

Exhibit 4:

OPERATING COSTS

Exhibit 4: Operating Costs

Tab 1 (of 8): Overview

OVERVIEW

In this Exhibit, the operating costs consist of the required expenditures necessary to maintain and operate Kingston Hydro's distribution system assets, the costs associated with metering, billing, collecting from its customers, the costs associated with ensuring all stakeholders' safety (public, employees etc.) and costs to maintain the distribution business' service quality and reliability standards in compliance with the requirements of the OEB and other regulatory bodies (IESO, the Ministry of Energy, and the ESA among others). Overall, these are costs associated with providing distribution services in alignment with customers' expectations.

OM&A Test Year levels

Kingston Hydro's 2023 Test Year Operating Costs are \$8,175,532, including Operations, Maintenance and Administration (OM&A), LEAP and excluding Property Tax (\$137,722) as summarized in Table 1 below.

Table 1 – Summary of OM&A – 2016 Board approved to 2023 Test Year

	2016 Last Rebasing Year OEB Approved	2016 Last Rebasing Year Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Bridge Year	2023 Test Year
Operations ⁴	\$2,026,941	\$2,074,448	\$1,919,242	\$2,366,890	\$2,108,628	\$2,215,441	\$2,242,391	\$2,172,151	\$2,242,449
Maintenance ⁵	\$1,304,549	\$1,540,546	\$1,445,415	\$1,545,398	\$1,360,302	\$1,292,667	\$1,224,216	\$1,407,864	\$1,446,179
Billing and Collecting ⁶	\$938,710	\$1,056,906	\$1,002,800	\$745,052	\$785,987	\$945,399	\$921,373	\$935,432	\$945,179
Community Relations ⁷	\$103,011	\$125,494	\$154,387	\$194,597	\$311,999	\$255,529	\$253,278	\$158,960	\$165,234
Administrative and General ⁸	\$2,469,464	\$2,241,295	\$2,484,578	\$2,710,898	\$2,533,578	\$2,539,373	\$2,263,264	\$2,996,196	\$3,376,491
Total	\$6,842,675	\$7,038,689	\$7,006,422	\$7,562,835	\$7,100,494	\$7,248,409	\$6,904,522	\$7,670,603	\$8,175,532

1 Kingston Hydro is reporting under Modified International Financial Reporting
2 Standards (MIFRS) for all years in this application.

3 4 **Budget Development**

5
6 Kingston Hydro has developed its OM&A budget for the 2022 and 2023 years
7 based on an analysis of historical actuals including pre pandemic expenditures
8 and the impact of current staffing levels. Kingston Hydro needs to ensure it has
9 proper organizational capacity to meet customers' needs as its customers
10 transition to greener electricity and continue to invest in distributed energy
11 resources. Kingston Hydro also needs to ensure proper staffing to operate and
12 maintain the distribution system for continued reliability.

13 14 **Cost Drivers for 2021 – 2023**

15
16 Primary cost drivers for 2022 include costs to prepare and file Kingston Hydro's
17 2023 COS Rate Application, load dispatching, consulting fees and employee
18 pensions and OPEB. Primary cost drivers for 2023 are salaries and benefits for 2
19 additional FTEs as outlined in Workforce planning, Exhibit 4, Tab 4, Schedule 1.

20 21 **Overall Trends in Costs 2021-2023**

22
23 Kingston Hydro continues to be a low cost, low-rate distributor. This is expected
24 to continue for 2022 and 2023 as well as the ensuing IRM period. Kingston
25 Hydro remains committed to the unique multi-utility model in central Kingston and
26 estimates annual savings of approximately \$70 per customer due to this
27 arrangement. See Exhibit 1, Tab 9, Schedule 1 for more information.

1 Kingston's OM&A costs trends remain low. Kingston's OM&A costs remain
2 between 18%-20% below industry average and this trend is expected to
3 continue. See Exhibit 1, Tab 6, Schedule 1 for more information.

4
5 For 2023, Kingston requires 2 additional FTEs as outlined in Workforce planning,
6 Exhibit 4, Tab 4, Schedule 1.

7 8 **Inflation Rate Assumed**

9
10 For non-labour items, Kingston Hydro has based its budgets on specific expected
11 costs in the bridge and test years, to the greatest extent possible. A reasonable
12 expectation for the volume and pricing of individual budget items has been
13 applied, where possible. In cases where inflation is expected, Kingston Hydro
14 has used an inflation assumption of 2%.

15 16 **Business Environment Changes**

17
18 Since Kingston Hydro's last COS application in 2016, there have been several
19 business environment changes impacting Kingston Hydro's operating expenses.
20 These include the COVID-19 pandemic and new rules and requirements
21 implemented by the OEB and Government. The following are some of the
22 impactful regulatory changes since 2016:

- 23
- 24 • the implementation of the Ontario Rebate for Electricity Consumers and the
25 Ontario Electricity Rebate,
 - 26 • implementation of the Customer Choice Initiative which allows smart
27 metered Regulated Price Plan (RPP) customers to select between Time of
28 Use (TOU) and Tiered pricing,

- 1 • implementation of moratoriums on disconnecting customers for non-
2 payment,

3
4 The COVID-19 pandemic has led to unprecedented changes on a global level,
5 and has created significant changes to Kingston Hydro's business environment.
6 Kingston Hydro reacted quickly and took measures to ensure the continued
7 public and employee safety as well as continued service to the Kingston
8 community. Some of these impacts and actions are summarized below:
9

- 10 • A temporary mission was installed at Utilities Kingston that was to "protect
11 the health and safety of employees and the public, while ensuring the
12 delivery of basic utility services that the community relies on"
- 13 • Where possible, Kingston Hydro deployed staff in applicable roles to
14 working from home. For those positions where this was not possible,
15 Kingston Hydro ensured appropriate safety equipment, facilities and
16 protocols were in place. This would mitigate the risk that all operational staff
17 might be unable to provide or restore service due to infection and/or self-
18 isolation due to close contact.
- 19 • In particular, education and training was significantly scaled back and only
20 training that was absolutely necessary to ensure safety of employees or to
21 maintain licences was performed, remotely or on-line wherever possible.
- 22 • Similar changes at other local employers have led to changes in the
23 consumption patterns of Kingston Hydro's customers.
- 24 • For some individuals and businesses, the pandemic has resulted in
25 financial hardships. Kingston Hydro has worked diligently with customers in
26 arrears to make payment arrangements and to assist these customers to
27 access available programs including CEAP (including CEAP –SB).

Exhibit 4: Operating Costs

Tab 2 (of 8): Summary and Cost Driver Tables

SUMMARY AND COST DRIVER TABLES

Kingston Hydro has included the following tables as part of its evidence:

- Summary of Recoverable OM&A Expenses (Appendix 2-JA)
- Recoverable OM&A Cost Driver Table (Appendix 2-JB)
- OM&A by USoA Table (Appendix 2-JD)
- Recoverable OM&A Cost per Customer and per Full Time Equivalent (FTE) (Appendix 2-L)

Table 1 below summarizes the recoverable OM&A expenses beginning with 2016 Board-Approved Figures. Table 1 is consistent with Appendix 2-JA.

Kingston Hydro confirms that no non-recoverable expenses have been included in the numbers below.

1 **Table 1 - Summary of Recoverable OM&A Expenses**

Appendix 2-JA									
Summary of Recoverable OM&A Expenses									
	2016 Last Rebasing Year OEB Approved	2016 Last Rebasing Year Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Bridge Year	2023 Test Year
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operations	\$2,026,941	\$2,074,448	\$1,919,242	\$2,366,890	\$2,108,628	\$2,215,441	\$2,242,391	\$2,172,151	\$2,242,449
Maintenance	\$1,304,549	\$1,540,546	\$1,445,415	\$1,545,398	\$1,360,302	\$1,292,667	\$1,224,216	\$1,407,864	\$1,446,179
SubTotal	\$3,331,490	\$3,614,994	\$3,364,657	\$3,912,288	\$3,468,930	\$3,508,108	\$3,466,607	\$3,580,015	\$3,688,628
%Change (year over year)		8.50%	-6.90%	16.30%	-11.30%	1.10%	-1.20%	3.30%	3.00%
%Change (Test Year vs Last Rebasing Year - Actual)									2.00%
Billing and Collecting	\$938,710	\$1,056,906	\$1,002,800	\$745,052	\$785,987	\$945,399	\$921,373	\$935,432	\$945,179
Community Relations	\$103,011	\$125,494	\$154,387	\$194,597	\$311,999	\$255,529	\$253,278	\$158,960	\$165,234
Administrative and General	\$2,469,464	\$2,241,295	\$2,484,578	\$2,710,898	\$2,533,578	\$2,539,373	\$2,263,264	\$2,996,196	\$3,376,491
SubTotal	\$3,511,185	\$3,423,695	\$3,641,765	\$3,650,547	\$3,631,564	\$3,740,301	\$3,437,915	\$4,090,588	\$4,486,904
%Change (year over year)		-2.50%	6.40%	0.20%	-0.50%	3.00%	-8.10%	19.00%	9.70%
%Change (Test Year vs Last Rebasing Year - Actual)									31.10%
Total	\$6,842,675	\$7,038,689	\$7,006,422	\$7,562,835	\$7,100,494	\$7,248,409	\$6,904,522	\$7,670,603	\$8,175,532
%Change (year over year)		2.90%	-0.50%	7.90%	-6.10%	2.10%	-4.70%	11.10%	6.60%
	2016 Last Rebasing Year OEB Approved	2016 Last Rebasing Year Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Bridge Year	2023 Test Year
Operations ⁴	\$2,026,941	\$2,074,448	\$1,919,242	\$2,366,890	\$2,108,628	\$2,215,441	\$2,242,391	\$2,172,151	\$2,242,449
Maintenance ⁵	\$1,304,549	\$1,540,546	\$1,445,415	\$1,545,398	\$1,360,302	\$1,292,667	\$1,224,216	\$1,407,864	\$1,446,179
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Community Relations ⁷	\$103,011	\$125,494	\$154,387	\$194,597	\$311,999	\$255,529	\$253,278	\$158,960	\$165,234
Administrative and General ⁸	\$2,469,464	\$2,241,295	\$2,484,578	\$2,710,898	\$2,533,578	\$2,539,373	\$2,263,264	\$2,996,196	\$3,376,491
Total	\$6,842,675	\$7,038,689	\$7,006,422	\$7,562,835	\$7,100,494	\$7,248,409	\$6,904,522	\$7,670,603	\$8,175,532
%Change (year over year)		2.90%	-0.50%	7.90%	-6.10%	2.10%	-4.70%	11.10%	6.60%

2

3

4 **Cost Driver Tables**

5

6 The following is a description of the primary drivers that have influenced the
 7 increase in Kingston Hydro's OM&A expenditures from 2016 when Kingston
 8 Hydro last rebased up to and including the 2023 Test Year. Each driver is
 9 summarized by its net change year over year. Kingston Hydro has provided
 10 comments on those variances of \$70,879 or greater, representing Kingston
 11 Hydro's materiality threshold (\$14,175,831 X .005).

12

Table 2, Board Appendix 2-JB provides a list of the cost drivers that affected OM&A year over year spending on a materiality threshold or where the cost driver is common or recurring expenditures that has impacted multiple years. The OM&A opening balance for the last Rebasing Year of \$6,842,675 is the OEB approved OM&A from Kingston Hydro's 2016 Cost of Service Application. This table excludes Property Taxes of \$138,135.

Table 2 – Cost Driver Table

Appendix 2-JB Recoverable OM&A Cost Driver Table ^{1,3}								
OM&A	Last Rebasement Year (2016 Actuals)	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Bridge Year	2023 Test Year
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Opening Balance ²	\$ 6,842,675	\$ 7,038,689	\$ 7,006,422	\$ 7,562,835	\$ 7,100,494	\$ 7,248,409	\$ 6,904,522	\$ 7,670,603
Operation Supervision and Engineering	\$ 140,000	\$ 103,000		\$ 70,000		\$ 77,000	\$ 44,000	
Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	\$ 60,000				\$ 18,000		\$ 50,000	
Miscellaneous Distribution Expense	\$ 78,000	\$ 134,000	\$ 271,000	\$ 25,000	\$ 68,000		\$ 77,000	
Maintenance of Poles, Towers and Fixtures	\$ 81,000							
Maintenance of Overhead Conductors and Devices	\$ 101,000	\$ 116,000	\$ 118,000	\$ 116,000	\$ 35,000			
Maintenance of Overhead Services	\$ 46,000			\$ 15,000	\$ 7,000			
Bad Debt Expense	\$ 191,000	\$ 113,000	\$ 161,000	\$ 87,000	\$ 77,000	\$ 64,000	\$ 50,000	
General Administrative Salaries and Expenses	\$ 149,000		\$ 141,000	\$ 114,000	\$ 101,000	\$ 183,000	\$ 29,000	\$ 159,000
Office Supplies and Expenses	\$ 109,000				\$ 27,000		\$ 183,000	
Regulatory Expenses	\$ 235,000			\$ 21,000	\$ 22,000		\$ 98,000	\$ 162,000
Customer Premises - Materials and Expenses	\$ 62,000				\$ 44,000		\$ 38,000	
General inflationary increases of 2%	\$ 69,715	\$ 67,505	\$ 58,077	\$ 76,749	\$ 56,731	\$ 70,323	\$ 68,284	\$ 75,811
Overhead Distribution Lines and Feeders - Operation Labour	\$ 33,000	\$ 119,000		\$ 21,000	\$ 94,000			
Overhead Distribution Lines and Feeders - Right of Way		\$ 105,000			\$ 109,000	\$ 101,000	\$ 38,000	
Miscellaneous General Expenses		\$ 101,000			\$ 14,000		\$ 160,000	
Meter Expense			\$ 159,000	\$ 41,000	\$ 11,000			
Meter Reading Expense				\$ 70,000	\$ 59,000			
Load Dispatching	\$ 78,000			\$ 55,000	\$ 116,000	\$ 176,000	\$ 205,000	
Maintenance Supervision and Engineering	\$ 29,000			\$ 54,000				
Energy Conservation				\$ 56,000	\$ 16,000		\$ 50,000	
Miscellaneous Customer Service and Informational Expenses				\$ 69,000	\$ 68,000		\$ 48,000	
Rent				\$ 61,000	\$ 7,000			
Station Buildings and Fixtures Expense	\$ 49,000			\$ 14,000	\$ 32,000			
Distribution Station Equipment - Operation Labour					\$ 20,000		\$ 38,000	
Distribution Station Equipment - Operation Supplies and Expenses	\$ 21,000			\$ 25,000	\$ 12,000		\$ 51,000	
Underground Distribution Lines and Feeders - Operation Labour					\$ 11,000			
Underground Distribution Lines and Feeders - Operation Supplies and Expenses	\$ 44,000			\$ 14,000				
Customer Premises - Operation Labour	\$ 46,000				\$ 280,000	\$ 230,000		
Maintenance of Distribution Station Equipment	\$ 24,000			\$ 19,000	\$ 57,000			
Maintenance of Underground Conduit					\$ 7,000		\$ 44,000	
Customer Billing	\$ 44,000			\$ 31,000	\$ 37,000		\$ 34,000	
Collecting	\$ 22,000			\$ 27,000	\$ 14,000			
Management Salaries and Expenses	\$ 92,000			\$ 18,000	\$ 49,000			
Property Insurance	\$ 22,000			\$ 14,000	\$ 41,000			
Maintenance of General Plant					\$ 18,000			
Executive Salaries and Expenses	\$ 165,000				\$ 120,000		\$ 30,000	
Outside Services Employed	\$ 47,000				\$ 73,000		\$ 261,000	
Maintenance of Buildings and Fixtures - Distribution Stations	\$ 15,000				\$ 23,000		\$ 28,000	
Maintenance of Underground Conductors and Devices					\$ 16,000			
Maintenance of Line Transformers	\$ 33,000				\$ 16,000			
Injuries and Damages					\$ 10,000			
Employee Pensions and OPEB					\$ 124,000	\$ 209,000	\$ 149,000	
Overhead Distribution Lines and Feeders - Rental Paid	\$ 44,000						\$ 42,000	
Maintenance of Underground Services	\$ 41,000				\$ 6,000			
OMERS Pensions and Benefits	\$ 52,000				\$ 8,000		\$ 53,000	
Maintenance of Meters	\$ 29,000				\$ 7,000			
General salary and wages increases								\$ 69,000
Miscellaneous	\$ 67,701	\$ 41,228	\$ 29,664	\$ 78,090	\$ 64,816	\$ 8,210	\$ 51,797	\$ 39,118
Closing Balance ²	\$ 7,038,689	\$ 7,006,422	\$ 7,562,835	\$ 7,100,494	\$ 7,248,409	\$ 6,904,522	\$ 7,670,603	\$ 8,175,532

2016 Board Approved to 2016 Actual

Operation Supervision and Engineering: Increase of \$140,000

Increase in Operation Supervision and Engineering was offset by a decrease in General Administrative Salaries and Expenses to better reflect proper allocation of engineering salaries.

Miscellaneous Distribution Expense: Increase of \$78,000

In 2016, the actual time spent on GIS operations and maintenance for a GIS Technician and Journeyman, Substation Maintenance was more than was included in the estimated OEB approved OM&A budget.

Maintenance of Poles, Towers and Fixtures: Increase of \$81,000

There was increased focus on maintenance work in 2016 compared to 2016 OEB approved estimate.

Maintenance of Overhead Conductors and Devices: Increase of \$101,000

There was increased focus on maintenance work on overhead conductors and devices in 2016 compared to 2016 OEB approved estimate.

General Administrative Salaries and Expenses: Decrease of \$(149,000)

Decrease in General Administrative Salaries and Expenses was offset by an increase in Operation Supervision and Engineering due to better time allocation of engineering salaries.

1 Regulatory Expenses: Decrease of \$(235,000)

2 Regulatory expenses decreased in 2016 due to an increase in incremental costs
3 in 2015 for the preparation and filing of Kingston Hydro's 2016 Cost of Service
4 Rate Application EB-2015-0083.

5
6 Load Dispatching: Decrease of \$(78,000)

7 The 2016 expense for SCADA Technologists was less than the OEB approved
8 amount due to the fact that more Utilities Kingston staff time was required to work
9 on water and wastewater projects, resulting in less than planned work for
10 Kingston Hydro.

11
12 Management Salaries and Expenses: Increase of \$92,000

13 2016 OEB approved budget for Management Salaries and Expenses was
14 included in General Administrative Salaries and Expenses and actuals were
15 recorded in Management Salaries and Expenses.

16
17 Executive Salaries and Expenses: Increase of \$165,000

18 2016 OEB approved budget for Executive Salaries and Expenses was included
19 in General Administrative Salaries and Expenses and the actuals were recorded
20 in Executive Salaries and Expenses.

21
22 **2016 Actual to 2017 Actual**

23
24 Operation Supervision and Engineering: Decrease of \$(103,000)

25 Operation and maintenance costs decreased in 2017. Staff involved with the
26 construction and maintenance of the electricity infrastructure apportion their
27 time as required between operating and maintenance work, capital work, or
28 customer-recoverable work. Generally, an increase in capital work or customer-
29 recoverable work can induce a corresponding decrease in operating and

1 maintenance work. This is influenced primarily by the type of capital work
2 involved and the extent that customer recoverable work is generated throughout
3 the year. In 2017, work continued on Municipal Substation No. 1 (MS1), located
4 on lower Queen Street, as Kingston Hydro progressed towards its multi-year
5 upgrades to Kingston's oldest substation. Brick repointing and replacement of a
6 key support column for the building was completed. Crews installed six new solid
7 state relays, replacing electro-mechanical ones that had been in operation for
8 over 65 years. Similar replacement of three relays was completed at MS4 on
9 Hillendale Avenue. Kingston Hydro's 17 substations serve a critical function in
10 the distribution system. In recognition of this, staff prioritize a significant amount
11 of substation work, including equipment testing and maintenance, equipment
12 rebuilds and repairs, and infrared scanning to detect developing trouble spots. In
13 2017, the capital work demands were such that the amount of time spent on
14 operating work was appreciably less.

15
16 Miscellaneous Distribution Expense: Decrease of \$(134,000)

17 2017 inventory write off (over/short) was lower in 2017 than 2016.

18
19 Maintenance of Overhead Conductors and Devices: Decrease of \$(116,000)

20 In 2017, a greater proportion of time was spent on capital work, especially the
21 MS1 and MS4 substations as explained above. In 2017, the capital work
22 demands were such that the amount of time planned and executed for operating
23 work was appreciably less.

1 Overhead Distribution Lines and Feeders – Operation Labour: Increase of
2 \$119,000

3 In 2017, more time was worked changing taps, inspecting and testing lighting
4 arrestors, circuit breakers, switches, grounds and line transformers, patrolling
5 lines and conducting load tests and voltages surveys of feeders and circuits.
6

7 Overhead Distribution Lines and Feeders – Right of Way: Increase of \$105,000

8 Tree trimming increased in 2017. Kingston Hydro recognizes the value that this
9 activity can have in reducing power outages associated with wind and ice storms.
10

11 **2017 Actual to 2018 Actual**
12

13 Miscellaneous Distribution Expense: Increase of \$271,000

14 In 2017, GIS Technician was reported in a General Administration account. In
15 2018 (and going forward), Kingston Hydro reported these costs separately in
16 Miscellaneous Distribution expenses for OEB reporting.
17

18 2018 inventory over short was higher in 2018 than 2017. In addition, in 2018
19 \$60,000 of inventory was written off for copper theft.
20

21 Maintenance of Overhead Conductors and Devices: Increase of \$118,000

22 In 2018, staff resources were utilized to overhauling and repairing line cutouts,
23 line switches, line breakers, and capacitor installations, cleaning insulators and
24 bushings, refusing line cutouts, repairing line oil circuit breakers and associated
25 relays and control wiring, repairing grounds, re-sagging, retying or rearranging
26 position of spacing of conductors, sampling, testing, changing, purifying, and
27 replenishing insulating oil, transferring loads, switching and reconnecting circuits
28 and equipment for maintenance purposes, repairing line testing equipment and
29 infrared scanning.

1 There was also an increase in equipment expenses to complete this work.

2

3 General Administrative Salaries and Expenses: Increase of \$141,000

4 Increase in General Administrative Salaries and Expenses due to an increase in
5 post-retirement non-pension benefits from the actuarial report.

6

7 Meter Expense: Increase of \$159,000

8 Reliable metering equipment plays a critical part in ensuring our customers
9 continue to receive accurate bills. In accordance with the *Electricity and Gas*
10 *Inspection Act* and Measurement Canada guidelines, every year Kingston Hydro
11 tests a number of electricity meters in order to verify accuracy and that the
12 meters conform to legal requirements.

13

14 Meters are selected randomly. The process involves removing the meter and
15 installing a new one, and then sending the meter to an Industry Canada
16 accredited testing facility. In 2018, there was an increased focus on this activity.

17

18 **2018 Actual to 2019 Actual**

19

20 Operation Supervision and Engineering: Decrease of \$(70,000)

21 2018 expenses were higher than 2019 due to a write off of collectible work in
22 2018 resulting in a lowering of costs in 2019 compared to 2018.

1 Maintenance of Overhead Conductors and Devices: Decrease of \$(116,000)

2 In 2019 there was a decrease in overhead line maintenance work and equipment
3 expenses. More time was allocated to overhead line operations (following
4 overhead line maintenance work in 2018), maintenance of overhead poles,
5 capital and recoverable work.

6
7 General Administrative Salaries and Expenses: Decrease of \$(114,000)

8 Decrease in General Administrative Salaries and Expenses in 2019 due to an
9 increase in post-retirement non-pension benefits in 2018.

10
11 Meter Reading Expense: Increase of \$70,000

12 In 2018, Utilismart admin fee was split between meter reading and billing. In
13 2019, the full amount was reported in meter reading to reflect the fact that this
14 expense relates to meter reading.

15
16 **2019 Actual to 2020 Actual**

17
18 General Administrative Salaries and Expenses: Decrease of \$(101,000)

19 General Administrative Salaries and Expenses decreased in 2020 as
20 discretionary spending was reduced due to Covid-19 restrictions i.e. education,
21 travel, training.

22
23 Overhead Distribution Lines and Feeders – Operation Labour: Decrease of
24 \$(94,000)

25 In 2020, there was a decrease in overhead distribution lines and feeders as more
26 time was spent on supervision, work planning, meetings, and tree trimming.

1 Overhead Distribution Lines and Feeders – Right of Way: Increase of \$109,000

2 Tree trimming increased in 2020. Significant work was completed in the area
3 supporting one of our large customers.

4
5 Load Dispatching: Increase of \$116,000

6 In 2019, SCADA Technologists spent more time on capital projects (i.e. the MS1
7 rebuild). Due to Covid-19, capital work was reduced in 2020, resulting in more
8 staff time to OM&A.

9
10 In 2020, Journeyperson, Utility Operations and SCADA Technologists spent
11 more time on load dispatching. The remainder of the increase is due to an
12 increase in the cost of SCADA services.

13
14 Customer Premises – Operation Labour: Increase of \$280,000

15 Increase in Customer Premises – Operation Labour in 2020 due to time coded to
16 this account to ensure the health and safety of employees during Covid. To
17 ensure safety, the cost of employees not assigned work was coded to this
18 account.

19
20 Executive Salaries and Expenses: Increase of \$120,000

21 Increase in Executive Salaries and Expenses in 2020 due to vacant director of
22 hydro position filled in June 2020.

23
24 Outside Services Employed: Decrease of \$(73,000)

25 Kinectrics was hired in 2019 to perform a condition assessment of Kingston
26 Hydro's key distribution assets. Such an undertaking was intended to develop a
27 quantifiable evaluation of asset condition, aid in prioritizing and allocating capital
28 sustainment resources and facilitate the development of an Asset Management

1 Plan that would form part of the Distribution System Plan being submitted as part
2 of Kingston Hydro's 2023 Cost of Service Rate Application.

3 *Employee Pensions and OPEB: Increase of \$124,000*

4 Prior to 2020, employee pensions and OPEB was included in General
5 Administrative Salaries and Expenses.

6
7 *2019 Actual to 2020 Actual: Increase of \$77,000*

8 Kingston Hydro experienced a decrease in bad debt expense in each year from
9 2017 to 2019.

10
11 Bad debt expense increased in 2020 due to increased past due accounts as a
12 result of the COVID-19 global pandemic. The ability to disconnect customers for
13 non payment due to the moratorium on disconnects increase in bad debt
14 expense.

15
16 **2020 Actual to 2021 Actual**

17
18 *Operation Supervision and Engineering: Increase of \$77,000*

19 \$70,000 of the increase in Operation Supervision and Engineering was due to an
20 increase in Engineering Technologist time in 2021. In 2020, more Engineering
21 Technologist time was spent on tree trimming and recoverable work.

22
23 \$15,000 of the increase was due to an increase in licence and permit fees for
24 software subscription renewal. 36 months were expensed in 2021 for 2019 to
25 2022, previously recorded in prepaid expenses.

1 General Administrative Salaries and Benefits: Decrease of \$(183,000)

2 General Administrative Salaries and Expenses decreased in 2021 as
3 discretionary spending was reduced due to Covid-19 restrictions i.e. education,
4 travel, training.

5
6 Overhead Distribution Lines and Feeders – Right of Way: Decrease of
7 \$(101,000)

8 Decrease in tree trimming in 2021 due to an increase in tree trimming in 2020.

9
10 Load Dispatching: Increase of \$176,000

11 Capital work requiring SCADA technologists' involvement was further reduced in
12 2021 due to Covid-19.

13
14 In 2021, Journeyperson, Utility Operations and SCADA Technologists spent
15 more time on load dispatching. The remainder of the increase is due to an
16 increase in the cost of SCADA services.

17
18 Customer Premises – Operation Labour: Decrease of \$(230,000)

19 Decrease in Customer Premises – Operation Labour in 2021 due to an increase
20 in 2020 related to idle time to ensure the health and safety of employees during
21 Covid. The cost of employees not assigned work was coded to this account in
22 2020.

23
24 Employee Pensions and OPEB: Decrease of \$(209,000)

25 In 2021 a credit was recorded relating to Kingston Hydro's future benefits
26 resulting in an actuarial gain.

2021 Actual to 2022 Bridge Year

Miscellaneous Distribution Expense: Increase of \$77,000

Expected increase in miscellaneous distribution expenses in 2022 due to inventory write-offs.

Office Supplies and Expenses: Increase of \$183,000

2021 actual membership fees, certifications and licences of \$131,000 were reported in Miscellaneous General Expenses.

Regulatory Expenses: Increase of \$98,000

Budgeted increase of \$71,800 relates to one-fifth of the costs for the preparation and filing of Kingston Hydro's 2023 Cost of Service Rate Application EB-2022-0044.

The remaining increase relates to consulting expenses with respect to research being done for a potential new distribution station.

Miscellaneous General Expenses: Decrease of \$(160,000)

2021 actual membership fees, certifications and licences of \$131,000 were reported in Miscellaneous General Expenses. However, the 2022 budget for membership fees, certifications and licences is reported in Office Supplies and Expenses. The 2022 budget for membership fees, certifications and licences (\$112,000) is equal to the 2021 budgeted amount plus 2% inflation.

Load Dispatching: Decrease of \$(205,000)

A decrease in load dispatching is expected in 2022 as more time is expected to be spent on capital projects.

1 Outside Services Employed: Increase of \$261,000

2 Budgeting for consulting fees for asset management and planning for distribution
3 stations.

4
5 Employee Pensions and OPEB: Increase of \$149,000

6 The 2022 budgeted amount includes the reversal of the 2021 credit of \$85,496
7 plus the actual 2022 expense of \$63,131 totaling \$148,627.

8
9 **2022 Bridge Year to 2023 Test Year**

10
11 General Administrative Salaries and Expenses: Increase of \$159,000

12 Increase in General Administrative Salaries and Expenses in 2023 due to the
13 addition of an Electrical Engineer as discussed in Exhibit 4, Tab 4, Schedule 1
14 Workforce Planning and Employee Compensation.

15
16 Regulatory Expenses: Increase of \$162,000

17 \$120,000 of the increase relates to the addition of a Regulatory Analyst as
18 discussed in Exhibit 4, Tab 4, Schedule 1 Workforce Planning and Employee
19 Compensation.

20
21 The remaining increase of \$40,000 relates to OEB cost assessments.

22
23 **OM&A Cost per Customer and Full-Time Equivalent**

24
25 The following Table 3 sets out the OM&A per customer and FTE in the historic
26 and forecast periods. Table 3 is consistent with Chapter 2 Appendix 2-L.

In the table below, the following assumptions have been used:

- OM&A excludes property taxes;
- Number of customers is the number in the Residential, General Service <50 kW, General Service >50 kW, Large User and Unmetered Scattered Load customer classes
- Number of customers per year have been based on an average of the year-end customer numbers;
- FTEs have been calculated consistent with Appendix 2-K

Table 3 – OM&A per Customer and per FTE Trends

Appendix 2-L									
Recoverable OM&A Cost per Customer and per FTE ¹									
	Last Rebasement Year 2016 - OEB Approved	Last Rebasement Year 2016 - Actual	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Bridge Year	2023 Test Year
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
OM&A Costs									
O&M	\$3,331,490	\$3,614,994	\$3,364,657	\$3,912,288	\$3,468,930	\$3,508,108	\$3,466,607	\$3,580,015	\$3,688,628
Admin Expenses ⁶	\$3,511,185	\$3,423,695	\$3,641,765	\$3,650,547	\$3,631,564	\$3,740,301	\$3,437,915	\$4,090,588	\$4,486,904
Total Recoverable OM&A from Appendix 2-JB ⁵	\$6,842,675	\$7,038,689	\$7,006,422	\$7,562,835	\$7,100,494	\$7,248,409	\$6,904,522	\$7,670,603	\$8,175,532
Number of Customers ^{2,4}	27,589	27,650	27,714	27,783	27,884	27,916	28,025	28,167	28,301
Number of FTEs ^{3,4}	50	44	49	49	48	44	45	48	49
Customers/FTEs	548	627	570	566	578	629	618	585	573
OM&A cost per customer									
O&M per customer	\$121	\$131	\$121	\$141	\$124	\$126	\$124	\$127	\$130
Admin per customer	\$127	\$124	\$131	\$131	\$130	\$134	\$123	\$145	\$159
Total OM&A per customer	\$248	\$255	\$253	\$272	\$255	\$260	\$246	\$272	\$289
OM&A cost per FTE									
O&M per FTE	\$66,167	\$82,028	\$69,260	\$79,712	\$71,865	\$78,994	\$76,391	\$74,398	\$74,714
Admin per FTE	\$69,736	\$77,688	\$74,964	\$74,380	\$75,234	\$84,222	\$75,758	\$85,008	\$90,883
Total OM&A per FTE	\$135,902	\$159,716	\$144,224	\$154,092	\$147,100	\$163,216	\$152,149	\$159,406	\$165,597

Capitalized OM&A

There is an estimate of \$397,546 in OM&A expense in the test year related to capitalized overhead. These are related to benefits for actual staff time working



1 on capital projects. This has been standard practice for Kingston Hydro for many
 2 years.

3

4 **Table 4 – OM&A Before Capitalization**

OM&A Before Capitalization	2016 Historical Year	2017 Historical Year	2018 Historical Year	2019 Historical Year	2020 Historical Year	2021 Historical Year	2022 Bridge Year	2023 Test Year
Total OM&A Before Capitalization	\$7,371,375	\$7,181,987	\$7,841,748	\$7,415,586	\$7,508,530	\$7,116,657	\$8,075,095	\$8,590,465
Total OM&A Before Capitalization (B)	\$7,371,375	\$7,181,987	\$7,841,748	\$7,415,586	\$7,508,530	\$7,116,657	\$8,075,095	\$8,590,465

5

6

7 **Table 5 – Capitalized OM&A**

Capitalized OM&A	2016 Historical Year	2017 Historical Year	2018 Historical Year	2019 Historical Year	2020 Historical Year	2021 Historical Year	2022 Bridge Year	2023 Test Year	Directly Attributable? (Yes/No)	Explanation for Any Change in Treatment of Capitalized Overhead
employee benefits	\$ 332,686	\$ 175,565	\$ 278,913	\$ 315,092	\$ 225,704	\$ 241,092	\$ 387,108	\$ 397,546	Yes	
costs of site preparation										
initial delivery and handling costs										
costs of testing whether the asset is functioning properly										
professional fees										
Other post employment benefits					\$ 34,417	\$ 28,917	\$ 17,384	\$ 17,387	No	2020 was the first year of capitalization
Total Capitalized OM&A (A)	\$ 332,686	\$ 175,565	\$ 278,913	\$ 315,092	\$ 260,121	\$ 212,120	\$ 404,492	\$ 414,933		
% of Capitalized OM&A (A/B)	5%	2%	4%	4%	3%	3%	5%	5%		

8

Exhibit 4: Operating Costs

Tab 3 (of 8): OM&A Variance

OM&A VARIANCE ANALYSIS

Materiality Threshold

In accordance with Chapter 2 of the Filing Requirements, an applicant must provide justification for changes from year to year to its rate base, capital expenditures and OM&A spending above a materiality threshold. Kingston Hydro's materiality threshold is calculated as 0.5% of proposed distribution revenue requirements for distributors with a revenue requirement of greater than \$10 million and less than or equal to \$200 million. As discussed in Exhibit 1, Kingston Hydro calculated its materiality threshold based on an estimated Service Revenue Requirement of \$14,175,831 which resulted in a materiality level of \$70,879.

Kingston Hydro has a variety of programs, activities and initiatives that are imperative in order for Kingston Hydro to continue to provide reliable and affordable service to customers and ultimately to provide customer satisfaction. In Table 1, Board Appendix 2-JD, Kingston Hydro has identified its USoA on a comparative basis from 2016 Board approved to the 2023 Test Year. An analysis is provided below on all material variances that exceed the materiality threshold for the 2023 Test Year versus 2016 Board Approved, 2023 Test Year versus 2020 Board Approved, 2020 Board Approved versus 2020 Actuals and 2023 Test Year versus 2022 Bridge Year.

1 **Table 1 - OM&A by USoA Table (miscellaneous includes all immaterial accounts)**

USoA Account	USoA Account Name	Last Rebasings Year (2016 OEB- Approved)	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Bridge Year	2023 Test Year	Variance	Variance	
											(Test Year vs. 2021 Actuals)	(Test Year vs. Last Rebasing Year (2016 OEB- Approved))	
	Reporting Basis		MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	
Operations													
5005	Operation Supervision and Engineering		183,689	324,019	220,713	216,344	145,872	141,796	218,991	263,230	263,399	44,408	79,710
5010	Load Dispatching		513,149	435,060	487,192	494,847	439,690	555,917	732,037	526,818	550,878	-181,159	37,728
5012	Station Buildings and Fixtures Expense		58,964	107,840	119,956	131,637	117,811	86,252	58,222	61,385	62,647	4,425	3,684
5016	Distribution Station Equipment - Operation Labour		52,300	54,450	77,239	76,824	90,229	70,403	84,083	45,706	45,545	-38,538	-6,754
5020	Overhead Distribution Lines and Feeders - Operation Labour		102,277	69,544	188,519	173,996	152,755	58,573	125,457	109,549	114,427	-11,030	12,150
5025	Overhead Distribution Lines and Feeders - Operation Supplies and Expenses		59,683	119,330	83,388	36,944	35,053	17,292	40,690	90,543	92,550	51,860	32,867
5045	Underground Distribution Lines and Feeders - Operation Supplies and Expenses		30,175	74,560	32,033	38,109	24,368	28,838	37,986	46,892	48,000	10,014	17,825
5065	Meter Expense		342,110	330,802	339,886	499,055	457,674	468,251	416,857	392,447	412,681	-4,177	70,571
5070	Customer Premises - Operation Labour		130,754	177,227	185,927	194,151	180,786	460,604	230,131	211,748	219,360	-10,771	88,606
5085	Miscellaneous Distribution Expense		114,201	192,566	58,248	328,998	303,579	235,692	203,912	280,949	287,396	83,485	173,195
5095	Overhead Distribution Lines and Feeders - Rental Paid		46,125	89,997	28,984	59,934	56,091	56,171	57,556	15,300	15,600	-41,956	-30,525
Maintenance													
5105	Maintenance Supervision and Engineering		34,549	63,767	41,520	108,639	54,164	57,310	45,068	52,346	54,094	9,026	19,545
5110	Maintenance of Buildings and Fixtures - Distribution Stations		56,332	40,917	58,757	77,445	86,038	62,808	57,846	86,178	87,678	29,833	31,346
5114	Maintenance of Distribution Station Equipment		283,795	259,370	255,063	222,847	203,478	146,942	160,942	186,957	189,149	28,207	-94,646
5120	Maintenance of Poles, Towers and Fixtures		79,699	160,665	100,328	72,344	65,738	61,148	89,895	81,003	84,087	-5,808	4,388
5125	Maintenance of Overhead Conductors and Devices		277,869	378,433	262,125	379,759	263,333	228,049	223,275	236,511	245,841	22,566	-32,028
5130	Maintenance of Overhead Services		90,663	136,238	82,389	105,754	90,899	83,440	81,001	84,207	86,882	5,881	-3,781
5135	Overhead Distribution Lines and Feeders - Right of Way		247,352	245,894	351,045	295,466	306,439	415,247	314,643	352,338	364,022	49,379	116,670
5145	Maintenance of Underground Conduit		40,572	48,702	56,702	47,889	35,585	28,117	33,601	77,996	79,292	45,692	38,721
5150	Maintenance of Underground Conductors and Devices		128,659	138,534	132,556	121,623	117,451	101,921	104,576	124,599	127,419	22,842	-1,240
5155	Maintenance of Underground Services		73,652	32,634	63,712	70,041	79,272	72,937	80,849	72,997	73,232	-7,616	-419
Billing and Collecting													
5310	Meter Reading Expense		196,576	202,092	192,274	124,134	194,488	253,715	207,315	189,811	193,614	-13,701	-2,962
5315	Customer Billing		362,624	318,574	352,270	326,448	356,989	394,383	366,202	331,979	321,099	-45,103	-41,525
5320	Collecting		136,698	115,025	150,252	147,667	174,975	161,142	147,637	163,642	167,966	20,328	31,268
5335	Bad Debt Expense		230,586	421,215	308,004	146,903	59,536	136,159	200,218	250,000	262,500	62,282	31,914
Community Relations													
5415	Energy Conservation		6,496	0	10,885	4,502	60,102	76,364	49,678	0	0	-49,678	-6,496
5425	Miscellaneous Customer Service and Informational Expenses		118,129	115,994	139,920	177,281	246,389	178,169	202,614	155,040	161,192	-41,422	43,063
Administrative and General													
5605	Executive Salaries and Expenses	0	164,721	177,607	178,077	182,960	302,862	282,784	313,150	323,777	40,993	323,777	
5610	Management Salaries and Expenses	0	92,253	99,470	110,888	93,135	142,010	140,168	151,337	156,264	16,096	156,264	
5615	General Administrative Salaries and Expenses	725,818	576,775	621,895	763,375	649,232	548,095	489,104	518,192	677,646	188,542	-48,172	
5620	Office Supplies and Expenses	187,691	78,559	30,362	55,198	51,018	24,218	11,002	194,351	197,938	186,937	10,247	
5630	Outside Services Employed	545,358	498,446	528,126	525,060	522,659	449,838	453,137	714,457	724,758	271,620	179,399	
5635	Property Insurance	161,662	184,137	192,698	196,826	211,276	169,944	203,973	230,000	241,500	37,528	79,838	
5640	Injuries and Damages	41,537	36,061	59,123	77,118	69,533	79,983	26,669	53,716	54,736	28,067	13,199	
5645	OMERS Pensions and Benefits	59,154	7,599	17,415	8,660	20,966	13,417	14,117	67,320	70,000	55,883	10,846	
5646	Employee Pensions and OPEB	0	0	0	0	0	123,704	-85,496	63,131	63,142	148,638	63,142	
5655	Regulatory Expenses	385,752	150,799	181,421	180,316	201,040	179,413	169,908	267,558	429,874	259,966	44,122	
5665	Miscellaneous General Expenses	4,600	5,549	106,424	138,508	138,272	124,075	159,536	0	0	-159,536	-4,600	
5670	Rent	295,666	295,751	304,602	303,188	242,428	249,884	253,773	263,150	268,582	14,809	-27,085	
5675	Maintenance of General Plant	124,027	114,606	130,998	130,861	118,554	100,591	113,800	117,863	122,003	8,202	-2,024	
	Miscellaneous		313,730	179,987	176,394	215,278	200,642	102,735	100,765	226,208	234,762	133,997	-78,968
	Total		6,842,675	7,038,689	7,006,422	7,562,835	7,100,494	7,248,409	6,904,522	7,670,603	8,175,532	1,271,009	1,332,857

2023 Test Year vs 2016 Board Approved

The following explanations are for the major variances between the above noted years.

Operations – Increase of \$479,056

In 2016, GIS Technician was reported in Administrative and General. These costs are now reported separately in Operations (\$36,000).

General inflationary increases of 14% (2% per year) account for \$229,000 of the increase.

The remainder of the increase in operations after accounting for the effect of inflation are reflected in an offsetting reduction of costs in the maintenance category below.

Maintenance – Increase of \$78,554

General inflationary increases of 14% (2% per year) account for an expected increase of \$184,000.

The offsetting amount of the decrease in maintenance costs after accounting for the effect of inflation are reflected in additional costs in the operations category above.

Administrative and General – Increase of \$798,955

General inflationary increases of 14% (2% per year) account for \$354,000 of the increase.

An increase in consulting fees is expected in 2022 for asset management and overall system.

The remainder of the increase in Administrative and General is due to the addition of 2 FTEs. The 2 additional FTEs are discussed in Exhibit 4, Tab 4, Schedule 1 – Workforce Planning and Employee Compensation.

2023 Test Year vs 2020 Board Approved

The 2020 Board-approved amount was an increase of 7.6% (1.89% per year) over the 2016 Board-approved amount.

Table 2 - 2016 Board Approved, 2020 Board Approved and 2023 Test Year OM&A Levels

	2016 Board Approved	2020 Board Approved	2023 Test Year
Operations	2,026,941	1,937,839	2,242,449
Maintenance	1,304,549	1,482,570	1,446,179
Billing and Collecting	938,710	904,374	945,179
Community Relations	103,011	205,304	165,234
Administrative and General	2,469,464	2,831,095	3,376,491
Total	6,842,675	7,361,182	8,175,532

Operations – Increase of \$304,610

General inflationary increases of 6% (2% per year) account for \$116,000 of the increase.

Actual costs in 2020 and 2021 were \$2.2 million and are expected to remain at this level for 2022 and 2023. An increase in the budgeted amount for Distribution Supervision and Engineering, and Dispatch was required to align with actual cost levels.

Administrative and General – Increase of \$545,396

General inflationary increases of 6% (2% per year) account for \$159,000 of the increase.

An increase in consulting fees is expected in 2022 for asset management and system planning.

The remainder of the increase in Administrative and General is due to the addition of 2 FTEs. The 2 additional FTEs are discussed in Exhibit 4, Tab 4, Schedule 1 – Workforce Planning and Employee Compensation.

2020 Board Approved vs 2020 Actual

Table 3 - 2020 Board Approved and 2020 Actual OM&A Levels

	2020 Board Approved	2020 Actual
Operations	1,937,839	2,215,441
Maintenance	1,482,570	1,292,667
Billing and Collecting	904,374	945,399
Community Relations	205,304	255,529
Administrative and General	2,831,095	2,539,373
Total	7,361,182	7,248,409

Operations – Increase of \$277,602

Increase in Customer Premises – Operation Labour in 2020 due to idle time to ensure the health and safety of employees during Covid. The cost of hydro employees not assigned to specific work was coded to operations.

Maintenance – Decrease of \$(189,903)

The decrease in maintenance costs are reflected in additional costs in the operations category.

1 Administrative and General – Decrease of \$(291,722)

2 General Administrative Salaries and Expenses decreased in 2020 as
3 discretionary spending was reduced due to Covid-19 restrictions i.e. education,
4 travel, training.

5
6 **2023 Test Year vs 2022 Bridge Year**

7
8 Administrative and General – Increase of \$375,995

9 General inflationary increases of 2% account for \$59,000 of the increase.

10 The remainder of the increase in Administrative and General is due to the
11 addition of 2 FTEs. The 2 additional FTEs are discussed in Exhibit 4, Tab 4,
12 Schedule 1 – Workforce Planning and Employee Compensation.

13
14 All cost increases were and are necessary to manage, operate and maintain
15 distribution system assets to deliver safe and reliable services.

Exhibit 4: Operating Costs

Tab 4 (of 8): Workforce Planning and Employee Compensation

WORKFORCE PLANNING AND EMPLOYEE COMPENSATION

Employee Costs

Kingston Hydro receives asset management, administrative, maintenance and operational services from Utilities Kingston under contract.

All employee compensation costs are charged to Kingston Hydro by Utilities Kingston for the services noted above.

For those employees that work exclusively on the electrical distribution side of the business, such as substation maintenance and powerline technicians, their wages and benefits are charged 100% to Kingston Hydro. For other employees, such as billing clerks, locators, and administrative staff, who perform work on behalf of all utilities, Kingston Hydro is charged an appropriate allocation for the work they perform for Kingston Hydro.

Appendix 2-K as required in section 2.4.3.1 of the Ontario Energy Board's Chapter 2 Filing Requirements for Electricity Distribution Rate Applications - 2022 Edition for 2023 Rates Applications dated April 18, 2022, has been completed to show annual compensation costs for Kingston Hydro and the total number of full-time equivalent employees allocated to Kingston Hydro. Appendix 2-K is included in the Chapter 2 Appendices Model.

As of 2021 there is an equivalent of 45 full-time employees allocated to Kingston Hydro. This amount is up from the 2020 level of 44 FTEs and down from the

1 2016 level of 50 FTEs. Staffing levels are expected to be 48 FTEs in 2022 and
2 increase to 49 FTEs in 2023.

3 4 **Workforce Plans**

5
6 Kingston Hydro is proposing the addition of only 1 FTE from the bridge year to
7 the 2023 application. This will approximate the 2016 FTE equivalent level.

8
9 The 1 additional FTE is the result of 2 additions for 2023 offset by a reduction of
10 a substation maintenance position in 2023. This position was added in 2022 for
11 training purposes as a retirement is anticipated at the end of 2022.

12
13 The first addition to note is the addition of an electrical engineer. An additional
14 FTE in engineering is required to address the following issues that have or are
15 emerging in Kingston Hydro service area.

- 16
- 17 • Major customers have agendas and increasingly detailed plans to
18 electrify both fleet and buildings which is increasing pressure for both
19 longer term infrastructure planning and design, i.e. system expansions
20 and complex connection considerations, especially if on site generation is
21 included.
 - 22 • Kingston Hydro's service territory is experiencing an increased level of
23 intensification development that has not been experienced in the last ten
24 or so years. This is requiring a new level of effort to plan, and construct
25 system improvements including a new voltage service level (13.8 kv) into
26 our service area.
 - 27 • Kingston Hydro is also starting to see some customers seeking innovative
28 solutions (generation) to managing their hydro services requiring more
29 intensive technical reviews.

1 The forgoing are creating concerns with respect to our ability to meet reasonable
2 customer expectations regarding service time lines and any regulatory
3 requirements.

4
5 The second addition is the addition of a regulatory analyst. The reasoning for
6 this requirement is to enable Kingston Hydro to better monitor ongoing regulatory
7 developments as well as endure better compliance and monitoring with
8 regulatory requirements. Based on an analysis of those similar sized LDCs that
9 reported staff time associated with regulatory matters in previous years cost of
10 services applications, Kingston Hydro believes this addition is reasonable and
11 allows it to catch up to other distributors in the areas of regulatory analysis and
12 being able to participate in industry working groups and initiatives. Currently,
13 Kingston is extremely reactive with respect to being able to stay current on
14 regulatory initiatives. For example, Kingston lacks the organizational capacity to
15 adequately analyze the release of Covid-19 guidelines, the Notice of
16 Amendments to the Distribution System Code regarding the connection of
17 distributed energy resources (DERs) to local electricity distribution systems. As
18 well, Kingston will need to analyze and monitor Activity and Performance based
19 benchmarking initiatives results, and better analyze PEG results. Currently the
20 capacity is extremely limited.

21
22 The main responsibilities of the new regulatory analyst will be to provide expert
23 advice and recommendations in the implementation of all codes, regulations and
24 other initiatives from regulatory authorities in order to ensure corporate
25 compliance and assist other departments in the implementation of regulatory
26 codes and/or regulations. In particular, they will monitor/participate in regulatory
27 proceedings and communicate/assist departments within the organization with
28 implementation of orders resulting from these proceedings (i.e. customer service
29 rules, rate/bill design, embedded generation).

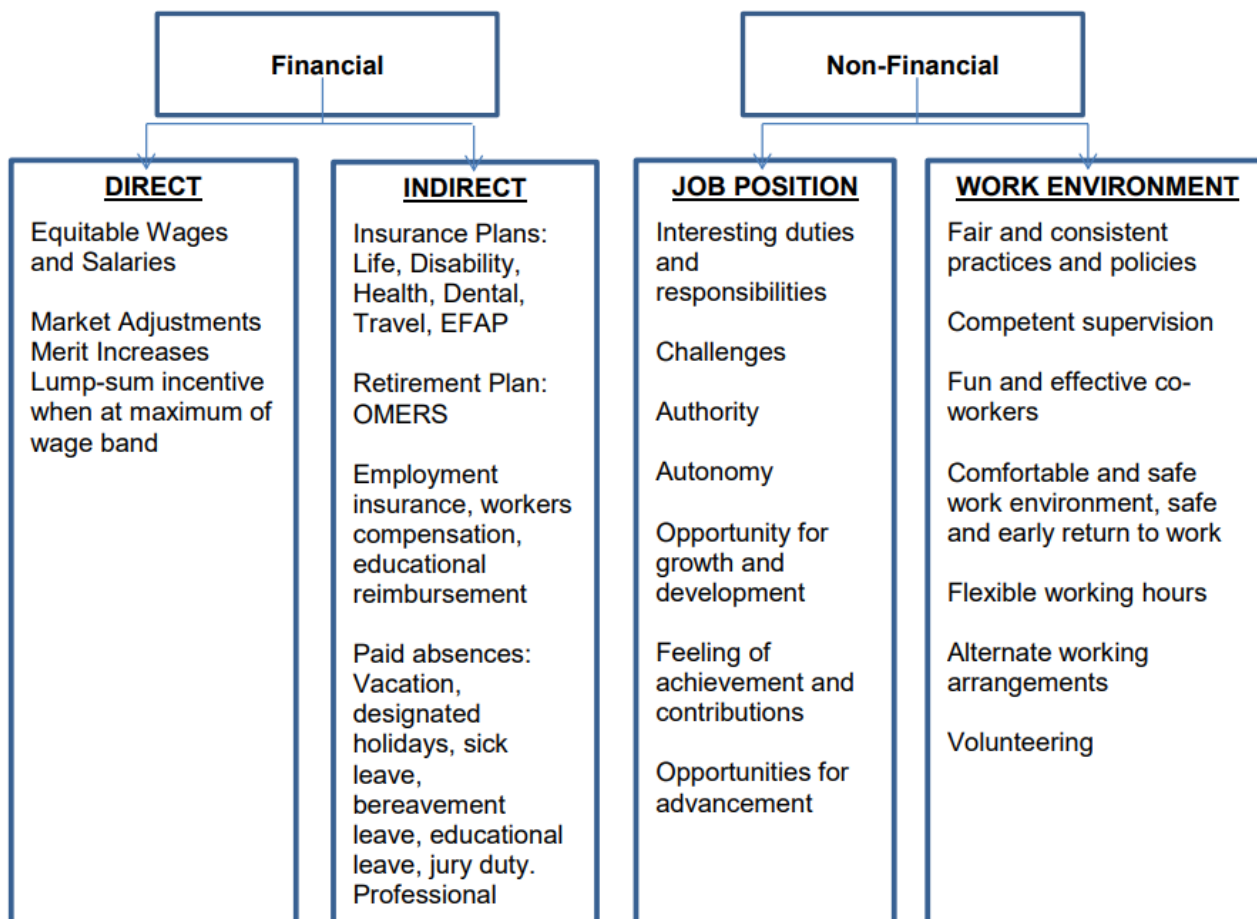
1 **Non-Unionized Employees Compensation Strategy**

2
3 The non-union compensation strategy has three key objectives:

- 4
- 5 1. Meet corporate goals and objectives by compensating employees for
 - 6 performance specific to Utilities Kingston Work Plan.
 - 7 2. Meeting internal equity by compensating for skills, knowledge and
 - 8 experience.
 - 9 3. Ensuring external competitiveness in order to attract and retain employees
 - 10 by compensating for market value.

11
12 Our compensation program incentivizes employees to align our values, business
13 strategy, operational and financial needs with a goal of service excellence,
14 efficiency and effectiveness, productivity and return on investment.

Figure 1- Total Compensation Strategy



Financial – Direct Compensation

The company sets compensation bands based on market value to attract and retain the required skills, knowledge and experience that complement our multi-utility model and drive the corporation's success and reputation. We believe in a compensation strategy that provides a balance between internal equity with external competitiveness. Non-union employees' salaries are based on a minimum 40-hour work-week.

1 ***Internal equity***

2
3 “Internal equity exists when employees in an organization perceive that they are
4 being rewarded fairly according to the relative value of their jobs within an
5 organization.”

6
7 ***External equity***

8
9 “External equity exists when employees in an organization perceive that they are
10 being rewarded fairly in relation to those who perform similar jobs in other
11 organizations.”

12
13 The minimum and maximum salary band amounts of Utilities Kingston’s wage
14 bands are adjusted annually for inflation, using the CPI index for Ontario.

15
16 We strive to provide base salary that provides internal equity while matching the
17 external market (50th percentile) for our industry as much as possible without
18 jeopardizing internal equity. Periodic third-party benchmarking is performed in
19 order to have an independent, objective evaluation. The last benchmarking
20 review was performed in 2018 with the next one expected to be completed in
21 2023.

22
23 We also monitor the local market for competitiveness for talent through our own
24 and other employer’s advertised recruitment, by participating in industry and local
25 market compensation surveys, by studying companies regarded as employer of
26 choice in Canada, and by monitoring our attrition rate and conducting exit
27 interviews.

28

1 Position placement in job bands is based on the duties and competencies
2 required for each position, and job placements in job bands are compared
3 against each other using a criteria-based evaluation model.

4
5 Incumbent placements in job bands are determined based on the experience and
6 skills required for the effective performance of the functions of the position and
7 the work unit or department.

8
9 ***Performance Pay***

10
11 Once appointed to a position in a wage band, non-union employees progress
12 within their wage band through a pay for performance plan, based upon the
13 achievement of objectives and the demonstration of our organizational values
14 through the process of yearly “Contribution Agreements” and evaluations. The
15 maximum annual pay for performance increase is set annually by the President
16 and CEO and cannot exceed 7% unless such increase is implemented for an
17 employee to achieve job rate or to meet external market demands. Annual
18 increases, when given, compensate for progression through the approved job
19 band as well as any inflation or market adjustments.

20
21 All compensation increases are based on the performance and contribution of
22 each individual over the preceding calendar year. These increases are then
23 applied effective March 1 of each year. The individual contribution agreements
24 are developed in advance and identify the specific work responsibilities which are
25 aligned with the annual work plan, which in turn is aligned with the Strategic Plan.
26 Individuals are also evaluated on the basis of the competencies that they
27 demonstrate as well as how well they demonstrate the values of the corporation.
28 Certain team objectives towards the achievement of yearly work plans for Utilities

1 Kingston and Kingston Hydro are also included at the level of Managers and
2 Directors of the corporation.

3
4 A pay for performance plan has several advantages:

- 5
- 6 • Signals key behaviours and motivates action
- 7 • Reduces the need for control mechanisms
- 8 • Creates employee interest in performance
- 9 • Supports our managerial and corporate strategies
- 10 • Relates pay to the corporation's ability to pay

11
12 ***Incentive Pay***

13
14 Utilities Kingston does not utilize an executive or management bonus system.
15 There are no short-term or "bonus" plans to supplement the pay for performance
16 pay plan. That is, unlike most other for-profit businesses, non-union employees
17 do not have the opportunity to receive annual bonuses based on company
18 productivity or the financial performance of the Company. Additionally, there are
19 no automatic cost of living adjustments for non-union employees. Every pay
20 increase for non-union employees is based on performance and progression
21 through their pay band to achieve job rate.

Unionized Employees

Annual increases are accorded to unionized staff based on the established rates negotiated by Utilities Kingston and I.B.E.W Local 636, and promulgated in the Collective Agreement. Formal contract negotiations resulted in a new collective agreement completed in January 2018 effective January 1, 2018 through December 31, 2022.

In 2021, Utilities Kingston and the I.B.E.W Local 636 extended the agreement an additional 2 years such that the agreement is now in place through December 31, 2024.

Table 1 shows the percentage increases for unionized employees for the years of 2016 through to the 2023 Test Year.

Table 1 - Union Wage Increases

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Yearly Increase	2.00%	2.00%	1.85%	1.85%	1.85%	2.00%	2.00%	2.30%	2.20%

Overtime Costs

Union staff are entitled to overtime pay. Overtime usage is routinely monitored to ensure that it is used effectively and efficiently. Overtime hours are also monitored to determine when it becomes necessary and more efficient to add new staff to the work force.

1 **Benefits**

2
3 Kingston Hydro is charged by Utilities Kingston with its share of employee benefit
4 costs consistent with the allocation of staff time wages noted above.

5
6 Company paid benefits are a fundamental part of compensation. An appropriate
7 level of benefits serves to attract, motivate and retain employees and improve
8 their overall health and wellness.

9
10 Utilities Kingston maintains a reasonable, comprehensive and competitive
11 benefits package for its employees. Benefits include Health, Dental, Accrued sick
12 leave, Extended Travel, Life Insurance, Long-term Disability, Pension Plan,
13 Employee and Family Assistance Program (EFAP). Adjustments to the benefit
14 plans are reviewed coincident with the collective agreement negotiations, usually
15 on a four-year cycle. Utilities Kingston also contributes the company's portion of
16 the statutory benefits such as Canada Pension Plan (CPP), Employment
17 Insurance (EI), provincial Employer Health Tax (EHT) and the Workers' Safety
18 Insurance Board (WSIB) Premiums.

19
20 Utilities Kingston employees are a member of the Ontario Municipal Retirement
21 System (OMERS) which requires the Company to match employees'
22 contributions. Kingston Hydro pays the appropriate percentage of OMERS
23 contributions costs consistent with the allocation of staff time wages noted above.

24
25 In addition, Kingston Hydro is charged annually the cost of any post-employment
26 benefit service costs for its proportion of expenses that are accrued after
27 actuarial valuation is performed. Consistent with OEB Decision EB-2010-0136
28 and with the EB-2015-0083 proceeding, there is no Schedule 1 adjustment for
29 this liability in the calculation of PILS for ratemaking purposes.

Kingston Hydro proposes to recover these costs using the default accrual basis which is different than EB-2015-0083, when there was uncertainty related to the recoverability of these costs and to which a deferral account was established due to this uncertainty. The most recent actuarial report is included as Exhibit 4, Tab 4, Schedule 1, Attachment 1.

Table 2 illustrates the amount of Other Post-employment benefits in rates for the 2016-2020 period

Table 2 – OPEB – Kingston Hydro 2016-2020

	Amount in Rates	Amount expensed excluding actuarial gains and losses
2016	\$ 48,391	\$ 64,282
2017	\$ 49,262	\$ 64,025
2018	\$ 50,149	\$ 64,221
2019	\$ 51,051	\$ 79,084
2020	\$ 51,970	\$ 79,554

Table 3 illustrates the amount of Other Post-employment benefits for the 2021-2023 period.

Table 3 – OPEB – Kingston Hydro 2021-2023

	2021			2022			2023		
	Utilities Kingston	Kingston Hydro		Utilities Kingston	Kingston Hydro		Utilities Kingston	Kingston Hydro	
		Operating	Capital		Operating	Capital		Operating	Capital
Current Service Cost	\$ 340,843	\$ 52,865	\$ 17,880	\$ 236,010	\$ 40,712	\$ 11,210	\$ 236,961	\$ 40,876	\$ 11,256
Interest Cost	\$ 143,896	\$ 22,319	\$ 7,549	\$ 129,965	\$ 22,419	\$ 6,173	\$ 129,080	\$ 22,266	\$ 6,131
Actuarial (Gain)/Loss	\$ (1,035,966)	\$ (160,680)	\$ (54,346)	-	-	-	-	-	-
Total	\$ (551,227)	\$ (85,496)	\$ (28,917)	\$ 365,975	\$ 63,131	\$ 17,383	\$ 366,041	\$ 63,142	\$ 17,387
% of Total		15.5%	5.2%		17.3%	4.7%		17.2%	4.8%



1 Tables 4 and 5 illustrate the amount of OMERS benefits for the 2016-2023 period.

2

3 **Table 4 – OMERS – Kingston Hydro 2016-2019**

4

	2016	2017	2018	2019
Total OMERS Contribution - Utilities Kingston	\$ 1,832,832	\$ 1,862,208	\$ 1,895,129	\$ 1,936,978
Total OMERS Contribution - Kingston Hydro	\$ 418,069	\$ 358,661	\$ 425,835	\$ 403,860
OM&A OMERS Contribution - Kingston Hydro	\$ 294,121	\$ 300,604	\$ 336,543	\$ 302,325
Capital OMERS Contribution - Kingston Hydro	\$ 123,948	\$ 58,057	\$ 89,292	\$ 101,535
Total OMERS Contribution - Kingston Hydro	\$ 418,069	\$ 358,661	\$ 425,835	\$ 403,860

5

6

7 **Table 5 – OMERS – Kingston Hydro 2020-2023**

8

	2020	2021	2022	2023
Total OMERS Contribution - Utilities Kingston	\$ 1,925,706	\$ 1,989,153	\$ 2,028,936	\$ 2,069,515
Total OMERS Contribution - Kingston Hydro	\$ 404,013	\$ 412,948	\$ 426,077	\$ 434,598
OM&A OMERS Contribution - Kingston Hydro	\$ 327,859	\$ 306,814	\$ 285,686	\$ 296,378
Capital OMERS Contribution - Kingston Hydro	\$ 76,154	\$ 106,134	\$ 140,391	\$ 138,220
Total OMERS Contribution - Kingston Hydro	\$ 404,013	\$ 412,948	\$ 426,077	\$ 434,598

9



Attachment 1 (of 1):

***Actuarial Report on Employee Benefits, Pension and
OPEBs***



UTILITIES KINGSTON

REPORT ON THE ACTUARIAL
VALUATION OF POST-RETIREMENT
NON-PENSION, SUPPLEMENTAL
PENSION AND SICK LEAVE BENEFITS

AS AT DECEMBER 31, 2021

FINAL – February 25, 2022

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EXECUTIVE SUMMARY

Purpose

RSM Canada Consulting LP was engaged by Utilities Kingston (the “Corporation”) to perform an actuarial valuation of the post-retirement non-pension, accumulated sick leave and supplemental pension benefits sponsored by the Corporation and to determine the accounting results for those benefits for the fiscal period ending December 31, 2021. 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, 2018 based on the assumptions chosen by management at that date and in accordance with IAS 19.

The purpose of this valuation is threefold:

- i) To determine the Corporation’s liabilities in respect of post-retirement non-pension, supplemental pension, accumulating sick leave, and supplemental pension plans at December 31, 2021;
- ii) To determine the defined benefit costs to be recognized for fiscal year 2021; 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 for the post-retirement non-pension, accumulated non-vested sick leave, and supplemental pension benefits for the prior valuation and the current valuation.

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, 2021.

Valuation Results

Section A.1—Valuation Results

Post-Retirement Non-Pension Benefits

Results from the actuarial valuation as at December 31, 2021 compared to the previous year's figures projected from the most recent full valuation:

	December 31, 2020	December 31, 2021
Present Value of Defined Benefit Obligation (PV DBO)	5,733,600	4,841,300

	CY 2020	CY 2021
Current Service Cost	325,100	340,800
Interest Cost	159,600	143,900
Defined Benefit Cost Recognized in Income Statement	484,600	484,700
Actuarial (Gain)/Loss	269,000	(1,036,000)
Defined Benefit Cost Recognized In OCI	269,000	(1,036,000)
Defined Benefit Cost	753,600	(551,200)

The following table provides results from the actuarial valuation as at December 31, 2021 broken down by active (including LTD) and retired individuals and type of post-retirement non-pension benefit:

Dec. 31, 2021 PV DBO	Actives (incl. LTD)	Retirees	Total
Life	490,300	1,005,500	1,495,800
Health	1,696,700	460,300	2,157,000
Dental	490,000	132,300	622,300
Travel	446,100	120,100	566,200
Total	3,123,100	1,718,200	4,841,300

Supplemental Pension Benefits

Results from the actuarial valuation as at December 31, 2021 compared to previous year's figures projected from the most recent full valuation:

	December 31, 2020	December 31, 2021
Present Value of Defined Benefit Obligation (PV DBO)	503,900	505,300

	CY 2020	CY 2021
Current Service Cost	-	-
Interest Cost	15,100	12,600
Defined Benefit Cost Recognized in Income Statement	15,100	12,600
Actuarial (Gain)/Loss	19,800	24,400
Defined Benefit Cost Recognized In OCI	19,800	24,400
Defined Benefit Cost	34,900	37,000

Sick Leave Benefits

The results of our calculations indicate that the estimated value of future payments to be made as a result of Utilities Kingston employees' unused sick leave bank hours is as follows. For comparison purposes we have shown the prior extrapolation results at December 31, 2020 as well.

	December 31, 2020	December 31, 2021
MANAGEMENT	\$50,500	\$120,600
UNION	\$1,163,800	\$1,051,400
TOTAL	\$1,214,300	\$1,172,000

Sensitivity Analysis

Section A.2—Sensitivity Analysis

Post-Retirement Non-Pension Benefits

	Dec. 31, 2021 PV DBO	Difference	% Difference
Base Assumptions	4,841,300		
Cost Trends +1%	5,072,300	231,000	5%
Cost Trends -1%	4,631,800	(209,500)	-4%
Discount Rate +1%	4,379,500	(461,800)	-10%
Discount Rate -1%	5,416,200	574,900	12%

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

Sick Leave Benefits

The estimated value of future payments to be made as a result of Utilities Kingston employees' unused sick leave bank hours would be impacted by a change in the discount rate as follows.

	Dec. 31, 2021 PV DBO	Difference	% Difference
Management			
Base Assumptions	120,600		
Discount Rate +1%	110,700	(9,900)	-8%
Discount Rate -1%	132,000	11,400	9%
Union			
Base Assumptions	1,051,400		
Discount Rate +1%	957,700	(93,800)	-9%
Discount Rate -1%	1,160,900	109,500	10%
Total			
Base Assumptions	1,172,000		
Discount Rate +1%	1,068,400	(103,600)	-9%
Discount Rate -1%	1,292,900	120,900	10%

Supplemental Pension Benefits

	Dec. 31, 2021 PV DBO	Difference	% Difference
Base Assumptions	505,300		
Discount Rate +1%	468,700	(36,700)	-7%
Discount Rate -1%	547,100	41,800	8%

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

Post-Retirement Non-Pension Benefits

PV DBO at December 31, 2020	5,733,600
2021 Current Service Cost	340,800
2021 Benefit Payments	(341,000)
2021 Interest Cost	143,900
Expected PV DBO at December 31, 2021	5,877,300
Actuarial (Gain)/Loss at December 31, 2021	(1,036,000)
PV DBO at December 31, 2021	4,841,300

The decrease indicated above of \$1,036,000 in the PV DBO from the expected PV DBO at December 31, 2021 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)	(185,700)
Change in assumptions:	
Discount Rate	(104,700)
Withdrawal	(26,300)
Base benefit cost levels	(719,300)
Total Actuarial (Gain)/Loss at December 31, 2021	(1,036,000)

Pursuant to IAS 19, the re-measurement of the PV DBO at December 31, 2021 based on the changes in the assumptions and experience is recognized immediately in other comprehensive income at December 31, 2021.

Sick Leave Benefits

Estimated Value at December 31, 2020	1,214,300
2021 Interest Cost	31,600
Estimated Value at December 31, 2021	1,245,900
Actuarial (Gain)/Loss at December 31, 2021	(73,900)
Value at December 31, 2021	1,172,000

The decrease shown above of \$73,900 in the estimated value from the value at December 31, 2021 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)	13,500
Change in assumptions:	
Withdrawal	(17,300)
Discount Rate	(22,700)
Utilization	(47,400)
Total Actuarial (Gain)/Loss at December 31, 2021	(73,900)

Supplemental Pension Benefits

PV DBO at December 31, 2020	503,900
2021 Benefit Payments	(35,600)
2021 Interest Cost	12,600
Expected PV DBO at December 31, 2021	481,000
Actuarial (Gain)/Loss at December 31, 2021	24,400
PV DBO at December 31, 2021	505,300

The increase shown above of \$24,400 in the estimated value from the value at December 31, 2021 is due to the re-measurement of the liability; a breakdown of the changes is as follows:

Aging of retirees and differences between actual and expected inflation of benefits	32,300
Change in assumptions:	
Discount Rate	(7,900)
Total Actuarial (Gain)/Loss at December 31, 2021	24,400

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 November 30, 2021 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.

Although the data provided reflected status and benefit information as at November 30, 2021, the Corporation has confirmed that no changes in status and other member data occurring from November 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.

Post-Retirement Non-Pension Benefits

	December 31, 2018	November 30, 2021
Active Employee Count		
Male	179	166
Female	50	48
Total	229	214
Active Employee Average Service		
Male	14.1	13.6
Female	11.4	13.1
Total	13.5	13.5
Retiree (in Receipt of Benefits) Count		
Male	61	62
Female	20	14
Total	81	76

Employee Count as of November 30, 2021				Employee Avg Service as of November 30, 2021		
Age	Male	Female	Total	Male	Female	Total
< 30	16	2	18	3.2	5.3	3.4
30 - 35	28	8	36	6.0	3.9	5.5
35 - 40	27	11	38	8.6	10.9	9.3
40 - 45	21	7	28	13.1	12.1	12.9
45 - 50	24	8	32	16.9	14.4	16.3
50 - 55	18	5	23	18.5	22.7	19.4
55 - 60	17	5	22	22.0	21.9	21.9
60 - 65	13	2	15	29	23	28
65 - 70	2	-	2	21	-	21
70 - 75	-	-	-	-	-	-
> 75	-	-	-	-	-	-
Total	166	48	214	13.6	13.1	13.5

Sick Leave Benefits

	December 31, 2018	November 30, 2021
Total valued participants		
Management	42	49
Union	193	165
Total annual pay		
Management	4,466,500	5,487,700
Union	13,443,500	12,797,000
Average annual pay		
Management	106,300	112,000
Union	69,700	77,600
Average age		
Management	45	46
Union	45	45
Average service (years)		
Management	15	14
Union	15	14

Participant Reconciliation

Section B.2—Participation Reconciliation

Post-Retirement Non-Pension Benefits

	Actives	Disabled	Retired
December 31, 2018	229	7	74
New Entrants	28	-	-
Actives	-	(1)	24
Terminated	(18)	-	-
Retired	(24)	-	-
Deceased	(1)	-	(5)
Disabled	(1)	-	-
Data Correction *	1	-	-
Not Eligible **	-	-	(17)
November 30, 2021	214	6	76

* One employee who was hired in year 2018 was not included in the previous valuation as at December 31, 2018.

** Seventeen retirees are no longer eligible to the post-retirement benefits (over age 65).

Sick Leave Benefits

	Actives
December 31, 2018	235
New Entrants	28
Terminated	(18)
Retired	(24)
Deceased	(1)
Disabled *	(6)
November 30, 2021	214

* For the six disabled employees who are removed this year, four of them were disabled before year 2018 and thus are considered as data corrections. The remaining two employees became disabled in year 2021.

Supplemental Pension Benefits

There continues to be two individuals receiving supplemental pension benefits.

SECTION C — SUMMARY OF ACTUARIAL METHOD AND ASSUMPTIONS

Actuarial Method

Post-Retirement Non-Pension and Supplemental Pension Benefits

The aim of an actuarial valuation of post-retirement non-pension and supplemental 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 or supplemental 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, 2021 is based on membership data as at November 30, 2021 and management's best estimate assumptions established for calculations as at December 31, 2021.

For health, dental and out of country travel benefits, we have used the following monthly claim as an estimate of the claims to be incurred.

Effective Period	Health Single	Health Family	Dental Single	Dental Family	Travel Single	Travel Family
Jan. 1, 2019 – Dec. 31, 2019	\$232.10	\$464.20	\$57.50	\$115.00	\$43.22	\$85.84
Jan. 1, 2022 – Dec. 31, 2022	\$201.00	\$401.90	\$57.50	\$115.00	\$53.68	\$106.61

The monthly claims cost for Extended Health and Dental Care above were developed based on actual claims experience data, as provided by the Corporation, for the period for September 1, 2015 to July 31, 2021 for retired former employees of the Corporation. These benefit claims costs include the administration fees, pooling charges (for Extended Health only), and taxes which are outlined further in this Section. The Out of Country Travel benefit costs are based on premiums being paid by the Corporation and are inclusive of all applicable expenses and taxes.

Sick Leave Benefits

The aim of an actuarial valuation of sick leave 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, salary rate increases, mortality and other decrements;
- use these assumptions to calculate the present value of the expected future benefits; and

The actuarial valuation includes analysis of non-vested sick leave benefits. Non-vested sick leave benefits account for usage of accrued sick leave bank hours by employees before retirement, death, or termination, as applicable.

We have used a stochastic model to value the non-vested sick leave liability. With this approach, future utilization hours (and therefore sick leave bank levels) are simulated for each member from the valuation date until retirement. The simulation is performed 10,000 times, and the results are averaged to obtain the 'mean' or expected liability. The different scenarios are generated based on the probability distribution for sick leave utilization described further in the section below on sick leave utilization assumptions.

Our calculations have been done on a seriatim basis using the employee data provided by the Corporation. Our results use present value calculations and therefore incorporate the time value of money.

For clarity, our estimates are based on a projection of the value of employees' future sick leave bank usage as a result of employees exceeding the annual accrued sick leave hours available to them during the year and having to utilize sick leave bank hours which have been accrued on or before the valuation date of December 31, 2021. As such, future accruals of sick leave hours are not included in our valuation as of December 31, 2021 (in other words, future projected sick leave hours are only valued insofar as they exceed the accrued hours for a year and require the use of bank hours accrued prior to the valuation date).

The calculations are done on a seriatim basis for each employee with the liability figure for each employee classification (Management, Union) equal to the sum of the liability for each employee in the group.

Our calculations at December 31, 2021 are based on membership data and management's best estimate assumptions at December 31, 2021.

Management's Best Estimate Assumptions

The following are management's best estimate economic and demographic assumptions for calculations as at December 31, 2021.

Economic Assumptions

Discount Rate

The rate used to discount future benefits is assumed to be 2.80% per annum as of December 31, 2021. 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 4.00% per annum at December 31, 2018, which was subsequently updated to 2.60% per annum at December 31, 2020.

Salary Increase Rate

The rate used to increase salaries is assumed to be 3.30% per annum. This rate has been chosen by the Corporation's management and reflects the expected Consumer Price Index adjusted for productivity, merit and promotion.

This assumption remains unchanged from the previous valuation.

Claims Cost Trend Rate

The rates used to project benefits 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. This assumption was unchanged from the previous valuation.

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

Year	Current Valuation	
	Health	Dental
2022	4.70%	4.90%
2025	5.30%	5.60%
2030	5.30%	5.30%
2035	4.60%	4.60%
2040 and thereafter	4.00%	4.00%

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 table assumption remains unchanged from the previous valuation.

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	2.90%	3.50%
30 – 34	2.15%	2.00%
35 – 39	1.85%	1.65%
40 – 49	1.45%	1.30%
50 – 54	1.25%	0.95%

Retirement Age

All active employees are assumed to retire at age 60 (or immediately if currently over age 60), which was based on the Corporation's retirement experience as well as a seven year retirement experience study on a group of local distribution companies for which data was available.

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

We have assumed 10% of benefits is required for the cost of sponsoring the program for post-retirement life insurance.

This assumption remains unchanged from the previous valuation.

For the extended health care and dental benefits, the following charges were applied to the expected claim cost assumptions outlined earlier in this Section (the rates shown are already inclusive of these expenses and taxes):

	<i>Previous Valuation</i>	<i>Current Valuation</i>
Administrative Fees	4.95% of Claims	4.95% of Claims
Premium Taxes	2.0% of Claims	2.0% of Claims
Sales Taxes	8.0% of Claims	8.0% of Claims

Pooling charges of 19.0% have been applied only on health care benefits.

For out of country travel benefits, no additional assumptions are needed as the rates described above already include provisions for expenses and taxes.

Sick Leave Utilization and Accrual

Based on the employee benefits provided by the Corporation, each employee accrues 18 sick leave days for each full year of service. The following assumptions have been chosen for the purpose of projecting the future sick leave utilization for non-vested employees. These levels are based on the Corporation's experience data of the utilization of sick leave hours from 2016 to 2021 for all employees.

	Percentage of Employees		Average Sick Leave Hours Used	
	Union	Management	Union	Management
Employees Exceeding Annual Accrual	9%	4%	317 Hours	248 Hours
Employees not Exceeding Annual Accrual	91%	96%	41 Hours	20 Hours

To project future liabilities for non-vested sick leave benefits, a probability distribution is used for each of the union and management employees for future utilization of sick leave hours. This distribution assigns likelihoods to utilization levels, and is the basis for the projection.

The assumption chosen for the previous valuation was as follows:

	Percentage of Employees		Average Sick Leave Hours Used	
	Union	Management	Union	Management
Employees Exceeding Annual Accrual	13%	4%	276 Hours	190 Hours
Employees not Exceeding Annual Accrual	87%	96%	42 Hours	19 Hours

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

Life Insurance

All Non-Union Management retirees are eligible for post-retirement life insurance benefits. Employees in all other groups are not eligible for post-retirement life insurance benefits.

Extended Health, Dental, and Travel Benefits

Employees hired prior to June 1, 2002

All employees who retire from the Corporation with an OMERS pension (reduced or unreduced) are eligible for post-retirement extended health care (including drugs and semi-private hospital), dental, and travel benefits.

Employees hired on or after June 1, 2002

All employees who retire from the Corporation with an OMERS pension (reduced or unreduced) and a minimum of 10 years of active service with the Corporation are eligible for post-retirement extended health care (including drugs and semi-private hospital), dental, and travel benefits.

Supplemental Pension Benefits

The Corporation is providing supplemental pension benefits for two current retirees under a special circumstance.

Participant Contributions

The Corporation shall pay 100% of the cost of the life insurance, health, dental and travel benefits for all eligible retirees.

Past Service

Past service is defined as continuous service prior to joining the plan if the participant was employed by another electrical distribution company prior to 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 non-union management 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.	Employee retires with 10 or more years of service in the Plan. OR Employee was insured under the superseded plan and elected coverage under option 2, 3, or 4, or employee was not insured under the 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.
5	Amount of retirement insurance coverage in force under superseded plan grandfathered.	Frozen group of insured whose retirement occurred under superseded plan prior to transfer to new provider.

Extended Health, Dental, and Travel Benefits

All eligible employees are entitled to post-retirement extended health care, dental, and out-of-country travel insurance benefits to age 65.

Summary of Supplemental Pension Benefits

The eligible retirees are entitled to joint and survivor pension benefits, with two thirds (2/3) of the pension amount payable to the retiree's surviving spouse following the death of the retiree. Supplemental annual pension is indexed in accordance with OMERS Pension Plan regulations.

A detailed description of the post-retirement non-pension and other post-employment benefits covered by the Corporation can be found in the above-noted governing documents.

ACTUARIAL CERTIFICATION

An actuarial valuation has been performed on the post-retirement non-pension, supplemental pension and sick leave benefit plans sponsored by Utilities Kingston (the “Corporation”) as at December 31, 2021, for the purposes described in this report.

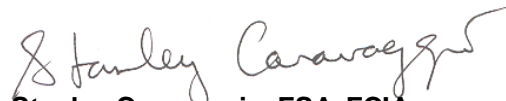
In accordance with the Canadian Institute of Actuaries Consolidated Standards of Practice General Standards, we hereby certify that, in our opinion, for the purposes stated in the Executive Summary:

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 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.

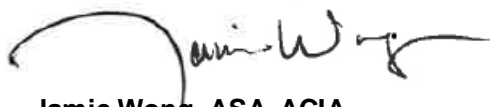
We are not aware of any subsequent events after the date of completing this valuation that would have a significant effect on the valuation results contained herein.

The latest date on which the next actuarial valuation should be performed is December 31, 2024. If any supplemental advice or explanation is required, please advise the undersigned.

Respectfully submitted,
RSM CANADA CONSULTING LP



Stanley Caravaggio, FSA, FCIA
Director



Jamie Wong, ASA, ACIA
Manager

Toronto, Ontario

February 25, 2022

SECTION E — EMPLOYER CERTIFICATION

Post-Retirement Non-Pension, Supplemental Pension and Sick Leave Benefits Plans of Utilities Kingston

Actuarial Valuation as at December 31, 2021

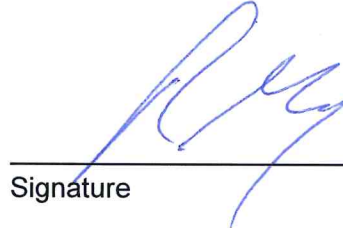
I hereby confirm, as an authorized signing officer of the administrator of the Post-Retirement Non-Pension, Supplemental Pension and Sick-Leave Benefits Plans of Utilities Kingston that, to the best of my knowledge and belief, for the purposes of the valuation:

- 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, 2021.

UTILITIES KINGSTON

February 23, 2022

Date



Signature

RANDY MURPHY

Name

Chief Financial Officer

Title

APPENDIX — DETAILED ACCOUNTING SCHEDULES



Utilities Kingston
Estimated Benefit Expense (IAS)
Post-Retirement Non-Pension Benefits
FINAL

	Actuals CY 2021 *	Projected ** CY 2022	Projected ** CY 2023	Projected ** CY 2024
Discount Rate at January 1	2.60%	2.80%	2.80%	2.80%
Discount Rate at December 31	2.80%	2.80%	2.80%	2.80%
Health Benefit Cost Trend Rate at December 31	4.40%	4.70%	4.90%	5.10%
Dental Benefit Cost Trend Rate at December 31	4.70%	4.90%	5.10%	5.40%
Long Term Health and Dental Benefit Cost Trend Rate	4.00%	4.00%	4.00%	4.00%
First Year Of Long Term Health and Dental Benefit Cost Trend Rate	2040	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	5,733,588	4,841,327	4,804,945	4,778,446
Defined Benefit Cost Recognized in Income Statement	484,739	365,975	366,021	376,275
Defined Benefit Cost Recognized in Other Comprehensive Income	(1,035,966)	-	-	-
Benefits Paid by the Employer	(341,034)	(402,357)	(392,520)	(382,657)
Net Defined Benefit Liability/(Asset) as at December 31	4,841,327	4,804,945	4,778,446	4,772,064

B. Determination of Defined Benefit Cost

B1. Determination of Defined Benefit Cost Recognized in Income Statement

Current Service Cost	340,843	236,010	236,941	247,799
Interest Cost	143,896	129,965	129,080	128,476
Defined Benefit Cost Recognized in Income Statement	484,739	365,975	366,021	376,275

B2. Remeasurements of the Net Defined Benefit Liability/(Asset) Recognized in Other Comprehensive Income

Net Actuarial Loss/(Gain) arising from Changes in Financial Assumptions	(823,988)	-	-	-
Net Actuarial Loss/(Gain) arising from Changes in Demographic Assumptions	(26,276)	-	-	-
Net Actuarial Loss/(Gain) arising from Experience Adjustments	(185,702)	-	-	-
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	(1,035,966)	-	-	-
Total Defined Benefit Cost	(551,227)	365,975	366,021	376,275

C. Change in the Present Value of Defined Benefit Obligation

Present Value of Defined Benefit Obligation as at January 1	5,733,588	4,841,327	4,804,945	4,778,446
Current Service Cost	340,843	236,010	236,941	247,799
Interest Cost	143,896	129,965	129,080	128,476
Benefits Paid	(341,034)	(402,357)	(392,520)	(382,657)
Net Actuarial Loss/(Gain)	(1,035,966)	-	-	-
Present Value of Defined Benefit Obligation as at December 31	4,841,327	4,804,945	4,778,446	4,772,064

* The expected December 31, 2021 PV DBO and CY 2021 defined benefit cost are calculated based on membership data at December 31, 2018 and management's best estimate assumptions at December 31, 2020.

** Projected CY 2022, 2023, and 2024 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 expected benefits to be paid to those eligible for benefits.



Utilities Kingston
Estimated Benefit Expense (IAS)
Post-Retirement Non-Pension Benefits
FINAL

	Actuals CY 2021 *	Projected ** CY 2022	Projected ** CY 2023	Projected ** CY 2024
Discount Rate at January 1	2.60%	2.80%	2.80%	2.80%
Discount Rate at December 31	2.80%	2.80%	2.80%	2.80%
Health Benefit Cost Trend Rate at December 31	4.40%	4.70%	4.90%	5.10%
Dental Benefit Cost Trend Rate at December 31	4.70%	4.90%	5.10%	5.40%
Long Term Health and Dental Benefit Cost Trend Rate	4.00%	4.00%	4.00%	4.00%
First Year Of Long Term Health and Dental Benefit Cost Trend Rate	2040	2040	2040	2040
Assumed Increase in Employer Contributions	actual	expected ***	expected ***	expected ***

D. Calculation of Component Items

Interest Cost				
Present Value of Defined Benefit Obligation as at January 1	5,733,588	4,841,327	4,804,945	4,778,446
Benefits Paid	(170,517)	(201,179)	(196,260)	(191,329)
Accrued Benefits	5,563,071	4,640,149	4,608,685	4,587,118
Interest Cost	143,896	129,965	129,080	128,476
Expected Present Value of Defined Benefit Obligation as at December 31				
Present Value of Defined Benefit Obligation as at January 1	5,733,588	4,841,327	4,804,945	4,778,446
Current Service Cost	340,843	236,010	236,941	247,799
Benefits Paid	(341,034)	(402,357)	(392,520)	(382,657)
Interest Cost	143,896	129,965	129,080	128,476
Expected Present Value of Defined Benefit Obligation as at December 31	5,877,293	4,804,945	4,778,446	4,772,064

E. Net Actuarial Loss/(Gain)

Net Actuarial Loss/(Gain) as at December 31				
Expected Present Value of Defined Benefit Obligation	5,877,293	4,804,945	4,778,446	4,772,064
Actual Present Value of Defined Benefit Obligation	4,841,327	4,804,945	4,778,446	4,772,064
Net Actuarial Loss/(Gain) as at December 31	(1,035,966)	-	-	-

* The expected December 31, 2021 PV DBO and CY 2021 defined benefit cost are calculated based on membership data at December 31, 2018 and management's best estimate assumptions at December 31, 2020.

** Projected CY 2022, 2023, and 2024 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 expected benefits to be paid to those eligible for benefits.



Utilities Kingston
Estimated Benefit Expense (IAS 19)
Supplemental Pension Benefits
FINAL

	CY 2021 *	Projected ** CY 2022	Projected ** CY 2023	Projected ** CY 2024
Discount Rate at January 1	2.60%	2.80%	2.80%	2.80%
Discount Rate at December 31	2.80%	2.80%	2.80%	2.80%
Consumer Price Index	2.00%	2.00%	2.00%	2.00%
Assumed Increase in Employer Contributions	actuals	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	503,872	505,317	482,429	458,622
Defined Benefit Cost Recognized in Income Statement	12,639	13,638	12,993	12,323
Defined Benefit Cost Recognized in Other Comprehensive Income	24,358	-	-	-
Benefits Paid by the Employer	(35,551)	(36,525)	(36,801)	(36,994)
Net Defined Benefit Liability/(Asset) as at December 31	505,317	482,429	458,622	433,952

B. Determination of Defined Benefit Cost

B1. Determination of Defined Benefit Cost Recognized in Income Statement

Current Service Cost	-	-	-	-
Interest Cost	12,639	13,638	12,993	12,323
Defined Benefit Cost Recognized in Income Statement	12,639	13,638	12,993	12,323

B2. Remeasurements of the Net Defined Benefit Liability/(Asset) Recognized in Other Comprehensive Income

Net Actuarial Loss/(Gain) arising from Changes in Financial Assumptions	(7,917)	-	-	-
Net Actuarial Loss/(Gain) arising from Changes in Demographic Assumptions	-	-	-	-
Net Actuarial Loss/(Gain) arising from Experience Adjustments	32,275	-	-	-
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	24,358	-	-	-
Total Defined Benefit Cost	36,997	13,638	12,993	12,323

C. Change in the Present Value of Defined Benefit Obligation

Present Value of Defined Benefit Obligation as at January 1	503,872	505,317	482,429	458,622
Current Service Cost	-	-	-	-
Interest Cost	12,639	13,638	12,993	12,323
Benefits Paid	(35,551)	(36,525)	(36,801)	(36,994)
Net Actuarial Loss/(Gain)	24,358	-	-	-
Present Value of Defined Benefit Obligation as at December 31	505,317	482,429	458,622	433,952

* The expected December 31, 2021 PV DBO and CY 2021 defined benefit cost are calculated based on membership data at December 31, 2018 and management's best estimate assumptions at December 31, 2020.

** Projected CY 2022, CY 2023 and CY 2024 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 expected benefits to be paid to those eligible for benefits.



Utilities Kingston
Estimated Benefit Expense (IAS 19)
Supplemental Pension Benefits
FINAL

	CY 2021 *	Projected ** CY 2022	Projected ** CY 2023	Projected ** CY 2024
Discount Rate at January 1	2.60%	2.80%	2.80%	2.80%
Discount Rate at December 31	2.80%	2.80%	2.80%	2.80%
Consumer Price Index	2.00%	2.00%	2.00%	2.00%
Assumed Increase in Employer Contributions	actuals	expected ***	expected ***	expected ***

D. Calculation of Component Items

Interest Cost				
Present Value of Defined Benefit Obligation as at January 1	503,872	505,317	482,429	458,622
Benefits Paid	(17,776)	(18,263)	(18,400)	(18,497)
Accrued Benefits	486,097	487,055	464,029	440,125
Interest Cost	12,639	13,638	12,993	12,323
Expected Present Value of Defined Benefit Obligation as at December 31				
Present Value of Defined Benefit Obligation as at January 1	503,872	505,317	482,429	458,622
Current Service Cost	-	-	-	-
Benefits Paid	(35,551)	(36,525)	(36,801)	(36,994)
Interest Cost	12,639	13,638	12,993	12,323
Expected Present Value of Defined Benefit Obligation as at December 31	480,959	482,429	458,622	433,952

E. Net Actuarial Loss/(Gain)

Net Actuarial Loss/(Gain) as at December 31				
Expected Present Value of Defined Benefit Obligation	480,959	482,429	458,622	433,952
Actual Present Value of Defined Benefit Obligation	505,317	482,429	458,622	433,952
Net Actuarial Loss/(Gain) as at December 31	24,358	-	-	-

* The expected December 31, 2021 PV DBO and CY 2021 defined benefit cost are calculated based on membership data at December 31, 2018 and management's best estimate assumptions at December 31, 2020.

** Projected CY 2022, CY 2023 and CY 2024 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 expected benefits to be paid to those eligible for benefits.

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Exhibit 4: Operating Costs

**Tab 5 (of 8): Shared Services & Corporate Cost
Allocations**

SHARED SERVICES & CORPORATE COST ALLOCATIONS

Shared Service Costs

Shared Service Costs are costs that Utilities Kingston (UK) charges Kingston Hydro (KH) in accordance with the "Services Agreement" dated September 17, 2017.

Utilities Kingston operates under an integrated utility model whereby knowledge, skills and expertise are shared amongst the employees who then work on the following utilities: electricity distribution; natural gas distribution; water treatment and distribution; sewage collection and treatment; and fibre optics.

Since its inception in 2000, Kingston Hydro has not employed any employees or incurred any operating expenses directly. Under the corporate organizational structure, Kingston Hydro has an agreement with 1425445 Ontario Limited (operating as Utilities Kingston) to manage the electricity distribution business. This agreement (the "UK-KH Agreement") is included previously in the application as Exhibit 1 Tab 3 Schedule 13 Attachment 1.

The arrangement between Utilities Kingston and Kingston Hydro involves Utilities Kingston administering the operations of the electrical services for Kingston Hydro. This includes planning and engineering, operating, maintenance, billing and collecting, community relations, and administrative and general.

In accordance with the UK-KH Agreement, Utilities Kingston charges Kingston Hydro for direct expenses incurred as work is performed on behalf of Kingston Hydro. Utilities Kingston does not mark up their costs nor have they ever done

1 so. Kingston Hydro is charged for actual costs only. There is not currently, nor
2 has there ever been any return on invested capital charged to Kingston Hydro.
3 Utilities Kingston is simply reimbursed by Kingston Hydro for costs that Kingston
4 Hydro would have otherwise incurred. Due to the incomparable benefits of the
5 multi-utility model, this arrangement is expected to continue well beyond 2023.

6
7 The methodology utilized by Utilities Kingston in determining the portion of any
8 charge to Kingston Hydro depends on the nature of the work being performed. If
9 the work is wholly for Kingston Hydro, such as electrical substation maintenance,
10 then all work associated with that, including engineering and planning,
11 management and/or supervision and the trades employees performing the
12 physical work, is tracked and charged to Kingston Hydro.

13
14 If the work being done is not solely for Kingston Hydro, one of three allocation
15 methodologies or an estimated percentage related to Kingston Hydro is utilized.
16 This could include a variety of items such as billing (Utilities Kingston issues one
17 bill that may include electric, gas, water and sewer charges), or the shared use of
18 a GIS system.

19
20 Allocation Method One utilizes the number of Kingston Hydro customers as a
21 percentage of the total number of electricity, gas, water and sewer customers.
22 As of December 31, 2021, Utilities Kingston services 28,326 electric customers,
23 15,602 natural gas customers, 39,899 water customers and 38,779 sewer
24 customers. The percentage of electric customers is 23.1%. For the purposes of
25 allocation of common costs, Utilities Kingston allocates 23% to Kingston Hydro in
26 order to ensure that Kingston Hydro is not overcharged in the event the water
27 and sewer utilities growth in any year would reduce the amount charged to
28 Kingston Hydro to less than their customer percentage. Kingston Hydro

1 believes that a 23% allocation is fair and reasonable and will be valid throughout
2 the IRM period.

3
4 Allocation Method Two examines if the work that is being performed benefits the
5 four major utilities and is not directly related to customer numbers. For these
6 circumstances the charge is then divided between the four major business units
7 (electric, gas, water, and sewer) evenly at 25% each.

8
9 Allocation Method Three examines if the work that is being performed benefits all
10 five major utilities and is not directly related to customer numbers. The fifth
11 business unit operated by Utilities Kingston is the fibre optic business. It is
12 relatively new compared to the others, has very few customers in relation to the
13 others (approx. 100) and impacts few employees (6 directly and less than 10
14 indirectly). It is set up as a stand-alone business and not as integrated as the
15 other businesses. Thus, for services or work that benefits all five utilities the fibre
16 optic business is charged 8%, sewer and water are charged 27% each and gas
17 and electric are charged 19% each.

18
19 When work performed doesn't match the above three allocation methods, an
20 analysis is done to ensure proper cost allocation.

21
22 Again, regardless of the methodology utilized no mark up or profit is added.
23 These methods are also applied to the corporate services purchased by Utilities
24 Kingston when attributing costs to Kingston Hydro.

25
26 Table 1 sets out the allocation factors used for the services Utilities Kingston
27 provides to Kingston Hydro.

28

1 Table 1 - Allocation Factors

Service	Allocation Factor
1) Billing and Collecting	Actual costs or % of customers served
2) Engineering, Planning, Operating and Maintenance	Actual costs, or allocation based on number of utilities receiving the service
3) General and Administrative	Actual costs or % of customers served, or allocation based on number of utilities managed
4) Community Relations	Actual costs or % of customers served

2

3 The cost of the services provided by Utilities Kingston to Kingston Hydro is as
 4 summarized in the financial statements of Kingston Hydro. All the operating
 5 expenses on the Statement of Earnings are paid to Utilities Kingston. Any year-
 6 over-year variances are explained in the OM&A variance analysis as noted in the
 7 Appendices 2-J.

8

9 **Corporate Cost Allocation**

10

11 Included in part of the Shared Service Costs charged to Kingston Hydro by
 12 Utilities Kingston are allocated Corporate Costs for services that the City of
 13 Kingston provides to Utilities Kingston.

14

15 The Corporate Costs allocated to Kingston Hydro are as follows:

16

- 17 i. Information Systems Services including Corporate Phones and GIS
- 18 ii. Client Services
- 19 iii. Human Resources
- 20 iv. Communications
- 21 v. Financial Services
- 22 vi. Legal Services



1 All the above services charged to Utilities Kingston from the City of Kingston are
2 charged to Utilities Kingston on a cost recovery basis. That is, the City of
3 Kingston does not mark up the costs and does not make a profit or a return on
4 the invested capital on the Corporate Costs.

5

6 There has not been a third-party review of the corporate cost allocation
7 methodology used.

8

9 The allocation factors used by the City of Kingston for services provided to
10 Utilities Kingston are set out in Table 2.

11

1 Table 2 – City of Kingston Service Cost Allocations Summary

Service	Pricing Methodology	UK Recovery 2022 Budget	% Allocation of Total Dept Costs
Information System Services	Total IT operating and capital budgets allocated to UK based on proportion of desktop computers.	\$ 1,085,293	12%
Client Services	Costs allocated to UK based on tracked time that each staff position spends on UK related inquiries.	\$ 993,064	52%
Human Resources	Payroll and compensation/HRMS budgets allocated to UK based on proportion of full time employees.	\$ 226,129	6%
Communications	Costs allocated to UK based on an hourly rate applied to estimated hours utilized in communication activities solely for UK programs and initiatives.	\$ 86,152	3%
Financial Services	Costs allocated to UK based on proportion of time that each staff position spends working on UK accounting related tasks.	\$ 504,875	13%
Legal services	Costs allocated to Utilities Kingston for legal and insurance services are based on an hourly rate, calculated to recover actual costs incurred in providing the services.	\$ 98,226	5%
CAO Office	Costs allocated to Utilities Kingston for corporate management oversight / strategic planning.	\$ 76,100	8%
Clerk's Department	Allocation of mailroom and delivery costs, based on proportion of UK pieces of mail to total pieces of mail, including salary costs plus mileage, lease of postage meter and actual postage costs. Provide storage and mangement services for archived files.	\$ 57,434	3%
Social Services	Community Services Investment costs allocated to municipal utility services.	\$ 38,080	11%

2

3

4 For each of the charges from the City of Kingston, Utilities Kingston allocates the
 5 costs to its utilities – either based on the percentage of the total number of
 6 customers served or a percentage based on the number of utilities utilizing the
 7 particular service, as described previously. Details are provided in Appendix 2-N
 8 which has been completed as per the filing requirements.

9

The costs charged to Kingston Hydro from Utilities Kingston for services provided by the City of Kingston are shown in Table 3 below.

Table 3 - Affiliate Services

	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Bridge Year	2023 Test Year
Information Services	\$ 316,668	\$ 323,016	\$ 329,477	\$ 243,339	\$ 248,205	\$ 253,169	\$ 258,233	\$ 263,397
Client Services	88,402	91,799	93,635	95,507	94,894	108,334	110,501	112,714
Human Resources	52,568	53,620	54,692	51,140	52,164	53,207	54,271	55,356
Communications	12,759	13,015	13,275	13,540	13,811	14,088	14,369	14,657
Financial Services	73,236	82,911	84,569	86,270	87,995	89,756	91,551	93,382
Legal Services	20,061	20,462	20,872	21,289	21,715	22,149	22,592	23,044
Total	\$ 563,694	\$ 584,823	\$ 596,520	\$ 511,085	\$ 518,784	\$ 540,703	\$ 551,517	\$ 562,550

The two largest services provided to Utilities Kingston by the City of Kingston are Client Services and Information Systems Services. Information on all of the services in the table above is detailed below.

(i) Information Systems Services

City of Kingston Information Systems is responsible for the management and operation of computing technology and resources used within across the corporation. Individual service categories that are provided to Utilities Kingston include:

- Geographic Information Systems Data Collection and Maintenance (GIS)
 - Support and maintenance of corporate GIS data standards and key data sets such as base maps
- Systems Development / Systems Administration
 - Problem and Change Management: Tracking of problems within the IT infrastructure and the identification of potential solutions.

- 1 – Performance tuning: Review and adjustment of components of the IT
2 infrastructure to meet performance requirements in a cost-effective
3 manner.
- 4 – Version Control: Centralized storage of source documentation that
5 supports and describes the organization's IT infrastructure.
- 6 – Software Development and Maintenance: Support for existing and new
7 software applications including those developed in-house, customized
8 third party and off-the-shelf applications.
- 9 – Disaster Recovery: The recovery processes required, ensuring that in
10 the event of a disaster or major unplanned event, the IT technical and
11 service facilities can be recovered.
- 12 – Storage Management: Review and management of the file and data
13 storage requirements needed to support UK business operations.
- 14 – Back-up and Recovery: Ensure that all data and software assets are
15 protected through appropriate backup and recovery policies and
16 procedures.
- 17 – Performance Monitoring: Monitor the performance of the network and
18 servers, tracking volumes of usage against actual capacity ensures that
19 the networks and servers can support the operations of the business.
- 20 – Networking: Architect and maintain the components of the network and
21 IT infrastructure based upon existing and future UK and KH business
22 requirements.
- 23 – Network Security Access Controls: Access security provides the
24 mechanism to protect UK and KH corporate assets and the IT
25 infrastructure from unauthorized or malicious access and use.
- 26 – Electronic Mail Services: Access to electronic mail for UK staff from
27 both internal and external locations.

- 1 – Directory Services: Support of the directory and file infrastructure
- 2 utilized by UK staff
- 3 – Network Capacity Management: Based upon business requirements
- 4 ensure that sufficient processing power is available in a cost-effective
- 5 manner.
- 6 ▪ Distributed Computing and Service Desk
- 7 – Technical Services and Operations: Provide technical support to UK
- 8 staff daily for desktop and network systems.
- 9 – User Profile Management: Provide secure access for UK staff to
- 10 software products and services available on the IT infrastructure
- 11 through the use of standard user profiles.
- 12 – Centralized Help Desk / Service Request Facility: Centralized facility
- 13 for the logging of any incidents or requests relating to the IT
- 14 infrastructure.
- 15 – Desktop Management: Define and maintain the desktop configurations
- 16 to support access and use of standard office applications and specific
- 17 business applications.
- 18 ▪ IT Corporate
- 19 – IT Corporate consists of provisioning the network for telephone,
- 20 connectivity, PC and printers and corporate software maintenance
- 21 including:
 - 22 ○ Hardware Procurement
 - 23 ○ Software Distribution
 - 24 ○ Software Licensing and Compliance Auditing
 - 25 ○ IT Asset Management
 - 26 ○ Basic Training
- 27
- 28

- 1 ▪ Database Administration:
- 2 – Maintenance and support for the corporation's relational database
- 3 technology.
- 4

5 The amount forecasted to be charged by the City of Kingston to Utilities Kingston
6 for 2023 is \$1,106,998, a 2.00% increase from 2022. In 2023 \$211,367 is
7 forecasted to be charged from Utilities Kingston to Kingston Hydro for System
8 administration, development, IT corporate recoveries, Database administration
9 and distribution computing and service desk. This allocation is based on the
10 number of utilities using the service. The forecasted amounts charged to
11 Kingston Hydro for GIS and database maintenance services are \$52,030.

12

13 (ii) Client Services

14

15 On an annual basis, customer service representatives (CSRs) handle all utility
16 calls. The Customer Service/Call Centre services provided by the City of
17 Kingston to Utilities Kingston can be summarized as follows:

- 18
- 19 ▪ Service level set at 65/30 to meet OEB electric service quality indicator
- 20 requirements (65% of calls answered within 30 seconds)
- 21 ▪ Handle all general inquiries for Utilities Kingston – includes electric
- 22 deregulation, watering restrictions, hot water rental program, planned
- 23 power outages, etc.
- 24 ▪ Process residential and commercial applications for service for electric,
- 25 gas, water and sewer
- 26 ▪ Collect deposits from residential and commercial customers
- 27 ▪ Explain and investigate billing inquiries/adjustments (i.e., high bill
- 28 complaints, high consumption concerns, estimates, Equal Payment Plan,
- 29 etc.)

- Process Pre-authorized Payment Applications
- Collect and update customer information on billing system such as password, identification, contacts, banking information
- Issue service orders for move-ins, move-outs, maintenance and check reads
- Handle and resolve customer complaints
- Contact customers to book appointments on behalf of various Utilities departments
- Taking phone-in readings for electric, water and gas
- Prepare and send out consumption history reports/payment history reports
- Inquiries and complaints handled require understanding of complex billing systems; knowledge of technical terms and equipment; superior problem-solving and investigative skills; current knowledge of utility issues

The total amount for customer service/call centre charged by the City of Kingston to Utilities Kingston for 2023 is forecasted to be \$1,012,429 a 1.95% increase from 2022. The amount allocated to Kingston Hydro would be \$112,714 based on a reasonable allocation for an amount per customer call.

(iii) Human Resources and Payroll Services

The Human Resources services provided by the City of Kingston to Utilities Kingston is as follows:

- Compensation and HRMS track benefits administration, employee sick, leave, and vacation time. PeopleSoft administration, development and reporting including table set up, upgrades, tax updates and maintenance.
- Payroll Services for all Utilities Kingston employees – includes processing weekly payrolls, pay increases, merit and adjustments including retro payments, monthly remittances, OMERS administration, time and vehicle

1 costing system, audit support, and year end reporting. Benefit costing is
2 done for both current and retired employees as well as actuarial valuation
3 of post-employment benefits.
4

5 The total forecasted amount charged by the City of Kingston to Utilities Kingston
6 for 2023 is \$230,651, a 2.00% increase from 2022. The amount allocated to
7 Kingston Hydro is \$55,356.
8

9 **(iv) Communications**
10

11 The City of Kingston Communications services provides the following service
12 categories to Utilities Kingston related to communications and media relations:

- 13 ▪ Media relations, coordination monitoring and analytics
- 14 ▪ News releases and media advisories – includes information gathering,
15 writing, editing, delivery to maintained media lists
- 16 ▪ Broadcast and print advertising – includes radio campaigns, print and
17 digital ads and merchandising
- 18 ▪ Graphic design services
- 19 ▪ Information radio - includes writing, recording, sound editing, posting
20 messages for programs, initiatives, events including power outage service
21 disruptions, student-move notifications, rain barrels, water restrictions
- 22 ▪ Annual infrastructure issue – includes research, writing, photographs,
23 graphic design, production and delivery supervision, billing of annual 8-
24 page infrastructure tab
25

26 The total forecasted amount charged by the City of Kingston to Utilities Kingston
27 for 2023 is \$87,875, a 2.00% increase from 2022. The amount allocated to
28 Kingston Hydro is \$14,657.
29

1 **(v) Financial Services**

2
3 Financial Services provides a variety of accounting services and reporting
4 support to Utilities Kingston including ongoing financial management, accounting,
5 accounts payable, purchasing and cashier and payment services as well as
6 various project related support as required.

7
8 The following provides a breakdown of the ongoing support by service category:

9 ▪ Financial Management Services

- 10 – Financial Planning including assistance with long-term capital financing
11 strategies
12 – Investment management and updating and review of cash flow analysis
13 – Capital construction assistance by reviewing capital vouchers, as
14 required for holdbacks, then tracking and reconciling, processing
15 funding transactions and year end processing and reporting /
16 consolidation requirements for the Financial Information Return and the
17 Financial Statements.

18 ▪ Accounting Services

- 19 – Transaction accounting including processing of monthly allocation
20 processes/ contracted services entry / manual trucking entries /
21 maintenance of combo edits, interface payroll entries, research and
22 adjust payroll errors, preparation / review of UK bank reconciliations,
23 weekly cheque runs, interfund transfers for internal utility costs, and
24 interfund and interunit reconciliations.
25 – Compliance requirements assistance for HST (GST & PST) remittances
26 and PST self assessment entries, dealing with CRA issues as required
27 and inclusion of UK/KH in commodity tax review.

- 1 – Management support and review including budget, reporting, variance
- 2 and report analysis, process and control support in all aspects of
- 3 accounting, reporting, taxes, audit, payables, receivables, etc.
- 4 – Year-end reporting and audit assistance including calculate and allocate
- 5 employee future benefit costs for utility businesses, provide yearend
- 6 report for f/s reporting
- 7 – Technical and system support such as creating queries, assisting with
- 8 new capital reports, security issues, maintaining TTS/payroll account
- 9 structure – including fleet rate chargeback calculations and review,
- 10 vehicle setup, system testing for changes/updates, manage system
- 11 security, assist with query development as required and support
- 12 computer software changes, as needed
- 13 ▪ Accounts Payable Services
- 14 – Set up vendors, vendor inquiries
- 15 – Payment processing including weekly retailer payments, monthly IESO
- 16 payments
- 17 – NSF cheque processing
- 18 ▪ Purchasing Services
- 19 – Incorporate utility requirements into City of Kingston standing purchase
- 20 orders
- 21 – Purchasing card administration
- 22 ▪ Cashier and Payment Services
- 23 – Posting of payments to customer accounts, filing of postdated cheques,
- 24 pay direct (manual) payments
- 25 – Daily collection and balancing of receipts and updating accounts
- 26 – Approving adjustments (bank errors, tax acct transfers)
- 27 – Correspondence to customers with respect to adjustments where
- 28 incorrect payment applied

- 1 – Account inquiries, including advising C&C of postdated or other
- 2 payments
- 3 – Collections Agency postings, Service Centre deposits, Customer
- 4 Service deposits

5

6 The total amount forecasted to be charged by the City of Kingston to Utilities

7 Kingston for 2023 is \$514,970, a 2.00% increase from 2022. Kingston Hydro is

8 charged \$93,382.

9

10 **(vi) Legal Services**

11

12 Legal services provided by the City of Kingston to Utilities Kingston are as

13 follows:

- 14 ▪ General Legal advice and services are provided to Utilities Kingston with
- 15 regard to its management and operation of various utilities including hydro,
- 16 water, sewer, gas and fibre as would be in a standard retainer agreement
- 17 with any external legal firm
- 18 ▪ Specific Legal services are provided in areas such as:
- 19 – Tenders, including contracts and construction issues
- 20 – Environmental law and compliance
- 21 – Real property including disposition, acquisition and easements
- 22 – Municipal
- 23 – Regulatory
- 24 – Labour and employment
- 25 – Insurance claims management and litigation support
- 26 – Damage recoveries
- 27 – Collections
- 28 – Privacy

1 The total forecasted amount charged by the City of Kingston to Utilities Kingston
2 for 2023 is \$100,191, a 2.00% increase from 2022. The amount allocated to
3 Kingston Hydro is \$23,044.

4 5 **Tree-Trimming Services**

6
7 In 2013 Kingston Hydro, through its affiliate, Utilities Kingston contracted with
8 City of Kingston to provide tree-trimming services. The charges are based on
9 recovering actual costs and are expected to continue throughout the course of
10 the IRM period. These expenses are included in account 5135.

11 12 **Fleet Services**

13
14 Kingston Hydro, through its affiliate, Utilities Kingston, receives fleet services
15 from the City of Kingston. These fleet services include maintenance services for
16 vehicles. Kingston Hydro is charged usage fees for these vehicles based on
17 actual usage. These usage fees include only a maintenance component and are
18 based on actual costs.

19 20 **Variance Analyses**

21 22 Variance Analysis 2023 Test Year vs. 2016 last OEB-approved

23
24 As shown in Table 4 below, cost allocation from Utilities Kingston to Kingston
25 Hydro decreased slightly from 2016 last OEB-approved to 2023 Test Year.

1 Table 4 – Variance Analysis 2023 Test Year vs. 2016 last OEB-approved

	2016 OEB Approved	2023 Test Year	Variance \$	Variance %
Information Services	\$ 319,773	\$ 263,397	\$ (56,376)	-18%
Client Services	89,269	112,714	23,445	26%
Human Resources	53,084	55,356	2,272	4%
Communications	12,885	14,657	1,772	14%
Financial Services	73,954	93,382	19,428	26%
Legal Services	20,258	23,044	2,786	14%
Total	\$ 569,223	\$ 562,550	\$ (6,673)	-1.2%

2
3
4 Information Services costs decreased \$56,376 from 2016 to 2023 Test Year. In
 5 2019, upon a review of the Information Services costs provided to Utilities
 6 Kingston and allocation to Kingston Hydro, \$81,800 in costs associated with
 7 providing computer hardware were moved from operating to capital to be
 8 allocated over the useful life of the assets provided.

9
10 Client Services costs increases \$23,445 from 2016 to 2023 Test Year. In addition
 11 to 2-3% inflationary annual increases, Client Services costs increases as the
 12 Customer Service group that provides these services for the City of Kingston,
 13 Utilities Kingston and Kingston Hydro were relocated to a different facility to
 14 accommodate the group with slightly increased operating expenses, of which
 15 Utilities Kingston and Kingston Hydro were allocated their share.

16
17 Financial Services cost allocation increased 2-3% per year since 2016 in line with
 18 inflationary increases, in addition to increased costs of servicing and maintaining
 19 new financial management system from previously outdated and unsupported
 20 software.

Communication and Legal Services cost allocations increased 2-3% per year since 2016 in line with inflationary increases.

Variance Analysis 2023 Test Year vs. 2021 Actuals

As shown in Table 5 below, cost allocation from Utilities Kingston to Kingston Hydro is expected to increase \$21,847 from 2021 actuals to 2023 Test Year. This is in line with a 2% inflationary increase in each of 2022 and 2023.

Table 5 – Variance Analysis 2023 Test Year vs. 2021 Actuals

	2021 Actuals	2023 Test Year	Variance \$	Variance %
Information Services	\$ 253,169	\$ 263,397	\$ 10,228	4.0%
Client Services	108,334	112,714	4,380	4.0%
Human Resources	53,207	55,356	2,149	4.0%
Communications	14,088	14,657	569	4.0%
Financial Services	89,756	93,382	3,626	4.0%
Legal Services	22,149	23,044	895	4.0%
Total	\$ 540,703	\$ 562,550	\$ 21,847	4.0%

Other Affiliate Costs and Revenue

Kingston Hydro does not have any shared services revenue or corporate cost allocation revenue.

Kingston Hydro does benefit from services related to corporate cost allocations with Utilities Kingston through the unique and beneficial multi-utility model. These costs are not reflected in any accounts under Other Revenue or Other Expenses.

Kingston Hydro does not have any Board of Directors-related costs for affiliates included in its own costs.

Exhibit 4: Operating Costs

**Tab 6 (of 8): Non-Affiliate, One-Time and
Regulatory Costs**



PURCHASE OF NON-AFFILIATE SERVICES

Kingston Hydro's OM&A expenses include services and products that are purchased from vendors which are not affiliated with the Applicant. Purchases for Kingston Hydro's expenditures are provided by Utilities Kingston through a management agreement. Utilities Kingston has a purchasing policy and is included in Exhibit 4, Tab 6, Schedule 1 Attachment 1.

There are no material transactions that are not in compliance with the procurement policy.

Attachment 1 (of 1):

Purchasing Policy

PURCHASING POLICY

General

It shall be the practice of Utilities Kingston that all purchasing is undertaken in a fair, competitive and equitable manner with emphasis on providing best value to the company and its customers. Consideration will be given to the price, quality, delivery, and sustainability when making purchasing decisions. Purchasing activity decisions will be conducted in a manner that clearly provides for accountability.

Definitions

Buyer	shall mean any individual(s) identified in this document as having authority to procure services and/or goods on behalf of Utilities Kingston
Director	shall mean a managing Director employed by Utilities Kingston
Emergency	shall mean a situation where serious delay may affect the life and health of the general public, prevention of serious damage, or is the restoration of essential service levels to a minimum level

General Conditions

1. Formal approval of the annual budget constitutes financial approval to proceed with the purchase subject to the Purchasing Requirements Table included here, and/or any scheduling or priority considerations as directed by the Board of Directors.
2. Prior to the passing of the annual operating budget, each Director shall be allowed an interim appropriation of twenty-five percent (25%) of the previous year's approved operating budget and such interim appropriation shall be deemed to be for routine operating and recurring expenditures or statutory purposes unless otherwise directed by the Board of Directors.
3. If the annual approved operating or capital budget by Utility group (electric, fibre, water, sewer or gas) is or is expected to be exceeded, a report to the appropriate reporting authority (e.g. Board), which may include a budget amendment, shall be submitted.
4. Subject to the Purchasing Requirements Table included here, the Buyer shall decide the method of source selection which shall be employed to obtain the most favourable value, having regard to the nature or importance of the contemplated work, the urgency of the requirement, and general trade practice and market conditions.
5. Notwithstanding the provisions of these procedures, emergency purchase of goods, works and services may be made by a Buyer, in the event of an emergency. The immediate

purchase must be essential to prevent delays in the work of any user group, which might involve additional cost or danger to life or damage to property.

6. All contractors/suppliers that will be performing paid work for Utilities Kingston must provide evidence of appropriate insurance and active Workplace Safety and Insurance Board status to be eligible for specified works.
7. The Buyer is authorized to place orders for goods and services from such suppliers and upon such terms and conditions as deemed appropriate, subject to this policy. The Buyer is not bound to accept the lowest price if, in his discretion, having regard for delivery time, service and quality of goods, it is in the best interests of Utilities Kingston.
8. Staff do not have authority to purchase or approve contracts outside of the scope of their own responsibility.
9. It is recognized that upon commencement of a purchase of goods the final price may not be known. Where the known final cost exceeds by more than 15% the established thresholds identified in the Purchasing Requirements Table, the process shall be repeated utilizing the proper method.
10. Nothing prohibits submission of a report to the appropriate Board of Directors for information or approval of procurement, however any single-source procurement of services or goods valued at more than \$250,000 requires consent of the Board of Directors, while single-source procurement of services or goods valued at more than \$50,000 to \$250,000 requires an information report to the Board of Directors. This information report will be submitted on a quarterly basis as required.

Environmental Considerations

Utilities Kingston is committed to buying environmentally friendly goods and services provided they meet our quality standards and are obtainable at the right time and right price. In evaluating competitive bids, the decision to purchase will be on total value which will take into consideration the life cycle of the products. Evaluation during the selection process should consider such factors as energy efficiency, durability, hazardousness, recyclability, packaging, reusability and whether the source is locally based.

Consideration will also be made to suppliers that share our environmental commitment. Evaluations of awards should include a weighted factor and be scored according to the bidder's inclusion of environmental considerations.

Methods of Procurement and Purchase Source Types***Public Tender***

Tenders are more often likely to be used when a high level of public transparency is required due to the nature or sensitivity of the work. It involves a publicly advertised solicitation of bids that are opened in public.

Expression Of Interest (EOI)

Often used when the purchase cannot be fully defined or specified at the time of the request. This yields varied suggestions from suppliers on solutions.

Request For Proposal (RFP)

Typically used when exact specifications are not clear or known. A weighting factor is required for evaluation, with the price component comprising a minimum of 30% to a maximum of 70%.

Request For Quotation (RFQ)

Typically used when specifications are clear or known. Generally the lowest submitted price would be accepted. It is a written request that includes details or specifications regarding the goods for prices on specific goods and/or services.

Multi-Source Procurement

When there is at least two suppliers in the open market for the particular goods and/or services.

Single-Source Procurement

When there is more than one source in the open market but for reasons of function or service only one vendor is recommended for consideration of the particular goods and/or services. Single-source negotiation with the lowest bid can take place using the following techniques:

- Indicate to single source that other systems may be considered and other quotes may be obtained.
- Encourage single source to bring to the table ideas to help reduce the cost of the item.
- Ask them to offer alternate items and suggestions to lower the price of the item.
- Request concessions such as discount payment terms, longer payment terms or include freight charges.
- Request a breakout of the cost of the item (materials, labor, markup, etc.) to allow you the ability to seek better pricing on specific portions.
- Speak to your budget and the difficulty to get the purchase approved.

Sole-Source Procurement

When there is only one known source of supply in the open market for the particular goods and/or services.

Purchasing Requirements Table (pre-tax amounts)

Authority to Purchase / Contract ¹	Purchase Source Type	Approve Payments	Approve Contracts Valued	Other Conditions
Sub-forepersons Others delegated by Managers or above ²	Any	Up to \$1,500	Up to \$5,000	<ul style="list-style-type: none"> Attempt to obtain prices from more than one supplier, or; purchase directly from catalogues, supplier lists or through negotiations, upon assuring that all prices offered are competitive and equitable
Supervisors	Single-Source	Up to \$10,000	Up to \$10,000	<ul style="list-style-type: none"> Unless sole-sourced, attempt to obtain prices from at least three suppliers; must have three prices for purchases greater than \$10,000
	Multi-Source Sole-Source	Up to \$20,000	Up to \$20,000	
	On preapproved contracts	Up to \$50,000		
Managers ³ / Executive Assistant	Single-Source	Up to \$20,000	Up to \$20,000	<ul style="list-style-type: none"> May use supplier written quote(s), catalogue pricing, web pricing, supplier lists, advertisements, etc.) May use EOI, RFP, RFQ, Tender, or Negotiations
	Multi-Source Sole-Source	Up to \$50,000	Up to \$100,000	
	On preapproved contracts	Up to \$100,000		
Directors	Single-Source	Up to \$50,000	Up to \$50,000	<ul style="list-style-type: none"> Must use EOI, RFP, RFQ, or Tender for multi-source and single-source values over \$100,000 May use Negotiations for sole-source values over \$100,000 All single-source procurements valued at more than \$50,000 require the approval of the Manager of Purchasing & Materials Management. All single-source procurements valued at more than \$250,000 require the additional approval of the Board of Directors.
	Multi-Source Sole-Source	Up to \$500,000	Up to \$1,000,000	
	On preapproved contracts	Up to \$2,000,000		
Manager of Purchasing & Materials Management	Single-Source	Up to \$250,000	Up to \$250,000	
	Multi-Source Sole-Source	Up to \$2,000,000	Up to \$2,000,000	
	On preapproved contracts	Up to \$3,000,000		
President/CEO / VP / CFO	Single-Source	Up to \$250,000	Up to \$250,000	
	Multi-Source Sole-Source	Not limited	Not limited	
	On preapproved contracts			

¹ Note that only Officers (Pres/CEO, VP, CFO) of the corporation have authority to legally bind the corporation.

² Use approved Signing Authority Form

³ CFO or Manager of Finance may approve regular and recurring regulatory/government expenditures and remittances without limit (e.g. IESO, power, natural gas procurement)

Procurement / Appointment of Professional Services

In selecting a consultant, ability, experience in similar type projects, personnel available for the project, reputation, and/or local knowledge shall be considered. The selection and weighting criteria shall be determined in advance, based on the scope of the service required. Although fees are a consideration, they may not be the prime importance. Selection on a basis of price rather than ability may not ensure Utilities Kingston of the best or most economical overall solution.

Generally there are two methods by which a consultant may be selected:

- a) by direct appointment; or
- b) through a more formal selection procedure.

Direct Appointment

Direct appointment is an efficient manner of making a selection for normal or routine projects.

The following points shall be considered when appointing a consultant:

- a) Has the consultant served Utilities Kingston well in the past?
- b) Is the consultant known to Utilities Kingston ?
- c) Has the consultant been recommended?
- d) Does Utilities Kingston wish to maintain continuity on a project by appointing a particular consultant?
- e) Has the estimated cost been compared with another consultant to ensure the reasonableness of the expense?

Formal Selection Procedure

A formal selection procedure should be used for projects unique to Utilities Kingston, or when Utilities Kingston does not know of a suitable consultant, or needs additional information to make a selection. This procedure may require an Expression of Interest in addition to proposals and interviews with prospective consultants.

1

ONE TIME COSTS

2

3 With the exception of costs related to this Application discussed below under
4 Regulatory Costs, Kingston Hydro is not proposing to recover any other one-time
5 costs in this application.

6

7 The regulatory costs for the application are included in that schedule and are
8 requested to be recovered 1/5 over a 5-year period.

REGULATORY COSTS

Kingston Hydro has completed Appendix 2-M as required by Section 2.7.3.5 of the Ontario Energy Board's Chapter 2 of the Filing Requirements for Electricity Distribution Rate Applications - 2022 Edition for 2023 Rates Applications issued April 18, 2022. Appendix 2-M provides a breakdown of the regulatory costs by category, USoA account and identifies the costs as one-time or ongoing. It also details the amounts and lists the changes in the costs from 2020 Board Approved through to the test year 2023.

Major increases from the bridge year of 2022 to the 2023 Test year are as follows:

- "OEB Annual Assessment" costs have been estimated based on 2021 actuals and 2022 projected costs. The large increase is because the full amount of the OEB Cost assessment is now requested to be recovered in rates.
- "Operating expenses associated with staff resources allocated to regulatory matters" is projected to increase from \$59,925 to \$181,734 due to the addition of one FTE to attend to regulatory matters.
- The amount of \$70,000 has been included in 2023 representing 1/5 of the regulatory costs associated with this application.

The total 2023 one-time costs is estimated to be \$350,000. The breakdown is a detailed on Appendix 2-M. This amount has been amortized over the 5-year period 2023-2027 such that 20% of the one-time costs are included in the 2023 regulatory costs as noted on Appendix 2-M.



- 1 Kingston Hydro proposes to update this schedule at a later stage in the process
- 2 if/when additional information regarding rate application costs become available.

Exhibit 4: Operating Costs

**Tab 7 (of 8): LEAP, Charitable and Political
Donations**

LOW INCOME ENERGY ASSISTANCE PROGRAMS

Kingston Hydro has included contributions to programs that provide assistance to low-income customers as identified in the Report of the Board on Low Income Energy Assistance Program.

Kingston Hydro has included an estimate for LEAP funding for the 2023 Test year in the amount of \$21,850.

This amount is slightly greater than the 0.12% of service revenue requirement of \$14,987,406 or \$17,985.

Kingston Hydro proposes to update this amount as necessary at the draft rate order stage.



1 **CHARITABLE AND POLITICAL DONATIONS**

2

3 Kingston Hydro has not included any charitable or political donations in the
4 revenue requirement for the Test Year.

Exhibit 4: Operating Costs

**Tab 8 (of 8): Conservation and Demand
Management**

CONSERVATION AND DEMAND MANAGEMENT

CDM activity under the provincial 2021-2024 CDM Framework is centralized under the IESO and funded through the Global Adjustment (GA) mechanism. The 2021 CDM Guidelines indicate that any efforts by distributors to support these IESO programs should be limited in nature and non-duplicative of the IESO's activities, and that distributors should not request funding through distribution rates for dedicated CDM staff to support IESO programs. An application must provide a statement confirming that no costs for dedicated CDM staff to support IESO programs funded under the 2021-2024 CDM Framework are included in the revenue requirement.

Kingston Hydro confirms that no costs for dedicated CDM staff to support IESO programs funded under the 2021-2024 CDM Framework are included in this Application.

At this time, Kingston Hydro has no plans to seek partnership with the IESO's LIP, nor any rate-based CDM to address system needs.

At this time, Kingston Hydro does not have any future CDM activities planned.