following ordering methods to procure goods and/or services: Purchase Orders, Procurement Cards, Self-Serve (Blanket Releases), Supply Arrangements and non-Purchase Order invoices.

5.1.1 Purchase Orders

A Purchase Order is EPCOR's commitment to a supplier to procure goods and/or services and is a legally binding contract. Purchase Orders are also used by EPCOR to match orders, for receipt of goods and invoices in order to ensure that we pay only for the quantity of goods and services that we ordered and received and at the agreed upon amounts specified in the Purchase Order. The following controls must be adhered to when utilizing a Purchase Order:

i. A purchase requisition approved in accordance with CESAP is required to create a Purchase Order. The purchase requisition is the means to obtain approval of the expenditure whereas the Purchase Order is the means to commit EPCOR to the purchase of goods and/or services.

ii. Purchase Orders are to be issued for an annual period only.

iii. Renewals against multi-year Contracts will be done on a new PO each year unless the PO is for a project specific period where it may cover more than one fiscal year.

iv. If unit prices are known, a Drawdown Purchase Order may only be utilized for Purchase Orders that are for: (A) less than $400,000, or (B) $400,000 or greater where the relevant business unit or shared service Senior Vice-President has approved use of a Drawdown Purchase Order as evidenced by a signed exception form. Purchase Orders must not be split in order to bring values below the $400,000 threshold referred to in this paragraph.

v. If unit prices are known, for circumstances referred to in paragraph (iv)(A) above, use of a Purchase Order using unit prices and estimated quantities is strongly encouraged instead of a Drawdown Purchase Order unless the purchase involves one or more of the following:

- annual supply of the same or similar services from the same supplier;
- frequent, but not regularly scheduled, multiple deliveries to the same locations;
- future delivery schedule is unknown;
- precise volumes or quantities are not known until delivery, but there is a standard known price list and/or there is an approved Master Contract;
- delivery, packing charges, or supplier discounts and/or fees regularly affect final prices.

5.1.2 Procurement Card (P-Card)

Low risk, low dollar value items for EPCOR can be made by Employees without involving Procurement pursuant to EPCOR's Procurement Card Policy.

5.1.3 Self-Serve (Blanket Releases)

Self-Serve is the generation of Blanket Releases against approved Blanket Purchase Agreements. This process is completed by Business Unit or supply chain employees and the request does not go through the Procurement organization. Oracle auto generates the Purchase Order (against an agreement that is already in place) and dispatches the order to the supplier.

Approval of the Blanket Release is as per the spend approval limits identified in the CESAP policy.

5.1.4 Supply Arrangements

Supply Arrangements are Blanket Agreements or Master Agreements in place at EPCOR for specific goods and/or services.

Employees are to purchase from Supply Arrangements to the greatest extent practical.

5.1.5 Non-Purchase Order Invoice

Refer to the Non-purchase Order Invoice Policy on Finance's intranet site for details on when it is appropriate to use Non-Purchase Order invoices.

6.0 NON-COMPETITIVE PROCUREMENTS

6.1 In response to an Emergency, a Business Unit may procure goods and/or services, exercising prudence and judgment in the quantity, scope and duration of the goods and/or services procured. In Emergency situations, a competitive procurement process is not required.

All incidents where an Employee has acquired goods and/or services due to an Emergency are to be:

- Documented. Documentation is to include order date, total cost, supplier name, product and/or services description and emergency particulars, and
- Communicated as soon as practicable after the Emergency to the Employee's supervisor, the Business Unit's Senior Manager responsible for Procurement, Business Unit controller and the Corporate Controller.

6.2 For non-competitive procurements $75,000.00 or greater, the BU is to provide defensible justification (in writing) to Procurement, to support the procurement. The non-competitive procurement shall also be approved by the appropriate Approval Group (as identified in Schedule A of CESAP) that is one level higher than the Approval Group authorized to approve the Requisition.

7.0 APPROVALS AND LIMITS

7.1 Authority to Commit EPCOR to the procurement of goods and/or services is set out herein. Such authority however, may be subject to further limitations from time to time, to meet special business purposes, or other circumstances.

7.2 All Employees procuring goods and/or services in accordance with the limits set out herein are only authorized to execute or approve on behalf of the EPCOR Entity of which they are:

i) an employee of the EPCOR entity; or
ii) on whose behalf the Employee is providing services of an ongoing nature.

7.3 Non-employees, independent contractors or external third parties (herein "Non-employees") engaged by EPCOR shall have no authority to procure goods and/or services on behalf of EPCOR. Approval of procurements by Non-Employees on behalf of EPCOR is only permitted if previously approved in writing by the SVP of the Business Unit responsible for Procurement.

7.4 Transaction limits in Schedule "A" can be increased based on an identified business need and approval by the Director of the specific Employee.

7.5 Individual Procurement Employee approval limits are based on EPCOR's business needs.

7.6 The Procurement Approval Limits set out in Schedule "A", apply cumulatively per Purchase Order including amendments and change requests for each Approval Group and reflect the appropriate level of oversight required to mitigate risk.

8.0 ROLES AND RESPONSIBILITIES

These roles and responsibilities are designed to facilitate the ongoing administration, maintenance and monitoring of this Policy. The positions designated below are responsible and accountable for ensuring that the specified obligations are met.

8.1 General Counsel

General Counsel is responsible for:

- Ownership of the Policy;
- Approving the Policy and all amendments thereto; and
- Approving any exceptions to the Policy, including the Approval Groups (Schedule "A") as recommended by Senior Managers responsible for Procurement;
- Ensuring that the Policy is accessible to all Employees;
- Ruling on conflicts, matters of interpretation and exceptions in a timely manner as they arise;
- Communication of significant or material Policy changes to BU Senior Vice Presidents, CEO and the Board;
- Establishing and managing processes and controls to effectively administer and enforce the Policy so as to mitigate acts of non-compliance;
- Addressing audit issues and concerns related to the Policy in a timely manner;
- Providing clarification on processes associated with the Policy as they arise;
- Reviewing with the BU Senior Vice Presidents the appropriateness of Policy approval limits, and approving exceptions to the Policy for Approval Groups; and
- Reporting significant acts of non-compliance or other significant matters related to this Policy to the Corporate Controller, BU SVP or the CFO.

8.2 Business Unit (BU) Senior Vice Presidents

The BU Senior Vice Presidents are responsible for:

- Ensuring their respective BUs comply with this Policy;
- Communication of Policy changes to Employees;
- Seeking the advice of the General Counsel on issues related to compliance and interpretation of the Policy; and
- Reporting acts of non-compliance with this Policy to General Counsel, when they arise, in a timely manner.

8.3 Procurement

Each Business Unit's designated Procurement organization includes individuals that participate in procurement activities, each having distinct roles and responsibilities. The following outlines these participants and their responsibilities:

8.3.1 BU Senior Manager responsible for Procurement

The BU Senior Manager responsible for Procurement (Procurement Senior Manager) is responsible for:

- Ensuring the Procurement functional area complies with this Policy;
- Communication of Policy changes to Employees;
- Seeking the advice of General Counsel on issues related to compliance and interpretation of the Policy;
- Reporting acts of non-compliance with this Policy in a timely manner to General Counsel when they arise;
- Recommending exceptions to Procurement Approval Groups to General Counsel;
- Reporting Employee spending limit exceptions during an Emergency to General Counsel;

- Ensuring the procurement of all goods and/or services required by EPCOR are completed in accordance with generally accepted procurement practices and obligations set out by a Regulator;
- Assisting in Employee and Business Unit education regarding this Policy's application; and
- With the assistance of General Counsel, making best efforts to resolve conflicts arising out of the Policy, addressing acts of non-compliance.

8.3.2 Procurement Managers

Procurement Managers are responsible for:

- Administering the Policy on a day to day basis;
- Reviewing and approving procurement documentation within prescribed limits; and
- Ensuring that procurements are completed in accordance with generally accepted procurement practices and obligations set out by a Regulator;
- Encouraging Business Unit use of Supply Arrangements;
- Assisting in Business Unit education regarding this Policy's application;
- Reporting acts of non-compliance or other issues as appropriate to the Procurement Senior Manager, in a timely manner.

8.3.3 Procurement Employees:

Procurement Employees are responsible for:

- Compliance with the Policy;
- Understanding the requirements of this Policy and being familiar with the applicability of other EPCOR policies and procedures in the performance of their duties under this Policy;
- Completing procurements of goods and/or services in accordance with generally accepted procurement practices and obligations set out by a Regulator;
- Creating and approving Purchase Orders within prescribed limits;
- Where practical, utilizing Supply Arrangement for the purchase of goods and/or services;
- Encouraging Business Unit use of Supply Arrangements;
- Assisting in Business Unit education regarding this Policy's application;
- Obtaining guidance from their Manager on all material matters related to the Policy; and
- Reporting acts of non-compliance with the Policy to their Manager in a timely manner.

8.4 Employees

Each Employee is responsible for:

- Compliance with the Policy;
- Understanding the requirements of the Policy and being familiar with the applicability of other EPCOR policies and procedures in the performance of their duties under this Policy;
- Obtaining guidance from the appropriate BU Procurement Senior Manager on all matters related to the Policy; and
- Reporting acts of non-compliance with the Policy to their Manager in a timely manner.

8.5 Risk, Assurance and Advisory Services

Risk, Assurance and Advisory Services is responsible for:

- Conducting periodic audits and reviews with respect to the execution of procurements under this Policy;
- Confirming that actual operating practices are in compliance with this Policy and any applicable procedures;
- Assessing the processes, procedures, limits and controls over the administration, monitoring and application of limit controls; and
- Reporting, as appropriate, acts of non-compliance or other deficiencies observed during the audit process to General Counsel.

9.0 COMPLIANCE

9.1 It is a violation of this Policy to split a purchase into small parcels in order to circumvent the requirements of this Policy or established controls.

9.2 All exceptions, breaches, suggested changes to or conflicts with the authorities set out under this Policy are to be reported to General Counsel as applicable, for further action.

9.3 **NON-COMPLIANCE WITH THE TERMS OF THIS POLICY IS SUBJECT TO DISCIPLINARY ACTION, REMOVAL OF AUTHORITY AND/OR TERMINATION OF EMPLOYMENT.**

10.0 DOCUMENT REVISION HISTORY

Version Number	Date	Author	Change Description
1.0	May 27, 2011	Bryan Hannah	Created new policy
2.0	March 30, 2015	Terri Gentile	Revisions to policy to reflect line of business restructuring, CSOX engagement recommendations; and 3 year maintenance review
3.0	January 1, 2019	Asif Kazani	Revisions to reflect Draw Down Purchase Orders

Generic Identifying Information

Policy Name	EPCOR Procurement Policy
Contact Person	Asif Kazani, Senior Manager, Corporate Procurement and Facilities

Milestone dates

Effective Date	January 01, 2019
Next Review Date	June 30, 2019

Responsibility and Distribution

Executive Sponsor	Jennifer Addison, Senior Vice President, Legal and Corporate Secretary
Senior Manager Reviewers	• Asif Kazani, Senior Manager, Corporate Procurement and Facilities, EUI • Ron Edwards, Senior Manager, Procurement Fleet and Facilities, EPCOR Distribution and Transmission Inc. • Eric Wood, Senior Manager, Supply Chain & Facilities, Drainage Services (EWSI) • Heather Piano, Senior Manager, Supply Chain, EPCOR Water Services Inc. • Brett Wiles, Senior Manager, Engineering & Supply Chain, EPCOR Technologies Inc.
Owner	Asif Kazani, Senior Manager, Corporate Procurement & Facilities
Stakeholders	Business Unit Procurement organizations
Audience	This policy applies to all Employees of EPCOR

SCHEDULE "A" – PROCUREMENT APPROVAL LIMITS

SCHEDULE "A"							
Procurement Approval Limits							
Transaction	**Maximum Purchase Order Value Authorities (M=Millions)**						
	Approval Group 6 **Director**	**Approval Group 5** **Procurement Senior Manager**	**Approval Group 4** **Procurement Manager**	**Approval Group 3** **Contract Analyst**	**Approval Group 2** **Procurement Associate**	**Approval Group 1** **Purchasing Assistant**	**Approval Group 0** **Non Procurement Employee authorizing Blanket Releases**
Purchase Order approval limit authority	Unlimited	up to $1M	up to $500K	up to $250K	up to $125K	up to $75K	up to $10K