SYNERGY NORTH CORPORATION

EXHIBIT 4

OPERATING EXPENSE

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4.1 OVERVIEW

4.1.1 BACKGROUND

The operating costs presented in this Exhibit represent the required expenditures necessary to operate and maintain SNC's distribution system assets; the costs associated with metering, billing and collecting from its customers; the costs associated with implementing and carrying out government mandated initiatives; the expenditures associated with ensuring the safety of all stakeholders (e.g. public, employee's, etc.) and the costs to maintain the distribution business service quality and reliability standards in compliance with the Distribution System Code and other regulatory bodies (e.g. IESO, ESA, etc.). In summary, these are the on-going costs associated with providing distribution services in alignment with customers' expectations.

SNC believes that the level of planned OM&A expenditures is appropriate, reasonable and takes into consideration customer feedback and preferences, optimal productivity, and improves reliability and service quality.

4.1.2 2024 TEST YEAR OM&A EXPENSE SUMMARY

SNC's Test Year Operating, Maintenance and Administrative ("OM&A") expenses are $21,432,230 including expenditures relating to the Low-Income Energy Assistance Program ("LEAP"). A summary of OM&A expenses from the 2017 Ontario Energy Board (the "Board") Approved Proxy to the 2024 Test year is found in Table 4-1 below. OM&A Expenses have risen 23.83%, which equates to an average 3.4% annual increase. Below, Figure 4.1: OM&A Expenditures 2017 BA Proxy to 2024 Test Year depicts SNC's year over year OM&A expenses.

TABLE 4-1: 2024 TEST YEAR OM&A EXPENSES

	Last Rebasing Year (2017 Board-Approved Proxy)	2024 Test Year
Operations	$3,538,189	$4,326,174
Maintenance	$4,713,431	$7,452,720
Billing and Collecting	$2,877,424	$2,473,769
Community Relations	$167,483	$303,172
Administrative and General	$6,011,116	$6,876,395
Total	**$ 17,307,644**	**$ 21,432,230**
%Change		**23.83%**

4.1.3 OM&A BUDGETING PROCESS

In managing its distribution system assets and operations, SNC's main objective is to optimize performance of the assets at a reasonable cost with due regard for system reliability, safety, and customer service expectations.

Developing the budget is a key process as it identified past success and future initiatives and establishes projections for capital and operational costs. Care is taken to ensure that the capital and operating budgets supports SNC's core business objectives as well as being prudent, financially sustainable, and considerate of rate impacts to SNC's customers.

For the purpose of this Application, in 2022, a two-year budget was prepared for the 2023 bridge year and the 2024 test year. SNC's Board of Directors approved the 2023 budget in November 2022, and the 2024 budget was approved in January 2023. The budget provides a plan, against which actual results are evaluated, and it underpins this application. Once approved, the budget is only revised if a material change in plan is required. The budget that is put in place directly supports SNC's Strategic Plan.

SNC employs the following processes with respect to its budgeting:

- The Management team works collectively to look at higher level issues including changes in revenue, strategic initiatives either from within SNC or the industry, cost pressure from specific areas or performance concerns that each department must consider. This step sets high level expectations for each department on cost control and efficiency improvement. Senior management is always mindful of the costs of supplying services vs. the rate impact on SNC's customers.

- Each department manager or supervisor then develops capital and operating plans with these issues or objectives in mind. The following directives are provided to each manager and supervisor to assist them with preparation:
  - External expenses for all department budgets are built using previous year actual, current year forecast and current year budget as a base. Each third-party expense is reviewed to determine whether the service is required and whether there are opportunities for cost minimization or service level improvements.
  - Significant variances in spending from prior years must be explained and documented.
  - Review of department headcount-based requirement for staff and need for change.
- Each department works with Finance to prepare a labour budget using projected wage and benefit costs. Overtime is based on projected need and historical comparisons with an expectation that it is closely managed to reduce costs where possible. Salaries, overtime, and payroll burden are distrusted over accounts based on historical and forecasted allocations.
- Overhead department costs are budgeted and allocated over operating, maintenance and capital accounts based on what is considered directly attributable to capital and the allocation driver for the partial overhead departments.
- The Finance department then completes an initial consolidation of all departments to develop a draft budget. Finance works with each department to identify variances and issues for consideration.
- Senior management reviews the draft budget and makes changes to balance cost control with achieving core objectives as per SNC's Board Approved Business Plan. In an effort to contain costs and explore efficiencies and still provide an acceptable level of reliability and customer service, the team looks in detail for discretionary costs and identifies cost areas that can be delayed or addressed with alternative approaches.
- Senior management makes a submission to the Board of Directors on the proposed budget and formal approval is requested.
- Once the Board of Directors approves the annual budget the budget amounts do not change, and it provides a plan against which actual results are compared and explained.

SNC's Distribution System Plan ("DSP") and Asset Management Plan, are also used to determine the necessary distribution system operations and maintenance expenditures need to help ensure safe, reliable delivery of electricity to customers. This information is provided in Exhibit 2, Attachment 2-A (DSP).

4.1.4 2017 Board Approved Proxy

On January 1, 2019, the former TBHEDI and KHEC legally amalgamated to become SNC.

The last Board Approved amounts were established for each of the entities in the Decisions for the following Applications:

- TBHEDI – 2017 Rate Rebasing, EB-2016-0105
- KHEC– 2011 Rate Rebasing, EB-2010-0135

As a result of the amalgamation, and that each of the former utilities had different rate rebasing years, SNC has developed 2017 Board Approved Proxy figures for comparative purposes. For purposes of this Exhibit, the 2017 Board Approved Proxy was calculated as the aggregate of:

- Former TBHEDI Board Approved OM&A expense, as approved in EB-2016-0105; and
- Former KHEC Board Approved OM&A expense for 2011, as approved in EB-2010-0135, increased for the years 2012 to 2017 utilizing the Board Incentive Rate-making Mechanism ("IRM") inflation factors for each of those years, net of KHEC's stretch factor.

SNC has used the 2017 Board Approved Proxy to facilitate a comparison of OM&A amounts in a manner consistent with the current SNC corporate structure and Board Filing Requirements.

Table 4-2: Computation of Former KHEC Board Approved Proxy

		Proxy 2012	Proxy 2013	Proxy 2014	Proxy 2015	Proxy 2016	Proxy 2017
	2011 Board Approved	IRM Factor	IRM Factor	IRM Factor	IRM Factor	IRM Factor	IRM Factor
Price Escalator		0.02	1.60%	1.70%	1.60%	2.10%	1.90%
Stretch Factor		0.40%	0.4%	0.6%	0.6%	0.6%	0.6%
Productivity Factor		0.72%	0.7%				
Increase for Annual IRM Inflation Factor		0.88%	0.48%	1.10%	1.00%	1.50%	1.30%
Operations	$198,090	$199,833	$200,792	$203,001	$205,031	$208,107	$210,812
Maintenance	$395,649	$399,131	$401,047	$405,458	$409,513	$415,655	$421,059
Billing and Collecting	$536,508	$541,229	$543,827	$549,809	$555,307	$563,637	$570,964
Community Relations	$3,688	$3,720	$3,738	$3,779	$3,817	$3,874	$3,925
Administrative and General	$837,121	$844,488	$848,541	$857,875	$866,454	$879,451	$890,884
Total	**$ 1,971,056**	**$ 1,988,401**	**$ 1,997,946**	**$ 2,019,923**	**$ 2,040,122**	**$ 2,070,724**	**$ 2,097,643**

Table 4-3: Computation of 2017 Board Approved Proxy

	Former TBHEDI 2017 Board Approved	Former KHEC 2017 Board Approved Proxy	Synergy North 2017 Board Approved Proxy
Operations	$3,327,377	$210,812	$3,538,189
Maintenance	$4,292,372	$421,059	$4,713,431
Billing and Collecting	$2,306,460	$570,964	$2,877,424
Community Relations	$163,559	$3,925	$167,483
Administrative and General	$5,120,233	$890,884	$6,011,116
Total	**$ 15,210,000**	**$ 2,097,643**	**$ 17,307,644**

4.1.5 Presentation of Consolidated OM&A Expenditures

For comparative purposes, and throughout this Exhibit, the actual results for the 2017 and 2018 years represent the combined actual results for the former TBHEDI and KHEC. The 2019 through 2024 Test Year figures represent SNC.

Table 4-4 below is a comparison of the 2017 Board Approved Proxy calculation in comparison to the 2017 and 2018 KHEC historic actuals.

Table 4-4: Former KHEC 2017 Board Approved Proxy vs KHEC 2017 and 2018 Actuals

	2017 Board Approved Proxy	2017 Actuals	2018 Actuals
Operations	$210,812	$133,440	$140,084
Maintenance	$421,059	$583,928	$568,049
Billing and Collecting	$570,964	$535,551	$533,206
Community Relations	$3,925	$3,695	$3,695
Administrative and General	$890,884	$955,174	$1,064,902
Total	**$ 2,097,643**	**$ 2,211,789**	**$ 2,309,936**

4.1.6 2024 Test Year OM&A Expense Summary and Cost Trends

SNC's Test Year OM&A expenses are $21,423,230 including expenditures relating to LEAP. A summary of OM&A expenses from 2017 Board Approved Proxy to the 2024 Test Year is in Table 4-5 below.

Table 4-5: 2017 Board Approved Proxy to 2024 Test Year (Appendix 2-JA)

	Last Rebasing Year (2017 Board-Approved Proxy)	Last Rebasing Year (2017 Actuals)	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
Operations	$3,538,189	$2,881,340	$3,312,882	$3,365,919	$2,748,749	$2,820,903	$3,228,112	$3,862,346	$4,326,174
Maintenance	$4,713,431	$5,903,696	$5,842,018	$5,514,649	$5,567,845	$5,565,763	$8,131,321	$7,390,424	$7,452,720
Billing and Collecting	$2,877,424	$2,789,173	$2,508,200	$2,354,708	$2,508,864	$2,202,438	$2,598,680	$2,331,449	$2,473,769
Community Relations	$167,483	$170,165	$138,175	$227,826	$162,777	$248,689	$273,635	$284,250	$303,172
Administrative and General	$6,011,116	$6,203,344	$6,068,464	$5,679,043	$5,428,116	$5,448,667	$5,692,763	$6,492,979	$6,876,395
Total	**$ 17,307,644**	**$ 17,947,718**	**$ 17,869,739**	**$ 17,142,144**	**$ 16,416,351**	**$ 16,286,459**	**$ 19,924,511**	**$ 20,361,448**	**$ 21,432,230**
%Change (year over year)		**3.70%**	**-0.43%**	**-4.07%**	**-4.23%**	**-0.79%**	**22.34%**	**2.19%**	**5.26%**

Figure 4.1 below illustrates the level of OM&A expenditures for the 2017 Board Approved Proxy, 2017 to 2022 Actuals, 2023 Bridge and 2024 Test Year, and compares the actual and proposed levels of OM&A for SNC to the level of OM&A derived from taking the 2017 Board Approved Proxy OM&A and applying the OEB's inflation factor over the same period. Total expenditures reconcile to Appendix 2-JA.

Figure 4.1: OM&A Expenditures 2017 BA Proxy to 2024 Test Year

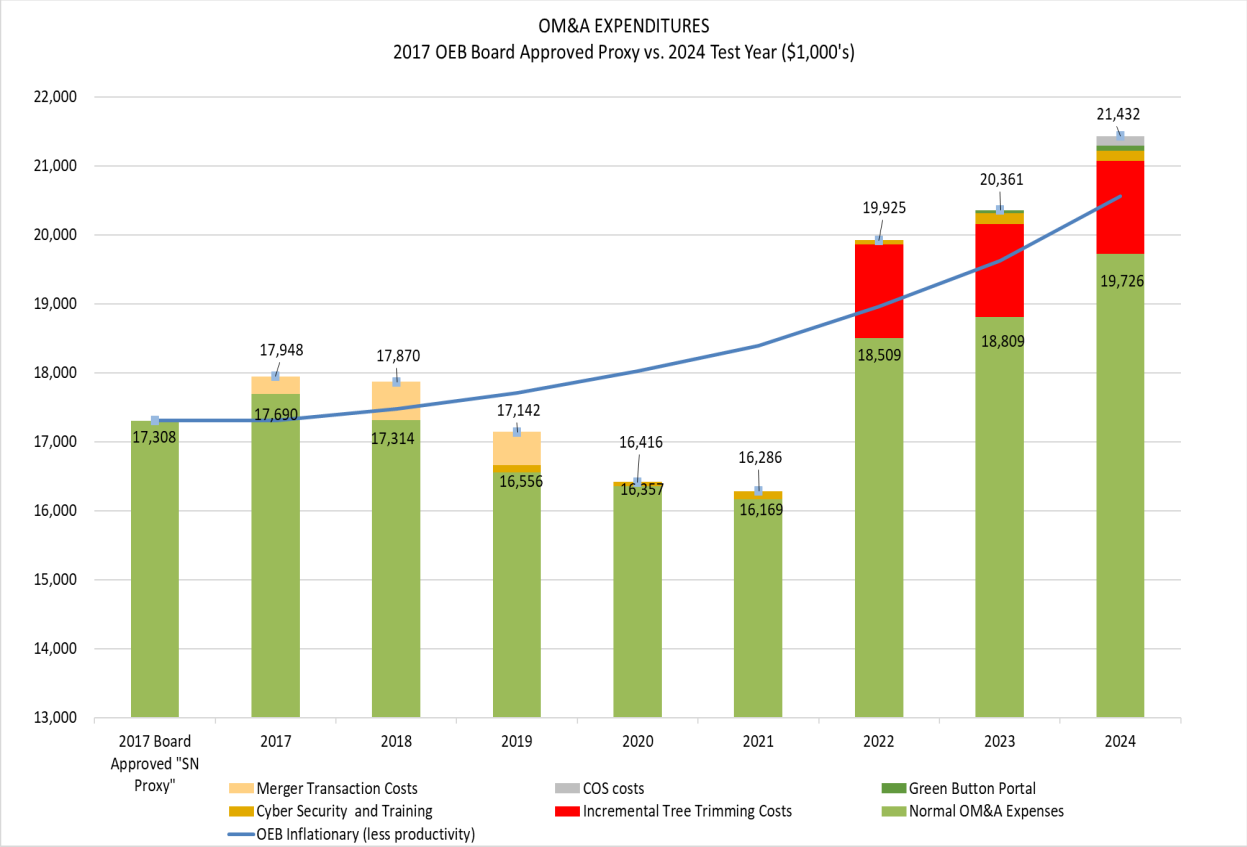


Table 4-6 below portrays the specific elements of the above graph.

Table 4-6: OM&A Expenditures 2017 BA Proxy to 2024 Test Year (Figure 4.1 Data Points)

	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
Incremental Tree Trimming Costs	$0	$0	$0	$0	$0	$1,350,000	$1,350,000	$1,350,000
Cyber Security and Training	$0	$0	$106,643	$59,514	$117,169	$66,007	$153,725	$140,893
Green Button Portal	$0	$0	$0	$0	$0	$0	$49,000	$76,000
COS costs	$0	$0	$0	$0	$0	$0	$0	$139,556
Merger Transaction Costs	$257,563	$555,550	$479,213	$0	$0	$0	$0	$0
Normal OM&A Expenses	$17,690,155	$17,314,189	$16,556,289	$16,356,837	$16,169,290	$18,508,503	$18,808,723	$19,725,781
Total OM&A (Appendix 2-JA)	**$ 17,947,718**	**$ 17,869,739**	**$ 17,142,144**	**$ 16,416,351**	**$ 16,286,459**	**$ 19,924,511**	**$ 20,361,448**	**$ 21,432,230**
OEB Inflationary OM&A (less productivity)	$17,307,644	$17,475,559	$17,710,570	$18,028,794	$18,388,793	$18,958,257	$19,621,189	$20,562,379

This illustrates that SNC has achieved significant operating efficiencies between 2019 and the 2024 Test Year. In order to fully understand SNC's trend in OM&A over the six year historical period, and the forecasted bridge and test year, a summary of key events that occurred in each year is provided below:

2017 to 2018

TBHEDI and KHEC not yet merged, this is OM&A expenses for two utilities operating as stand alone entities. Further variance analysis on OM&A programs is detailed in section 4.3 below.

2019

TBHEDI and KHEC merged and began operating as one LDC as of January 1, 2019. Significant merger efficiencies were achieved as a result, details of the savings are provided in Exhibit 1: Section 1.9 – Distributor Consolidation.

2020

In March of 2020, a world-wide Pandemic was confirmed due to COVID-19. Due to the unknown nature of spread of the virus, SNC became concerned about customers' ability to pay for electricity and the potential liquidity issues it could face. Given these concerns, SNC made a strategic decision to defer work to address the potential cashflow constraints on the utility. As a result of the government orders that all non-essential businesses were to close on March 23, 2020, there was a great deal of uncertainty with respect to SNC's customers and the economic impact these decisions would have on their lives. In response to the Pandemic, SNC made several significant operating decisions in the name of health and safety and cashflow risks. When reviewed in May of 2020 these measures were budgeted to result in $532,000 in OM&A cashflow savings:

- Shutdown of all non-critical work from March 23, 2020, until April 29, 2020.
- Cuts to outside contracting to both capital and OM&A with expected OM&A savings of $105,000.
- Suspension of all travel, conferences and in person training with initial projected savings in OM&A of $182,000.

- A decision to defer the hiring of unfilled Power Line Technician positions. With projected cash savings of $110,000 to OM&A and $615,000 to capital. Suspension of all promotion and sponsorship programs estimated in the amount of $43,000.
- Other designated items in the amount of $92,000.

As the pandemic persisted longer than originally predicted, SNC was also required to complete $2 million dollars in recoverable work on behalf of the local telecommunications company's fiber internet expansion projects ($1.2 million in capital, $800,000 in recoverable OM&A). These capital projects required significant labour allocation and attracted significant overhead, further impacting OM&A results.

The actual OM&A reductions were as follows:

- Contractor spending $207,000
- Labour (Hiring and attribution) $110,000
- Overhead allocation $651,000
- Travel, Seminars and Conferences $183,000
- Promotion $58,000
- Training $44,000
- Other $104,000

The total decrease in OM&A, as a result of pandemic cuts and unplanned broadband requirements was $1.36 million in 2020.

In light of the uncertainty regarding the severity and duration of the COVID-19 pandemic, during the IRM process, SNC elected to postpone the implementation of its new rates effective May 1, 2020, until November 1, 2020. SNC was able to defer its 2020 IRM increase until November to the benefit of customers as a result of the above OM&A cuts.

2021

The pandemic persisted through to late 2021 and due to the provincial health guidelines SNC continued to prohibit travel, reduce onsite training, and continued to require support staff to work from home. In addition, provincial isolation rules which required staff to isolate for 10 days following a positive COVID-19 test decreased availability of staff to perform work. Additionally, there are limited qualified powerline subcontractors in the Thunder Bay and Kenora regions. The strategic decision to defer subcontractor work in 2020 had unintended repercussions that lasted beyond the initial pandemic response. Contractors were

able to secure work on other regional projects (such as mining, infrastructure rebuilds, and the Wataynikaneyap Transmission Project) reducing SNC's ability to rely on contractors for any surge requirement during the year.

SNC hired four of the eight unfilled PLT positions that were deferred in 2020, using contractors to cover the remaining requirements. However, during the year, the local telecommunication company continued its broadband expansion requesting $454,000 in OM&A recoverable work and $1.5 million in recoverable capital. SNC also performed $808,000 worth of unplanned relocation work on behalf of the City of Kenora and $252,000 worth of recoverable OM&A work to assist Sioux Lookout Hydro recover from a significant storm. As discussed, SNC was unable to hire additional contractors as they no longer had capacity due to management decisions made in 2020, and as such, SNC was required to transfer all remaining PLT capacity from OM&A to capital and recoverable work.

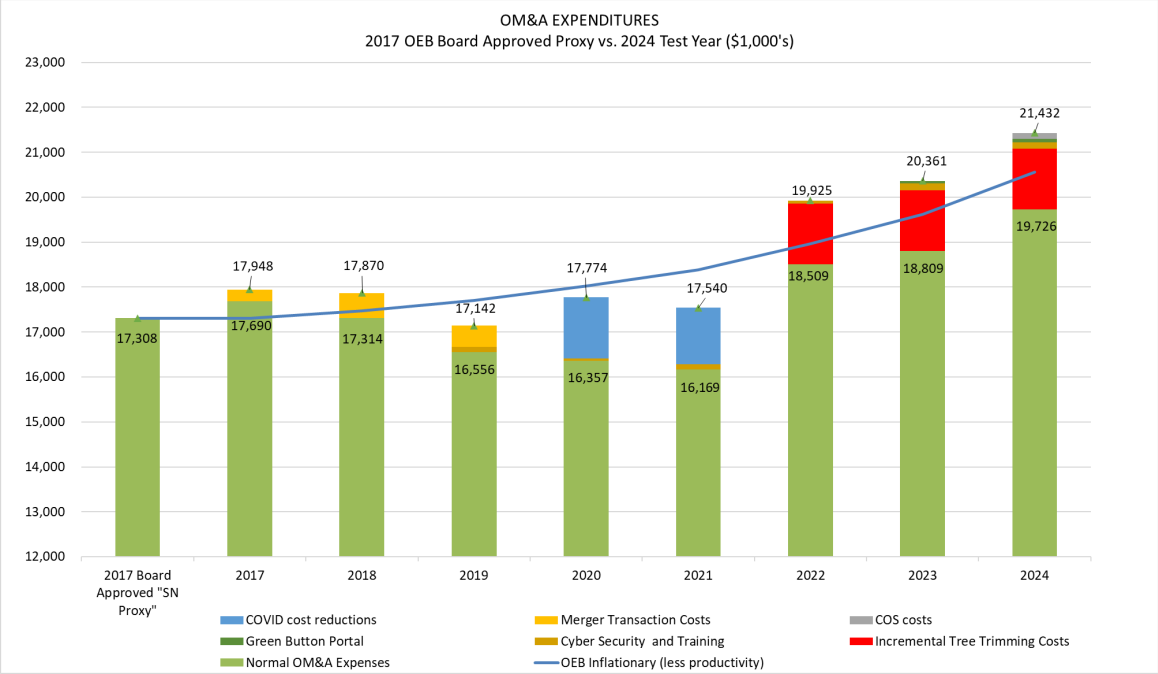
The financial impacts of the above was:

- Reduction in labour of $270,000
- Reduction in overhead of $516,000
- Reduction in non-forestry contractors of $158,000
- Reduction in travel of $175,000
- Reduction in supply purchases of $136,000

A total OM&A reduction of $1.25 million.

Figure 4.2 below shows the implications of the pandemic related decisions on SNC's OM&A costs in years 2020 and 2021. Had the pandemic not occurred, SNC's historical OM&A would have followed a trend much closer to just inflationary impact, while still achieving merger synergies.

Figure 4.2 : OM&A Expenditures 2017 BA Proxy to 2024 Test Year (with COVID-19 Impact)



2022

The most significant increase in OM&A was an incremental $1.35 million spent on tree trimming costs in 2022. The increased spend on tree trimming was to address the first objective of SNC's Vegetation Management Plan, filed as Attachment 4-C, to eliminate immediate hazards by removing any vegetation within 1m of overhead primary lines. Further details are provided in Section 4.3.3.5 Vegetation Management Program Delivery and variance analysis.

Spring of 2022 allowed for the return of in person training and in person conference and meetings, resulting in an increase to these specific costs over 2021, by 2023 both training and in-person conferences and meetings have returned to normalized levels.

Although COVID-19 continued to impact certain aspects of the operations in 2022, SNC was able to obtain sufficient contractors to meet its desired maintenance programs. The available contractor capacity allowed SNC to catch-up on a portion of the maintenance that was forgone over the prior two years in the amount of $438,000. As explained in Exhibit 1 - Section 1.6.6, SNC found deficiencies in its Skywire as part of its system investigation in 2020, however as a result of the pandemic, this work was deferred until 2022. During inspection in 2022 it was determined that most installations that had Skywire had the same hazard, these poles had sufficient shell-rot at the top of the pole where the Skywire attachment was located. The Skywire itself was deteriorated due to its age, exposure to the elements, lightning strikes,

and current flow. As a result of the findings, a plan was initiated to remove all Skywire locations that posed a hazard. This work was budgeted to be done in 2020 and 2021 but was not completed until 2022 as a result of the pandemic.

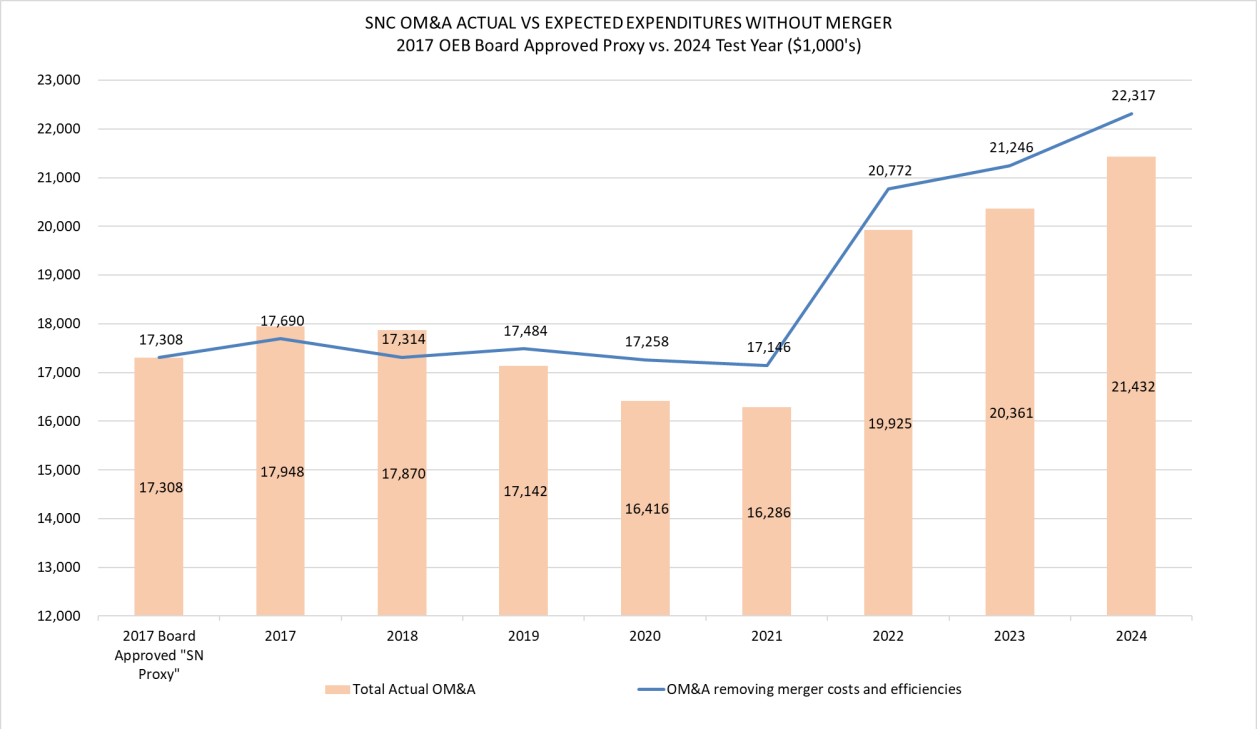
Further, in 2022 to 2024, SNC is managing incremental costs arising from other priority requirements including its Green Button implementation, Cyber Security, and additional performance benchmarking activities.

2023 & 2024

SNC's forecasted 2023 Bridge Year and 2024 Test Year represents SNC's stabilized, optimal level of OM&A spending.

The amalgamation of the former KHEC and TBHEDI and integration of the operations, resulted in the achievement of approximately $884,000 in sustained savings by the end of 2020, detail on the savings provided in Exhibit 1 - Section 1.9.4- Table 1-35: – Summary of Operating Synergies**.** In the absence of this transaction, and the additional efforts undertaken by SNC to achieve operating synergies, OM&A expenditures in the 2024 Test Year would have been significantly higher than the level being proposed in this Application as seen in Figure 4.3.

Figure 4.3: Actual OM&A vs. OM&A Without Merger



The chart in Figure 4.3 above shows that SNC achieved the merger savings it was expecting throughout 2019 to 2021 as a decrease in OM&A in 2020 and 2021 due to management decisions made throughout the COVID period. OM&A is higher in 2022 due to an incremental increase of $1.35 million in tree trimming expenses (Section 4.3.3.5) as well as the return of in person training, conferences, and meetings, and the catch up on maintenance work as discussed above.

Since Last Rebasing in 2017, SNC's OM&A costs have increased $4,124,586. This represents a total increase of 23.83% over this period or an annual average increase of 3.4%. OM&A costs per customer and FTE can be found in Table 4-12 below in Section 4.2.3 of this Exhibit. OM&A cost per customer for the 2024 Test Year is $371 which is a $61 increase from SNC's Last Rebasing – 2017 Board Approved cost per customer of $310. This is an 19.7% increase during this period. SNC's OM&A cost per FTE for the 2024 Test Year is $158,439 which is an increase of $45,788 or 40.6% from the 2017 Board Approved Proxy cost of $112,651. As noted in Section 1.6.3 in Exhibit 1 which is defined as having actual cost within +/- 10% of predicted costs. SNC will remain in Cohort Group III with an efficiency ranking of 0.3%.

The main factors driving OM&A increase in SNC's costs include significant increases in tree trimming costs, increase in staff compensation related to negotiated and awarded inflationary increases and mandated initiatives including Green Button, Cyber Security.

4.1.7 Accounting Policy Changes

In accordance with the Board's letter dated July 12, 2012, each of the former TBHEDI and KHEC adopted capitalization and depreciation policies under CGAAP that were compliant with International Financial Reporting Standards.

The former TBHEDI adopted the required accounting changes for depreciation and capitalization policies on January 1, 2013, which were included in the former TBHEDI's 2017 Cost of Service Application. As a result, there were no additional impacts to the expensing of overheads or amortization expense in the Thunder Bay service territory.

The former KHEC adopted the required accounting changes for depreciation and capitalization policies on January 1, 2013. The impact of the capitalization and depreciation changes related to the former KHEC are detailed in Exhibit 9, Deferral and Variance Accounts (Account 1576).

Upon amalgamation on January 1, 2019, the accounting policies for depreciation and capitalization policies for SNC were harmonized to be consistent with the policies of the former TBHEDI.

4.1.8 Inflation Rate Assumed

SNC has calculated the inflation on non-labour items or a specifically identified expense increase for 2023, based on the Board- Approved Inflation Factor as reflected in Table 4-7 below. On June 29, 2023, the Ontario Energy Board (OEB) released the 2024 calculated inflation factor of 4.8% for electricity distributors, however SNC has assumed actual inflation for budgeting purposes of 2.0% to forecast inflationary increases in 2024, inline with economic forecasts below.

Table 4-7: Inflation Factors

Year	Inflation
2023	3.70%
2024	2.00%

Labour cost escalation for union and non-union employees, of 3.0% was used in the preparation of the operating and capital budgets. These assumptions are aligned to the collective agreement ratified for the period May 1, 2022, to April 30, 2025. The 2% for 2024, for non labour items is slightly lower than the

average of the range of rates set out in the Quarterly Economic Forecast, in February 2023 as shown in Table 4 – 8 below.

TABLE 4-8: CPI FORECASTS BY MAJOR FINANCIAL INSTITUTIONS

CPI	2022	2023F	2024F	Report Date
BMO	6.80%	4.00%	2.50%	Feb 24/23
TD	6.90%	2.60%	2.00%	Dec-22
Scotia	6.80%	4.00%	2.00%	Feb 6/23
RBC	6.80%	3.30%	2.20%	Feb-23
CIBC	6.80%	3.50%	2.10%	Feb 16/23
Average	6.82%	3.48%	2.16%	

Canada's annual inflation rate in February 2023 was 5.2%. Although economists are predicting inflation to come back down to 2.16% on average in 2024, the full impact and duration of this emerging trend is not yet known, however it is expected that SNC's operating and capital expenditure costs will likely be higher than what is currently in proposed 2024 rates if inflation does not come down to predicted rates.

4.1.9 BUSINESS ENVIRONMENT CHANGES

Business Environment Changes

The business landscape and environment which SNC operates in continues to evolve and change. Since SNC's last rebasing in 2017, there has been a number of significant business environment changes that will impact operating costs.

Tree Trimming / Vegetation Management

The environment that utilities operate in is changing, and there is no longer a "business as usual" way to manage the risks and threats from climate change to utility infrastructure. In the Northwest this has been increasingly true over the last several years with more severe storms, higher winds, and drought conditions. In 2021 Northwest Ontario (including the City of Thunder Bay) experienced a summer-long fire ban imposed by the Ministry of Natural Resources to attempt to manage nearly 1,000 individual [1] wildfires in the region fueled by hotter, drier weather. One of the biggest fires was Kenora 51, which in July 2021 had burned over 51,000 hectares and forced evacuations of several remote First Nations [2] communities. Significant forest fire risk has continued into 2023 resulting in a Northern Ontario wide fire

[1] "Ontario forest fires burned record area of land this summer as they displaced First Nations in northwest" Matt Vis, CBC News, Posted Nov 10, 2021
[2] "Northwestern Ontario dealing with surge in forest fires as hot, dry weather settles into region" Nick Westoll, Global News, Posted July 9, 2021

ban being put in place on June 1st. As of June 20, 2023, there were twice as many fires as compared to the same period last year[3]

An aerial LIDAR survey identified that a significant portion of SNC's overhead system was exposed to vegetation within 1 meter. In order to address this risk, SNC had to spend an additional $1.35 million ($2.37 million in total) in 2022 at no additional cost to customers and is projecting to spend an additional $1.35 million ($2.23 million in total) in 2023 to eliminate the immediate hazards posed by the vegetation. SNC only had $721,653 in its budgeted tree trimming account based in its last approved COS, therefore the majority of these costs were not in its rates. Going forward, SNC's ultimate goal within this application period is to achieve an optimized vegetation management cycle consistent with LDC's in Ontario. The combination of increased costs for tree trimming and the magnitude of vegetation in the SNC service territory is further described below in Exhibit 4, Section 4.3.3.5 – Vegetation Management Program.

Competitive Labour Market

The local labour market has been historically tight, unemployment currently sitting at 3.9%[4], its lowest level since 2007. Ensuring the long-term sustainability of critical utility skills continues to be a challenge in this environment. Competition for trades, engineering, regulatory and experienced executive management has been historically high. Since last re-basing SNC has been able to reduce its FTE count, through efficiencies, automation, modified positions, and a revised PLT strategy.

Workplace demographic issues in terms of forecasted retirements and the need for long-term planning for staff replacement are critical issues. Given the challenging local/regional economic conditions, attracting, and retaining utility-specific trades, technical skills, and senior staff positions remains a challenge. Concerning SNC's workforce, recent research from the Northern Policy Institute shows that Thunder Bay, in particular, has a higher-than-normal demand for managers in business, finance and IT professionals. Throughout the hiring process, SNC has seen a lack of qualified candidates during job searches. Changes were made in Executive Management compensation in 2021 as a result of the above pressures, in order to attract and retain talent, compensation was adjusted to align with industry norms.

Technological Advancements and Cyber Security

[3] "Ontario's fire season picking up with 51 active forest fires" CBC News, Posted Jun 20, 2023
[4] Thunder Bay Employment Trends | CREA Statistics

Technology and innovation advancements are occurring at an exponential rate within the industry, stimulating changes to the operation of utility grids, enabling new players to enter the market in the form of microgrids, battery storage, and other distributed energy resources (DERs), and providing the customer with more options behind the meter and a desire for real-time information to aid in decision making. Utilities must find ways to embrace new technology to remain current, address and meet customer needs and interact and find mutual benefit with the new players entering the market.

Advancements in technology have also introduced the need for heightened vigilance in cybersecurity. Elaborate schemes exist to hack utility systems, expose private information, and hold businesses hostage. In order to maintain privacy, security, and integrity without compromising reliability, usability, and accessibility for end users, LDCs must work tirelessly, constantly evolving safety protocols and adapting to the endless attacks focused their way, Similar to other trends in the industry, cybersecurity must become an important part of everyday operations and collaboration amongst industry peers is necessary to successfully guard against the endless threats that exist.

Having a robust cyber security program will also include regular penetration and tabletop attack exercises. The common occurrence of these exercises will ensure that a corporation is prepared if an attack occurs.

Cybersecurity costs from 2019 to 2023 are $634,290, an amount that is $503,056 greater than what was approved in 2017 rates. An average of $100,611 higher per year since 2019.

Regulatory and Policy Changes

The regulated regime LDCs operate in is a landscape that is constantly evolving, with tremendous change experienced over the past 15 years. This has included the implementation of Smart Meters, the creation of Ontario Regulation 22/04, the introduction and subsequent repeal of the Green Energy Act, numerous adjustments to the bill in the form of credits, removal of provincial tax, rebates, and adjustments, the RRFE, the Conservation First Framework (later cancelled), and a strong push by the OEB to better engage with customers. All of which falls to the hands of LDC's to implement and deliver.

The quantity of regulatory and public policy initiatives has increased and the time frame for compliance has decreased. This has increased pressure on staff and SNC as a whole to ensure that it is compliant, and customers are receiving what has been promised to them. Included in the following list are some of the mandated programs that have been introduced since SNC's 2017 COS, some of which have put upward pressure on costs:

- Implementation of the Fair Hydro Plan Act (2017)
- Introduction of the Winter Disconnection Moratorium (2017)
- Implementation of the OEB Cyber Security Framework (2018)
- Increased reporting for Activity and Program-based Benchmarking Initiative (2019)
- The cancellation and centralization of Conservation and Demand Management (CDM) (2019 & 2020)
- Implementation of the Ontario Rebate for Electricity Consumers Act ("OREC") (2019)
- Implementation of changes to Customer Service Rules (2019 & 2020)
- Continued connection of Renewable Generation
- Implementation of the OEB's standardized accounting process for RPP settlement (2019)
- Implementation of changes to Customer Service Rules (2019 & 2020)
- Elimination of the Collection of Account Charge (2019)
- Installation of Metering Inside the Settlement Timeframe (MIST) meters for GS>50kW customers (2020)
- Implementation of COVID-19 Billing Changes (2020)
- Implementation of Time of Use Opt-Out (2020)
- Green Button Implementation (2023)

Resources to address regulatory demands and to participate in regulatory processes and proceedings effectively continue to be an issue for SNC. There has been significant turnover in regulatory roles, and jobs remain unfilled due to the inability to find and recruit qualified people.

4.2 OM&A SUMMARY AND COST DRIVER

4.2.1 SUMMARY OF RECOVERABLE OM&A EXPENSES

SNC follows the Board's Accounting Procedures Handbook ("APH") in distinguishing work performed between operations and maintenance. A Summary of SNC's OM&A expenses (5005- 5695, 6205), including LEAP payments, for the 2017 Board Approved Proxy, 2017-2022 Actuals, 2023 Bridge Year and 2024 Test Year is provided in Table 4-9: Summary of Recoverable OM&A Expenses below, which is consistent with the Boards' Appendix 2-JA. SNC is proposing to receive the 2024 Test Year costs through distribution rates for the 2024 Test Year.

TABLE 4-9: SUMMARY OF RECOVERABLE OM&A EXPENSES (APPENDIX 2-JA)

	Last Rebasing Year (2017 Board-Approved Proxy)	Last Rebasing Year (2017 Actuals)	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
Operations	$3,538,189	$2,881,340	$3,312,882	$3,365,919	$2,748,749	$2,820,903	$3,228,112	$3,862,346	$4,326,174
Maintenance	$4,713,431	$5,903,696	$5,842,018	$5,514,649	$5,567,845	$5,565,763	$8,131,321	$7,390,424	$7,452,720
Total O&M	**$8,251,620**	**$8,785,036**	**$9,154,901**	**$8,880,567**	**$8,316,594**	**$8,386,665**	**$11,359,433**	**$11,252,770**	**$11,778,894**
%Change (year over year)			4.2%	-3.0%	-6.4%	0.8%	35.4%	-0.9%	4.7%
Billing and Collecting	$2,877,424	$2,789,173	$2,508,200	$2,354,708	$2,508,864	$2,202,438	$2,598,680	$2,331,449	$2,473,769
Community Relations	$167,483	$170,165	$138,175	$227,826	$162,777	$248,689	$273,635	$284,250	$303,172
Administrative and General	$6,011,116	$6,203,344	$6,068,464	$5,679,043	$5,428,116	$5,448,667	$5,692,763	$6,492,979	$6,876,395
Total Admin	**$9,056,024**	**$9,162,682**	**$8,714,839**	**$8,261,577**	**$8,099,757**	**$7,899,794**	**$8,565,078**	**$9,108,678**	**$9,653,336**
			-4.9%	-5.2%	-2.0%	-2.5%	8.4%	6.3%	6.0%
Total OM&A	**$ 17,307,644**	**$ 17,947,718**	**$ 17,869,739**	**$ 17,142,144**	**$ 16,416,351**	**$ 16,286,459**	**$ 19,924,511**	**$ 20,361,448**	**$ 21,432,230**
%Change (year over year)			-0.4%	-4.1%	-4.2%	-0.8%	22.3%	2.2%	5.3%

4.2.2 COST DRIVER TABLES

For each driver, costs increase and decrease on a year-over-year basis throughout the 2017 to 2024 period. In general, these changes relate to timing differences on the execution of work, changing priorities, new initiatives, and general escalation which are described in detail in Section 4.3.1 OM&A Program Delivery and Variance Analysis. The following discusses the material changes in the 2024 Test Year as compared to the 2017 OEB Approved levels by primary driver identified in Table 4-10 as follows:

TABLE 4-10: PRIMARY OM&A COST DRIVERS

Description	Amount	Reference
Last Rebasing Year - 2017 Board Approved Proxy	$17,307,644	
Description of Cost Drivers		
Salaries, Wages and Benefits	$781,616	Exhibit 4 - 4.4
Outside Services - Tree Trimming	$1,311,280	Exhibit 4 - 4.3.3.5
Administrative	$959,452	Exhibit 4 - 4.3.5 and 4.3.6
Overhead costs	$712,071	Exhibit 4 - 4.3.7
Building / Station costs	$221,426	Exhibit 4 - 4.3
Cost Drivers less than materiality	$138,740	
OM&A increase from the 2017 BA Proxy	$4,124,586	
OM&A % increase	23.83%	
2024 Test Year OM&A	**$ 21,432,230**	

2024 Test Year OM&A expenditures are 23.83% higher than 2017 Board Approved Proxy levels, which equates to an average of 3.4% annually. If the incremental tree trimming costs were not incurred, the annual average increase would be 2.29%, which is below the annual average CPI for the same period. The primary reason for the increase is inflation impacts on labour and non-labour costs, increased tree trimming costs, higher levels of general administration and overhead costs in support of work programs and increased costs in support of growing asset base (further discussed below in Section 4.3.1).

- Salaries, Wages and Benefits are up $781,616 since 2017, as a result of negotiated wage increases with the union and inflationary based increases for non-union staff. The most significant driver of the increase was an increase in benefits from 2017 to 2024 of $499,632. Employer-sponsored health benefit costs are expected to increase by 10% on average globally in 2023.[5] A detailed variance analysis of the benefit expenses charged to OM&A is provided in Section 4.4.6 Employee Benefit Programs. Details of all changes in salaries, wages and benefits are provided in Section 4.4 Workforce Planning and Employee Compensation.
- Tree Trimming Costs are $1,311,280 higher in 2024 from 2017 test year due to significant decisions made in 2022 with regards to vegetation management spending as well as increase in contractor costs to complete the work. A considerable amount of detail is provided in Section 4.3.3.5 Vegetation Management below to address the increased vegetation work being performed from 2022 and forward, as well as to address the rise in costs.
- Administration costs have increased $959,452. Administrative costs include the IT Department costs, Purchasing Department costs, bank charges, general plant equipment maintenance, liability and property insurance cost, supplies, etc. The rise in IT costs from 2017 to 2024 is the largest contributor towards this variance, making up $660,813 of the variance. See Section 4.3.6 below for further details on Information Technology. The remainder of the increase is a result of cost of supplies and miscellaneous tools and insurance costs, which increased in cost by $84,010 and $99,119, respectively.
- The Overhead Cost driver increased $712,071 from Board Approved 2017 and 2024 Test Year. The Overhead Cost driver comprises of SNC's Indirect Labour, Material, Supervisory and Engineering Overhead costs. Cost increases within this driver have increased in line with inflationary increases. The allocation of Overhead Departments to OM&A versus Capital vary each year due to the nature of the work being performed by the departments.
    - Indirect Labour - overhead increase of $111,025 charged to OM&A is in line with inflation and general wage increases over the period from 2017 to 2024.
    - Material - overhead increase of $147,978 charged to OM&A is primarily driven by inflationary increases as well as the addition of a .5 FTE.

[5] Employer health benefits cost trends rising 10% in 2023: survey | Benefits Canada.com

- Engineering - increase of $277,572 charged to OM&A driven by inflationary increases, the addition of an Operations Project Manager and increased reliance of Locates subcontractors to comply with ON1call's 5 days service requirement.
- Supervisory - increase of $175,497 charged to OM&A, as a result of inflationary changes and migration from Kenora's accounting practices to Thunder Bay's as a result of the merger.
- Building Costs have increased $221,426, the main driver of this is the rent expenses for SNC's Operation Centre has risen by $163,909 from 2017 to 2024. As discussed in Exhibit 1 - Section 1.4.17, building costs would have been $118,776 higher in 2024 if SNC did not decide to move. SNC made the decision to consolidate rental space at its head office, this decision will result in an overall reduction in 7,199 sq ft of rented space. Consolidation will result in over $1 million in savings over the next 10 years.

Consistent with the Board's Appendix 2-JB, Table 4-11 below provides a list of the cost drivers that affected year over year OM&A spending or, where the cost driver is common or recurring, expenditures that have impacted multiple years.

TABLE 4-11: COST DRIVER TABLE (APPENDIX 2-JB)

OM&A	Last Rebasing Year (2017 Actuals)	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
Reporting Basis								
Opening Balance	**$ 17,307,644**	**$ 17,947,718**	**$ 17,869,739**	**$ 17,142,144**	**$ 16,416,351**	**$ 16,286,459**	**$ 19,924,511**	**$ 20,361,448**
Salaries, Wages and Benefits	($205,853)	$100,028	($471,789)	($82,678)	$255,591	$45,676	$632,577	$508,065
Training	($78,077)	($17,168)	$18,661	($122,643)	$3,194	$135,782	$178,324	$17,108
Memberships, Licenses, Fees	($71,963)	$15,046	($21,730)	$66,521	($127,151)	$77,238	$22,665	$33,494
Safety Equipment	($78,571)	$91,489	($75,425)	$40,683	($25,158)	$98,857	($71,045)	$117,210
Safety Training	($38,043)	($9,411)	$35,008	($43,455)	($7,946)	$14,171	$15,472	($24,270)
Trucking	($93,939)	$152,836	($51,967)	($98,460)	($115,249)	$207,897	$86,384	($25,605)
Bad Debts	$124,997	($217,013)	$55,098	$257,612	($256,438)	$177,379	($92,371)	$34,395
Community Relations	($18,797)	($2,130)	$30,605	($27,714)	$7,873	$4,303	$25,001	$331
Materials	$830	($80,086)	$513	($103,244)	$113,487	($86,607)	$87,368	$8,144
Computers	($28,610)	$11,188	$43,705	($24,077)	($4,481)	$51,359	$11,571	($30,597)
Telephone / Circuits	($3,297)	($3,470)	($2,845)	$5,440	$13,304	($3,569)	$11,186	$8,300
Outside Services	$427,464	$231,018	($663,650)	($348,004)	($30,843)	$945,310	($708,128)	$29,956
Outside Services - Tree Trimming	$348,514	($204,629)	$81,264	$50,615	$34,721	$1,263,022	($198,996)	($63,231)
Postage / Courier	($86,980)	($8,428)	$43,908	$4,448	($12,913)	$19,392	($18,594)	($5,680)
Professional Fees	$548,811	($266,447)	($98,946)	($347,386)	$59,855	($9,149)	($17,099)	$169,346
Administrative	($202,568)	$30,315	$498,575	($196,457)	$60,141	$266,207	$369,798	$133,441
Buildling / Station	$5,819	($14,346)	$41,077	$60,283	($6,836)	$39,998	$44,020	$51,411
Overhead Costs	$108,697	$114,205	($124,187)	$166,209	($111,359)	$374,206	$88,264	$96,036
All Other items	($18,358)	($975)	($65,471)	$16,514	$20,316	$16,581	($29,460)	$12,927
Closing Balance	**$ 17,947,718**	**$ 17,869,739**	**$ 17,142,144**	**$ 16,416,351**	**$ 16,286,459**	**$ 19,924,511**	**$ 20,361,448**	**$ 21,432,230**

The following explanations detail the primary cost drivers that have influenced the increase in SNC's OM&A Expenditures since the last Cost of Service Application, up to and including the 2024 Test Year. Each driver is summarized by its net change year over year. SNC has provided comments on those variances greater than its materiality level of $178,000.

Change in Salaries, Wages and Benefits

Last Rebasing to Actual 2017 - ($205,853)

In general terms, the changes in year-over-year employee compensation in OM&A is a result of several drivers including succession planning, attrition, vacancies, sick leaves, and deferred hiring.

The most significant cost variance from 2017 Actual to Last Rebasing Year was a reduction in actual FTE's due to timing of COS decision resulting in deferred hires.

2018 Actual to 2019 Actual – ($471,789)

The primary cost drivers for the salary and wages decrease in 2019 was the merger between KHEC and TBHEDI, which included the reduction in salaries and benefits with the retirement of Kenora Hydro's CEO; as well as a reduction of one PLT in Kenora through attrition.

Further, as discussed in Section 4.4.2 Workforce planning, SNC revised its PLT strategy, and therefore as salaries are decreasing there is an offset to an increase in Outside Services discussed below.

2020 Actual to 2021 - $255,591

The primary cost drivers for the salary and wages increase in 2021 is the collective bargaining increase estimated to be approximately $342,000.

2022 Actual to 2023 Bridge - $632,577

The primary cost drivers for the salary and wages increase in the 2023 Bridge Year is the collective bargaining increase estimated to be approximately $370,000; there will be an increase in overtime due to the ongoing transition of the 4kV conversion work into the Downtown core. This will result in more after-hour work in order to minimize disruption to commercial customers. The following positions are also driving the variance increase, the addition of a Forestry Technician to ensure the Vegetation Management Plan put into place in 2022 can be successfully completed, the full time apprentice complement increase in System Control, and return to full complement in the Regulatory department.

2023 Bridge Year to 2024 Test - $508,065

The primary cost drivers for the salary and wages increase in the 2024 Test Year is the collective bargaining and inflationary increases estimated to be approximately $434,000.

Training

2022 Actual to 2023 Bridge - $178,324

Training has increased from 2022 actuals as there are multiple training courses that run on cycles, and the number of peoples training whom have expired in 2023 is significantly higher than 2022. A new edition of Electrical Utility Safety Rule Book is expected in 2023/2024 driving training up in 2023 and lastly as all training in 2023 is planned to be delivered in person, increasing travel costs associated with training.

Trucking

2021 Actual to 2022 Actual - $207,897

2022 Fleet Department costs are up $207,897 over 2021 Actuals. The cost drivers for the department cost increase include increased depreciation, and a significant increase in the cost of gas and oil (a 31% increase in diesel fuel, and 20% increase in gasoline fuel costs). Trucking costs are aligned with how staff is deployed throughout the organization.

Professional Fees

2017 Last Rebasing to 2017 Actual - $548,811

Thunder Bay Hydro's professional fees cost driver category includes costs such as external auditors, outside consultants and legal costs incurred annually as part of the utility's business operations. This cost driver category covers preparation of audited financial statements, legal costs for preparation of documents or advice, and consultants for cost of service filing and distribution system plan.

2017 Actual Professional fees for TBHEDI's last cost of service application were significantly higher than budgeted as TBHEDI incurred unbudgeted costs for additional expert witness costs, the legal costs associated with witness preparation and costs of attendance at oral hearting etc.

SNC also incurred $266,639 in merger transaction costs in 2017 that were unbudgeted, incurred by both TBHEDI and KHEC.

2017 Actual to 2018 Actual – ($266,447)

Professional fees drop significantly in 2018 as the utility was no longer incurring the high professional fees associated with the cost of service application.

2019 Actual to 2020 Actual ($347,386)

2019 Actual professional fees were quite high as a result of legal and consulting costs associated with the merger. TBHEDI and KHEC incurred $479,213 in 2019 of merger transaction costs. After the amalgamation was in place the associated professional fees dropped in accordance in 2020.

Bad Debts

2017 Actual to 2018 Actual – ($217,013)

The decrease in the Bad debt cost driver was due to the treatment of the 2017 provision, which was deemed to be incorrect resulting in an over accrual of $108,000 was reduced in the 2018 provision. Further, in 2018 SNC implemented an auto call system, replacing a previously mailed notice.

2019 Actual to 2020 Actual - $257,612

The increase in Bad Debt cost driver in 2021 were a result of multiple items, a balance owing from a large customer was deemed non-collectable in the amount of $61,000. Actual account write-offs in 2020 exceeded the corresponding provision by $140,000, as a result of the OEB Winter Disconnection Moratorium for Residential customers. This ban has caused increases in the amount of bad debt each year as students and transient people move out of the service territory by the time the disconnection ban has ended each spring. Lastly, management anticipated that the COVID-19 pandemic would have an impact on the collectability of debt, based on an analysis of over 60 day accounts, an additional provision of $72,000 was included in the year.

2020 to 2021 Actual – ($256,438)

Bad debts return to a more stable, normalized amount in 2021.

Outside Services

2017 Last Rebasing to 2017 Actual - $427,464

$427,464 increase was due to the following increases to Outsourced work:

- $196,060 increase in outside services as SNC was hit with two significant weather events during the year.
- Kenora Outside Services costs increased by $110,442 vs the calculated 2017 proxy. The majority of these balances relate to City of Kenora costs which were $100,000 higher than proxy.

2017 to 2018 Actual – $231,018

$231,018 increase was due to SNC experiencing three significant weather events during the year which resulted in additional outside service requirements. As a result of some timing constraints SNC moved PLT's to recoverable work for a portion of the period, requiring increased usage of contractors at the end of the year to complete required work. In addition, as described in 4.4.2 Workforce planning staffing mix was reviewed and 3 PLT's were not hired in 2017, these lost hours were filled with contractors in 2018.

2018 to 2019 Actual – ($663,650)

- Decrease in the outsourcing of billing costs of ($393,582) as the City of Kenora historically provided these services to KHEC, and upon merger SNC performed billing services internally. Also included were the costs associated with computer and back-office support performed by Thunder Bay Hydro Utility Services, these costs were reallocated to Administration as a result of the merger.
- Decrease in Overhead Services outsourcing of ($229,583) as SNC experienced no significant weather-related events during the year compared to three in the prior year.

2019 to 2020 Actual – ($348,004)

- Decrease in Metering and Meter Reading outsourcing of ($93,105). SNC undertook significant meter certification during 2019, there was less work completed in 2020, a reduction of ($63,994). Included in the $63,994 are decreases in costs associated with meter disconnections decreased as a result of Government bans resulting from COVID.
- Decrease in subcontractor work for Overhead Services of ($161,033) As discussed in section 4.1.6 SNC made the decision to reduce subcontractor work as a result of COVID 19 and the liquidity and health concerns that it presented.

2021 to 2022 Actual – 945,310

- SNC PLT's undertook a significant customer driven project during the year resulting the need to hire subcontractors for two significant projects in the 4th quarter of 2022.
- As a result of COVID spending decisions SNC deferred spending on its Skywire removal project. A subcontractor was hired in 2022 to complete the work as a result of increased concerns and damage. This resulted in an increase in subcontractor costs for Overhead work of $433,733.
- In addition, SNC hired a contractor to perform a significant project to change cross arms on a portion of its poles. This project was required as result of defective cross arms discovered during Skywire removal and cost $239,880.

2022 to 2023 Actual – ($708,128)

SNC doesn't expect any unplanned time sensitive projects consistent with the customer driven work that occurred in 2022, allowing internal staff to complete planned OM&A projects.

In additional as discussed in 4.1.6, a portion of the Skywire work was catch up work resulting from COVID. 2023 is a return to expected spending levels.

Outside Services – Tree Trimming

2017 Last Rebasing to 2017 Actual - $348,514

Tree trimming was higher than rebasing due to a high level of reactionary vegetation hazards in 2017.

2017 to 2018 Actual – ($204,629)

Based on TBHEDI's COS decision received in September of 2017, management made the decision to focus on reactionary spending to reduce the planned vegetation management budget until the utility had gained enough supportable data with regards to the full picture of its vegetation management, to put in place a systematic Vegetation Management Plan.

2021 Actual to 2022 Actual – $1,263,022

Based on the Vegetation Management Plan put in place in May of 2022, as described in Section 4.3.3.5, the plan was to clear vegetation identified within 1m back to 3m by subcontractors for a total cost of $2,053,194. The Vegetation Management Plan can be found in Attachment 4-C.

2022 Actual to 2023 Bridge – ($198,996)

Costs forecasted for 2023 are in line with Vegetation Management Plan put in place in May 2022.

Administrative

Last Rebasing to 2017 Actual – ($202,568)

Administrative costs include the IT Department costs, Purchasing Department costs, bank charges, general plant equipment maintenance, liability and property insurance cost, supplies, etc. Cost drivers to the Administrative spending variance in 2017 include;

Reduction in IT costs of $46,351 as a result of the allocation of IT costs to non wire activities. Further reductions between 2017 approved and actual include an underspend of $51,954 in supplies, $20,007 in equipment maintenance, $21,270 in company sponsored events and $22,013 in travel related costs all of which related to SNC decision to delay spending in 2017 as a result of a delay in the COS decision.

2018 Actual to 2019 Actual – $498,575

A review of SNC inventory was undertaken as part of the amalgamation process, this resulted in an inventory write off of inventory $114,881. Total spending on miscellaneous tools & equipment increased by $65,968 for overhead distribution lines and feeders subsequent to a year of reduced spending. Total increase in supply spending was $171,480. The majority of the remaining variance is the result of increased IT costs, as per section 4.3.6 Information Technology including costs associated with changes in Cyber Security. Further impacting the variance in Administration is how Kenora allocated these costs historically. In 2018 these costs were allocated to customer billing and meter reading, based on the nature

of the expense to that utility. Post amalgamation these expenses were grouped utilizing Thunder Bay's methodology.

2019 Actual to 2020 Actual – ($196,457)

2019 balances included a $114,881 inventory write-off an expense that didn't occur in 2020. SNC also saw a reduction working meals, training, and conference charges as a result of COVID-19. SNC received a $19,963 insurance recovery in the year charged to this cost driver.

2021 Actual to 2022 Actual – $266,207

As discussed in Section 4.3.6 Information Technology, Software costs increased in the year combined with a correction to IT allocation resulted in an increase of $214,200 in allocated IT costs to administration. SNC also saw an increase in insurance costs. The insurer increased fees by $33,144 in 2022 and this increase continues in 2023 and 2024.

2022 Actual to 2023 Bridge - $369,798

2023 increase is the result of further increase in IT costs. As discussed in Section 4.3.6 Information Technology, a $25,000 penetration test was deferred from 2022 to 2023. Combination of inflation, increased cybersecurity fees and an IBM I security audit resulted in an additional $75,000 in expenditures.

The remainder of the increase relates to increased supply purchases, particularly small tools, and equipment. These accounts vary depending on failure testing, type of work being performed, technology changes and standards. Fewer replacement and upgrades were required in 2022, resulting in projected increase in 2023 of $110, 930 in operations and stations.

Overhead Costs

2021 Actual to 2022 Actual – $374,206

Indirect Labour, Supervisory and Trucking overhead department costs were the main contributors to the variance. These department costs increased and the percentage of PLT wages allocated to operating and maintenance costs increased. As PLT's returned to performing OM&A activities following the requirements to move them to capital work in 2021 as discussed in section 4.1.6, the allocation of these costs to OM&A increased in the year.

4.2.3 OM&A Cost per Customer and Full-Time Equivalent

Table 4-12 below is a summary of the OM&A cost per customer and per full-time equivalent ("FTE"). This table is consistent with the Board's Appendix 2-L. The FTE figures below are the average of the annual

FTEs shown in Table 4-12. The number of customers is based on an annual average for each metered rate class.

TABLE 4-12: RECOVERABLE OM&A COST PER CUSTOMER AND PER FTE (APPENDIX 2-L)

	Last Rebasing Year 2017 - OEB Approved	Last Rebasing Year 2017 - Actual	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
Reporting Basis									
OM&A Costs									
O&M	$ 8,251,620	$ 8,785,036	$ 9,154,901	$ 8,880,567	$ 8,316,594	$ 8,386,665	$ 11,359,433	$ 11,252,770	$ 11,778,894
Admin Expenses[6]	$ 9,056,024	$ 9,162,682	$ 8,714,839	$ 8,261,577	$ 8,099,757	$ 7,899,794	$ 8,565,078	$ 9,108,678	$ 9,653,336
Total Recoverable OM&A from Appendix 2-JB[5]	$ 17,307,644	$ 17,947,718	$ 17,869,739	$ 17,142,144	$ 16,416,351	$ 16,286,459	$ 19,924,511	$ 20,361,448	$ 21,432,230
Number of Customers[2,4]	55,827	56,857	56,944	57,071	57,274	57,384	57,481	57,625	57,770
Number of FTEs[3,4]	154	141	137	137	129	132	128	136	135
Customers/FTEs	363	402	416	416	444	433	450	423	427
OM&A cost per customer									
O&M per customer	$148	$155	$161	$156	$145	$146	$198	$195	$204
Admin per customer	$162	$161	$153	$145	$141	$138	$149	$158	$167
Total OM&A per customer	$310	$316	$314	$300	$287	$284	$347	$353	$371
OM&A cost per FTE	$53,707								
O&M per FTE		$62,155	$66,925	$64,662	$64,479	$63,304	$88,842	$82,595	$87,076
Admin per FTE	$58,943	$64,827	$63,708	$60,155	$62,798	$59,629	$66,987	$66,857	$71,363
Total OM&A per FTE	$112,651	$126,982	$130,632	$124,817	$127,276	$122,933	$155,829	$149,452	$158,439

4.2.4 CAPITALIZED OM&A

SNC is requesting 2024 Test Year OM&A of $21,432,230. This amount is after the transfer of certain "OM&A" costs charged to capital as part of the overhead capitalization rate. Table 4-13 summarizes the amount of "OM&A" costs that are part of overhead capitalization.

TABLE 4-13: CAPITALIZED OM&A (APPENDIX 2-D)

	Last Rebasing Year (2017 Board-Approved Proxy)	Last Rebasing Year (2017 Actuals)	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
Benefits	$170,952	$124,611	$73,142	$146,492	$105,025	$144,907	$115,101	$144,598	$159,394
Downtime	$570,612	$572,167	$533,493	$547,522	$539,755	$419,753	$475,163	$613,294	$614,042
Material	$100,506	$107,361	$152,339	$118,644	$117,729	$136,090	$111,344	$126,051	$140,723
Supervisory	$594,041	$534,999	$496,608	$714,598	$663,197	$617,035	$722,714	$759,841	$820,701
Engineering	$1,058,907	$1,016,451	$973,642	$1,206,768	$1,222,532	$1,420,533	$1,312,084	$1,375,490	$1,487,523
Trucking	$813,875	$855,564	$1,120,230	$1,062,917	$1,002,169	$1,107,421	$1,170,104	$1,415,761	$1,536,910
Total Capitalized OM&A (A)	**3,308,893**	**3,211,153**	**3,349,454**	**3,796,941**	**3,650,407**	**3,845,739**	**3,906,510**	**4,435,035**	**4,759,293**

Capitalized OM&A in the 2024 Test Year is $852,783 higher than 2022 Actuals. As a result of significant work being required outside normal hours due to the 4kV conversion moving into more downtown core locations in 2023 and 2024, SNC continued use of internal resources to complete capital construction and construction support activities. Planned wage increases affected the cost of the regular and overtime work being performed. These resources use internally maintained and operated fleet vehicles on capital work further impacting costs.

4.3 OM&A PROGRAM DELIVERY WITH VARIANCE ANALYSIS

4.3.1 PROGRAM DELIVERY AND VARIANCE ANALYSIS

SNC has a variety of programs, activities and initiatives that are imperative to continue to provide safe, reliable, and affordable service to customers. In Table 4-14 below, SNC has identified its programs and major functions on a comparative basis from 2017 Board Approved Proxy to the 2024 Test Year. These programs contribute to achieving the new Renewed Regulatory Framework performance outcomes of Customer Focus, Operational Effectiveness, and Public Policy Responsiveness. This shows the alignment of SNC's direct costs, and the management of the costs associated with the outcomes. SNC provides a description of each program and a year over year variance analysis from the 2017 Board Approved Proxy to the 2024 Test Year for all variances that exceed the materiality threshold.

TABLE 4-14: OM&A PROGRAM TABLE (APPENDIX 2-JC)

Programs	2017 Board Approved Proxy	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year	Variance (2024 Test Year vs. 2022 Actuals	Variance (2024 Test Year vs. 2017 Board Approved Proxy
Reporting Basis											
Operations											
Meter Operations	285,685	164,173	223,496	296,845	211,338	139,907	168,489	190,713	201,574	$33,085	($84,111)
System Control Operations	1,013,330	958,939	990,786	907,053	1,003,054	1,099,564	1,042,975	1,206,234	1,280,977	$238,002	$267,647
Overhead\Underground Operations	1,334,932	976,098	1,247,467	1,469,142	961,320	990,877	1,347,515	1,502,911	1,731,297	$383,782	$396,365
Operations Supervisory	452,528	285,590	423,538	310,231	236,011	270,845	347,214	535,010	611,228	$264,015	$158,700
Station Operations	451,714	496,539	427,595	382,648	337,025	319,709	321,919	427,478	501,098	$179,180	$49,384
Sub-Total	**3,538,189**	**2,881,340**	**3,312,882**	**3,365,919**	**2,748,749**	**2,820,903**	**3,228,112**	**3,862,346**	**4,326,174**		
Maintenance											
Maintenance Supervisory	1,141,198	1,589,249	1,656,350	1,610,785	1,841,163	1,917,528	1,905,858	1,938,132	1,947,149	$41,291	$805,952
Meter Maintenance	95,672	50,980	42,007	42,847	61,724	73,255	48,301	73,146	68,985	$20,684	($26,687)
Overhead\Underground Maintenance	2,473,099	3,009,218	3,089,646	2,756,736	2,549,265	2,494,248	3,597,746	2,898,879	3,086,046	($511,700)	$612,947
Station Maintenance	281,809	203,262	215,072	279,096	216,199	129,298	211,300	250,542	268,983	$57,683	($12,826)
Tree Trimming	721,654	1,050,987	838,944	825,185	899,494	951,433	2,368,116	2,229,725	2,081,556	($286,559)	$1,359,903
Sub-Total	**4,713,431**	**5,903,696**	**5,842,018**	**5,514,649**	**5,567,845**	**5,565,763**	**8,131,321**	**7,390,424**	**7,452,720**		
Community Relations											
LEAP	33,903	32,918	32,754	10,960	27,474	47,281	61,811	33,252	46,160	($15,651)	$12,257
Community Relations	133,581	137,247	105,421	216,866	135,303	201,408	211,824	250,998	257,012	$45,188	$123,432
Sub-Total	**167,483**	**170,165**	**138,175**	**227,826**	**162,777**	**248,689**	**273,635**	**284,250**	**303,172**		
Customer Service											
Bad Debt	**164,719**	**289,716**	**72,702**	**127,800**	**385,412**	**128,974**	**306,353**	**213,982**	**248,377**	($57,975)	$83,659
Customer Billing	2,211,106	2,061,816	2,036,753	1,764,919	1,736,755	1,654,380	1,853,137	1,718,229	1,792,621	($60,516)	($418,485)
Customer Collection	501,600	437,642	398,744	461,989	386,697	419,084	439,190	399,238	432,771	($6,420)	($68,829)
Sub-Total	**2,877,424**	**2,789,173**	**2,508,200**	**2,354,708**	**2,508,864**	**2,202,438**	**2,598,680**	**2,331,449**	**2,473,769**		
Administration											
Corporate Expenses	466,834	783,529	831,456	849,196	420,076	443,898	482,989	487,945	532,446	$49,457	$65,612
Finance, Regulatory and Purchasing	1,836,221	1,958,575	1,753,149	1,755,948	1,861,084	1,877,249	1,855,907	2,100,603	2,266,581	$410,674	$430,360
General Administration	1,279,033	1,382,509	1,229,784	1,004,353	1,002,648	1,022,029	1,058,656	1,168,469	1,282,210	$223,554	$3,177
Human Resources and Safety	853,341	722,185	770,245	812,827	861,641	807,048	820,924	1,071,904	1,104,868	$283,945	$251,528
Power Systems, Engineering and Customer Service Administration	906,331	665,228	602,167	696,038	703,773	593,905	778,513	863,200	892,476	$113,963	($13,855)
President and Board of Directors	669,356	691,318	881,663	560,683	578,894	704,537	695,774	800,858	797,813	$102,039	$128,457
Sub-Total	**6,011,116**	**6,203,344**	**6,068,464**	**5,679,043**	**5,428,116**	**5,448,667**	**5,692,763**	**6,492,979**	**6,876,395**		
Total	**17,307,644**	**17,947,718**	**17,869,739**	**17,142,144**	**16,416,351**	**16,286,459**	**19,924,511**	**20,361,448**	**21,432,230**	**1,507,719**	**4,124,586**

Table 4-15 below provides the details of the USofA accounts included within each OM&A Program.

TABLE 4-15: USOFA ACCOUNTS WITHIN OM&A PROGRAMS (APPENDIX 2-JC)

Programs	USoA Accounts
Operations	
Meter Operations	5005, 5065, 5070, 5075
System Control Operations	5005, 5010, 5011
Overhead\Underground Operations	5020, 5021, 5022, 5023, 5025, 5035, 5040, 5045, 5055, 5060
Operations Supervisory	5005, 5085
Station Operations	5012, 5014, 5015, 5017
Maintenance	
Maintenance Supervisory	5105
Meter Maintenance	5175
Overhead\Underground Maintenance	5120, 5125, 5130, 5145, 5150, 5155, 5160
Station Maintenance	5110, 5112, 5114
Tree Trimming	5135
Community Relations	
LEAP	6205
Community Relations	5415, 5420, 5515, 5675
Customer Service	
Bad Debt	5315, 5335
Customer Billing	5310, 5315, 5675
Customer Collection	5320
Administration	
Corporate Expenses	5520, 5605, 5615, 5620, 5630, 5635, 5640, 5660, 5665, 5670, 5675
Finance, Regulatory and Purchasing	5320, 5605, 5615, 5620, 5630, 5655, 5670, 5675
General Administration	5310, 5615, 5620, 5630, 5635, 5645, 5665, 5670, 5675, 5680
Human Resources and Safety	5605, 5615, 5620, 5630, 5640, 5665, 5670, 5675
Power Systems, Engineering and Customer Service Administration	5605, 5615, 5620, 5630, 5635, 5670, 5675
President and Board of Directors	5605, 5610, 5615, 5620, 5646, 5665, 5670, 5675

MATERIALITY THRESHOLD

In accordance with Chapter 2 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. SNC's materiality threshold is calculated as .5% of proposed base distribution revenue requirements for distributors with a revenue requirement of greater than $10 million and less than or equal to $200 million. As such, SNC has calculated the threshold of $178,000 for variance analysis.

4.3.2 Operations Work Programs

The Operations category is comprised of Meter Operations, System Control Operations, Overhead / Underground, Station, and Transformer Station work programs.

4.3.2.1 Meter Operations

Program Overview

The Meter Operations program is responsible for maintaining operability of the metering equipment (meters and gatekeeper (collector) communication system) which SNC relies upon to record electricity consumption and demand for billing and market settlement purposes. This program includes the cost of labour, materials, and expenses to ensure proper functionality and compliance with applicable legislative and regulatory requirements. Meter compliance is a requirement under the "Electricity and Gas Inspections Act (R.S.C., 1985, c. E-4) enforced and administered by Measurement Canada.

Metering is one of the most fundamental activities for a distribution company and the implementation of Smart Meters has had a significant impact on this Program. In addition to a complete transition from an 'electro-mechanical induction type meters' to a 'digital' meter environment, the Meter Operations Program has also assimilated three new technology streams: wireless communications, data system management and customer facing applications, all based on newer digital technologies.

The Meter Maintenance work program is responsible for the ongoing operations of existing and or new metering installations. This includes such activities as; meter consumption and compliance checks, arrears activities, failed or customer requested meter removals, new or upgraded customer meter installations, meter reverification and compliance sampling, gatekeeper maintenance and repairs and the data entry and paperwork associated with these meter activities.

Testing of transformer type metering installations ensures the accuracy of the metering installation by verifying that the instrument transformers (PTs/CTs) are wired correctly and are functioning as per design and that the appropriate meter multipliers are applied for the billing process. Metering work also includes the investigation of potential stopped meters, meters with unchanging values/blank or illegible displays, non-communicating meters, tampered with meters, load limiters and/or theft of power situations which may give rise to unsafe conditions or cause other customers to be inappropriately held financially responsible for overall costs.

The metering program provides benefits in two ways: 1) The ongoing and accurate operation of meters provides real time operating data to SCADA and other systems that support Systems Operations, and 2)

ensuring that bills are computed correctly, therefore ensuring that customers are fairly charged for the services received.

SNC's Metering Maintenance program ensures accurate and compliant metering, to ultimately support accurate billing. Smart Meters have also become a foundational data source for other operational processes (i.e., outage data, voltage data), customer consumption and demand data made available through self-serve online portals and supports approximately 57,000 smart, commercial, and industrial meter installations within the licensed service territory.

In addition, metering reverifications and compliance sampling activities have increased over the past few years to ensure that SNC remains in conformance with Measurement Canada's meter seal expiry requirements. The increase in meter reverifications and compliance sampling activities is due to the mass installation of smart meters in the 2009 and the yearly smart meter deployments thereafter. Approximately 57,000 meters had expiring seals in 2019, for which either an individual meter reverification or compliance sampling effort occurred to provide the meters with a new seal expiry date. Preparing for this work was a multi-year effort and included building a strong internal team to execute the work program.

The Metering program also performs field checks of its transformer type metering installations. These field checks consist of two parts: as static test, and a dynamic test:

- The static test involves a visual review of the instrument transformer serial numbers, ratios, meter information, meter type, wiring, grounding, condition of cabinets, evidence of tampering, by-passed conductors or other device tampering, loose connections, and any other safety issues.
- The dynamic test involves the physical connections of test equipment (circuit analyzer), the take voltage, current, power and phase angle measurements to verify that instrument transformer ratios and billing multipliers are correct.

The objective of the Meter Operations Program is to maintain an accurate meter population that provides accurate data for billing purposes and provides added value by using hourly data for engineering and operations purposes to understand loading calculations. This objective is accomplished by personnel that are proficient in power system calculations, knowledge of communication systems and cellular technology and safe operations around energized equipment. Qualified staff are able to detect theft, errors and safety issues that arise.

The majority of expenditures in the Metering Maintenance Program are non-discretionary because they are (i) driven by statutory or regulatory obligations, or (ii) the requirement to resolve a meter issue in the field on a reactive basis.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	**2017 BA Proxy**	**2017 Actuals**	**2018 Actuals**	**2019 Actuals**	**2020 Actuals**	**2021 Actuals**	**2022 Actuals**	**2023 Forecast**	**2024 Forecast**
Meter Operations	$ 285,685	$ 164,173	$ 223,496	$ 296,845	$ 211,338	$ 139,907	$ 168,489	$ 190,713	$ 201,574

Variance Analysis and Explanation

Meter operations expenditures have fluctuated over the 2017- 2022 period, however there are no material year-over year variances for the 2017 to 2024 period. Costs have decreased by ($84,111) from 2017 Board Approved Proxy to 2024 Test Year.

Outside services for Metering have decreased by ($67,331), due to SNC's decision in 2020 to train and utilize its internal staff in the locates department to perform meter removals outside of peak periods (November through to March). There was also a reduction in salary and benefits, ($19,401) due to a decreased need for reverification of meters due to a lower number of meters that were purchased in 2010.

4.3.2.2 System Control Operations

Program Overview

The System Control Operations program is responsible for the ongoing monitoring, control, and management of the distribution network with the objective of maintaining a safe and reliable supply of electricity for customers. The primary functions of the Control Room are acting as the controlling authority, preparation and issuing of work permits to establish safe work areas for all crews, preparing switching orders for load transfer and isolation, providing supporting guarantees, outage management (which includes dispatching, restoration efforts and event tracking), security monitoring, and communicating with Hydro One Integrated System Operating Center ("ISOC") and customers regarding outages. The Control Room is also responsible for keeping the "as operated" model of the distribution system up to date with current field conditions.

SNC's Control Room is staffed 24 hours a day, 7 days a week and is linked to the distribution system by a data communication network. Information is processed by a Supervisory Control and Data Acquisition ("SCADA") system and an Outage Management System ("OMS"). Real-time breaker status and voltage and

current readings from 3 transformer stations (Hydro One owned), 1 municipal transformer station (Kenora MTS), four (4) 12kV distribution stations, and seven (7) 4kV distribution stations as well as 70 smart switches (remotely operable switches, reclosers, and switchgears) are communicated to the Control Room and displayed on the SCADA system. The Control Room uses these devices to support system operations, and when necessary, dispatch repair/trouble crews to manage equipment failures.

The majority of the costs for operating the control room are attributed to labour (salary and benefits). SNC requires eight fully competent and qualified FTE's, comprised of seven journey person operators and one supervisor to provide coverage for its 24X7 control room. This does not include apprentices; and as such the FTE's for this program can be higher to manage current and future workforce planning.

In the event that a full complement of staff is unavailable due to retirements or unplanned vacancies, SNC incurs overtime at a premium to provide adequate coverage, through the assignment of additional shifts. The difficulty in filling the specialized positions in the control room with qualified staff can lead to extended vacancies. In addition, new hires to SNC, whether at the apprentice or journey person level are not permitted to join the control room rotation until they have completed all training and competency requirements. This can result in additional costs – salaries and benefits are incurred for the new hires and overtime is incurred for the fully trained journey person operators who must take on extra shifts to ensure 24x7 coverage.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	**2017 BA Proxy**	**2017 Actuals**	**2018 Actuals**	**2019 Actuals**	**2020 Actuals**	**2021 Actuals**	**2022 Actuals**	**2023 Forecast**	**2024 Forecast**
System Control Operations	$ 1,013,330	$ 958,939	$ 990,786	$ 907,053	$ 1,003,054	$ 1,099,564	$ 1,042,975	$ 1,206,234	$ 1,280,977

Variance Analysis and Explanation

The majority of the costs for operating the control room are attributed to labour (salary and benefits). SNC requires 8 fully competent and qualified FTE, comprised of 7 journey person operators and one supervisor to provide coverage for its 24x7 control room. This does not include apprentices, as apprentices have limitations on the work that are able to perform. For example, an apprentice has limitations on the work protection that they can administer and typically and as such the FTE for this program have been challenging to manage.

When SNC experiences a reduction in resources in the System Control department, the project style work, such as progress on the Outage Management System (OMS), optimization of reporting requirements, and updating operating maps and databases is deferred. The available operators must focus on providing work protection to field staff and dispatching and restoration during outage situations.

Starting on May 1, 2020, the 12 hour shift was implemented in the system control office. This shift was implemented to create efficiency within the department. This change allowed new duties and programs to be initiated without hiring additional staff. The following duties and programs implemented were Shift Reports (daily), import of GIS Wizard, maintaining the OMS map by mimicking manual field operations in OMS, OMS Dispatching Duties - evenings and weekends, Outage Planning, Generate Customer lists, prepare notices, setup/run auto-dialer, Select Graphics and Database, Historical Dataset database management, provide analysis of switch benefit / utilization prior to maintenance/replacement, GIS Editing now done daily, via Capital Construction, Timesheets As built reviews and edits Backup Control Room - Monthly Functionality Audit.

In addition to labor, there are telephone circuit costs also contained in this program and include computer network data connections for the SNC SCADA system. These costs have increased since the merger with Kenora, in 2019 as the number of long-distance communication circuits are now required to be leased, which were not part of previous operations.

2017 Board Approved Proxy to 2024 Test Year

System Control Operation expenses have increased $267,647 from 2017 Board Approved Proxy to 2024 Test year primarily due to inflationary increases of $190,559. The primary drivers of increases including inflation are detailed in the above summary of FTE variances and are due to challenges in staffing the department, salary, and benefit increase of $204,528. Additionally, there is an increase of $38,835 due to data circuit connections required to operate the Kenora distribution territory from the Control Room in Thunder Bay.

2022 Actuals to 2024 Test Year

The increase of $238,002 from 2022 to 2024 Test year is due to salaries and benefit increase of $216,104.

In 2024, SNC is budgeting for the possibility of having 1 FTE return from medical leave, and bringing on a new apprentice, which would increase the FTE count to 8. Although SNC has been advertising for an open

position of System Operator-in-training since September 2022, this position still needs to be filled due to a lack of qualified applicants.

4.3.2.3 Overhead and Underground Operations

Program Overview

The Overhead and Underground Operations program includes the day-to-day tasks and procedures necessary to operate SNC's overhead and underground distribution system. Overhead Operations encompass the cost of labour, materials, and expenses for the operation of overhead distribution poles, conductors, transformers, switches, services, and other overhead equipment from the low voltage connection in the distribution station to the customers premises.

Underground Operations encompasses the cost of labour, materials, and expenses for the operation of underground cables, transformers, switches, services, duct, and any other underground equipment from the low voltage connection in the distribution station to the customers premises.

Planned operations result from internal and customer driven investigations into determining system load and load balancing, temperature or operating performance, voltage and load testing and surveying. These investigations help SNC understand the operation of the distribution system and can result in changes to the system configuration and protection settings to minimize future customer outages and avoid potentially costly repairs or replacement of equipment. Thermographic scanning is a tool that can be used in response to specific customer concerns on the system to investigate and detect abnormal temperature conditions or hotspots in equipment and connections. Other planned operations include providing disconnect and reconnect services for customer work or customer vegetation management in proximity to energized overhead lines.

Reactive operations include unplanned equipment operation resulting from inclement weather events, fires, and vehicle accidents. This work often includes line patrolling and switching, and due to the unplanned nature of the events, is often performed outside normal working hours at considerably more cost.

SNC strives to provide safe, reliable service at an appropriate level of quality and cost throughout its licensed service area. Operations on Overhead and Underground equipment are an important part of its overall strategy of minimizing undesirable service conditions and maintaining continuity of service through the timely restoration.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	**2017 BA Proxy**	**2017 Actuals**	**2018 Actuals**	**2019 Actuals**	**2020 Actuals**	**2021 Actuals**	**2022 Actuals**	**2023 Forecast**	**2024 Forecast**
Overhead\Underground Operations	$ 1,334,932	$ 976,098	$ 1,247,467	$ 1,469,142	$ 961,320	$ 990,877	$ 1,347,515	$ 1,502,911	$ 1,731,297

Variance Analysis and Explanation

2017 BA to 2024 Test Year

An increase of $396,365 between the 2024 Test year and the Last Rebasing year is driven by several items. Inflation accounts for $251,036 of the increase. Building costs/ rent are up $147,550 over OEB approved due to the increases in heating and cooling costs of the operations center and garage. Administration costs are up $80,562 due to the reallocation of Kenora staff to meet documentation requirements of Ontario Regulation 22/04 in the Overhead and Underground Operations Programs. Safety equipment expenses are up $98,244 as 2024 is a negotiated year that unionized staff receive Personal Protective Equipment (PPE). This equipment is provided to all unionized field staff working in proximity to energized overhead and underground equipment, on a bi-annual basis (every 2 years). It is a negotiated amount as per the Collective Agreement with Local Union 339 of the International Brotherhood of Electrical Workers (IBEW). This equipment is vital in ensuring the safety of staff working in proximity to energized overhead and underground equipment. The PPE is flame resistant (FR) which refers to any garments that are specifically designed to protect the wearer from flames and thermal injury. FR clothing resists ignition and self-extinguishes once the source of the ignition is removed.

2017 BA to 2017 Actuals

A decrease of ($358,834) from the 2017 Board Approved Budget to Actuals was experienced due to the "Adverse Weather" event which occurred in Q4 of 2017. This resulted in a significant increase in the labour and associated overheads being charged to the Overhead and Underground Maintenance program. As a result of this focused restoration effort, labour and activities were deferred from the Overhead and Underground Maintenance Programs until 2018 to offset the increases. The decrease was made up of a drop in salaries wages and benefits of ($193,609) and ($270,086) respectively and a decrease in Trucking of ($88,747).

2019 to 2022 Actuals

In March of 2020, a world-wide Pandemic was confirmed due to COVID-19. Due to the unknown nature of spread of the virus, SNC made a strategic decision to defer work to address the potential liquidity

impacts of the COVID-19 pandemic on customers' ability to pay for electricity and uncertainty of the work environment. SNC decided to defer subcontractor work of ($246,894) in Overhead Operations. The work that was deferred included such things as improvements in system load and balancing, reconfiguration of the system to obtain improved operating performance, voltage and load testing and surveying. Work that was suspended and deferred was deemed to have no impact to public safety. This resulted in a reduction of administrative costs of ($116,765), and salaries wages and benefits decreased by ($146,725).. The pandemic persisted through to late 2021 and due to the provincial health guidelines, staff were required to isolate for 10 days following a positive COVID-19 test, thereby decreasing available staff to perform work. Additionally, there are limited qualified powerline subcontractors, in the Thunder Bay and Kenora regions. The strategic decision to defer subcontractor work had unintended repercussions that lasted beyond the initial pandemic response. Contractors were able to secure work on other regional projects (such as mining, and infrastructure rebuilds) further reducing the resources available to SNC. Expenses in this program are more in-line with pre-covid expenditures starting in 2022.

2022 Actuals to 2024 Test Year

2022 Actuals to 2024 Test year program expenses increase $383,782. 2022 Actual to 2023 Bridge year expenses increase by $155,396, mainly driven by inflationary wages increases of $56,600 and increase in trucking costs of $33,927. 2024 Test Year expenses are $228,386 higher than 2023 bridge year, primarily due to an increase in safety equipment of $109,153. This expense is the Personal Protective Equipment (PPE) which is provided to all unionized field staff working in proximity to energized overhead and underground equipment, on a bi-annual basis (every 2 years). It is a negotiated amount as per the Collective Agreement with Unionized staff.

Salaries, wages and benefits and overhead burdens are up by approximately $47,055, due to inflation. Included in overhead burdens are increases in the cost of software, tools and materials needed to perform work. For example, the Engineering department is an overhead, and a portion of its costs are allocated to this account. Because the training cost to employ and retain staff have increased, as has the computer software and hardware that designers require to perform their work, the total overhead department increased, and those costs are then allocated across all of the OM&A work categories proportionately to the amount of PLT hours worked.

4.3.2.4 Operations Supervisory

Program Overview

SNC allocates its Engineering, Locates and Supervisory programs across Maintenance and Operations Supervisory accounts. A description of the programs is detailed below. Allocations are done based on the PLT wages and overtime charged to a work order.

The Engineering Program is accountable for (i) all aspects of distribution system design and planning; for both overhead and underground distribution system assets; (ii) adherence to and creation of all engineering standards as it related to construction and maintenance activities; (iii) operating and maintaining SNC's Geographic Information System ("GIS"), and other engineering software such as AutoCAD, SpidaCalc (Pole loading analysis software) and CYME (System Load and Protection and Control Modelling software); and (iv) since 2020 the creation and implementation of inspection and testing programs for poles and cables

A primary function of Engineering is developing the short and long term asset management plans with annual inputs from the risk assessment programs. These programs provide constantly updated information from the in-service assets, and which need immediate replacement. Once those assets are identified, the Design team then creates a replacement plan which adheres to all applicable standards. These can include the CSA (Canadian Standards Association) and USF (Utilities Standards Forum) standards, as well as Ontario Building Code and IEEE (Institute of Electronics and Electrical Engineers) standards. The designs are signed off by a competent and qualified individual in order to maintain and add new plant in compliance with the Electricity Act and Ontario Regulation 22/04 Electrical Distribution Safety.

The Engineering program also includes Protections & Controls, as well as Customer and Generation connections. In order to best serve SNC's customers, the staff in the Engineering department review the manual and automatic restoration and protection schemes and provide direction on device sizing and timing. The staff maintain an up to date electrical model of the distribution system in order to respond to inquiries and perform system fault studies.

Customers also frequently inquire about both load and generation connections to the SNC system. In both cases the connection is reviewed, and the Distribution System Code followed in order to provide an estimate to the customer for connection and any impacts to the grid that need to be mitigated in order to ensure the reliability of other customers.

The Engineering program expenses include salaries and benefits of the engineering staff as well as engineering consulting services that need to be utilized from time to time, as well as any engineering tools such as software, and surveying equipment.

One of the tools frequently used by the Engineering Programs staff is the GIS (Geographic Information System). The GIS system is the Asset Management repository and is used in Asset Management Planning as well as preparing the Inspection and Testing Mobile data gathering processes. In addition, the GIS program is used to provide field data to SNC's locates services group to perform underground locates.

SNC is required under the Ontario Underground Infrastructure Notification System Act, 2012 (the Act) to identify the location of its underground distribution system when requested, to ensure that homeowners and contractors can dig safely when excavating a new building, repairing buried infrastructure, landscaping, or pursuing any other project which requires them to break ground. This service is referred to as 'cable locating' or 'locates' and is facilitated by Ontario One Call. SNC is responsible for the service costs associated with locate requests in its service territory and SNC's duties under the Act include but are not limited to:

- providing excavators with responses to excavation requests within five business days;
- reporting the completion of those locate responses to Ontario One Call within three business days; and
- ensuring Ontario One Call has factual up-to-date information.

SNC performs its cable locating function with internal resources but relies on a third party provider to provide support in the peak season where locates exceed the threshold of 825 locates in a month. The cost of the locate program includes the service fee to Ontario One call and the cost of performing the locate, which varies depending on the nature of the locate requested.

Supervisory programs include supervisory staff for the lines and operations department. This includes 5 Lines Supervisors for Thunder Bay and Kenora (3 for Construction, 1 Services and Connections and 1 Maintenance), 1 Lines & Operations Coordinator, 1 Project Manager and 2 Power Systems Clerks.

The Power Systems Clerks are SNC staff that respond to customer calls related to power interruptions, reliability, construction, and forestry activities. These inquiries are documented and when possible, responded to immediately, otherwise, the inquiry is forwarded to the appropriate SNC Supervisor. The Supervisors then have the responsibility of determining the course of action. If there are Operations or

Maintenance activities arising out of the inquiry, a work request is generated and directed to the appropriate account. Power Systems clerks also support the Lines Supervisors with payroll, purchasing, and invoice input into the corporate software. Included in this program are also the general supervisory duties performed by supervisors such as performance reviews, directing work and reviewing tailboards.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	**2017 BA Proxy**	**2017 Actuals**	**2018 Actuals**	**2019 Actuals**	**2020 Actuals**	**2021 Actuals**	**2022 Actuals**	**2023 Forecast**	**2024 Forecast**
Operations Supervisory	$ 452,528	$ 285,590	$ 423,538	$ 310,231	$ 236,011	$ 270,845	$ 347,214	$ 535,010	$ 611,228

Variance Analysis and Explanation

2022 Actuals vs 2024 Test Year

2024 Test Year expenses are $264,015 higher than 2022 actuals.

IT allocation costs are up $94,402 which are further described below in Section 4.3.6.

Supervisory and Engineering costs are up $169,612. As explained in section 4.1.6 SNC amended its PLT allocation in 2019-2022 as a result of COVID and contractor availability, resulting in PLT hours being allocated to Capital and Recoverable. 2023 marks a return to normal operating procedures and normal Engineering and Supervisory allocation.

4.3.2.5 Station Operations

Program Overview

SNC owns and operates 1 transformer station and 13 distribution stations. Stations operations encompasses the cost of labour, materials and expenses or the ongoing operations of these stations to ensure that the stations can effectively and reliably operate under all system conditions. This includes regular inspections, protection systems reverifications, circuit breaker maintenance, maintenance of transformer and all associated components, standard oil testing and analysis, circuit switcher maintenance, maintenance of auxiliary systems such as batteries, and other related activities at the stations. This also includes the day to day tasks and procedures necessary to operate SNC's stations.

The Stations and Transformer Station Operations Program is responsible for the operation of all equipment at SNC's municipal transformer station (Kenora MTS), four (4) 12kV distribution stations, and seven (7) 4kV distribution stations. This includes the operation of remotely operable switches, reclosers, and switchgears located within the station perimeter. The current station operations are done to maintain

the reliable and efficient operation of the distribution system. SNC has plans to decommission all seven 4kV distribution stations by 2027, as part of its 4kV to 25kV voltage conversion program, and has removed 3 stations since 2017, with a 4th being decommissioned in 2023.

The Stations and Transformer Operations program expenses include salaries and benefits, as well as building operations that are required to operate the substations.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	**2017 BA Proxy**	**2017 Actuals**	**2018 Actuals**	**2019 Actuals**	**2020 Actuals**	**2021 Actuals**	**2022 Actuals**	**2023 Forecast**	**2024 Forecast**
Station Operations	$ 451,714	$ 496,539	$ 427,595	$ 382,648	$ 337,025	$ 319,709	$ 321,919	$ 427,478	$ 501,098

Variance Analysis and Explanation

2022 Actuals to 2024 Test Year

Station Operation expenses increased $179,180 from 2022 Actuals to 2024 Test year. The increase is due salaries and benefits increasing by $90,247. This increase is the addition of one P&C technician for 2024. In 2017 SNC employed 3 station technicians and 1 P&C technician. In 2020, one station technician vacated the position, and the P&C technician went on long term sick leave, which provided the opportunity for SNC to propose a reorganization of the department. This reorganization will better satisfy the needs of the system due to decommissioning of the 4kV stations and associated breaker and relay controls with protections & control incorporated into the overhead system using automated switches (recloser). In 2024 there will be 2 P&C technicians and 1 station technician responsible for the station's operations workload. An increase in building cleaning cost of $66,448 will also be experienced from 2022 to 2024 due to the cost of using a contractor to provide daily cleaning of substation washroom facilities. In 2020, during the Pandemic, the Ministry of Labour issued orders requiring all jobsites provide handwashing and washroom facilities. SNC utilized internal labourers to provide the service of cleaning substation facilities which were in proximity to jobsites. SNC has continued to operate in this manner since that time, unfortunately, a posting for labourer has remained unfilled and SNC has budgeted to use external cleaning contractors to provide this necessary service in 2024.

4.3.3 MAINTENANCE WORK PROGRAMS

The Maintenance category is comprised of Maintenance Supervisory, Meter Maintenance, Overhead/ Underground Maintenance, Station Maintenance, Transformer and Transformer Station Maintenance, Meter Operations, System Control Operations, Overhead / Underground, Station, and Transformer Station Maintenance work programs.

4.3.3.1 Maintenance Supervisory

Program Overview

SNC allocates its Engineering, Locates and Supervisory programs under Maintenance and Operations Supervisory accounts. A description of the programs is detailed below. Allocations are done based on the PLT wages and overtime charged to a work order.

The Engineering Program is accountable for (i) all aspects of distribution system design and planning; for both overhead and underground distribution system assets; (ii) adherence to and creation of all engineering standards as it related to construction and maintenance activities; (iii) operating and maintaining SNC's Geographic Information System ("GIS"), and other engineering software such as AutoCAD, SpidaCalc (Pole loading analysis software) and CYME (System Load and Protection and Control Modelling software) ; and (iv) since 2020 the creation and implementation of inspection and testing programs for poles and cables

A primary function of Engineering is developing the short and long term asset management plans with annual inputs from the risk assessment programs. These programs provide constantly updated information from the in-service assets, and which need immediate replacement. Once those assets are identified the Design team then creates a replacement plan which adheres to all applicable standards. These can include the CSA (Canadian Standards Association) and USF (Utilities Standards Forum) standards, as well as Ontario Building Code and IEEE (Institute of Electronics and Electrical Engineers) standards. The designs are signed off by a competent and qualified individual in order to maintain and add new plant in compliance with the Electricity Act and Ontario Regulation 22/04 Electrical Distribution Safety.

Other expenses under the Engineering, Locates and Supervisory accounts include;

- Maintenance costs of software required for surveying equipment including connectivity to GPS data.

- Maintenance costs and labour to ensure the GIS system are up to date with real time data for use in the field.
- Maintenance costs and labour to ensure that software needed to provide responses to ON1call and locate requestors regarding the status of a cable locate are up to date and available.
- Maintenance costs on the equipment required to perform locates.
- Engineering labour required to review Maintenance work requests regarding Protection and Controls settings changes.
- Engineering labour arising from a review of reliability performance and restoration and protection schemes. Engineering staff maintain an up to date electrical model of the distribution system to respond to inquiries and perform system fault studies.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	**2017 BA Proxy**	**2017 Actuals**	**2018 Actuals**	**2019 Actuals**	**2020 Actuals**	**2021 Actuals**	**2022 Actuals**	**2023 Forecast**	**2024 Forecast**
Maintenance Supervisory	$ 1,141,198	$ 1,589,249	$ 1,656,350	$ 1,610,785	$ 1,841,163	$ 1,917,528	$ 1,905,858	$ 1,938,132	$ 1,947,149

Variance Analysis and Explanation

2017 Board Approved vs 2024 Test Year

An increase of $805,952 from the 2017 Board Approved Proxy to the 2024 Test year is primarily the result of overall increases in Engineering and Supervisory overhead department costs. IT allocation has increased by $299,606, and is described below in Section 4.3.6.

Supervisory and Engineering costs have increased by $506,346. Majority of this increase relates to Kenora's Accounting practices relating to Supervisory labour, these costs were reallocated to this program as a result of the merger.

Locate requests vary based on the amount of excavation that customers perform due to construction activities. SNC continues to see increases in locate requests and a record high of 10,010 requests were submitted in 2021 due in part by a backlog of COVID-19 construction. These high levels of requests required an increase in subcontractor resources in order to meet the legislated service provision of 5 days further increased costs.

2017 Board Approved vs 2017 Actual

The increase of $448,051 is driven by:

- Supervisory and Engineering cost increases of $229,392, of which $189,000 related to increased Engineering work, locates work performed on OM&A functions.
- Salaries, wages, and benefit increases of $143,034 due to reallocation of Kenora wages to mirror Thunder Bay's practices.
- IT allocation increases of $75,625, which are further described below.

2019 Actuals to 2020 Actuals

Expenses increased by $230,378 in 2020. The largest variance is from the Engineering Overhead allocation. The primary drivers being the following:

- In 2020 it was decided that the pole testing activity previously budgeted in Lines was to be budgeted and expensed in Engineering as the results of the testing were used for Capital planning and capital replacement project costs, this was an increase of $78,000.
- There was an increase in 2020 Subcontracting costs over the 2017 budget due to the increase of locates requested in 2020, (7,855 vs 9,949) some of which was a result of COVID-19 backlog and increases in the construction activity in the late spring and fall of that year causing SNC to use additional external contractors to meet the 5-day requirement.

4.3.3.2 Meter Maintenance

Program Overview

The Meter Maintenance program is responsible for the maintenance of metering and communication equipment to ensure proper functionality and compliance with applicable legislative and regulatory requirements. This program includes the cost of labour, materials and expenses incurred in the maintenance of meters and meter testing equipment. The cost shall include the cleaning and painting and other work necessary to keep equipment in service.

SNC's Meter Maintenance program ensures high quality accurate billing for utility customers. This program seeks to realize OEB Renewed Regulatory Framework performance outcomes in the areas of Customer Focus and Operational Effectiveness. Accurate metering and billing underpin ratepayer trust and confidence in the entire electricity system.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	2017 BA Proxy	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Forecast	2024 Forecast
Meter Maintenance	$ 95,672	$ 50,980	$ 42,007	$ 42,847	$ 61,724	$ 73,255	$ 48,301	$ 73,146	$ 68,985

Variance Analysis and Explanations

There are no material variances from 2017 to 2024.

4.3.3.3 Overhead/Underground Maintenance

Program Overview

Overhead/Underground Maintenance Programs encompass the cost of labour, materials and expenses for the ongoing preventative and reactive maintenance of overhead and underground distribution assets such as poles, conductors, fixtures, services, duct, vaults, manholes and other service equipment.

Overhead preventative maintenance includes programs such as switch maintenance, infrared inspections, insulator repairs and replacement. It also includes such activities as, installing additional line clamps or strain insulators, moving, readjusting, and changing position of guys or braces, straightening and realigning poles and ancillary equipment, refusing line cut-outs and repairing grounds. It can also be work required by customers such as supporting conductors, transformers, and other fixtures due to customer work in proximity or due to joint use attachment. There is also preventative maintenance involved in ensuring that customers' overhead services are connected, repaired, or maintained in a prompt and efficient manner and that overhead system maintenance is completed as scheduled. These activities help to minimize customer outages and avoid potentially costly repairs or replacement should equipment fail. Equipment maintenance and repairs are also expensed under this program as are tools required to maintain the distribution system such as hydraulic tools, recording equipment, jumper cables and confined space rescue equipment.

Overhead reactive maintenance includes unplanned failures and emergency repairs required due to inclement weather events, third-party excavators, and vehicle accidents. This work includes responding to customer calls and "lines down" calls, cutting faulty lines clear and is often performed outside normal working hours at considerably more cost.

Underground Preventative maintenance includes programs such as cleaning of ducts and manholes, moving or changing position of conduit and other underground facilities, vault cleaning and analysis and repairs identified through system inspections. These help to minimize customer outages and avoid potentially costly repairs or replacement should equipment fail.

Underground reactive maintenance includes unplanned failures and emergency repairs due to ground faults, third-party excavators, and vehicle accidents. This work includes responding to customer calls and is often performed outside normal working hours at considerably more cost.

The preventative work of the Overhead and Underground Maintenance Programs is critical for minimizing the need for reactive and emergency work through effective and proactive planned maintenance activities (including predictive and preventative actions), which minimizes customer outages and avoids potential costly repairs or replacements should equipment fail catastrophically.

SNC conducts annual overhead inspections on a three-year rotational basis of the entire primary overhead system. This is conducted using a mobile inspection platform by qualified internal and external resources. SNC's service territory is divided into three areas and the inspections are performed following the requirements of Appendix C of the Distribution System Code. Included in the overhead inspection are poles, ancillary equipment such as cross arms and insulators and pole-mounted transformers. In addition to the overhead inspections, pad mounted transformers and switches each have a separate inspection program due to their high component value and relative risk to the reliable operation of the system. Inspections on overhead switches are paired with preventative maintenance such as a replacing small component and lubricating mechanical joints. As part of the above asset inspection processes, some components are identified for maintenance work, which is performed under this account.

Two maintenance activities can result from a detailed inspection of a padmount or polemount transformer. One of which is that when the paint condition on the tank is visibly pealing or rusted, the transformer is removed from service for sandblasting and/or painting to restore the exterior and ensure that rusting does not result in a leaking tank. This activity is performed on both polemounted and padmounted transformers as well as those in stock. The ensures that the stock in the yard is available and in good condition to go into the field in an emergency. The second activity that can result from a detailed inspection is using a hydrovac to clean the concrete base or walls of a padmount transformer. This is done to determine the source and staining of oil on any surfaces. Rather than replacing the transformer due to staining present on the base and sides, the transformer and stain is cleaned and reinspected within 3 months to determine if staining reoccurs. If it does, the transformer is then scheduled for replacement, however, it has saved the utility from replacing transformers due to a stain that may have occurred during installation.

Pole testing is a program that SNC began in 2019 utilizing a subcontractor and the Polux pole testing equipment. This equipment measures the remaining strength at the ground-line of wood pole and is a critical element in determining the pole health and replacement timing. Testing is performed on 1,200 poles annually in conjunction with the visual inspection. Only poles that have been in service for 20 years and are not scheduled for replacement before the next inspection are included in the testing program.

SNC's non-destructive cable testing is program was implemented in 2020 and uses a method to detect the effect that water-trees have on XLPE cables and provides a quantitative condition assessment. Testing is performed on 200 cable segments annually and was completed in conjunction with a subcontractor, CableQ. The output from testing is integrated into a health index and informs future cable rejuvenation and replacement programs.

SNC strives to provide safe, reliable service at an appropriate level of quality and cost throughout its licensed service area. Operations on Overhead and Underground equipment are an important part of its overall strategy of minimizing undesirable service conditions and maintaining continuity of service through the timely restoration.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	**2017 BA Proxy**	**2017 Actuals**	**2018 Actuals**	**2019 Actuals**	**2020 Actuals**	**2021 Actuals**	**2022 Actuals**	**2023 Forecast**	**2024 Forecast**
Overhead\Underground Maintenance	$ 2,473,099	$ 3,009,218	$ 3,089,646	$ 2,756,736	$ 2,549,265	$ 2,494,248	$ 3,597,746	$ 2,898,879	$ 3,086,046

Variance Analysis and Explanations

2017 Board Approves Proxy to 2024 Test Year

An increase of $612,947 between the 2017 Board Approved Proxy and the 2024 Test year is due to the alignment of SNC's expenses needed to proactively and reactively maintain the SNC distribution system as experienced in 2017, 2018, 2019 and 2022. The increase of $612,947 is driven by an increase in salaries, wages, and benefits of $249,251, increased subcontractor powerline services of $169,023, and the associated overheads attached to power line labour of $156,005. This increase provides the needed programs to SNC customers to minimize outages and reactive work. The results of this inspection and maintenance work have been realized in the reliability of the system remaining relatively stable over the last 5 years.

2017 Board Approved vs 2017 Actual

SNC experienced an "Adverse Weather" event (as classified by OEB outage reporting cause codes) on December 5th, 2017. The heavy and wet snow and ice caused several lines down situations and resulted in requirement of additional outside services of $372,392 and overtime for internal staff of $80,830 to restore power to customers in a timely manner. Outside of the day of the storm there were also weeks of clean up under the Overhead Maintenance Program. When SNC experiences an event this late in the year, there are few options to adjust spending on maintenance activities to compensate for this increase in cost. Due to the magnitude of the storm as well as the timing, SNC experienced a variance of $536,119 from Board approved to actuals.

2019 to 2020 Actuals

In 2020, strategic decisions were made to address the potential impacts of the COVID-19 pandemic on customers' ability to pay for electricity. SNC decided to defer overhead and underground maintenance work ($207,471). Work that was deferred included such things as; pole straightening, cross arm changes, regular cut out maintenance, switch maintenance, painting of transformers, elbow or insert replacements, levelling of pad-mount transformers and removing redundant Skywire. Work that was suspended and deferred was deemed to have no impact to public safety. For example, where a customer or staff member reported that a pole was leaning, this work was documented but not scheduled for completion until resources became available in 2021 and 2022. This resulted in a reduction of materials of $79,291, salaries wages and benefits of $60,768, outside services of $66,604 and trucking of $46,009.

It is important to note that due to the provincial health guidelines, staff were required to isolate for 10 days following a positive COVID-19 test, thereby decreasing available staff to perform work. Additionally, there are limited qualified powerline subcontractors, in the Thunder Bay and Kenora regions. The strategic decision to defer subcontractor work had unintended repercussions that lasted beyond the initial pandemic response. Contractors were able to secure work on other regional projects (such as mining and infrastructure rebuilds) further reducing the resources available to SNC.

In addition to all the measures that SNC took to defer work in this account strategically, we were also fortunate not to experience any adverse or inclement weather in 2020 and 2021, which led to a reduction in overtime wages often related to storm response.

The expenses for cable testing, pole testing and overhead risk inspections were initially charged under the Overhead and Underground Maintenance accounts when the programs were first initiated in 2020 and 2019 respectively. However, as the utility found that these inspections were driving capital replacement

and required Engineering design, they were then expensed under the Engineering Programs to account for the capital work that was driven out of the testing and inspections. This resulted in reduction of approximately $75,000. Engineering Programs are treated as an overhead department, and a portion of work that is done is directly related to capital programs is charged to capital work orders, the rest of the labour, materials and software that is required for the engineering program is charged to OM&A. The allocations follow the powerline work that is performed under each Operations and Maintenance Programs, of which the Overhead and Underground Maintenance account is one of the largest.

2021 Actuals to 2022 Actuals

An increase in $1,103,498 between 2021 and 2022 was driven by:

A significant increase in subcontractor costs of $727,655 were incurred in 2022, $435,733 for overhead work related to Skywire work, $139,066 for maintenance of crossarms, and $152,882 in other subcontractor costs. As discussed in Section 4.1.6, in 2022 SNC was able to re-secure sufficient contractor capacity that it had lost in 2020 and 2021 due to the pandemic. Expenses in this program are more in-line with pre-COVID expenditures starting in 2023.

Salaries, wages, and benefits increased by $98,061 due to inflationary increases.

2022 Actuals to 2024 Test Year

A decrease of ($511,700) between 2022 and 2024 Test Year was driven by a significant decrease in subcontractor costs, as explained above in Section 4.1.6 there was some catch up work required in 2022 due to cuts made in 2020 as a result of the pandemic, and the lack of contractor capacity in 2021.

4.3.3.4 Stations Maintenance

Program Description

The Stations Maintenance Program is responsible for the maintenance of all equipment at SNC's four (4) 12kV distribution stations, and seven (7) 4kV distribution stations as well as 70 smart switches (remotely operable switches, reclosers, and switchgears). The difference between the stations is that the distribution stations have a primary side voltage <50kV and are provided a source of electricity from SNC circuits, whereas the municipal substation has a primary side voltage of >50kV and is provided a source of electricity from Hydro One Networks Inc. (HONI).

The current substation maintenance strategy focuses on minimizing, to the extent possible, emergency, reactive work by for its substations. As SNC plans to decommission all 7 – 4kV distribution stations by

2027, this program is responsible for the maintenance activities for the substation assets. (Transformer, oil circuit breakers, control relays, batteries, and facilities). The Stations Maintenance program conducts inspection and maintenance tasks typically on a fixed cycle and is focused on preserving and maximizing an asset's performance over its expected useful life while mitigating a wide variety of system risks. Inspections focus on predetermined conditions indicative of a potential failure.

Substation equipment maintenance is also included under this program of planned preventive and unplanned corrective maintenance of Substation Power Transformers, Substation Switchgear, Breakers and Relays, and the DC and Supervisory Control and Data Acquisition ("SCADA") Systems. Preventive maintenance performed on the above mentioned equipment includes electrical, mechanical, and type-specific maintenance tasks. During the inspections a sample of the transformer's oil is taken and sent to a lab to perform a Dissolved Gas Analysis (DGA) for early indication and detection of any faulty equipment. Based on the results the frequency of testing is increased for those transformers with higher levels of dissolved gas

Substation Building Maintenance is included under this program and includes a monthly visual inspection of all 13 substations to check for any deficiencies and identify corrective actions. Inspections are also conducted on the building structure, fence, facilities, and property.

Planned annual thermographic (IR) scanning and DC systems (Batteries and Chargers) testing is performed as well. This data is considered in combination to assess transformer and station asset 'health' and to identify the need for and plan maintenance activities. Costs can vary depending on the nature of the work involved and the number of problems to be resolved.

Power Transformer maintenance includes electrical testing and mechanical maintenance. However, Breakers and Relays preventive maintenance work is carried out every three years and includes detailed internal visual inspection, insulation resistance tests, and confirmation that there are no structural deficiencies in breakers. In addition, relay maintenance includes function testing, calibration of electromechanical relays, and protection setting updates, if required. System operations data (e.g., faults experienced by a transformer) is also relied on to identify the need for and plan the maintenance activities. The type and extent of maintenance activities are based on assessments and recommendations for each substation and as such can fluctuate from year to year. Expenditures can vary year over year depending on the nature of the work required and the number of substations scheduled for maintenance.

The Stations and Transformer Operations program expenses include salaries and benefits, as well as building maintenance that are required to maintain the distribution system.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	**2017 BA Proxy**	**2017 Actuals**	**2018 Actuals**	**2019 Actuals**	**2020 Actuals**	**2021 Actuals**	**2022 Actuals**	**2023 Forecast**	**2024 Forecast**
Station Maintenance	$ 281,809	$ 203,262	$ 215,072	$ 279,096	$ 216,199	$ 129,298	$ 211,300	$ 250,542	$ 268,983

Variance Analysis and Explanations

There are no material variances from 2017 to 2024.

4.3.3.5 Vegetation Management

Program Description

Vegetation management, or tree trimming, is a preventative maintenance program, which manages vegetation (trees and plants) along SNC's power lines for the safety of customers and utility workers achieving a balance to protect ecosystems. SNC performs vegetation management on all of its overhead primary feeders throughout its service territory by clearing vegetation from the area nearby power lines to meet the industry safety standards. (CSA 22.3 No.1:20 4.17).

With over one thousand kilometers of powerline and thousands of trees growing along it, managing vegetation is incredibly important and if managed well, can mitigate, and reduce risk from fallen trees and vegetation that grows or is blown onto power lines. This vegetation can become energized, and in certain situations, can cause fires or cause 'step and touch' potential risks to the public. Another safety risk stems from branches or trees that bring energized conductors to the ground when they fall, which pose significant safety hazards to the public. Vegetation management helps to mitigate these risks.

Vegetation interference is one of the most common causes of power interruptions, as overhead feeders are prone to tree branch contacts. Trees may contact distribution feeders as a result of natural growth, or when severe weather causes branches to break and fall onto lines or to bend and make intermittent contact. Conductors also sag due to ice and snow build-up, heavy loading, or warm weather, bringing the lines closer to tree limbs below. Branch contacts with lines result in a new path for current to travel causing the branch to become energized which poses a safety risk or negatively affect the reliability of service that thousands of customers rely on daily. Vegetation-related power interruptions can have a significant

impact on system reliability if not mitigated through vegetation management. On average, during the years 2014 – 2019, Tree Contacts were in the top 3 reasons for customer hour-interrupts for SNC.

Vegetation management is also a widely accepted means of effectively "storm-hardening" a system (i.e., proactively mitigating against storm damage and associated system reliability risks). Storm hardening involves selectively removing portions of a tree canopy to reduce the "sail effect" of branches during high winds and to reduce the likelihood that broken branches will contact lines. As such, more frequent tree pruning further reduces risks posed by severe weather.

As well as maintenance on the system, there are times when SNC must clear areas of vegetation to help its teams examine or repair or replace assets or structures as part other work programs, such as pad-mount equipment inspections.

SNC uses a combination of remote survey methods such as aerial surveys and LIDAR, as well as historical data records to create an inventory of trees and vegetation. This information is used to assist SNC's tree and vegetation management professionals to undertake inspections of the system to carry out site-specific risk assessments.

When work is performed, the Utility Arborist will select the appropriate method of work that considers the type and extent of vegetation to be managed and how this will impact the community and the environment. For example, there are cases where a tree is damaged or rotten and needs to be removed versus branches being trimmed.

SNC uses a wide range of handheld and mechanical equipment to manage vegetation so that it is clear of safe zones to prevent contact with power lines. This work can occur from the ground and overhead from aerial lift devices such as boom trucks and other offroad equipment. Due to the nature of the work and its proximity to energized overhead lines, SNC mandates the use of one certified utility arborist per crew for vegetation management activities with training, knowledge, and certification in the practice of arboriculture and awards the vegetation management contract through a competitive tendering practice.

In addition to planned vegetation management, customers also call the utility to request trimming around their secondary services. Although SNC does not perform vegetation management around secondary services, SNC provides a disconnect/reconnect service and guides customers through the planning and safe execution of tree work that is required in proximity to energized overhead wire.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	2017 BA Proxy	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Forecast	2024 Forecast
Tree Trimming	$ 721,654	$ 1,050,987	$ 838,944	$ 825,185	$ 899,494	$ 951,433	$ 2,368,116	$ 2,229,725	$ 2,081,556

Variance Analysis and Explanation

From 2018 through to 2021, the reactive vegetation management that was required by SNC to meet legislative requirements continued to increase year over year. Service order requests identified by customers and spans which required management increased by 18% and 19% in 2019 and 2020. In 2021, SNC budgeted $531,000 in OM&A sub-contractor costs for vegetation management but spent $784,000 due to reactionary vegetation hazards. This reactionary spending is one of the many reasons that SNC's management sought to understand the magnitude of vegetation management required within the service territory and implement a proactive Vegetation Management Plan to meet legislative requirements.

The environment that utilities operate in is changing, and there is no longer a "business as usual" way to manage the risks and threats from climate change to utility infrastructure. In the Northwest this has been increasingly true over the last several years with more severe storms, higher winds, and drought conditions. In 2021 Northwest Ontario (including the City of Thunder Bay) experienced a summer-long fire ban imposed by the Ministry of Natural Resources to attempt to manage nearly 1,000 individual [6] wildfires in the region fueled by hotter, drier weather. One of the biggest fires was Kenora 51, which in July 2021 had burned over 51,000 hectares and forced evacuations of several remote First Nations [7] communities.

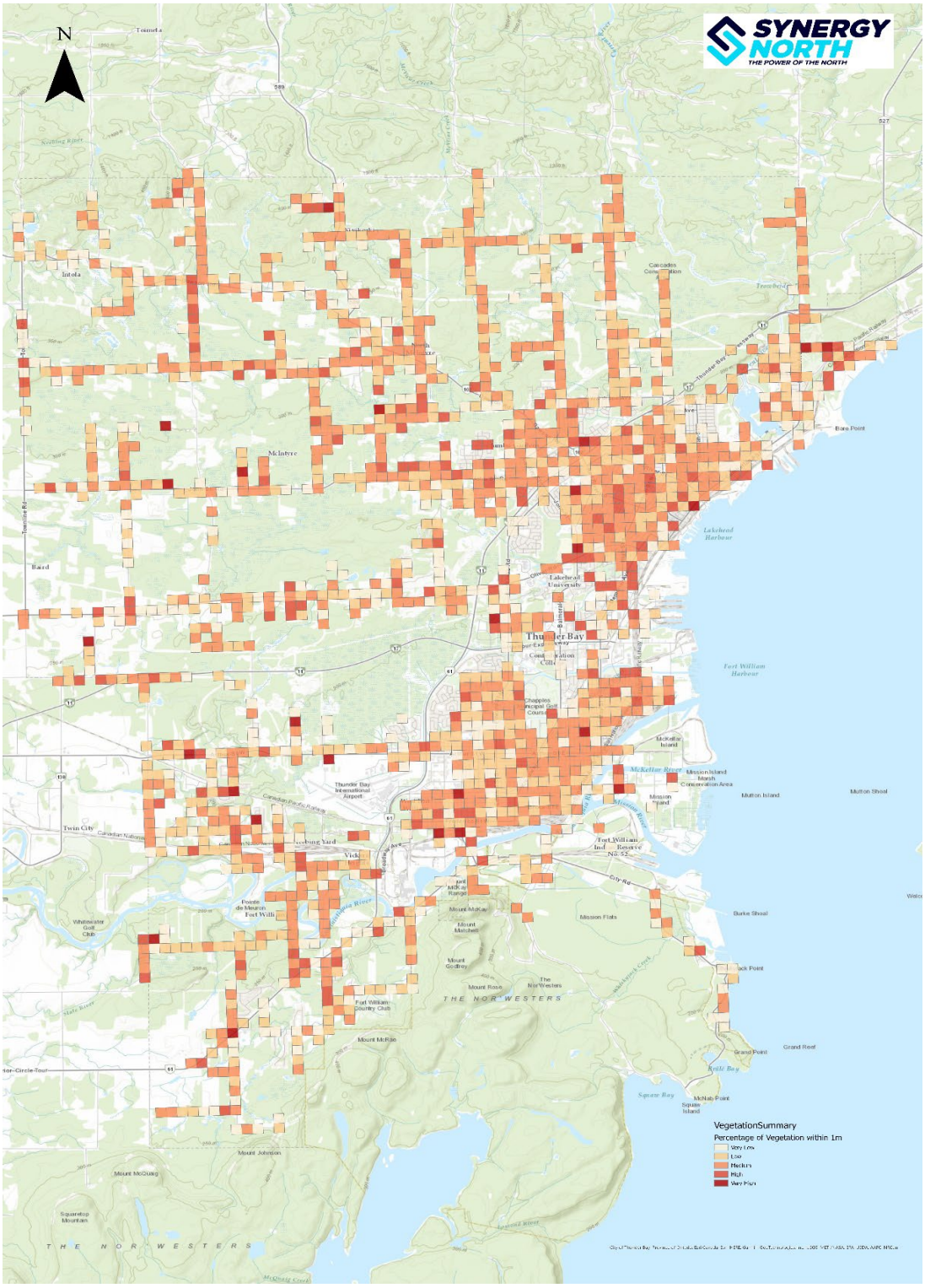
These drought-like conditions were not limited to Northwestern Ontario. In November of 2018 one of the costliest worldwide wildfires caused by an electrical transmission line resulted in over $26 billion in damage and firefighting costs, and 84 deaths [8.] The electrical utility, Pacific Gas & Energy (PG&E) pleaded guilty to criminal charges admitting its electrical grid caused the fire [9]. PG&E continued to experience large-scale wildfires caused by vegetation in proximity to power lines in 2019 and 2020 and was directed by the California Public Utilities Commission to provide a wildfire mitigation plan to prevent catastrophic wildfires.

[6] "Ontario forest fires burned record area of land this summer as they displaced First Nations in northwest" Matt Vis, CBC News, Posted Nov 10, 2021
[7] "Northwestern Ontario dealing with surge in forest fires as hot, dry weather settles into region" Nick Westoll, Global News, Posted July 9, 2021
[8] Wikipedia "2018 California wildfires"
[9] "PG&E Faces Criminal Charges Over Fatal 2020 Wildfire in California" Ivan Penn, The New York Times, Published Sept. 24th, 2021

In the utility sector, the public acknowledgment of these changes in the environment has resulted in a "Climate Adaptation Amendment" to the CSA standards. These standards apply to the construction of overhead and underground lines and provide direction on storm-hardening. SNC's vegetation management practices and plans must also adapt to manage the climate risks and threats to its infrastructure, as well as the risks SNC's infrastructure pose to the environment.

The Vegetation Management Plan (see Attachment 4-C) details the recommendations resulting from of an aerial LIDAR survey completed in 2019. The below Figure 4.4 provides a graphical representation of the amount of vegetation in 1m proximity to SNC's overhead primary lines. The analysis provided by the subcontractor broke the system out into 250 square meter grids with the darker red grids having a higher percentage of vegetation. This survey indicated that in practically all areas of the overhead distribution system there was some amount of vegetation within 1m, and that a significant portion of SNC's overhead system was exposed to risk. It was also assumed that vegetation had continued to grow since receiving the aerial data in 2019 and the risk had heightened and needed to be addressed.

Figure 4.4 - Grids with Vegetation within 1m (2019)



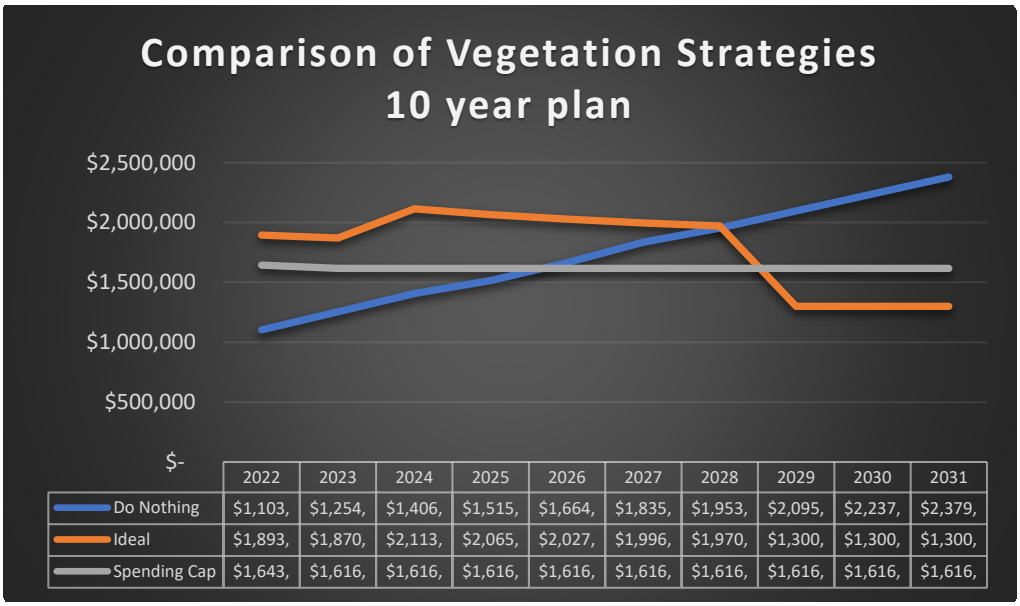
SNC's approach to managing the risk was to eliminate immediate hazards posed by vegetation and then proceed to systematically meeting legislated standards on all spans of its distribution system. With the ultimate goal of achieving an optimized vegetation management cycle which addresses species and growth conditions experienced in the Boreal Forest within the LDC's distribution territory.

The 4 key objectives of the plan are:

1. Eliminate Immediate Hazard – Remove any vegetation within 1m of overhead primary lines, to remove immediate burning hazards.
2. Create a Vegetation Register – Update tree inventory and assessment tools to gain a better understanding of growth rates and future needs to manage encroachments proactively.
3. Meet Industry Standards – Demonstrate the levels of work, resources, and budget that are required to meet the minimum industry standard set by the Canadian Standards Association in CSA 22.3 No.1:20 4.17 which specified that vegetation is to be cleared to 3m proximity of overhead primary wires.
4. Establish an Optimal Cycle – Determine the levels of work, resources, and budget that is required to maintain SNC's levels of service, continue to operate in a safe and efficient state, and reach an optimal cycle of vegetation management.

In Thunder Bay and Kenora, SNC's Optimal Cycle was developed based on experience with the species and conditions experienced by vegetation grown in the forest region. Both Thunder Bay and Kenora are a part of the Boreal Forest and the species in this forest have very different growth patterns, than species grown in Southern Ontario, which are part of the Great Lakes St. Lawrence Region, (see below for a representation of the Forest Regions of Canada provided by Natural Resources Canada). For example, a Manitoba Maple when cut to stump will grow up to 3m per year in the region, verses a Spruce tree will only grow 12 inches in a year. Average growth of the species present in the distribution territories is approximately 2m, with current climate conditions. The Optimal Cycle developed by SNC will address tree growth specific to the distribution territory as well as strategically addressing the trees that have a faster growth with selective management activities.

Several scenarios of how to approach vegetation management were presented to the Local Advisory Committee (LAC) meeting held in February 2022. The bill impacts of each scenario were presented, and the members of the LAC agreed with managements recommended approach. Feedback received to ensure that customers were educated that this is a temporary increase with the goal of having an optimal program and a cost reduction by 2028.



	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Do Nothing	$1,103,	$1,254,	$1,406,	$1,515,	$1,664,	$1,835,	$1,953,	$2,095,	$2,237,	$2,379,
Ideal	$1,893,	$1,870,	$2,113,	$2,065,	$2,027,	$1,996,	$1,970,	$1,300,	$1,300,	$1,300,
Spending Cap	$1,643,	$1,616,	$1,616,	$1,616,	$1,616,	$1,616,	$1,616,	$1,616,	$1,616,	$1,616,

The proposed cost of implementing the vegetation management plan was over and above what SNC was approved for rates, and the amount approved by the Board of Directors was spent by the Shareholder, not the ratepayer. This spend was deemed necessary to meet obligations to its customers for the safe operation of the distribution system and to meet legislative requirements. SNC has an obligation under its Electricity Distribution Licence (ED-2018-0233) to comply with the Distribution System Code ("DSC"), which includes requirements for distributors to inspect and remediate the encroachment of vegetation upon distribution lines on any right-of-way.

The plan was initiated in May of 2022 and by December of 2022, 491 km had been verified cleared of vegetation to 1m and 84 km had been verified cleared of vegetation to 3m by the subcontractor for a total cost of $2,053,194.

The plan was to remove 50% of all vegetation within 1m in 2022 and 100% of vegetation within 1m by the end of 2023, in rural areas with dense vegetation cover with significant undergrowth, mechanical brushing equipment was necessary. This equipment clears to the ground level at approximately 3m on each side of the line. The first two years of the plan was completed out of net income at no additional cost to customers.

The legislated requirement (CSA Standard) and SNC's ultimate state is to clear vegetation in 3m proximity to lines, it was determined that clearing to 3m throughout the system would take too much time while there were known immediate hazards (vegetation in 1m proximity) remaining (See Figure 4.4 for the Vegetation within 1m). For this reason, the implemented plan was to clear the 1m hazards immediately and return to clear 3m with the acquired knowledge from the documented Vegetation Registry of the required equipment and labour needed to effectively perform work. Where there was no vegetation indicated on the LIDAR survey within 1m of the overhead line the forestry technicians verified this field condition and the tree inventory was updated, no crews were deployed to these locations.

A before and after photo of mechanical brushing are shown below to highlight the density of vegetation beneath and in proximity to overhead lines in rural areas and the need to use mechanical brushing as a more efficient method rather than individually trimming branches.

It is important to note that 84 km were cleared in this manner in 2022 and 29 km in 2023, totalling 113 km. Due to this method of clearing (mechanical brushing), the vegetation is chipped on site leaving the mulch on location below the powerline. With the modified environment, the resultant growth conditions favour low lying vegetation which crowd out the ability for larger trees to grow as quickly. Therefore, due these suppressed growth conditions, it is expected that an optimal cycle will extend beyond 5 years in these areas, and SNC will not need to return to this 113 km of line to perform vegetation management within the forecasted cost of service period. These conditions will be documented in the Vegetation Register to ensure incorporation of the conditions into the future vegetation management planning processes. The below photo provides illustration of the ground conditions with mulch that result in suppressed growth.

In urban areas where it is not appropriate to chip on site and leave the mulch on location, a Memorandum of Understanding was signed between SNC and Confederation College in March of 2023. This community minded, mutually beneficial agreement was put in place for SNC to donate the wood chips from its vegetation management to use as fuel in the biomass heating facility at Confederation College. This allowed SNC to eliminate the costs of dumping wood chips as waste and for Confederation College to obtain fuel for its biomass heating at no cost.

In 2023, SNC is continuing to complete its vegetation management plan and in June reported that 628 km of overhead line has been verified clear. This amounts to 75% complete. As in 2022, SNC encountered 29 km of dense rural vegetation with significant undergrowth, which required mechanical brushing.

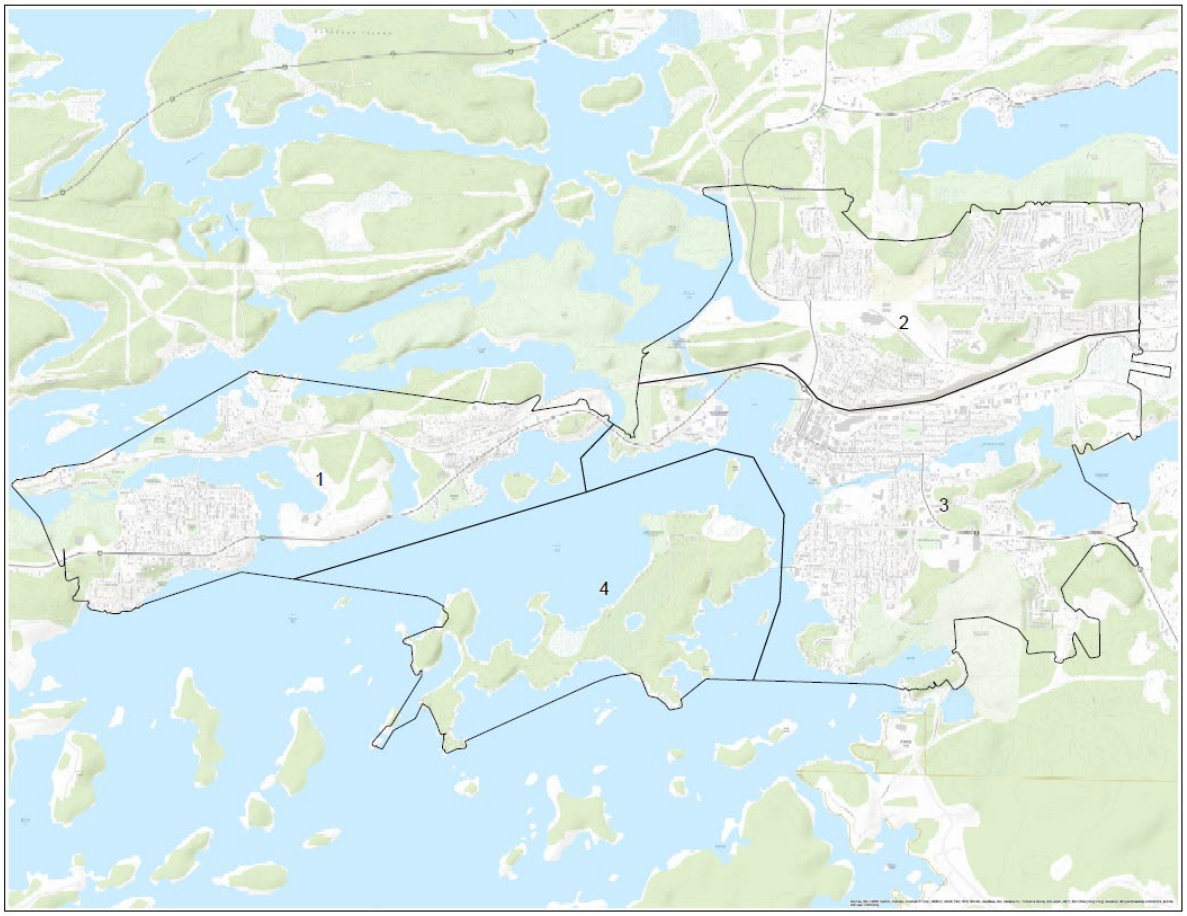
2017 Board Approved – 2024 Test Year

The increase of $1,359,903 for SNC's Vegetation Management program between the 2017 Board Approved Proxy the 2024 Test year is the result of increasing required spending on vegetation

management followed by the implementation of the proposed Vegetation Management plan as detailed above.

In 2019, Kenora Hydro and Thunder Bay Hydro merged to become SNC. Up to this point, Vegetation Management activities in Kenora had been performed by internal PLT's. The work involved responding to customer concerns, storm activity and some maintenance activities, with no formal vegetation management program.

Since then, Kenora's service territory has been divided into 4 quadrants, with each zone being approximately equivalent in size (see Figure below). Vegetation management activities took place in Zone 1 following the merger in 2019. Subsequently in 2020, operations continued in Zone 3. Coney Island's (Zone 4) vegetation was managed in 2021. This area is boat access only and requires crews and equipment to obtain the necessary transportation to perform work on site. Vegetation management within Zone 2 is ongoing at the time of writing but is intended to be complete by the end of 2023.



All zones are being managed to meet the CSA Standard of 3m on overhead primary lines. Due to the scale of the work contractors were employed to complete these activities.

The cost to perform large scale vegetation management in Kenora is higher (relative to Thunder Bay) due to the requirements of mobilizing forestry crews from Thunder Bay to the Kenora area, as well as the mobilization costs to perform work on remote work locations such as Coney Island. SNC is currently investigating working with contractors local to the Kenora district to improve efficiency.

The cost of outside services for vegetation management also increased during this period due to contract renewals. The Request for Tender (RFT) for vegetation management services was posted in 2017 and the final purchase order was awarded to Garden of Eden in 2018. After the term ended, SNC entered into a strategic partnership with this contractor due to the need to secure qualified utility arborists for work on SNC projects. From 2017 through to 2023 prices for both labour and equipment have increased by approximately 23% across both categories.

2017 Board Approved vs 2017 Actual

An increase of $329,333 was driven by a reactionary need arising from customer calls regarding vegetation management. This cost was from outside service contracts to perform the work to trim or remove vegetation in proximity to SNC's primary lines. Outside Services includes both the labour and the equipment needed to perform vegetation management working including restricted access aerial devices, bucket trucks, chippers, and hydro axes.

Following 2017's vegetation management activities, SNC determined that a more comprehensive tracking system was needed to understand and budget vegetation management activities. The Project Manager and Forestry Coordinator developed the set of metrics that were needed and then implemented them in 2018. This resulted in the vegetation management subcontractor providing additional information when submitting any invoices for payment. The tracking system included a excel workbook which tracked the equipment used, the number of crew members, the hours used, the cost per hour for labor and equipment, the spans cleared, a description of the work (trim or remove), the density of the vegetation, the corridor where work occurred, and the number of trees managed.

2021 – 2022 Actuals

In 2022, SNC prepared a report which provided an analysis of the timing and the costs associated with implementing a Vegetation Management Plan over the next 10 years with a recommendation to eliminate

all immediate hazards in the next 2 years. The spend for 2022 represented an incremental cost of $1.35 million in sub-contractor in 2022 and 2023 respectively.

An increase of $1,416,682 was driven by the implementation of the proposed Vegetation Management Plan. The majority of the increase is due to $1,263,022 in vegetation management subcontractor services as well as an increase in salaries, wages and benefits of $90,541. This is a result of adding an additional FTE (Forestry Technician) which was hired on a temporary contract for 18-24 months. This position's duties included tracking and monitoring the vegetation management plan activities and performing data gathering for the vegetation inventory register by collecting field data and entering it into GIS. This data gathering to create an inventory register is a key feature of planning the upcoming 2024-2028 vegetation management activities. The inventory indicates a geospatial location of each tree in proximity to SNC's overhead distribution line as well as its current proximity (1m, 2m, 3m, 4m). An example of the GIS database is shown below.

Mariday Park - Completed Tree Inventory

2022 Actuals to 2024 Test Year

The vegetation management program costs decrease by $286,559 in SNC's 2024 Test year as SNC is forecasting to decrease subcontractor costs by $262,227 as in 2022 SNC made the decision to spend above

the forestry management plan as a result of significant unexpected overgrowth in Fort William First Nation.

4.3.4 CUSTOMER SERVICE WORK PROGRAMS

The Customer Service program is responsible for customer call centre management and payment and collection functions. The Customer Service program expenses include salaries and benefits of the Customer Service staff, bad debt expense, and costs associated with collections management, credit management, and SNC's telephone and answering system. Further details on the sub-programs are provided below.

4.3.4.1 Customer Collection

Program Overview

The customer service program includes the majority of the customer communication interactions between SNC and its customers. Efforts to support these interactions include the customer call centre management, customer online portal management and payments and collections services including the disconnection and reconnection of services.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	**2017 BA Proxy**	**2017 Actuals**	**2018 Actuals**	**2019 Actuals**	**2020 Actuals**	**2021 Actuals**	**2022 Actuals**	**2023 Forecast**	**2024 Forecast**
Customer Collection	$ 501,600	$ 437,642	$ 398,744	$ 461,989	$ 386,697	$ 419,084	$ 439,190	$ 399,238	$ 432,771

Variance Analysis and Explanation

There are no material variances between 2017 and 2024 for this program.

4.3.4.2 Bad Debt

Program Overview

Bad debt includes the customer accounts that were not able to be collected from customers through collections processes and have been written off. SNC attempts to minimize losses prior to account finalization through the application of deposits, modifying bill frequency (i.e. Payment plans), placement of outstanding receivables with third party collection agencies. Material bad debt expenses can occur when events take place such as large commercial customer insolvencies.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	2017 BA Proxy	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Forecast	2024 Forecast
Bad Debt	$ 164,719	$ 289,716	$ 72,702	$ 127,800	$ 385,412	$ 128,974	$ 306,353	$ 213,982	$ 248,377

Variance Analysis and Explanation

Bad debt expenses have fluctuated year over year from 2017 to 2022, the six-year average bad debt expense being approximately $218,000.

2017 Board Approved Proxy to 2017 Actuals

Historically the allowance for the doubtful accounts is based on 10-year historical write off percentage, in 2017 a provision was set up for 100% of balances over 60 days. The excess provision equals $108,000. In addition, there was an excess of $26,000 more written off then included in the opening provision relating to 2015.

2017 Actuals to 2018 Actuals

The treatment of the 2017 provision was deemed to be incorrect, the over accrual of $108,000 was reduced from the 2018 provision. Miscellaneous receivables reviewed on a line by line basis, the provision for these accounts was $16,000 less than the provision in 2017. Further, in 2018 SNC implemented an auto call system, replacing a previously mailed notice.

2023 Bridge to 2024 Test

The 2023 Bridge and 2024 Test Year bad debt expense were forecasted using an average percentage of historical write off methodology.

4.3.4.3 Customer Billing

Program Overview

The Billing program is responsible for the accurate and timely billing of residential and commercial customers. This involves collecting, validating, and managing the accuracy of meter data and ensuring the integrity of the billing data received from the provincial Metering Data Management/Repository. The Billing program ensures compliance with regulatory requirements and implements changes relating to customer billing including rate changes and annual rate class reclassifications.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	2017 BA Proxy	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Forecast	2024 Forecast
Customer Billing	$ 2,211,106	$ 2,061,816	$ 2,036,753	$ 1,764,919	$ 1,736,755	$ 1,654,380	$ 1,853,137	$ 1,718,229	$ 1,792,621

Variance Analysis and Explanations

2017 Board Approved vs 2024 Test Year

The decrease of ($418,485) for the customer service billing program between the 2024 Test Year and the 2017 Board Approved Proxy amount is primarily a result of the efficiencies achieved through the merger.

2018 Actuals to 2019 Actuals

The previous Kenora Hydro had outsourced its billing activities to the City of Kenora, which historically had cost Kenora Hydro $337,726, $447,124 and $439,239 from its Board Approved Proxy 2017, 2017 and 2018 actuals respectively. Post-merger in 2019, these costs have been eliminated and only the incremental costs of SNC now providing the billing program inhouse remains. Further details on merger efficiencies achieved are included in Exhibit 1 – Section 1.9.4 Realized and Projected Savings as a Result of Consolidation.

Additional efficiencies were achieved in 2019, as Olameter costs were reduced through negotiation of a half-time rate. In 2020, SNC's e-billing campaign started. E-billing went from 18% in 2017 to 35% by the end of 2022, so while postage rates continue to rise, from $0.76 in 2017 to $0.92 in 2022, SNC has managed to offset these cost increases by transitioning customers to E-billing.

2021 Actual vs 2022 Actual

Customer billing costs increased $198,757 in 2022 due to an increase in IT allocation of $192,874. SNC allocates IT costs to departments by access points into its network. Due to a reclassification of Kenora phone lines, the number of connection points in Connection points in Customer service increased by 50% resulting in a higher allocation of costs. This increased allocation combined with higher IT costs described in 4.3.6 Information Technology, resulted in the increase.

4.3.4.4 Community Relations Work Programs

Program Overview

Communications is responsible for external and internal communications. This department develops communication plans and strategies to inform and educate customers on changes or new developments that may affect the services that they receive from SNC. This department also runs campaigns for

programs such as public safety initiatives and e-billing options. Similarly, internal communications and programs are communicated to employees to ensure that they have the most recent information regarding changes in the industry, safety issues and programs to ensure they have the information required to assist SNC's customers when required.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	**2017 BA Proxy**	**2017 Actuals**	**2018 Actuals**	**2019 Actuals**	**2020 Actuals**	**2021 Actuals**	**2022 Actuals**	**2023 Forecast**	**2024 Forecast**
Community Relations	$ 133,581	$ 137,247	$ 105,421	$ 216,866	$ 135,303	$ 201,408	$ 211,824	$ 250,998	$ 257,012

Variance Analysis and Explanations

There are no material variances in the Community Relations Program from 2017 to 2024.

4.3.4.5 LEAP

Program Overview

The LEAP program is an OEB mandated program to provide Emergency Financial Assistance to help customers avoid disconnection. SNC has partnered with Lakehead Social Planning Committee in Thunder Bay and Kenora District Service Board in Kenora to assist in the LEAP program.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	**2017 BA Proxy**	**2017 Actuals**	**2018 Actuals**	**2019 Actuals**	**2020 Actuals**	**2021 Actuals**	**2022 Actuals**	**2023 Forecast**	**2024 Forecast**
LEAP	$ 33,903	$ 32,918	$ 32,754	$ 10,960	$ 27,474	$ 47,281	$ 61,811	$ 33,252	$ 46,160

Variance Analysis and Explanations

There are no material variances in the LEAP Program from 2017 to 2024.

4.3.5 ADMINISTRATION WORK PROGRAMS

4.3.5.1 Corporate Expenses

Program Overview

This OM&A program include costs such as the annual audit, outside consultants and legal costs as part of the utility's business operations. This program also includes things like insurance, legal fees, accounting fees and membership costs to the EDA, and bank charges.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	2017 BA Proxy	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Forecast	2024 Forecast
Corporate Expenses	$ 466,834	$ 783,529	$ 831,456	$ 849,196	$ 420,076	$ 443,898	$ 482,989	$ 487,945	$ 532,446

Variance Analysis and Explanations

2017 Board Approved Proxy to 2017 Actuals

Increase of $316,695 in Corporate Expenses are related to $266,639 in merger transaction costs were incurred in 2017, $94,787 of this was incurred by Kenora Hydro. Included in professional fees was also $20,000 relating to the costs associated with its expert witness used in the 2017 rate application. In addition, the City of Kenora increased its cost allocation to Kenora Hydro by $35,000 over its 2016 rate.

2019 Actuals to 2020 Actuals

2018 Actuals and 2019 corporate expenses are higher as both Thunder Bay Hydro and Kenora Hydro incurred merger transaction costs of $555,550 in 2018 and $479,213 in 2019, this includes valuation costs, legal and consulting costs. The significant decrease in 2020 in Corporate Expenses is due to the reduction of merger transaction costs.

4.3.5.2 Finance, Regulatory and Purchasing

Program Overview

Finance

The Finance Department is responsible for the financial aspects of the company, ensuring that items are recorded and reported properly in the financial statements that are shared with the Board of Directors, the shareholders, and the public. The accounting department also includes all general accounting, accounts payable, accounts receivable, cashiering and payroll functions. Further the work of this program includes reporting and policy development, financial risk management, internal control processes, preparing operating and capital budgets and forecasts, tax compliance and treasury functions including borrowing and cash management.

Regulatory

The Regulatory Department is responsible for all regulatory reporting and compliance with applicable codes and legislation governing SNC. Regulatory reporting includes development and preparation of OEB rate filings, managing regulatory financial transactions, regulatory reporting and compliance and budgeting.

The Regulatory program is accountable for all aspects of regulatory processes for SNC including regulatory filings; compliance with applicable codes and legislation; regulatory accounting; wholesale settlements; related internal operational support; and external customer facing support. The Regulatory group builds and supports key relationships with the regulator, industry peers, and stakeholders to monitor, influence, and evaluate potential impacts and opportunities related to industry regulation and government energy policy. A primary function of the Regulatory Program is developing and defending applications for electricity distribution rates (i.e., Cost of Service Applications and annual Incentive Rate Mechanism ("IRM") applications). The Regulatory department advises executive management of the financial, operational and customer implications of current and evolving regulation with respect to corporate strategy and compliance.

The Regulatory Program also includes the annual OEB Cost Assessments, OEB Cost Awards, and the annual portion of the cost of service rate filing costs and professional staff and related costs.

This program covers preparation of audited financial statements, legal costs for preparation of documents or advice and consultants for SNC's cost of service filing and distribution system plan.

This program also includes insurance, bank charges, memberships to OEB, EDA, ESA.

Purchasing and Stores

The Purchasing Department is responsible for all the purchasing activities at SNC as well as the care and control of all inventoried items. Key work activities in the Purchasing and Stores program include the procurement of materials and services; administration of procurement policies; receiving and warehousing of materials and supplies; and management of the inventory and equipment used to construct and maintain SNC's distribution assets.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	**2017 BA Proxy**	**2017 Actuals**	**2018 Actuals**	**2019 Actuals**	**2020 Actuals**	**2021 Actuals**	**2022 Actuals**	**2023 Forecast**	**2024 Forecast**
Finance, Regulatory and Purchasing	$ 1,836,221	$ 1,958,575	$ 1,753,149	$ 1,755,948	$ 1,861,084	$ 1,877,249	$ 1,855,907	$ 2,100,603	$ 2,266,581

Variance Analysis and Explanation

2017 Board Approved proxy to 2024 Test Year

The Finance, Regulatory and Purchasing and Stores department expenses have increased by $430,360 from the 2017 Board Approved Proxy to the 2024 Test Year primarily due to cost increases associated

with annual inflation of $345,305 included in labour and non-labour items. Salaries, wages, and benefits have increased by $234,194 representing a 19% increase. Through merger and efficiency savings, SNC was able to reduce staffing in the department by 1 FTE and 2 PTE. Training increased by $39,261 due to inflationary impact of travel costs combined with costs of new full-time regulatory employee training through MEARIE. IT allocation has increased by $75,143, see further discussion on IT cost variances below.

2022 Actuals to 2024 Test Year

Finance, Regulatory and Purchasing program expenses increase $410,674 from 2022 to 2024. Which is comprised of 2023's forecast expenditures to increase $244,696 over 2022. These increases are primarily due to increases in salaries, wages, and benefits of $206,903 as SNC lost its regulatory supervisor and analyst at the end of 2021. SNC could not fill the supervisor position in 2022. However, SNC budgeted to fill this position in 2023. The remainder of the increase is the annual Cost of Living and progression increases.

Program expenses increase by an additional $165,978 from 2023 to 2024, primarily driven by $139,556 in one time costs to be incurred in relation to the 2024 Cost of Service application. The 2024 test year spending is based on 1/5 of the anticipated COS filing costs, further discussed in Section 4.6.2 – One Time Costs.

4.3.5.3 General Administration

Program Overview

The majority of the costs in the general administration program includes the employee benefits and OMERS costs for all of the employees within the Administration group. There are other miscellaneous costs within the general administration program that make up less than 15% of the total program costs.

Program Costs

		Historical Years						Bridge Year	Test Year
Programs	2017 BA Proxy	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Forecast	2024 Forecast
General Administration	1,279,033	1,382,509	1,229,784	1,004,353	1,002,648	1,022,029	1,058,656	1,168,469	1,282,210

Variance Analysis and Explanation

2018 Actuals to 2019 Actuals

General administration expenses decreased by ($225,431) in 2019. The decrease was achieved through merger efficiencies including the elimination of (i) Secretary in Kenora retiring and the position not being filled ($68,929), (ii) allocated costs to the City of Kenora for services such as IT department services and an allocation of City Hall building operation and maintenance costs ($62,000) (iii) other expenses included in general administration expenses for Kenora including insurance, memberships, telephone costs, training costs in Kenora totaling ($155,488). Further details on merger efficiencies achieved are included in Exhibit 1 – Section 1.9.4 Realized and Projected Savings as a Result of Consolidation

2022 Actuals to 2024 Test Year

Expenses increased by $223,554 from 2022 to 2024. SNC health and dental expenses are covered by an Administrative Services Only (ASO) policy, as such SNC will experience the total impact of inflation on its benefit packages. Based on current market conditions, SNC's provider is estimating a 10% increase in costs in 2024. The impact of these increases is $117,866. SNC received a $44,688 surplus distribution from WSIB in 2022 reducing the total benefit costs, SNC is not budgeting a similar refund in 2024. As result of changing interest rates, total future benefit expenses are budgeted to increase by $50,968. The increase is the result of expected increases in the discount rate for 2024, the rate in existence in 2022 was 2.9%,

4.3.5.4 Human Resources and Safety

Program Overview

The Human Resources and Safety division is responsible for helping to ensure that SNC is an attractive place to work and to create an environment where new staff are well integrated and where existing great staff can grow in a place where they will want to stay. Ensuring the Utility can continue to attract, develop, and retain required Human Resources is a critical challenge and requires focused Human Resources Strategies. Some of these strategies include a focus on recruitment, retention and delivering robust staff training and professional development opportunities. In addition to strategic initiatives, regular tasks such as ensuring compliance with employment-related legislation, implementing a comprehensive employee wellness program, compensation and benefits management, administration of the collective agreement and managing employee engagement and performance are performed to ensure that the utility has the right people in the right positions to meet the organization's overall strategic direction.

In addition to Human Resource Management, the division is also responsible for the design and implementation of the Corporation's Safety Management System. This is a system involving a wide range of programs, policies, and procedures to give SNC's employees and their managers the tools necessary to

ensure the safety and wellbeing of employees, contractors, and the public. SNC has gone above the minimum legal requirement in this area and has created and implemented the Target Zero and Committed to Safety Programs. The underlying goal of these two programs is to ensure that SNC stays focused on safety and to ensure that staff go home to their families at the end of the workday.

The division also manages the corporation's Public Safety Strategy. This strategy includes public safety initiatives that are parallel to the Ontario Energy Board's six public safety initiatives. In recent years, SNC has had to pivot in response to COVID-19 related restrictions. However, SNC has been creative in reaching customers and the public to educate and communicate public safety messages.

Finally, the division has expanded its scope of work to include the management of Enterprise Risk Management for SNC. The objective of risk management is to identify, evaluate and control corporate risk. This is achieved by monitoring the environment to identify and evaluate political, financial, operational, health safety & environmental, human resource, financial, regulatory, and technological risks. Once risks are identified, they are measured based on the likelihood of occurrence and the financial impact on the utility. Once measured, control measures are put in place and regularly monitored. While the above statement is heavily simplified, the overall process is rigorous and ongoing as the environment in which the utility operates is constantly evolving. Ultimately, these measures create value for SNC's customers as risks are reduced in likelihood and/or financial impact.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	**2017 BA Proxy**	**2017 Actuals**	**2018 Actuals**	**2019 Actuals**	**2020 Actuals**	**2021 Actuals**	**2022 Actuals**	**2023 Forecast**	**2024 Forecast**
Human Resources and Safety	$ 853,341	$ 722,185	$ 770,245	$ 812,827	$ 861,641	$ 807,048	$ 820,924	$ 1,071,904	$ 1,104,868

Variance Analysis and Explanation

2017 BA Proxy to 2024 Test Year

The 2024 Test Year expenditures have increased $251,528 over the 2017 Board approved proxy, the primary drivers for the increase are (i) general inflationary increase of $160,472 included in labour and non-labour costs.

Division-specific training and development costs have increased by $19,606. In preparation of the pending retirement of the division's VP, HR & Safety, SNC underwent a reorganization of in late 2021 and has been aggressively pursuing a succession plan to ensure the long-term sustainability of the division. The re-

organization included removing the position of Executive Assistant and creating of two new positions (Safety & Training Specialist and Manager, HR & Safety) and hiring a new HR & Safety Advisor. Costs associated with this reorganization are driving an increase in salaries, wages, and benefits as noted below, as well as the cost of employee education and professional development. This has included supporting the Specialist and Advisor in earning professional designations appropriate for their respective roles. Additional costs of $14,106 include in-person training, associated travel costs and virtual training fees. The cost of books and manuals increased by $5,500 due to the purchase of updated Occupational Health & Safety Acts (it is a legal requirement that these be posted in each workplace), along with the re-printing of updated Emergency Response Manuals which are placed at each workstation and vehicle to provide written instruction to employees in the event of an emergency.

Further, the utility has budgeted $8,000 for the costs associated with onboarding new employees. This amount has been budgeted based on high turn over in some positions as well as pending retirements prompting the need to hire new employees in others. Other costs of $4,900 have been budgeted to train/recertify members of the Joint Health & Safety Committee (recertification requirements were not a cost budgeted by the utility in the 2017 base year as this is a new provincial requirement).

Salaries, wages, and benefits have increased by $158,947 due to inflationary increases, department re-organization, and increase in compensation for Executive Team further discussed in 4.4.3.

2022 Actuals to 2023 Bridge Year

2023 bridge year expenses increased $250,981 over 2022, as Salaries, wages and benefits are higher by $39,607 due to the September 2022 resignation of the Safety & Training Specialist, and this position was not filled until late December 2022. This resulted in four months of wages and benefits being under spent in 2022. In 2023 and beyond, SNC has budgeted for this position to be filled at the 100% wage level.

Training costs are up $41,693 in the 2023 budget over 2022 actuals for the following reasons:

By delivering some training in house in 2022, SNC was able to realize a savings of approximately $5,700 (Confined Space). SNC planned on spending up to $10,000 on training relating to Contractor Safety Management. This training was directly related to modifications to the program, which, due to being short-staffed (see above), was unable to take place. As such, this training was not delivered. Some courses came in under budget based on initial budgeting, and in some cases, SNC planned on delivering more classes with smaller class sizes due to COVID-19 restrictions, but when the classes were delivered,

SNC was able to increase the class size, therefore, reducing the number of classes SNC needed to offer and consequently driving costs down.

In 2023, there are classes being offered that run on a cycle, every three years, every five years, etc. This is driven either by expiry dates such as Working at Heights (every three years), and SNC has had a higher number of people expiring in 2023 than in 2022. Also, training is driven by changes in regulations and the Electrical Utility Safety Rule Book. A new edition is expected in 2023/2024, with driving training in 2023 and 2024.

Training related to HR & Safety Team professional development is up $59,923. As discussed, the HR & Safety Division has undergone a re-organization which supports its succession plan. In 2022, SNC had planned on spending more funds related to professional development as there are designations required as conditions of employment that have yet to be obtained. However, due in part to COVID-19 restrictions related to travel and the vacancy in the last four months of the year of 2022, much of this professional development (and associated travel) did not take place.

In 2023, those funds are in the budget, more programs are being delivered in person so there are now additional travel costs that were not previously in the 2022 budget.

Enterprise Risk Management has also been added to the HR & Safety portfolio, Professional Development and associated travel has been added to ensure that the division has and maintains the required skill set to support this function.

Professional fees are up $16,835 in 2023. These are fees associated with legal, mediation, arbitration, drug and alcohol testing, etc.

2022 Actuals to 2024 Test Year

The 2024 Test Year expenditures have increased $283,945 over 2022 Actuals, primarily due to an increase in salaries wages and benefits of $68,615 from inflationary increases as well as a divisional re-organization, increase in training of $67,289 and safety training of $25,268, and increase in professional fees of $30,335.

As discussed above, the HR & Safety Division underwent a reorganization in late 2021. The goal of the reorganization is to ensure that a robust succession plan is in place so that the HR & Safety Division can continue to meet the utility's strategic objectives. This involved what is now a removal of the Executive Assistant Position and the move of the Manager, Safety & Training into a newly created role of Manager HR & Safety and the creation of a new Safety & Training Specialist position.

Prior to 2022, the individuals in professional roles in HR & Safety already had already earned their professional designations (e.g. CRSP, CHSC). The current incumbents do not hold these designations, though it is a condition of employment that they obtain these designations within a set time frame. These designations take multiple years to earn, as such, there is an increase in costs associated with training, professional development, and exams so that they are supported and able to continue to add value to the division.

In efforts to expand internal knowledge in Diversity, Equity, and Inclusion and to build a strong network within the Electricity industry in Human Resources, The Manager, HR & Safety has become a member of Electricity HR Canada. With this comes expenditures for travel to workshops and conferences (twice per year). These costs are reflected in the increase in overall training expenses.

Additionally, the division widened in scope and is now responsible for Enterprise Risk Management. To build its capacity as internal subject matter experts, SNC has incurred costs to gain access to resources and training through the Conference Board of Canada Strategic Risk Council (this includes an increase in cost due to a $5,500 annual membership fee plus travel to two training workshops at a total cost of $6,580).

In 2024, budgeted funds have increased due to inflation, and SNC has budgeted for increased amounts for services such as Drug and Alcohol Testing as all safety sensitive positions are now tested pre-offer.

4.3.5.5 Power Systems, Engineering and Customer Service Administration

Program Overview

Power Systems and Engineering administration costs are for labour and expenses incurred in the general supervision and direction of the operation and maintenance of the distribution system. This program provides oversite for long range planning for the Electrical Distribution System and identified needed capital construction projects. Further, this work program includes the general supervision and direction for the design and construction of capital projects to extend or reinforce the Electrical Distribution System or to rebuild circuits as necessary for road widening and highway construction. This work program is also responsible for the general supervision and operating the power systems including storm damage repairs, service restoration, system maintenance and tree trimming. Key work activities in the Engineering Administration program include the development, implementation, and monitoring of the Asset Management Activities and Distribution System Plan.

The Customer Service administration program is responsible for the management of Customer Service, Billing, Information Technology, and other Corporate related projects. Further this work program is responsible for ensuring all areas of Billing, Smart Metering and Customer Service meets the OEB's and IESO's scorecard requirements, sets standards that exceed those requirements and builds in continuous improvement mechanisms that ensure future success. The administration costs also are incurred for the development and delivery of the utility's customer engagement strategy.

The administration within this work program oversees the day-to-day operations of the entire Power Systems and Customer Service Divisions. The administration is further responsible for the strategic planning, budget preparation, collective bargaining, and development of corporate policies for their respective departments. Lastly, the administration in this work program represents the utility at government and association gatherings and participates in working groups regarding policy directions that may have impact on the utility and its customers.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	**2017 BA Proxy**	**2017 Actuals**	**2018 Actuals**	**2019 Actuals**	**2020 Actuals**	**2021 Actuals**	**2022 Actuals**	**2023 Forecast**	**2024 Forecast**
Power Systems, Engineering and Customer Service Administration	$ 906,331	$ 665,228	$ 602,167	$ 696,038	$ 703,773	$ 593,905	$ 778,513	$ 863,200	$ 892,476

Variance Analysis and Explanation

2017 BA Proxy to 2017 Actuals

The decrease of $241,103 from 2017 Board Approved Proxy to 2017 actuals was driven by a decrease in actual salaries, wages, and benefits of $171,536. This was due to Kenora's UsofA account 5615, $173,172, being budgeted to Power Systems, Engineering and Customer Service Administration, whereas the actuals were charged to UsofA account 5105, which is included in the Maintenance Supervisory program, refer to Section 4.3.3.1 Maintenance Supervisory for offsetting increase.

2021 to 2022

Program expenses increased $184,608 from 2021 to 2022. Salaries, wages, and benefits were down by $84,334 in 2021 due to the timing of position changes, the outgoing VP of Customer Service was promoted to President in May of 2021, and the incoming VP was brought in at a lower wage band. In 2022 expenses came back up $74,740 over historical 2020 levels due to $30,642 increase in training and inflationary and progression increases in salaries, wages and benefits.

4.3.5.6 President and Board of Directors

Program Overview

The President and Board program is responsible for corporate governance and leadership, as well as the development and execution of the Company's Strategic Plan. This group consists of the President & CEO and the CEO's Executive Assistant who also performs activities associated with SNC's Board of Directors. Responsibilities include reviewing and approving all matters before submission to the Board related to legal issues, enterprise risk management, financial affairs, policies, new initiatives, customer service, safety, reliability, capital investments, operating procedures, regulatory requirements and filings and human resource matters. All matters are reviewed within the context of SNC's Mission, Vision, and Core Values.

The President and Board program is responsible for the overall governance and leadership of the organization and ensures that an appropriately skilled and experienced SNC Board and executive management team are in place. In addition to the salaries and benefits of the President & CEO, and Executive Assistant, SNC Board remuneration, this program includes other expenses such as memberships, reference materials/ subscriptions, conferences, travel costs incurred by SNC to deliver the governance and leadership necessary for adherence to strong business practices.

Director Remuneration includes the annual and per meeting stipends of SNC's Board of Directors.

Program Costs

		Historical Years						Bridge Year	Test Year
Program	**2017 BA Proxy**	**2017 Actuals**	**2018 Actuals**	**2019 Actuals**	**2020 Actuals**	**2021 Actuals**	**2022 Actuals**	**2023 Forecast**	**2024 Forecast**
President and Board of Directors	$ 669,356	$ 691,318	$ 881,663	$ 560,683	$ 578,894	$ 704,537	$ 695,774	$ 800,858	$ 797,813

Variance Analysis and Explanation

2017-2018

2017 and 2018 President and Board of Directors expenses include both TBHEDI and KHEC's Board of Directors and Presidents & CEO's costs.

2018 to 2019

Decrease of $320,980 is primarily due to the elimination of Kenora's Executive Management and Board, which is further discussed in Exhibit 1 – Section 1.9.4 Realized and Projected Savings as a Result of Consolidation.

4.3.6 INFORMATION TECHNOLOGY

SNC allocates total IT costs to the different OM&A programs based on points of access. Total allocated IT costs are as follows.

TABLE: 4-16: IT COSTS ALLOCATED TO OM&A PROGRAMS

	Last Rebasing Year (2017 Actuals)	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
Total IT Costs	$1,036,425	$1,073,475	$1,135,715	$1,198,290	$1,274,496	$1,422,323	$1,574,437	$1,591,866
IT Costs allocated to non-wires	($90,405)	($93,935)	($58,429)	($74,104)	($91,337)	($24,964)	($74,290)	($80,984)
Total IT Costs within Wires OM&A Programs	**$946,020**	$979,540	$1,077,285	$1,124,187	$1,183,159	$ 1,397,359	$1,500,147	$1,510,882
%Change (year over year)		3.42%	9.07%	4.17%	4.98%	15.33%	6.85%	0.71%
Software costs within Wires OM&A Programs	**$80,858**	**$89,042**	**$91,856**	**$161,128**	**$173,729**	**$ 253,099**	**$ 232,247**	**$ 240,129**
%Change (year over year)		9.19%	3.06%	42.99%	7.25%	31.36%	-8.98%	3.28%
Contract Services within Wires OM&A Programs	**$16,945**	**$19,046**	**$124,937**	**$79,766**	**$132,937**	**91,214.27**	**$172,935**	**$161,351**
%Change (year over year)		11.03%	84.76%	-56.63%	40.00%	-45.74%	47.26%	-7.18%

The increase in total IT spending between 2017 actual and 2024 was $555,442, and IT costs that were allocated to SNC's OM&A programs increased by $564,862. The primary drivers of the increased IT costs are as follows:

Total wages and benefits increased by $138,100 and allocated wages increased by $161,058. Actual total annual increase of 22% or 3% per annum. This correlates to an increase of 28.4% on an allocated basis.

Contract services allocated to OM&A programs increased from $16,945 to $161,351. The significant increase occurred in 2019 when the actual fees paid to Stratejm for cyber security services increased by $108,000. A SIEM (Security Information and Event Management) contractor was procured to advance SNC's cyber security posture. The following were items in IT spending performed with contracted services:

- 2017 - SNC Performed a security assessment on its system
- 2018 – SNC Signed an initial 6 month cyber security contract to establish proof of value with the 3rd party, this contract extended into 2019.
- 2019 - After initial contract, SNC signed an additional one year contract for 3rd cyber security. In addition, SNC hired a consultant to migrate email history from IBM smartcloud to Office 365
- 2021 - In addition to the current cyber security contract, SNC hired a consultant to perform an additional assessment on its security system, this included a penetration test.

- 2022 – actual costs of $92,844. Two planned projects were not completed in 2022 resulting the decreased spending. SNC had planned further security and penetration testing for $25,000 however this was deferred until 2023. In addition, SNC was going to spend $50,000 on a utility network transition, however the scope of this work was changed and transferred to engineering.

Software costs allocated to OM&A programs increased by $159,271. The following items were of significant impact to software spending:

- In 2019, SNC began to purchasing software on a three year license agreement rather than buying the software outright, resulting in increased OM&A. Further, the licensing fees for SNC's main software program, CentralSquare has increased by $60,000, a 44% increase over the seven years. In 2019, Office 365 annual maintenance costs started in October 2019, plus additional security measures associated with Kenora merger.
- In 2020, SNC had the full impact of Kenora security and 365 annual maintenance and security costs.
- In 2022, Microsoft licensing was increased to leverage additional security functionality including enterprise device management, endpoint detection and response capabilities. Additional deficiencies were found in which SNC's backup solution was not meeting the needs of the organization resulting in additional costs. Finally in 2021 SNC overbilled their affiliates for computer related costs, resulting in a correction and additional allocation in 2022.

4.4 WORKFORCE PLANNING AND EMPLOYEE COMPENSATION

4.4.1 INTRODUCTION

SNC's employee compensation system is designed to be competitive and equitable in order to attract and retain qualified personnel in an industry that is confronted by a continuing scarcity of skilled resources. This is especially true in Northern Ontario where the population base is smaller, and so is the skilled labour pool. The SNC compensation package includes a base wage and benefits package. The Executive Management Team and President's compensation package also includes an incentive component. SNC continues to face the issue of a "greying" workforce, particularly amongst its skilled trades, Information Technology and Management personnel. The average age of SNC's employees is approximately 43 (48 for Management/Non-Union, 42 for Union). Of SNC's current 128 full-time complement, 43 can retire in the next ten years (which includes 33 in the next 5 years). As such, the continuing challenge for SNC is to

bridge the gap in maintaining sufficient talent to meet the needs of the business while, at the same time, conducting sufficient succession planning for the future.

UNIONIZED EMPLOYEES

Approximately 69% of SNC's workforce is unionized. The compensation for unionized employees is negotiated through the collective bargaining process.

Employees at SNC's Thunder Bay location include both office and trades workers represented by the International Brotherhood of Electrical Workers ("IBEW"), Local 339, in separate "Office" and "Outside" agreements as well as one common "Principle" agreement.

Employees at SNC's Kenora location include one office and five trades workers represented by the Power Workers' Union, CUPE Local 1000, and are governed by one general agreement.

It is SNC's intent that the wages paid, primarily the Powerline Technician/Powerline Lead Hand rate, mirror each other in either location. This explains the increase in 2023 received by this group for the Kenora/PWU-represented employees.

SNC's collective agreements provide for annual payroll increases and employee step progressions. Labour rates and benefits are adjusted based on negotiated percentages as per the collective agreement. The commencement and expiry dates of SNC's current collective agreements are shown in Table 4-17 below:

TABLE 4-17: CURRENT COLLECTIVE AGREEMENTS

Bargaining Unit	Contract Period	Wage Increase
IBEW Office	May 1, 2022 to April 30, 2025	May 1, 2022: 3.1% May 1, 2023: 3.0% May 1, 2024: 3.0%
IBEW Outside	May 1, 2022 to April 30, 2025	May 1, 2022: 3.1% May 1, 2023: 3.0% May 1, 2024: 3.0%
PWU (Kenora)	May 1, 2023 to April 30, 2025	May 1, 2023: 4.11% May 1, 2024: 3.0%

The wage increase shown in the table above for each bargaining unit is applicable to each year of the contract and starts May 1st of each year. Each job classification in the collective bargaining agreements has a basic job description and a wage rate progression scale that increases from a minimum to a maximum rate. If required (new position, severely revised, etc.) positions are evaluated, and Pay Equity is maintained, using the HAY Job Evaluation System,

In preparation for negotiations SNC gathers inflationary; and like industry and local settlement information for the periods proceeding and overlapping SNC's. Based on this information SNC's wage increases align, or in many cases, come in less than those comparators. SNC used an increase of 3.0% for the 2023 Bridge Year for the 2024 Test Year.

MANAGEMENT & NON-UNION EMPLOYEES

As with SNC's unionized employees, compensation for this group of employees provides for annual payroll increases and employee step progressions (for those employees below 100%). Although not officially tied to union compensation, percentage increases mirrored those of the union for the years 2017 to 2022 with the changes being implements on January 1st. Increases received are at the prerogative of the President.

As above, and if required (new position, severely revised, etc.) positions are evaluated, and Pay Equity is maintained, using the HAY Job Evaluation System,

One employee in this group, the Operating & Maintenance Superintendent, also receives a monthly vehicle allowance.

EXECUTIVE MANAGEMENT TEAM

Executive compensation is reviewed annually and is largely dependent on relevant comparators in the industry, although other aspects may also be considered. Inflation, competency, special projects, location, etc. may also impact an individual's specific compensation. Industry comparators fall into three categories: Customer Base (40K – 80K); Employees (101-180); Revenue (>20M) – all as per the annual MEARIE Management Salary Survey.

Beginning in 2021, members of the Executive Team also became eligible to receive incentive compensation to a maximum of 15% of base salary. This incentive compensation is tied directly to four Corporate Performance components: Safety; Financial; Operational; and People; and up to four Individual Performance components as determined annually with the President & CEO.

The above changes were implemented to recognize that, according to the MEARIE salary survey, this type of compensation for Executives was the norm for utilities of SNC's size and scope and formed an expected part of Executive Compensation.

PRESIDENT

The President of the Corporation receives a base salary, and incentive pay calculated as a percentage of base salary, as approved by the Board of Directors. Incentive target goal plans for the President are established and approved by the Board of Directors at the beginning of each year.

The President also receives a monthly vehicle allowance.

HEALTH BENEFITS

Employee benefit plans are designed to address the health and welfare of SNC's employees. There are separate benefit plans for active and retired IBEW/PWU employees and separate plans for active and retired Management/Non-Union employees. The IBEW/PWU benefit plan is subject to change during the collective bargaining process, and the Non-Union/Management plan typically follows suit if improvements are awarded. As well a Management Association can make requests for improvements to the Health benefits plan, usually on an annual basis.

4.4.2 WORKFORCE PLANNING

SNC implemented succession planning prior to the 2013 Cost of Service Application and continues to monitor key employee retirement eligibility and employee intentions where known, in order to plan for the necessary employee succession. As noted, key vulnerabilities exist within the skilled trades, senior executive positions, and regulatory.

The following summarizes changes Management has made regarding succession and work force planning since the last Cost of Service:.

EXECUTIVE MANAGEMENT

Each Vice President is tasked by the President to identify potential successors to their role. Once potential candidates are identified, a matrix is completed to identify the individual's strengths and weaknesses as compared to the essential skills and requirements for the particular Vice President's role. Once candidates are identified, a developmental plan is created for each individual to ensure they have the opportunity to acquire the necessary skills and attributes to be considered for the position. These plans, and their progress, are evaluated annually by the President with the existing Vice Presidents.

Similarly, the President assesses potential candidates as successors to that role. Again, a matrix of skills deemed necessary by the President and the Board of Directors is developed, and candidates are assessed individually against such skills with individual developmental plans being created to fill any gaps. Progress,

like with the Vice Presidents, is evaluated annually between the existing President and the Board of Directors.

POWERLINE

In SNC's last cost of service application, the SNC Powerline resource strategy was to maintain a large percentage of its PLT needs internally, with a minimal amount of outsourcing. This decision was based on the capital work programs from the historical period of 2007 to 2017 that was largely driven by overhead 4KV conversion projects. These projects required a large number of PLT staff year-round and there were limited Power Line contractors available in the region at the time.

In 2018, SNC management determined that an alignment was needed between the internal resources required, future SNC investment plan, available construction season and powerline contractors. All of these factors were considered in the evaluation of the internal PLT staffing complement. It was at this time that SNC also started to see more Power Line contracting capability building in the region due to large transmission infrastructure projects (e.g. East-West Tie line, Watay Line).

Future investment planning indicated that after the completion of the 4kV conversion program around 2028, SNC would transition to more underground renewal work, needing favorable ground conditions which could only be completed between May-October. This shift in work will be unlikely to require the same PLT complement year-round but will require a more flexible workforce during peak periods.

SNC's Collective Agreement with IBEW Local 339 does not allow for layoffs while having contracted out services, and therefore SNC is required to have year-round work for internal staff. SNC's historic investment plans supported a large internal PLT complement, the challenge is that the future investment plan does not support the amount of winter work as past plans.

If SNC was to keep its historic PLT complement static, it would be in a position where it would be choosing the asset replacements to keep staff working in winter months versus replacing the assets according to SNC asset plan. Additionally, this would put SNC in a limited position for being flexible to changing needs.

Once all the information from long-term planning, resource needs and cost metrics were compiled it was determined that the optimal resourcing strategy would be to start reducing the Internal PLT complement through attrition to meet its future needs. The use of Power Line Contractors would give SNC the flexibility to make the best decisions for capital investment and renewal plan based on asset need. Since 2018, SNC

has been decreasing its internal PLT complement annually through succession planning and contracting out more work to ensure the asset plan is completed as required.

Kenora Hydro and Thunder Bay Hydro merged in 2019 to become SNC. When the two entities merged, the PLT resources were again reviewed for alignment with the future investment plan, available construction season and available contractor resources.

As asset plans and investments change, SNC will continue to evaluate the PLT needs against the system needs, to continue to provide excellent service to its customers.

Table 4-18 below provides a breakdown of PLT's from 2017 Board Approved Proxy to 2024 Test Year.

TABLE 4-18: PLT FTE'S FROM 2017 TO 2024

	Last Rebasing Year (2017 Board-Approved Proxy)	Last Rebasing Year (2017 Actuals)	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
Number of PLT Employees (FTEs including Part-Time)[1]									
	51.8	42.6	40.6	39.0	32.6	35.2	36.1	39.9	39.8
Variance		-9.2	-2.1	-1.6	-6.4	2.6	0.9	3.8	-0.1

4.4.3 COMPENSATION STRATEGY

SNC's total compensation system is comprised of a combination of fundamental elements - including both cash and non-cash rewards - designed to support the organization's compensation philosophy, motivate, and reward performance aligned with critical business objectives, and provide a positive return on the significant dollars invested in compensation.

Progression Pay

As a performance driven organization, staff are awarded progressions, through established salary schedules by position, based upon their current competency and experience levels relevant to the position they are employed. As employees reach applicable and appropriate competency and experience levels, they move through their applicable salary schedule until ultimately deemed fully competent within their role. At SNC, non-union employees achieve base line salary increases through goal setting and building behavioral competencies to improve individual skills to maximize potential and enhance their contribution to the business. The Performance Management System is a practical tool used to help both the employee and the organization achieve results. There is a partnership between the employee and supervisor to share in the responsibility of developing skills and abilities. It is the responsibility of the employee to take charge of their development while SNC provides them with the tools and coaching to achieve their development goals.

Progression increases are intended to provide a system to reward employee behaviors and values through increases to base pay. A merit increase is the amount of additional compensation added to current base salaries following a review of employee performance and is usually awarded in six month increments until the incumbent has achieved the 100% salary for their respective position.

SNC has a formal and disciplined approach in awarding base line merit increases to individuals. Each Vice President reviews the performance of each non-union employee in their department, taking into consideration the remarks and comments from the employee's direct supervisor who conducted the review prior to the recommendation of any merit increase. Final approval for merit increases resides with the Vice President, Human Resources & Safety who reviews all comments and recommendations to ensure such increases are warranted.

Incentive Based Pay

SNC has made changes in its incentive compensation plan in 2021. It was determined that SNC's incentive program for its Executive Team was not competitive, and the design of the plan was not comparable to the LDC market overall. SNC made revisions to its plan to retain and attract talent at the Executive level.

SNC seeks to encourage an incentive based performance culture by aligning employees' efforts with the corporate vision and the short and long-term goals of SNC. At present, an incentive based pay system exists only for the President and Executive Management Team. In the case of the President, the Board of Directors for SNC annually sets out strategic objectives that align to the organization's success and continued growth. SNC supports the Balanced Scorecard methodology in setting corporate and individual goals to foster continuous improvement and cost reductions that support a healthy balance sheet that provides value to customers by keeping rates reasonable.

The three pillars of SNC's goals focus on ensuring that the health & safety of SNC employees and the public is SNC's first priority; providing a reliable supply of electricity to the residents and businesses of Thunder Bay and Kenora; and protecting and growing the value of SNC to SNC's shareholder.

One of SNC's beliefs is that 'Our Customers are the reason we exist'. Both corporate and individual goals and SNC's are structured to deliver and reward on the results of this belief. Corporate results are shared regularly with the organization as SNC tracks its efforts against outputs.

Benefits

A comprehensive and competitive benefits package exists which includes medical and dental insurance, life insurance, vacation and leave policies and a company-sponsored retirement plan.

The plans are designed to address the health and welfare needs of the employee population. The benefit packages are consistent across the organization for 128 full-time employees, including the executive team. The only inconsistencies are Long Term Disability (LTD) coverage for a portion of the union group (grandfathered as the result of a merger and subsequent negotiating process); life insurance coverage (some staff receive 2 times current base salary versus the majority 1.5 times current base salary); tiered health spending account (annual) amounts for non-union staff; and reduced, employee-funded partial benefits for participating part-time staff.

4.4.4 FTE AND EMPLOYEE COSTS

As required, employee complement by FTE, compensation and benefits are set below in Table 4-19, inline with Appendix 2-K of the Chapter 2 appendices.

TABLE 4-19: FTE & EMPLOYEE COSTS

	Last Rebasing Year (2017 OEB Approved Proxy)	Last Rebasing Year (2017 Actuals)	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
Number of Employees (FTEs including Part-Time)[1]									
Management (including executive)	27.2	26.4	26.9	25.9	24.6	24.4	23.1	23.1	23.6
Non-Management (union and non-union)	126.4	115.0	109.9	111.4	104.4	108.1	104.8	113.1	111.7
Total	**153.6**	**141.3**	**136.8**	**137.3**	**129.0**	**132.5**	**127.9**	**136.2**	**135.3**
Total Salary and Wages including ovetime and incentive pay									
Management (including executive)	$ 3,153,484	$ 3,139,284	$ 3,466,348	$ 3,370,971	$ 3,291,514	$ 3,303,764	$ 3,307,508	$ 3,476,753	$ 3,668,581
Non-Management (union and non-union)	$ 9,401,385	$ 8,160,758	$ 8,310,822	$ 8,621,595	$ 8,322,788	$ 8,938,783	$ 8,899,021	$ 9,918,541	$ 10,242,615
Total	**$ 12,554,868**	**$ 11,300,042**	**$ 11,777,170**	**$ 11,992,566**	**$ 11,614,302**	**$ 12,242,547**	**$ 12,206,528**	**$ 13,395,294**	**$ 13,911,195**
Total Benefits (Current + Accrued)									
Management (including executive)	$ 786,334	$ 846,331	$ 766,377	$ 875,506	$ 847,451	$ 816,161	$ 839,527	$ 867,637	$ 973,407
Non-Management (union and non-union)	$ 2,309,627	$ 2,134,317	$ 1,897,209	$ 2,100,899	$ 2,000,361	$ 2,106,662	$ 2,068,850	$ 2,380,885	$ 2,551,604
Total	**$ 3,095,961**	**$ 2,980,648**	**$ 2,663,586**	**$ 2,976,405**	**$ 2,847,811**	**$ 2,922,823**	**$ 2,908,377**	**$ 3,248,522**	**$ 3,525,011**
Total Compensation (Salary, Wages, & Benefits)									
Management (including executive)	$ 3,939,817	$ 3,985,615	$ 4,232,725	$ 4,246,476	$ 4,138,964	$ 4,119,924	$ 4,147,034	$ 4,344,390	$ 4,641,988
Non-Management (union and non-union)	$ 11,711,012	$ 10,295,075	$ 10,208,030	$ 10,722,494	$ 10,323,149	$ 11,045,446	$ 10,967,871	$ 12,299,426	$ 12,794,219
Total	**$ 15,650,829**	**$ 14,280,690**	**$ 14,440,756**	**$ 14,968,970**	**$ 14,462,113**	**$ 15,165,370**	**$ 15,114,905**	**$ 16,643,816**	**$ 17,436,207**
Total Compensation Breakdown (Capital, OM&A)									
OM&A	$ 10,932,455	$ 10,323,447	$ 10,671,794	$ 10,463,549	$ 10,802,067	$ 10,833,542	$ 11,185,632	$ 11,748,260	$ 12,044,462
Capital	$ 4,718,375	$ 3,957,243	$ 3,768,962	$ 4,505,421	$ 3,660,047	$ 4,331,828	$ 3,929,274	$ 4,895,556	$ 5,391,744
Total	**$ 15,650,829**	**$ 14,280,690**	**$ 14,440,756**	**$ 14,968,970**	**$ 14,462,113**	**$ 15,165,370**	**$ 15,114,905**	**$ 16,643,816**	**$ 17,436,207**

The number of employees shown above in Table 4-19 is based on the computation of the number of full time equivalent (FTE) positions throughout each of the fiscal years. Staff members hired by or resigning from SNC are prorated in that year as a portion of an FTE based on the hours worked. The FTE calculation is based on hours worked by employees, including overtime hours divided by their annual regular time hours. The table excludes Board of Directors and employees dedicated to non-rate regulated activities, including CDM, solar renewable generation and labour hours billed to affiliates. SNC does not include hours for staff on LTD. The salaries and wages amounts include all salaries and wages paid, inclusive of

incentive pay for the President and Executive Management Team, overtime, vacation earned (vacation in excess of current earned draws down the vacation liability account), holidays, sick leave, bereavement leave and other miscellaneous paid leaves.

The benefits amounts comprise the employer's portion of statutory benefits, including CPP, EI, EHT and WSIB. In addition, benefit amounts comprise the company's cost for providing: OMERS and other Employee Benefits as described in 4.4.6 below.

4.4.5 FTE, Wages & Benefits Variance Analysis

SNC completed the Board's Appendix 2-K, which is included above as Table 4-19. Table 4-20 below details FTE and employee cost variances from 2017 Board-Approved through to the 2024 test year. All FTE's with their corresponding wages and benefits are included in the variance analyses below.

Table 4-20: FTE and Employee Cost Variances

	Last Rebasing Year (2017 OEB Approved Proxy) vs 2017 Actuals	2017 Actuals vs 2018 Actuals	2018 Actuals vs 2019 Actuals	2019 Actuals vs 2020 Actuals	2020 Actuals vs 2021 Actuals	2021 Actuals vs 2022 Actuals	2022 Actuals vs 2023 Bridge Year	2023 Bridge Year vs. 2024 Test Tear
TEs including Part-Time)[1]								
Management (including executive)	(0.8)	0.5	(1.0)	(1.3)	(0.2)	(1.3)	0.0	0.5
Non-Management (union and non-union)	(11.5)	(5.1)	1.5	(7.0)	3.7	(3.3)	8.3	(1.5)
Total	**(12.3)**	**(4.5)**	**0.5**	**(8.4)**	**3.5**	**(4.6)**	**8.4**	**(1.0)**
Total Salary and Wages including ovetime and incentive pay								
Management (including executive)	(14,199)	327,064	(95,377)	(79,457)	12,250	3,744	169,245	191,828
Non-Management (union and non-union)	(1,240,627)	150,064	310,773	(298,807)	615,995	(39,763)	1,019,521	324,073
Total	**(1,254,826)**	**477,127**	**215,396**	**(378,264)**	**628,245**	**(36,019)**	**1,188,766**	**515,901**
Total Benefits (Current + Accrued)								
Management (including executive)	59,997	(79,953)	109,128	(28,055)	(31,290)	23,366	28,111	105,770
Non-Management (union and non-union)	(175,310)	(237,108)	203,690	(100,538)	106,301	(37,812)	312,035	170,720
Total	**(115,313)**	**(317,062)**	**312,819**	**(128,593)**	**75,012**	**(14,446)**	**340,145**	**276,489**
Total Compensation (Salary, Wages, & Benefits)								
Management (including executive)	45,798	247,110	13,751	(107,512)	(19,040)	27,110	197,356	297,597
Non-Management (union and non-union)	(1,415,937)	(87,045)	514,464	(399,345)	722,297	(77,575)	1,331,555	494,793
Total	**(1,370,139)**	**160,066**	**528,215**	**(506,857)**	**703,257**	**(50,465)**	**1,528,911**	**792,390**
Total Compensation Breakdown (Capital, OM&A)								
OM&A	(609,008)	348,347	(208,244)	338,517	31,475	352,090	562,629	296,202
Capital	(761,131)	(188,281)	736,459	(845,374)	671,782	(402,555)	966,282	496,188
Total	**(1,370,139)**	**160,066**	**528,215**	**(506,857)**	**703,257**	**(50,465)**	**1,528,911**	**792,390**

SNC Management count has remained relatively steady since its last Cost of Service, decreasing by (3.61) FTE overall. The changes in the non-Management have decreased by (14.76) FTE.

The overall decrease in FTE's is driven by the following:

- Strategy change in Powerline Workforce as described above in Section 4.4.2.
- SNC has diligently worked at reducing staffing levels through attrition and redundancies in many of its departments, by coming up with more efficient work practices. The specific FTE reductions that have been achieved through efficiencies including merger efficiencies are further described in Exhibit

1, Section 1.4.17 Realized Efficiencies and Improvements and in Exhibit 1, Section 1.9 Distributor Consolidation.

- From 2017 to 2022, SNC has experienced difficulty staffing vacancies in several departments due to the inability to find skilled labour. Within this period, at least one or more of the following positions were in short supply: System Control Operators, Regulatory positions, Supervisors, Protection & Control Technologist, Office Clerks. The short supply of skilled labour has only exacerbated the problems associated with high turnover. SNC has had difficulty filling the high number of vacancies since 2017, and vacancies remain unfilled for longer periods of time.

Notable changes in Year over Year FTE are as follows:

Board Approved Proxy 2017 vs Actual 2017 - (12.3) FTE; ($1,254,826) Salary and Wages and ($115,313) Benefits

There were several factors affecting the Board Approved Proxy 2017 in comparison to 2017's actual FTE and compensation costs including the following more significant items:

- Down (0.59) FTE in Customer Service due to an unfilled part time Billing Clerk and staff that were allocated to non-wire activities in the year over what was budgeted.
- Down (1.36) FTE in Finance and Regulatory due to staff turnover, promotions, and timing to refill positions in the Finance and Regulatory departments. Turnover in the Regulatory Supervisor position, and subsequent promotion of the Regulatory Analyst, resulted in the Regulatory Analyst position remaining open. Due to the difficulty of finding a qualified candidate for the regulatory role, it remained open for half a year (.52) FTE. A portion of the Accounting Supervisors time was also allocated to affiliate activities (.25) FTE and lastly the Accounting Clerk position remained unfilled to due turnover for four months (.29) FTE.
- Down (7.66) FTE in Operations due to three PLT positions budgeted for were not filled in 2017. The 3 PLT positions were not hired in 2017 as TBHEDI did not receive the previous COS decision until September 28, 2017, and with the uncertainty surrounding the decision throughout 2017, hiring was deferred until the full impact of the decision could be evaluated. In 2018, SNC re-evaluated its internal PLT staffing level as per Section 4.4.2 Workforce Planning and made the decision not to hire these positions. Lastly, SNC was unsuccessful in attracting an internal Season Equipment Operator in 2017, after several attempts this work was contracted out as required.

- In 2017, Power Systems also had three resignations (Powerline Apprentice, PLT and Meter Technician). The PLT and Powerline Apprentice positions were not filled as work was moved to contractors. SNC could not fill the Metering Technician position until 2018, leading to a decrease in FTE's.
- In addition, there were two positions that were on LTD during the year. The remaining variances in Operations were due to a management member from Engineering being transferred to a System Control Supervisor position, and there were delays in recruiting and hiring their replacements which resulted in a reduction of (0.54) FTE.
- Increase by a total of 0.76 FTE in Engineering due to the retirement of a Locator/Drafter and the overlap of newly hired staff 0.35 FTE for succession and training purposes. In addition, an Engineering Summer Student was hired for 0.41 FTE to assist with Power System feeder studies as the distribution designer needed support as their time was being utilized to review and approve the commissioning of 2 large Co-Gen connections to the system.
- Up .04 FTE in Purchasing, as SNC had approved for 1 part time Stores employee however due to the level of work, this employee worked fulltime hours .30 FTE. This was offset by a reduction in Buyer FTE of (.23) FTE due to staff turnover and time to fill the position.
- Overtime hours are resulting in a decrease in FTE variance of (2.37) FTE.

In summary, the FTE variance from the Last Rebasing – 2017 Board Approved Proxy to 2017 Actuals (12.3) FTE, the majority which were identified in the foregoing analysis.

The associated labour variance of ($1,176,978) is attributable to the foregoing FTE reductions; merit increases; and in some instances, savings that were realized with hires at compensation levels lower than budgeted.

The benefit variance of ($113,124) is attributable to the FTE reductions as noted above. Further details on benefit variance provided in Section 4.4.6.

Actual 2017 vs Actual 2018 - (4.5) FTE and $477,127 Salary and Wages and ($317,062) Benefits

There were a number of factors affecting the years FTE and compensation costs including the following more significant items:

- Down (1.72) FTE in Customer Service as the Supervisor in Customer Service was on LTD and ultimately resigned on March 20, 2017. In addition, the position was backfilled by the AMI Coordinator. Tasks

previously performed by AMI Coordinator were divided among Billing and IS departments. Lastly, SNC decided to hire more part time Customer Service Clerks instead of full time, which allowed for more flexibility of FTEs during peak times. The decrease is offset by the addition of 0.5 FTE in billing to accommodate the monthly billing mandate.

- Down (1.52) FTE in Engineering due to two Locator/Drafters in Engineering which were promoted to Stations Electrician and P&C Technician positions in other departments and the subsequent timing of hiring their replacements. Because the Locator/Drafters moved out of the department in October and November, it was determined that during the low locates season, new staff could wait until January of the following year to start training. Additionally, replacing the Distribution Engineer position which was vacated in 2017 took several rounds of recruitment before a suitable candidate was selected, and hired May 7, 2018.
- Up .64 FTE in Finance. SNC made the decision in 2018 to consolidate one of the Cashier's positions with the Finance Clerk position resulting in a saving of (1) FTE. Further temporary reductions included, SNC's Purchasing & Stores Manager left halfway through the year, resulting in a (.25) FTE vacancy until the position was filled. The Corporate Financial analyst was off on maternity leave (.54) FTE. These FTE savings were offset by temporary increases in the Account Payable Clerk and Controller position due to overlap necessitated by a retirement and an LTD totaling 1.49 FTE. In 2017 both the Regulatory Analyst and the Accounting Clerk position were vacant for a portion of the year; these were filled full time in 2018 resulting in an increase of .62 FTE
- Down (1) FTE in Power Systems due to two PLT positions being on LTD during the year and the delayed subsequent hiring for the positions.
- Overtime hours are resulting in an increase in FTE variance of 1.02 FTE.

Non FTE related labour and benefit cost impacts were, in 2018 TBHC staff received a 2% cost of living increase, Staff in Kenora received a 2.25% increase in 2018. Union increases occur in May, which result in an effective increase of 2.17% for the year. Based on 2017 payroll, the expected inflationary increase was $230,000. In addition, SNC paid an additional $367,000 in the year for progression changes, severance, and one-time performance based bonuses. Apprentices and new hire progression increases occur every six months and then upon obtaining their certification.

The benefit variance of ($319,251) is attributable to the FTE reductions as noted above. Further details on benefit variance provided in Section 4.4.6.

Actual 2018 vs Actual 2019 - .5 FTE and $215,396 Salary and Wages and $312,819 Benefits

There was less complement activity affecting the year's FTE and compensation costs. The following are the more significant items:

- TBHEDI and KHEC merged on January 1, 2019, upon merger the two entities went from two Presidents down to one, reducing FTE count by (1) FTE and also resulted in a significant reduction in total actual wages in the period.
- 1 FTE PLT in Kenora was reduced through attrition upon merger.
- Although not an FTE reduction, dollar savings were achieved when in 2019, a restructuring plan was initiated after the retirement of the Kenora area Operations Manager that allowed for this position to be replaced with a Lines Supervisor, at a lower salary.
- Down (.71) FTE in Finance. As a result of the amalgamation with Kenora, the decision was made to move the Financial Clerk in Kenora to an Office Clerk position (.53) FTE. In 2018, SNC had two Controllers for a portion of the year due to overlap before an LTD, in 2019 the contracted Controller left the position before the regular Controller returned, the combined difference was a reduction of (.84) FTE. SNC also did not have a Summer Student in 2019 (.39) FTE. These savings were offset by overlap in the Senior Cashier position as a result of a retirement which was an increase of .63 FTE and the return of a maternity leave another increase of .33 FTE
- Up 0.98 in Customer Service which was driven by an increase of 0.5 FTE in Billing for an increase in volume due to the merger. Also, Customer Service previously provided by the City of Kenora to Kenora Hydro was absorbed by SNC. There was an increase in part time FTE to ensure that SNC could handle the workload before making any permanent changes accounting for an increased 0.42 FTE.
- Minimal change in (0.1) FTE in Engineering, however there was an addition of 1 FTE of a Distribution Designer and a loss of (1) FTE which was a result of the Project Engineer moving from Engineering to the Operations group. The movement of the Project Manager was to align more closely with the Lines group and the Lines VP, where the projects that this position was managing. The addition of the Distribution Designer was due to the amount of outsourced work that continued to increase for capital renewal and connection projects, where it was determined that a stable internal resource would benefit the corporation.
- Additionally, being able to hire for the 3 vacant Locator positions in the first week of January, kept overtime low in the organization as the staff in the department was not required to work additional

overtime hours training new staff, as this could be done during regular hours in the off season (January to March).

- Overtime hours are resulting in an FTE variance of 1.42 FTE.

Despite the merger in 2019 Kenora Union and Thunder Bay Union staff continue to be represented by different unions, the rates in these contracts were standardized as part of the 2023 PWU contract however between 2019-2023 each location operated under different wage schedules. Management employees in Kenora were merged with Thunder Bay management and Non Union schedule with all employees being given the same increase.

Management and Thunder Bay Union staff received a 2% increase in 2019, Kenora union staff received also received a 2% increase however given their rate change occurs in May, the average increase for the year was 2.08%. Based on 2018 normalized payroll the expected inflationary increase was $231,000. In addition, SNC paid an additional $112,000 in the year for progression changes, severance and one time performance-based bonuses. Apprentices and new hire progression increases occur every six months and then upon obtaining their certification.

The benefit variance of $312,819 is a result of the way Kenora Hydro used to record their benefits, after the merger benefits are now reported using Thunder Bay methodology. Further details on benefit variance provided in Section 4.4.6.

Actual 2019 vs Actual 2020 – (8.4) FTE and ($378,264) Salary and Wages and ($128,593) Benefits

There were a number of factors affecting the significant decrease in 2020's FTE count and compensation costs including the following more significant items:

- Customer billing reduced an FTE when the billing clerk in Kenora retired in March 2020, efficiencies were achieved by not backfilling this position based on a management re-evaluation of workloads and automation of processes.
- Down (.49) FTE in Finance as in 2019 there was overlap in the Account Payable Clerk position to prepare for an upcoming retirement, this did not occur in 2020 resulting in a decrease of (.88) FTE. In 2019 the Financial Assistant position in Kenora was eliminated part way through the year (.56) FTE. As a result of the pandemic, SNC did not need a Mail Clerk this resulted in a (.15) FTE reduction, this position will not be refilled. These savings were offset by increases in the Senior Cashier/Finance Clerk position due to overlaps necessary for training of .50 FTE. Full time coverage in the Corporate Financial

Analyst positions following maternity leave in 2018 and 2019 was an increase of .21 FTE and full-time coverage in the Controller position following an LTD was an increase of .35 FTE.

- FTE changes in Operations were as follows:
  - One PLT moved into a supervisor role in April to fill a vacancy due to a retirement in the year.
  - Three PLT's retired throughout the year (2.36 FTE) and those positions were not filled as we set out a plan to lower PLT FTE's as detailed in Section 4.4.2
  - Three PLT's resigned or were terminated midway through the year (2.24 FTE), and those positions were not filled as we set out a plan to lower PLT FTE's as detailed in Section 4.4.2
  - 4 Temp PLT were hired as SNC suspended contractor work during pandemic, increasing by 1.3 FTE. Temp positions were utilized as they could be laid off without impacting the collective agreement with IBEW local 339 as needed if lockdowns were reinstated and work needed to be suspended.
  - 2 Temp Apprentice PLT were hired, increasing FTE by 1.04 FTE as SNC suspended contractor work during pandemic. Temp positions were utilized as they could be laid off without impacting the collective agreement with IBEW local 33 if Pandemic lockdowns were reinstated and work needed to be suspended.
  - Temporary Labourer hours were down in 2020, resulting in a decrease in FTE of (1.2).
- Down (0.5) FTE in Engineering due to the termination of the Services Engineer in May of 2020, which was backfilled by existing staff. This position was then filled with an Engineer in Training on August 31st, 2020.
- During the lock down of the COVID-19 pandemic, SNC halted the provision of Locates for one month and then when lock down was lifted the number of tickets was double of a typical month. This resulted in additional overtime worked by the Locators and Locator/Drafters to meet the backlog.
- Overtime hours are resulting in an FTE variance of 0.73 FTE.

Thunder Bay Union staff received a 2% increase in 2020, Kenora union staff received varying rates depending on their position ranging from 2%-4.37% however given their rate change occurs in May, the average increase for the year was between 2% and 3.58%. Based on 2019 normalized payroll the expected inflationary increase was $352,000. In addition, SNC paid an additional $339,000 in the year for

progression changes, severance and one time performance based bonuses. Apprentices and new hire progression increases occur every six months and then upon obtaining their certification.

The benefit variance of ($128,593) is attributable to the FTE reductions as noted above. Further details on benefit variance are provided in Section 4.4.6.

Actual 2020 vs Actual 2021 – 3.5 FTE and $628,245 Salary and Wages and $75,012 Benefits

The following are the more significant items affecting the FTE and labour compensation:

- Down (1.35) FTE in Customer Service. The Manager of Customer Service and Billing moved into the VP, Customer Service position in May 2021, and that position was not backfilled. Also, the full effect of the Billing Clerk reduction in 2020 was realized.
- Up 0.2 FTE in Engineering due to the addition of a temporary GIS Clerk to assist in the data updates for Kenora region from the 2019 merger of Kenora and Thunder Bay Hydro. This was originally set to be a summer student position but was modified to reach a higher level of candidate with an additional two months of employment.
- Down (1.01) FTE in Finance, reductions in the period were the result of the full impact of the absence of the mail clerk (.11) FTE, turnover in the Accounting Supervisor position (.30) FTE and movement of the Financial EA/Payroll Clerk from Finance to the President's office (1.01) FTE. Due to the announced retirement of the VP of Finance a decision was made to have a period of training overlap resulting in an FTE increase of .55 FTE in the period.
- Up .76 FTE in Purchasing, due to three retirements in Purchasing and Stores in the period, new staff was hired to overlap with the retirees resulting in .76 FTE variance.
- Up 1 FTE in Operations as 1 PLT apprentice was hired in Kenora as part of succession planning for the Kenora area (takes a minimum of 4 years and 8000 hours to complete the basic apprenticeship).
- PLT position from March 2021 was not filled as SNC continued to evaluate PLT positions as explained in Section 4.4.2
- Overtime hours are resulting in an FTE variance of 2.4 FTE. Limited contractor availability, unexpected recoverable work, trouble calls and planned after hours work to minimize customer impact were factors that lead to the increase in overtime.

Non FTE related labour and benefit cost impacts were, management and Thunder Bay Union staff received a 2% cost of living increase, Kenora union staff received a 2% rate increase however given their rate

change occurs in May, the average increase for the year was 2.15%. Based on 2020 normalized payroll the expected inflationary increase was $214,000. In addition, SNC paid an additional $111,000 in the year for progression changes, severance and one time performance based bonuses. Apprentices and new hire progression increases occur every six months and then upon obtaining their certification.

The benefit variance of $75,012 is attributable to the FTE increases as noted above. Further details on benefit variance provided in Section 4.4.6.

Actual 2021 vs Actual 2022 – (4.6) FTE and ($36,019) Salary and Wages and $($14,446) Benefits

The following are the more significant items affecting the FTE and labour compensation:

- Up 0.8 FTE in customer service due the return to a more normalized level of COVID-19 disconnections and customer moves following two years of COVID-19 impact, resulted in an increase in part-time customer service hours. Also, a 0.5 FTE increase in IS was used for cross training to accommodate the anticipated retirements of three Systems Analysts in 2023.
- Down (.93) FTE in Finance as SNC had significant turnover in its Regulatory department, the Senior Regulatory Analyst resigned, and the Finance Analyst took over the vacant Accounting Supervisor position. SNC had numerous rounds of job postings and interviews but was unable to find suitable individuals to fill these positions on a full-time basis. A current employee in Kenora was moved into the Financial Analyst role on a temporary basis (full time in 2022) to cover the shortage (1.13) FTE. The vacant EA/Payroll role was filled by one of the Finance Clerks, however this left a vacancy in the Finance Clerk position that was not immediately filled due to the hiring process (.51) FTE. The majority of the remaining difference related to a decrease in VP position allocation due to the overlap that occurred in 2021 (.56) FTE.
- Down (.66) FTE in Purchasing which stems from the overlap that occurred in the prior year due to the announced retirements.
- Down (2.25) FTE in operations, as the Office Clerk in Kenora moved into a temporary Regulatory Assurance Specialist position and SNC has been unsuccessful in replacing the Office Clerk position to date. One Stations Electrician Apprentice resigned in late 2021, and this position was not filled as SNC continues its path down 25kV conversion, the need for 4kV stations work will be eliminated and there will be no future need. Lastly a Meter Technician was terminated on May 16, 2022, and the position remains unfilled.

- Although there were minimal changes in FTE in Engineering in 2022, (less than 0.3 FTE) the Engineering department had several vacancies in 2022 with one Locator resigning on May 19th and another on June 17th with replacement staff being hired June 20th and 27th. Due to this gap in resources, SNC utilized a combination of overtime for existing staff, a temporary locates contract for a past Summer Student and external subcontractor to provide locates to requestors during the peak season of Locates. It should be noted that even once the new staff were hired, they required 6-8 weeks of training before became competent in performing the work autonomously, thus the overtime, temporary resources and contractors were still required during this time which affected the FTE.
- Additionally, due to a Distribution Designer vacancy in November of 2021, a new Distribution Designer was not able to be hired until March 21st, 2022. The process to hire qualified and staff took longer than expected and required a second round of posting to attract a suitable candidate. A Summer Student was also not hired in Engineering in 2022.
- System Control had 1 operator on LTD and another one on long term disability for part of the year.

Non FTE related labour and benefit cost impacts were, management and Thunder Bay Union staff received a 3.1% cost of living increase. Given that Thunder Bay union staff wage increase occurs in May the average impact was 2.73%, Kenora union staff received a 2% rate increase. Based on 2021 normalized payroll the expected inflationary increase was $342,000. In addition, SNC paid an additional $181,000 in the year for progression changes, severance and one time performance based bonuses. Apprentices and new hire progression increases occur every six months and then upon obtaining their certification. As result of the significant inflation pressure in 2022 union staff was given a $500 signing bonus as part of the negotiation with a financial impact was $40,000.

As part of the annual review of executive compensation, an incentive package was created to align executive compensation with that of other LDC's further details of which are disclosed in 4.4.3. Following a review of a objectives set in 2021, the first incentive payment was made in 2022.

The benefit variance of ($14,446). Further details on benefit variance provided in Section 4.4.6.

Actual 2022 vs Bridge 2023 – 8.4 FTE and $1,188,766 Salary and Wages and $340,145 Benefits

The following are the more significant items affecting the FTE and labour compensation:

- SNC has tried to fill the new System Control Operator (replacement of an Operator on LTD), P&C Technician and Office clerk in Kenora, but could not successfully fill these roles in 2022. Interviews were held, and in some cases offers were made to individuals who subsequently turned down the offers.
- With regards to the budgeted System Control position, hiring in advance is necessary for this group as coverage with other staff is not possible due to the necessary qualifications, and experience needed to perform the roles. In addition, external contracting for the Control/System Control is not an option to supplement the existing work force.
- One FTE position was added in order to complete the new Vegetation Management Plan put into place in 2022 as addressed in Section 4.3.3.5. One Forestry Technician was hired to help with the increased workload, customer notification, planning, tree inventory, mapping, contractor monitoring.
- Up .74 FTE in Finance as SNC was unable to fill the Regulatory Supervisor position in 2022 despite numerous rounds of job postings, it is anticipated that further rounds of postings will occur in 2023. However, given the unique and specialized skill set required for this candidate this process to date has been unsuccessful. SNC has also decided to change this position to a Financial Analyst position to aid in the hiring process (1 FTE). This increase of offset by a maternity leave in the department that was filled from within.
- In January of 2023 an Operational Project Manager was hired to replace the previous position of GIS technician. This change was to acquire staff with the skill set to perform a broader range of duties beyond GIS. Due to the qualifications that were requested the compensation of this role was higher than the previous position but did not result in a variance of FTE.
- Additionally, the Engineering department continues to see high turnover rates in its Locator position. In 2023, an additional staff accepted a position with Hydro One during the peak season of locates, resulting in a reduction of manpower and a requirement to utilize additional subcontractors to achieve the required 5-day timeline for locates.
- Overtime hours are resulting in an increased FTE variance of 2.85 FTE. The 4kV conversion projects were undertaken in such a fashion that work was started on the outskirts of the city and has been steadily moving inwards towards Thunder Bay's downtown. The work in the downtown cores has a large impact on commercial customers and due to the nature of their hours, requires that SNC perform the work outside of its normal hours of operation and on weekends in order to reduce the impact on SNC customers. SNC annual risk assessment has also identified deficiencies in single poles

location and or other equipment that required replacement outside of normal hours of operation to limit the impact to commercial customs in these areas. The impact of these changes will extend at least until the end of the 4kV conversion. Further the reduction in PLT complement has made these changes possible, SNC's decrease in internal staff allows it the flexibility to perform work outside of normal operation to meet its customer's needs and help control costs.

Non FTE related labour and benefit cost impacts were, management and Thunder Bay Union staff received a 3.0% cost of living increase. Given that Thunder Bay union staff wage increase occurs in May the average impact was 3.03%, Kenora union staff received a 4.11% rate increase for an average of 3.41. The 4.11% increase was needed to standardize the rates between the two zones. Based on 2022 normalized payroll the expected inflationary increase was approximately $370,000. In addition, SNC paid an additional $65,000 in the year for progression changes, severance and one time performance based bonuses. Apprentices and new hire progression increases occur every six months and then upon obtaining their certification.

The benefit variance of $340,145 is attributable to corporate benefit increases. Further details on benefit variance provided in Section 4.4.6.

Bridge 2023 vs Test 2024 – (1.0) FTE and $515,901 Salary and Wages and $276,489 Benefits

The following are the more significant items affecting the FTE and labour compensation:

- Down in Operations as there is one less temporary labourer position budgeted in 2024.
- Overtime hours are unchanged from prior year and not affecting FTE variance.

Non FTE related labour and benefit cost impacts were, management and Thunder Bay Union staff received a 3.0% cost of living increase. Kenora union staff received a 3% rate increase for an average of 3.41%. Based on 2023 normalized payroll the expected inflationary increase is $434,000. In addition, SNC is projecting to pay an additional $24,000 in the year for progression changes. Apprentices and new hire progression increases occur every six months and then upon obtaining their certification.

The benefit variance of $340,145 is attributable to corporate benefit, OMERS and CPP increases. Further details on benefit variance provided in Section 4.4.6.

Overall FTE Reduction

As SNC has experienced a significant amount of pressure due to inflationary cost increases and a tight labour market, SNC is constantly looking for efficiencies and since the last COS application has worked diligently to reduce staffing levels where possible. From the 2017 Board Approved FTE figure of 153.4, SNC has reduced its FTE count by 18.3 FTE in the test year to 135.3 FTE, through a re-alignment of PLT complement, as well as efficiencies achieved in many departments. SNC has and will continue to operate with the attitude of do more with less, by becoming more efficient and automating processes while still providing excellent energy service in a safe and reliable manner.

4.4.6 Employee Benefit Programs

Benefits offered by SNC are summarized below.

Ontario Municipal Employee Retirement Savings ("OMERS") – SNC remits 9.0% up to the annual CPP earnings limit (maximum pensionable earnings limit) currently the first $66,600 of earnings (subject to various inclusions and exclusions) and then SNC remits 14.6% of earnings thereafter (also subject to various inclusions and exclusions).

Long Term Disability ("LTD") - SNC's benefit provider is the MEARIE Group and effective January 1, 2022, MEARIE sources this benefit from Desjardins Insurance (previously Great West Life). SNC's premiums cover current employees until age 65.

Life Insurance Benefits – SNC's benefit provider is the MEARIE Group and effective January 1, 2022, MEARIE sources this benefit from Desjardins Insurance (previously Great West Life) and is in place until age 65.

Paid-up Life Policy – at age 65, SNC purchases a paid-up life policy in the amount of $7,000.

Health Care & Dental Benefits – SNC utilizes the Johnston Group/Maximum Benefits as a benefits provider through an Administrative Services Only (ASO) arrangement. This ASO arrangement has a built-in stop loss premium to protect the Corporation against claims that exceed $15,000. Further, Travel Benefits provided through this plan are also premium based.

Employee & Family Assistance Program (EFAP) – This program is offered through a local provider, St. Joseph's Care Group, and assists employees and their immediate family members in assessing and resolving work, health and life issues.

OMERS PENSION PLAN

SNC employees are members of the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan in which most Ontario LDCs participate. As such, SNC pension benefit costs are consistent with other participating Ontario LDCs. The plan is a contributory defined pension plan which is financed by equal contributions from the employer and employee based on the employee's contributory earnings. Pension premium information from 2017 to 2022 actual and 2023 Bridge Year and 2024 Test Year can be found in Table 4-21 and Table 4-22 below. For the 2024 Test Year, SNC assumed OMERS rates of 9.0% on earning up to CPP earning limits and 14.6% on earning over CPP earnings limit. The 2023 Year's Maximum Pensionable Earnings is $66,600.

Although the OMERS pension plan is a Defined Pension Plan that would typically involve either a net liability or net asset depending on whether the fund was over or underfunded, SNC treats this plan as a Defined Contribution Plan. As disclosed in SNC's financial statements, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The Company is only one of a number of employers that participates in the plan and the financial information provided on the Company on the basis of the contractual agreement, is usually insufficient to reliably measure the Company's proportional share in the plan assets and liability.

EMPLOYEE FUTURE BENEFITS

SNC provides post-employment benefit life insurance and health care to all active full-time employees and retirees under the age of 65 though a group defined benefit plan. SNC utilizes the accrual method for accounting for future employment benefits. The accrual method recognizes the expenses associated with OPEB's as services are rendered. This method is unchanged from TBHEDI's and KHEC's last COS decision.

The cost of post-employment benefits are actuarially determined using the projected benefit method pro-rated on service and based on assumptions that reflect management's best estimates. The current service cost for the period is equal to employee's service rendered in the period. Past service costs from the plan amendments are amortized on a straight line basis over the average remaining service period of the employee's active date of amendment. These expenses are treated as an overhead account and allocated directly based on direct labour hours charged to each department.

RSM Canada Consulting LP (RSM) completed a full actuarial valuation as of December 31, 2021, using International Financial Reporting Standards guidelines for sick leave benefits and post-retirement non-pension benefits. A copy of the RSM Actuarial reports are provided as Attachment 4-A.

Statutory and Company Benefit charges to OM&A are detailed in Table 4-21 below:

OTHER BENEFTIS

Included in other benefits is SNC safety footwear, Safety eyeglasses, educational reimbursement and Healthy Lifestyles reimbursement. SNC is concerned with the wellbeing of its employees, in order to promote positive lifestyle choices for employees, the company offers an annual healthy lifestyle reimbursement to employees for the purchase of membership, goods or classes used to meet this objective. Educational reimbursement is offered to all employees as a retention, succession, and recruitment tool. The program is available to all non probationary employees and is designed to reimburse for programs that enhance an employee's current role or provide them with additional education towards promotion to roles in the foreseeable future.

Table 4-21 below provides a breakdown of Benefit costs directly allocated to OM&A and Capital

TABLE 4-21: EMPLOYEE BENEFITS CHARGED DIRECTLY TO OM&A AND CAPITAL

	Last Rebasing Year Proxy		Last Rebasing Year (2017 Actuals)		2018 Actuals		2019 Actuals		2020 Actuals		2021 Actuals		2022 Actuals		2023 Bridge Year		2024 Test Year	
CPP Employer's Portion																		
Charged to Capital	$64,172	24%	$37,677	17%	$42,002	19%	$45,732	21%	$39,924	19%	$60,597	24%	$52,282	21%	$60,491	23%	$68,806	22%
Charged to OM&A	$207,627	76%	$186,483	83%	$183,354	81%	$176,426	79%	$165,383	81%	$196,642	76%	$200,679	79%	$204,699	77%	$243,523	78%
Total CPP	**$271,799**		**$224,160**		**$225,356**		**$222,158**		**$205,307**		**$257,239**		**$252,961**		**$265,190**		**$312,329**	
EI Employer's Portion																		
Charged to Capital	$31,360	24%	$15,873	17%	$17,894	19%	$18,202	20%	$15,864	20%	$22,138	24%	$18,155	21%	$21,590	23%	$22,867	22%
Charged to OM&A	$98,903	76%	$79,565	83%	$78,304	81%	$71,612	80%	$64,235	80%	$70,731	76%	$69,309	79%	$70,677	77%	$79,764	78%
Total EI	**$130,263**		**$95,438**		**$96,198**		**$89,814**		**$80,099**		**$92,869**		**$87,463**		**$92,267**		**$102,631**	
Employer Health Tax																		
Charged to Capital	$45,791	31%	$27,979	8%	$28,705	19%	$36,187	25%	$28,691	21%	$40,845	26%	$34,369	23%	$39,437	24%	$39,885	23%
Charged to OM&A	$101,830	69%	$302,467	92%	$120,442	81%	$108,071	75%	$107,001	79%	$114,741	74%	$115,432	77%	$123,170	76%	$129,875	77%
Total EHT	**$147,621**		**$330,446**		**$149,147**		**$144,259**		**$135,692**		**$155,587**		**$149,801**		**$162,607**		**$169,760**	
WSIB																		
Charged to Capital	$23,496	33%	$14,646	20%	$15,376	21%	$18,081	26%	$14,160	22%	$19,619	26%	$11,956	23%	$12,948	25%	$15,139	24%
Charged to OM&A	$46,848	67%	$57,150	80%	$58,890	79%	$52,359	74%	$51,302	78%	$56,656	74%	$39,134	77%	$38,204	75%	$47,393	76%
Total WSIB	**$70,344**		**$71,796**		**$74,266**		**$70,440**		**$65,462**		**$76,275**		**$51,089**		**$51,152**		**$62,532**	
OMERs																		
Charged to Capital	$217,966	23%	$145,164	19%	$143,302	19%	$163,912	23%	$129,181	19%	$157,398	22%	$141,662	20%	$147,069	19%	$156,910	19%
Charged to OM&A	$727,013	77%	$625,969	81%	$616,987	81%	$550,141	77%	$567,327	81%	$563,291	78%	$560,997	80%	$624,075	81%	$652,945	81%
Total OMERs	**$944,979**		**$771,133**		**$760,289**		**$714,053**		**$696,508**		**$720,689**		**$702,659**		**$771,144**		**$809,855**	
Corporate Benefits																		
Charged to Capital (2-D)	$170,953	31%	$124,611	21%	$73,142	20%	$146,492	26%	$105,025	21%	$144,907	27%	$115,101	24%	$144,598	25%	$159,394	24%
Charged to OM&A	$376,167	69%	$480,947	79%	$301,246	80%	$427,520	74%	$384,514	79%	$393,343	73%	$372,055	76%	$444,056	75%	$512,603	76%
Total Corporate Benefits	**$547,120**		**$605,558**		**$374,388**		**$574,012**		**$489,540**		**$538,250**		**$487,156**		**$588,654**		**$671,997**	
Other Benefits																		
Charged to Capital (2-D)		0%		0%		0%		0%		0		0%		0%		0%		0%
Charged to OM&A	$26,100	100%	$28,574	100%	$34,811	100%	$30,593	100%	$36,551	100%	$29,397	100%	$46,171	100%	$76,834	100%	$62,461	100%
Total Other Benefits	**$26,100**		**$28,574**		**$34,811**		**$30,593**		**$36,551**		**$29,397**		**$46,171**		**$76,834**		**$62,461**	

However, employees wages and benefits are also allocated to overhead departments and are ultimately indirectly allocated to OM&A as well. As a result of this process, wages and benefits are initially allocated to Capital, OM&A and overhead departments. Table 4-22 provides a breakdown of the ultimate impact to capital and OM&A for all benefits.

TABLE 4-22: EMPLOYEE BENEFITS CHARGED TO OM&A

Benefits	SNC 2017 Proxy COS	SNC 2017 Actual	SNC 2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Bridge Year	2024 Test Year
CPP-Employers' Portion	$ 379,330	$ 342,305	$ 339,107	$ 352,659	$ 346,868	$ 397,964	$ 411,971	$ 430,303	$ 502,647
EI Employer's Portion	$ 183,614	$ 146,202	$ 145,117	$ 143,238	$ 136,473	$ 143,828	$ 144,539	$ 151,333	$ 166,472
Employer Health Tax	$ 222,429	$ 222,797	$ 224,122	$ 229,249	$ 224,773	$ 238,873	$ 239,627	$ 261,906	$ 271,280
WSIB	$ 107,655	$ 109,518	$ 127,884	$ 113,214	$ 111,611	$ 111,350	$ 83,832	$ 92,714	$ 103,372
OMERs	$ 1,346,511	$ 1,185,062	$ 1,169,793	$ 1,180,193	$ 1,176,562	$ 1,161,895	$ 1,177,160	$ 1,263,973	$ 1,321,587
Corporate Benefits	$ 826,436	$ 939,077	$ 615,277	$ 916,854	$ 809,642	$ 834,701	$ 790,785	$ 960,317	$ 1,084,140
Other Benefits	$ 29,986	$ 35,687	$ 42,286	$ 40,998	$ 41,882	$ 34,213	$ 60,462	$ 87,976	$ 75,513
Total	$ 3,095,961	$ 2,980,648	$ 2,663,586	$ 2,976,405	$ 2,847,811	$ 2,922,823	$ 2,908,377	$ 3,248,522	$ 3,525,011
Less Capitalized	$ 950,054	$ 741,964	$ 636,393	$ 871,717	$ 736,835	$ 837,371	$ 775,241	$ 890,632	$ 879,473
Total Benefits Charged to OM&A	**$ 2,145,907**	**$ 2,238,684**	**$ 2,027,194**	**$ 2,104,688**	**$ 2,110,977**	**$ 2,085,452**	**$ 2,133,136**	**$ 2,357,891**	**$ 2,645,539**

Board Approved Proxy 2017 vs Actual 2017 Benefits OM&A Increase of $92,777, Capital Decrease of ($208,090)

The majority of the variance in benefits relates to decreases in FTE as discussed above. This decrease was offset by an increase in corporate benefits.

Actual 2017 vs Actual 2018 Benefits OM&A decrease ($211,490), Capital Decrease of ($105,572)

2018 benefits were down as a result of a further decrease in FTE in the period. In addition, as a result of a valuation report prepared by RSM Canada Consulting LP, group total future benefit costs allocated to SNC decreased by ($187,138). An adjustment was made by the actuaries to life insurance future costs related to union employees, fixing this calculation caused a past service adjustment. In addition, 2018 was the last year in which any employee at SNC was able to utilize sick leave credits to facilitate an early retirement.

Actual 2018 vs Actual 2019 Benefits OM&A increase of $77,495, Capital increase of $235,324

As explained above SNC had a credit adjustment in its future benefit account in 2018 as a result of an actuarial adjustment. This balance returned to normal levels in 2019 resulting in the majority of the year over year change. Further impacting benefits was a pre-allocated health benefit increase of $97,749. SNC operates on an Administrative Services Only (ASO) model so benefits utilized in the period are expensed each year and will vary depending on usage. Benefits costs for Kenora employees decreased as a result of the merger, as they changed from and insurance based product to ASO. Allocation of benefits to capital increase in 2019 as a result of the merger with Kenora. Following the merger, a portion of Kenora's wages and benefits are now capitalized utilizing Thunder Bay's approach resulting in slight variances.

Actual 2019 vs Actual 2020 Benefits OM&A increase of $6,288, Capital decrease of ($134,882)

CPP, EI, EHT, WSIB and OMERS were down by $22,265 as a result of further decreases in FTE levels. The remainder of the decrease is a result of a decrease in corporate benefits due to lower health benefit usage and a decrease in future benefit.

Actual 2020 vs Actual 2021 Benefits OM&A decrease of ($25,525), Capital increase of $100,536

Increase relates to benefits associated with increased FTE, including CPP, EI WSIP, OMERS and corporate benefit. Allocation between OM&A and capital was up as PLE were moved from OM&A activities to capital as a result of third party work and a lack of contractors, see section 4.1.6 for further details.

Actual 2021 vs Actual 2022 Benefits OM&A increase of $47,684, Capital decrease of ($62,130)

Despite the reduction in FTE, wages remained constant over the period. However, CPP and EI increases, combined with more dollars being OMERS pensionable at the higher rate resulted in a net increase to benefits. SNC received a $44,689 refund from WSIB causing the negative variance in the period.

Actual 2022 vs Actual 2023 Benefits OM&A increase of $224,755, Capital increase of $115,391

Total wages are projected to increase by 9.7% in 2023 as result of normal salary increases, an FTE increase and more reliance on overtime, all of which attract benefit cost. Based on discussion with SNC's Benefit Manager, management budgeted for a 5% increase in life insurance premiums, 10% increase in LTD premiums and 10% in extended health costs. All items were projected to be higher than normal due to current inflationary pressures. As explained above SNC also received a $44,000 WSIB credit in the prior year, which further widens the variance.

Actual 2023 vs Actual 2024 Benefits OM&A increase of $287,648, Capital decrease of ($11,159)

The majority of the variance relates to the increase in wages. In addition, changes to the Canada Pension Plan, with the addition of a second tier of payments will be an added burden to SNC for the majority of its employees. As a result of continued inflationary pressures and increased pressure on mental health related services SNC's benefit carrier, recommended that SNC increase benefit costs by a further 10% ($55,000) in 2024. Lastly, future benefits increase by $50,000 as a result of known factors available at the timing of budgeting, including interest rate and demographic assumptions.

4.5 SHARED SERVICES AND CORPORATE COST ALLOCATION

4.5.1 OVERVIEW

Thunder Bay Hydro Corporation ("TBHC") is the parent company for three affiliates;

- Thunder Bay Hydro Renewable Power Incorporated ("TBRPI"), a generation company,
- Thunder Bay Hydro Utility Services Inc. ("TBHUSI"), offers:
  - Back office services to other Northwestern Ontario LDC's,
  - Competitive meter service provider (MSP) services,
  - Locate services, and
- SNC ("SNC") the Distribution Company.

Related party transactions with the Corporation of the City of Thunder Bay (City of Thunder Bay) include SNC's payment of property taxes, rent, water and sewer charges, telephone charges and the City of Thunder Bay's payment to SNC for electricity bills, as well as interest payments on the debenture debt, which is further described in Exhibit 5. The foregoing involves non-discretionary transactions. SNC does not have a Services Agreement with the City of Thunder Bay.

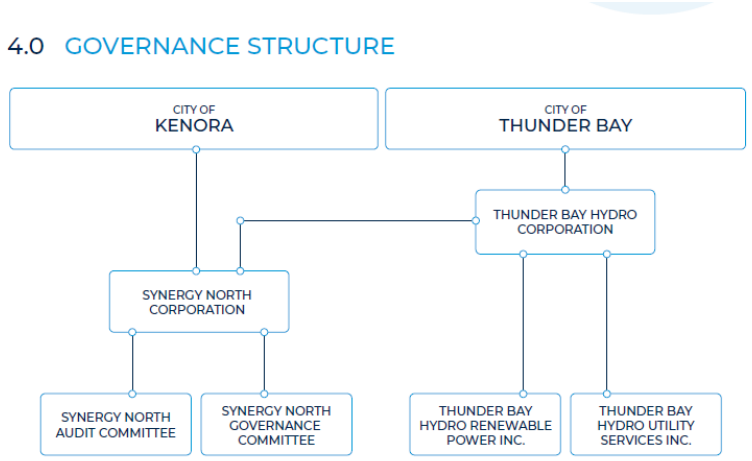
Related party transactions with the Corporation of the City of Kenora (City of Kenora) include SNC's payment of property taxes, rent, water and sewer charges, telephone charges and the City of Kenora's payment to SNC for electricity bills, as well as interest payments on the debenture debt, which is further described in Exhibit 5. The foregoing involves non-discretionary transactions. SNC does not have a Services Agreement with the City of Kenora.

Corporate Cost Allocation is defined as an allocation of costs for corporate and miscellaneous shared services from the parent company TBHC to SNC and vice versa. SNC confirms that there is no sharing of costs between TBHC and SNC.

SNC provides services on a fully allocated cost basis to its Affiliates, and fully allocated cost basis plus an appropriate rate of return to TBUSI specifically.

TBHC is 100% owned by the shareholder, The City of Thunder Bay. SNC charges TBRPI and TBHC at fully allocated cost as the transactions occur all within the TBHC umbrella. However, TBHUSI provides services

to other utilities outside of this umbrella, thus, charging fully allocated costs plus an appropriate mark up, no less than the utility's approved weighted average cost of capital.



These relationships are in place to benefit from cost savings due to increased efficiencies and economies of scale. The tables beginning with Table 4-23 through to 4-30 provide a summary of the transactions and pricing methodology used to assign costs for 2017 to 2022 Actual, 2023 Bridge Year, 2024 Test Year, respectively. These tables are consistent with the Board's Appendix 2-N.

4.5.2 Shared Services To Affiliates

Consistent with the *Affiliate Relationships Code for Electricity Distributors and Transmitters,* the pricing methodology used for shared services is based on fully allocated costs. All amounts billed to the affiliates are excluded from SNC's OM&A.

Services Provided by SNC to TBHRPI

TBHRPI is a wholly owned subsidiary company of TBHC which operates a landfill gas generation plant under a 20-year contract with the OPA effective August 3, 2010.

Services provided include direct planning, and administration in the operation of the landfill gas generation facility. TBHRPI receives these services from SNC on a fully allocated basis which is calculated annually and charged on a fixed monthly basis. SNC recovers revenues from TBHRPI in respect of the services it provides, in accordance with the Affiliate Relationship Code.

Services Provided by SNC to TBHUSI

SNC receives revenues from TBHUSI in respect of the services it provides, and these revenues are as per the Affiliate Services Agreement, which are consistent with the Affiliate Relationship Code.

TBHUSI is a back office services company that provides wholesale settlement, EBT, meter reading, MV90, customer information system, bill production and mailing, after hour's system control, related ISD services and conservation programming exclusively to the small LDCs in Northwestern Ontario. Also, TBHUSI offers AMI services to the LDCs which includes synchronization of the meter data across the AMI, ODS and MDM/R systems, business process development and management, licensing and hardware and software support. The services are provided to regional LDCs only and are not marketed or promoted to a larger group. The arrangements with the regional LDCs allows for overall efficiencies to be gained by sharing of expertise and excess capacity. Essentially, the smaller utilities contracts with TBHUSI for the primary reason of being remotely hosted on SNC's computer systems for their use of hardware and software for Customer Information Systems, Financials, remote meter reading, etc.

For the most part, the Northwestern Ontario utilities perform their own work with their own staff on the computer systems through remote access with minimal assistance from SNC staff. SNC staff monitors the MV90 and wholesale settlement systems to make sure utility meter data passes VEE rules prior to transmission to the billing system. SNC staff also process EBT transactions, make billing collection calls, receive after hour outage calls on behalf of and for regional LDCs and provide ISD support related to the information systems being used.

TBHUSI is also registered as a Meter Service Provider with the Independent Electricity System Operator ("IESO") to provide metering related services to Northwestern Ontario commercial and industrial customers. TBHUSI contracts with SNC for staff and equipment to carry out this work and bills TBHUSI based on the Service Agreement. This work includes the following:

- Meter Service Provider Services, which includes maintenance of equipment and information for Wholesale meters on the IESO controlled grid
- MV90 Services, which includes remote meter reading services for interval customers
- Engineering Services, which includes the design and registration of new metering installations

In 2015, TBHUSI began to offer locate services to Thunder Bay Telephone.

SNC recovers revenues from TBHUSI in respect of the services it provides. Services Provided by SNC to TBHC

TBHC owns 91.69% of SNC, and 100% of both TBHUSI and TBRPI. A service agreement is in place between TBHC and SNC. SNC is reimbursed for TBHC Board remuneration disbursements.

Table 4-23 through 4-30 below provides detail of Shared services and Corporate Cost Allocations for 2017 – 2024.

TABLE 4-23: SHARED SERVICES AND CORPORATE COST ALLOCATION FOR 2017 (APPENDIX 2-N)

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Thunder Bay Hydro Electricity Distribution Inc.	Thunder Bay Hydro Utility Services Inc.	Conservation & Demand Mgmt, Utility Billing Services, Meter Services, IT Services	Cost + markup	$379,005	$341,430
Thunder Bay Hydro Electricity Distribution Inc.	Thunder Bay Hydro Utility Services Inc.	Corporate/Administrative Costs/IT Services	Fully Allocated Costs	$90,589	$90,589
Thunder Bay Hydro Electricity Distribution Inc.	Thunder Bay Hydro Corp.	Board Honourarium	Fully Allocated Costs	$8,495	$8,495
Thunder Bay Hydro Electricity Distribution Inc.	Thunder Bay Renewable Power Incorporated	Corporate/Administrative Costs	Fully Allocated Costs	$98,157	$91,665
City of Kenora	Kenora Hydro Electric Corporation Ltd	Billing & Collecting	Fully Allocated Costs	$299,265	$299,265
City of Kenora	Kenora Hydro Electric Corporation Ltd	Accounting, Reception, Customer Service, Cashiering, IT, Building Maintenance	Fully Allocated Costs	$60,598	$60,598
Kenora Hydro Electric Corporation Ltd	City of Kenora	Tree trimming, Misc Services	Labour + 20% markup + Equipment hourly charge (Same as Third Party billing)	$22,645	$19,652
Kenora Hydro Electric Corporation Ltd	City of Kenora	Billing & Finance Services	Fully Allocated Costs	$52,547	$52,547

TABLE 4-24: SHARED SERVICES AND CORPORATE COST ALLOCATION FOR 2018 (APPENDIX 2-N)

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Thunder Bay Hydro Electricity Distribution Inc.	Thunder Bay Hydro Utility Services Inc.	Conservation & Demand Mgmt, Utility Billing Services, Meter Services, IT Services	Cost + mark-up	$358,963	$308,195
Thunder Bay Hydro Electricity Distribution Inc.	Thunder Bay Hydro Utility Services Inc.	Corporate/Administrative Costs/IT Services	Fully Allocated Costs	$95,207	$95,207
Thunder Bay Hydro Electricity Distribution Inc.	Thunder Bay Hydro Corp.	Board Honourarium	Fully Allocated Costs	$6,610	$6,610
Thunder Bay Hydro Electricity Distribution Inc.	Thunder Bay Renewable Power Incorporated	Corporate/Administrative Costs	Fully Allocated Costs	$44,739	$39,664
City of Kenora	Kenora Hydro Electric Corporation Ltd	Billing & Collecting	Fully Allocated Costs	$287,337	$287,337
City of Kenora	Kenora Hydro Electric Corporation Ltd	Accounting, Reception, Customer Service, Cashiering, IT, Building Maintenance	Fully Allocated Costs	$62,100	$62,100
Kenora Hydro Electric Corporation Ltd	City of Kenora	Tree trimming, Misc Services	Labour + 20% markup + Equipment hourly charge (Same as Third Party billing)	$45,914	$39,894
Kenora Hydro Electric Corporation Ltd	City of Kenora	Billing & Finance Services	Fully Allocated Costs	$37,279	$37,279

TABLE 4-25: SHARED SERVICES AND CORPORATE COST ALLOCATION FOR 2019 (APPENDIX 2-N)

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
SYNERGY NORTH Corporation	Thunder Bay Hydro Utility Services Inc.	Conservation & Demand Mgmt, Utility Billing Services, Meter Services, IT Services	Cost + mark-up	$330,966	$284,069
SYNERGY NORTH Corporation	Thunder Bay Hydro Utility Services Inc.	Corporate/Administrative Costs/IT Services	Fully Allocated Costs	$58,970	$58,970
SYNERGY NORTH Corporation	Thunder Bay Hydro Corp.	Board Honourarium	Fully Allocated Costs	$7,864	$7,864
SYNERGY NORTH Corporation	Thunder Bay Renewable Power Incorporated	Corporate/Administrative Costs	Fully Allocated Costs	$50,711	$43,739

TABLE 4-26: SHARED SERVICES AND CORPORATE COST ALLOCATION FOR 2020 (APPENDIX 2-N)

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
SYNERGY NORTH Corporation	Thunder Bay Hydro Utility Services Inc.	Conservation & Demand Mgmt, Utility Billing Services, Meter Services, IT Services	Cost + mark-up	$329,673	$283,037
SYNERGY NORTH Corporation	Thunder Bay Hydro Utility Services Inc.	Corporate/Administrative Costs/IT Services	Fully Allocated Costs	$73,241	$73,241
SYNERGY NORTH Corporation	Thunder Bay Hydro Corp.	Board Honourarium	Fully Allocated Costs	$6,989	$6,989
SYNERGY NORTH Corporation	Thunder Bay Renewable Power Incorporated	Corporate/Administrative Costs	Fully Allocated Costs	$50,148	$44,659

TABLE 4-27: SHARED SERVICES AND CORPORATE COST ALLOCATION FOR 2021 (APPENDIX 2-N)

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
SYNERGY NORTH Corporation	Thunder Bay Hydro Utility Services Inc.	Conservation & Demand Mgmt, Utility Billing Services, Meter Services, IT Services	Fully Allocated Costs + mark up	$332,129	$233,224
SYNERGY NORTH Corporation	Thunder Bay Hydro Utility Services Inc.	Corporate/Administrative Costs/IT Services	Fully Allocated Costs	$143,835	$143,835
SYNERGY NORTH Corporation	Thunder Bay Hydro Corp.	Board Honourarium	Fully Allocated Costs	$8,193	$8,193
SYNERGY NORTH Corporation	Thunder Bay Renewable Power Incorporated	Corporate/Administrative Costs	Fully Allocated Costs	$45,581	$39,013

TABLE 4-28: SHARED SERVICES AND CORPORATE COST ALLOCATION FOR 2022 (APPENDIX 2-N)

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
SYNERGY NORTH Corporation	Thunder Bay Hydro Utility Services Inc.	Conservation & Demand Mgmt, Utility Billing Services, Meter Services, IT Services	Fully Allocated Costs + mark up	$342,143	$238,192
SYNERGY NORTH Corporation	Thunder Bay Hydro Utility Services Inc.	Corporate/Administrative Costs/IT Services	Fully Allocated Costs	$84,836	$84,836
SYNERGY NORTH Corporation	Thunder Bay Hydro Corp.	Board Honourarium	Fully Allocated Costs	$11,410	$11,410
SYNERGY NORTH Corporation	Thunder Bay Renewable Power Incorporated	Corporate/Administrative Costs	Fully Allocated Costs	$63,743	$54,374

TABLE 4-29: SHARED SERVICES AND CORPORATE COST ALLOCATION FOR 2023 (APPENDIX 2-N)

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
SYNERGY NORTH Corporation	Thunder Bay Hydro Utility Services Inc.	Conservation & Demand Mgmt, Utility Billing Services, Meter Services, IT Services	Fully Allocated Costs + mark up	$348,487	$239,731
SYNERGY NORTH Corporation	Thunder Bay Hydro Utility Services Inc.	Corporate/Administrative Costs/IT Services	Fully Allocated Costs	$127,786	$127,786
SYNERGY NORTH Corporation	Thunder Bay Hydro Corp.	Board Honourarium	Fully Allocated Costs	$15,445	$15,445
SYNERGY NORTH Corporation	Thunder Bay Renewable Power Incorporated	Corporate/Administrative Costs	Fully Allocated Costs	$71,919	$58,577

TABLE 4-30: SHARED SERVICES AND CORPORATE COST ALLOCATION FOR 2024 (APPENDIX 2-N)

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
SYNERGY NORTH Corporation	Thunder Bay Hydro Utility Services Inc.	Conservation & Demand Mgmt, Utility Billing Services, Meter Services, IT Services	Fully Allocated Costs + mark up	$373,770	$280,015
SYNERGY NORTH Corporation	Thunder Bay Hydro Utility Services Inc.	Corporate/Administrative Costs/IT Services	Fully Allocated Costs	$134,186	$134,186
SYNERGY NORTH Corporation	Thunder Bay Hydro Corp.	Board Honourarium	Fully Allocated Costs	$14,853	$14,853
SYNERGY NORTH Corporation	Thunder Bay Renewable Power Incorporated	Corporate/Administrative Costs	Fully Allocated Costs	$71,960	$59,273

4.5.3 SHARED SERVICES FROM AFFILIATES

SNC does not receive services from Affiliates.

4.5.4 AFFILIATE BOARD OF DIRECTOR COSTS

SNC is reimbursed for TBHC, TBHUSI and TBHRPI Board remuneration disbursements. TBHC and TBHRPI ($12,687 included within Renewable Generation Activity) Board of Director related affiliate charges are not included in SNC's OM&A costs. SNC is also reimbursed $12,687 for TBHUSI Board remuneration disbursements and this amount is included in USofA account 4220.

4.5.5 VARIANCE ANALYSIS

Table 4-31 below identifies variances of the 2024 Test Year versus 2017 Board Approved Proxy and 2022 Actual for services provided by SNC to affiliates.

TABLE 4-31: SUMMARY OF AFFILIATES SERVICES AND CORPORATE COST ALLOCATIONS

Item	2017 Board Approved Proxy	2022 Actual	2024 Test Year	2024 Test Year vs. 2017 BA Proxy	2024 Test Year vs. 2022 Actual
Price for services provided	$ 881,132	$502,131	$594,769	($286,363)	$92,638
Cost for the services provided	$ 848,327	$388,683	$488,327	($360,001)	$99,643

2024 Test Year vs. 2017 BA Proxy

There was a decrease in both Price and Cost from the 2017 Board Approved Proxy to the 2024 Test Year as prior to the merger, The City of Kenora provided KHEC billing and collecting services, as well as accounting, reception, customer service, cashiering IT and building maintenance. Once KHEC merged with TBHEDI, the amalgamated entity was able to perform all of these services inhouse and no longer needed the City of Kenora to provide these services. In addition, Conservation Programs were managed for Sioux Lookout, Fort Frances, and Atikokan through TBHUSI. The Provincial Government cancelled the programs and as a result services were completed for Sioux Lookout and Atikokan in August 2021. Fort Francis was completed in March 2022. This impacted both Price and Cost.

2024 Test Year vs. 2022 Actual

There was an increase in both revenue and costs between the 2024 Test Year versus the 2022 actuals due to inflationary increases in applicable costs.

See Exhibit 6 – Section 6.8.4 Affiliate Transactions, Table 6-18 for a reconciliation of shared services and other revenue.

4.6 NON-AFFILIATE SERVICES, ONE TIME COSTS, REGULATORY COSTS

4.6.1 NON-AFFILIATE SERVICES

SNC purchases services and products from third parties. SNC's purchasing policy establishes the principles, requirements, accountabilities, and guidelines for the purchase of goods and services. The Purchasing Policy outlines authorization levels, requirements, and approvals necessary to appropriately purchase goods and services from suppliers, vendors, and contractors through the use of competitive bids, quotations and awards.

These policies help to ensure that all procurement activities of SNC follow legal, ethical, managerial, and professional standards. SNC's purchasing policy does identify certain situations where a competitive bid process may not be required. SNC confirms that its non-affiliate purchases are in compliance with its purchasing policy and that there are no material transactions which are not in compliance with its purchasing policy.

In accordance with the Board's Filing Requirements, SNC has provided a copy of its Purchasing Policy as Attachment 4-B to this Exhibit.

4.6.2 One Time Costs

SNC has included one-time costs of $139,556 in its 2024 Test Year revenue requirement based on a five-year recovery until the next cost of service Application. For more details regarding this one-time cost recovery, please see Section 4.6.3 below.

4.6.3 Regulatory Costs

SNC's regulatory staff reports into the Finance Division and includes the Regulatory and Finance Assurance Manager and two Regulatory Analysts, who are responsible for preparing regulatory filings and rate applications, performing settlement reviews and reconciliations, ensuring regulatory and legislative compliance, performing business and process reviews, participating in regulatory consultations, and providing reporting and timely responses to regulatory bodies.

On-going regulatory expenses are forecasted to be $308,707. This includes Board annual assessment and Section 30 costs $280,257; and Electrical Safety Authority annual fee $28,500.

In order to prepare the Application in accordance with the Filing Requirements, while at the same time maintaining day-to-day operations, SNC retained one-time legal and consulting assistance from experienced subject matter experts' familiar with the Ontario electrical distribution industry. SNC has identified these costs as required, in Appendix 2-M which can be found in Attachment 4-D of this Exhibit.

The total cost of this Application is forecasted to be $697,780; this includes $382,500 in rates consulting fees, $145,000 in legal fees, $110,000 in intervenor legal costs, $35,280 in fees associated with customer interaction and $25,000 in fees associated with the DSP.

SNC proposes to recover the $697,780 of costs in distribution rates over a 5-year period. Therefore, SNC has included $139,556 in OM&A Account 5655 as per APH Handbook.

4.7 LOW-INCOME ENERGY ASSISTANCE PROGRAM (LEAP), CHARITABLE AND POLITICAL DONATIONS

4.7.1 LEAP

The delivery of LEAP relies heavily on the cooperation between SNC and its lead social agency, Lakehead Social Planning (in Thunder Bay) and Kenora District Service Board (in Kenora) to administer the program within SNC's Service Territory.

In accordance with Filing Guidelines 2.4.3.6, SNC has included $46,160 of expense under Community Relations. At the time the final rates are determined, SNC will update this figure as calculated in Table 4-29 LEAP. In the table below, this amount is based on 0.12% of the 2024 Test Year Service Revenue Requirement. This amount has been included in Account 6205 – Donations. SNC's 2024 Test Year Revenue Requirement does not include any legacy low-income energy assistance programs.

TABLE 4-32: LEAP

	2024 Test Year
Service Revenue Requirement	$38,620,360
LEAP %	0.12%
LEAP Amount	**$46,344**
LEAP Amount Used	$46,160

4.7.2 CHARITABLE DONATIONS

Other than the LEAP charitable donations discussed in Section 4.7.1 above, SNC has not included any other charitable donations in OM&A expenses.

4.7.3 POLITICAL DONATIONS

SNC confirms it does not make political contributions; therefore, no political contributions have been included for recovery.

4.8 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.

SNC 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, SNC has no plans to seek partnership with the IESO's LIP, nor any rate based CDM to address system needs.

4.9 FUNDING OPTIONS FOR FUTURE CONSERVATION AND DEMAND MANAGEMENT ACTIVITIES

At this time, SNC does not have any future CDM activities planned. However, in the Northwest Integrated Regional Resource Plan issued in January 2023, the IESO recommended that SNC lead further Non-Wires Alternative (NWA) analysis and refinement as part of local planning. SNC is planning to monitor load growth at Kenora MTS to determine when a firm commitment for additional capacity is required and implement NWAs if they remain feasible and cost-effective. Furthermore, the IESO has stated that it will consider Kenora MTS as a potential focus area for the Local Initiatives Program under the 2021-2024 Conservation and Demand Management Framework. The IESO will has stated that it will collaborate with SNC in 2023 as further details for the next round of the Local Initiatives Program becomes available.

EXHIBIT 4

ATTACHMENT 4 - A

SNC SICK LEAVE BENEFITS AND POST-RETIREMENT ACTUARY REPORT

SYNERGY NORTH CORPORATION

SYNERGY NORTH

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

AS AT DECEMBER 31, 2021

FINAL – February 11, 2022

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Purpose

RSM Canada Consulting LP (RSM) was engaged by Synergy North (the "Corporation") to perform an actuarial valuation of the post-retirement non-pension benefits sponsored by the Corporation and to determine the accounting results for those benefits for the fiscal period ending December 31, 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. We note that the previous valuations were prepared separately for each of the former entities, Thunder Bay Hydro Distribution Inc. (Thunder Bay Hydro) and Kenora Hydro Corporation Ltd. (Kenora Hydro). The Kenora Hydro prior valuation was not prepared by RSM and the prior valuation results for Kenora Hydro included here in for comparison purposes are provided by the Corporation.

The purpose of this valuation is threefold:

i) To determine the Corporation's liabilities in respect of post-retirement non-pension benefits at December 31, 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. These schedules also contain a breakdown of the results between Thunder Bay Hydro and Kenora Hydro.

SECTION A — VALUATION RESULTS

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

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

Section A.3 shows the development of changes in the present value of defined benefit obligation as a result of the re-measurement at December 31, 2021.

Valuation Results

Section A.1—Valuation Results

Results from the actuarial valuation as at December 31, 2021 compared to the previous year's figures from the Corporation's financial statements:

	December 31, 2020	December 31, 2021
Present Value of Defined Benefit Obligation (PV DBO)	**2,040,700**	**1,743,400**

	CY 2020	CY 2021
Current Service Cost	99,100	102,200
Interest Cost	58,000	61,500
Defined Benefit Cost Recognized in Income Statement	**157,100**	**163,700**
Actuarial (Gain)/Loss	-	(346,800)
Defined Benefit Cost Recognized In OCI	**-**	**(346,800)**
Defined Benefit Cost	**157,100**	**(183,100)**

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	198,400	78,200	**276,600**
Health	1,068,300	398,400	**1,466,700**
Total	**1,266,700**	**476,600**	**1,743,400**

Sensitivity Analysis

Section A.2—Sensitivity Analysis

	Dec. 31, 2021 PV DBO	Difference	% Difference
Base Assumptions	1,743,400		
Cost Trends +1%	1,903,600	160,200	9%
Cost Trends -1%	1,607,000	(136,400)	-8%
Discount Rate +1%	1,545,100	(198,300)	-11%
Discount Rate -1%	1,993,300	249,900	14%

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

Development of Changes in the Present Value of Defined Benefit Obligation

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

PV DBO at December 31, 2020	2,040,700
2021 Current Service Cost	102,200
2021 Benefit Payments	(114,200)
2021 Interest Cost	61,500
Expected PV DBO at December 31, 2021	**2,090,200**
Actuarial (Gain)/Loss at December 31, 2021	(346,800)
PV DBO at December 31, 2021	**1,743,400**

The decrease indicated above of $348,400 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)	(325,100)
Change in assumptions:	
Corrections *	(169,800)
Claim Costs	123,300
Salary Scale	600
Withdrawal	(19,100)
Discount Rate	43,300
Total Actuarial (Gain)/Loss at December 31, 2021	**(346,800)**

** Represents the correction to the benefit provisions valued for paid-up life insurance benefit liability for individuals whose single premium for paid-up life insurance at retirement was already paid.*

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.

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.

	November 30, 2018 *	November 30, 2021
Active Employee Count		
Male	87	90
Female	34	31
Total	**121**	**121**
Active Employee Average Service		
Male	12.6	11.5
Female	10.2	9.0
Total	**11.9**	**10.8**
Retiree (in Receipt of Benefits) Count		
Male	59	71
Female	30	36
Total	**89**	**107**

** The November 30, 2018 figures above represent the individuals from Thunder Bay Hydro only.*

	Employee Count as of November 30, 2021			Employee Avg Service as of November 30, 2021		
Age	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
< 30	10	5	15	3	4	3
30 - 35	14	8	22	8	4	6
35 - 40	15	2	17	7	6	7
40 - 45	15	5	20	9	9	9
45 - 50	10	3	13	11	4	9
50 - 55	14	6	20	19	19	19
55 - 60	9	1	10	21	15	19
60 - 65	3	1	4	28	31	28
65 - 70	-	-	-	-	-	-
70 - 75	-	-	-	-	-	-
> 75	-	-	-	-	-	-
Total	**90**	**31**	**121**	**11.5**	**9.0**	**10.8**

Participant Reconciliation

Section B.2—Participation Reconciliation

	Actives	Disabled	Retired
November 31, 2018	**121**	**-**	**89**
Transfers from Kenora Hydro	7	-	5
New Entrants	22	-	-
Actives	-	2	13
Terminated	(14)	-	-
Retired	(13)	-	-
Deceased	(2)	-	-
Disabled	(2)	-	-
Not Eligible for Benefits	-	-	-
November 30, 2021	**119**	**2**	**107**

** The November 30, 2018 figures above represent the individuals from Thunder Bay Hydro only.*

SECTION C —
SUMMARY OF ACTUARIAL METHOD AND ASSUMPTIONS

Actuarial Method

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

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

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

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

The PV DBO at December 31, 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 benefits, the Corporation has selected the funding levels for retiree benefits as management's best estimate of the benefits costs to be incurred. The total monthly funding levels, inclusive of expense and taxes, used are as follows:

Effective Period	Benefit Grouping	Health Single	Health Family
August 1, 2021 – July 31, 2022	Class C, F1 Retirees Under Age 60	$ 107.58	$ 266.24
August 1, 2021 – July 31, 2022	Class C, F1 Retirees Aged 60 - 64	$ 112.32	$ 275.70
August 1, 2021 – July 31, 2022	Class F2, F3	$ 100.44	$ 251.95

The rates used in the previous valuation for Thunder Bay Hydro are as follows:

Effective Period	Benefit Grouping	Health Single	Health Family
August 1, 2018 – July 31, 2019	Retirees Under Age 60	$ 86.66	$ 212.12
August 1, 2018 – July 31, 2019	Retirees Aged 60 - 64	$ 91.78	$ 222.34

The above rates represents the rates at 100% prior to any cost-sharing provisions.

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 2.90% 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 for Thunder Bay Hydro was 3.90% per annum as at December 31, 2018, which was subsequently updated to 3.10% at December 31, 2019.

Salary Increase Rate

The rate used to increase salaries is assumed to be 3.00% 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 chosen for the latest valuation by Thunder Bay Hydro was 2.90% per annum.

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 for Thunder Bay Hydro.

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

Year	Health
2022	4.70%
2025	5.30%
2030	5.30%
2035	4.60%
2040 and thereafter	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.

This assumption remains unchanged from the previous valuation for Thunder Bay Hydro.

Rates of Withdrawal

Termination of employment is assumed to be in accordance with the following withdrawal table with comparison to the prior valuation rates used by Thunder Bay Hydro:

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 59 (or immediately if currently over age 59), 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 for Thunder Bay Hydro.

Disability

No provision was made for future disability. It is assumed that individuals currently receiving long-term disability benefits will remain disabled until retirement at age 65.

This assumption remains unchanged from the previous valuation for Thunder Bay Hydro.

Other Assumptions

Family/Single Coverage

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

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

Expenses and Taxes

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

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

These assumptions remain unchanged from the previous valuation for Thunder Bay Hydro.

SECTION D —
SUMMARY OF POST-RETIREMENT BENEFITS

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

Eligibility

All employees are eligible for post-retirement life insurance and extended health care benefits.

Participant Contributions

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

Past Service

Past service is defined as continuous service prior to joining the plan if the participant was employed by another local 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

Eligible employees are entitled to the following post-retirement life insurance coverage:

President and Vice President

- Basic coverage amount of 1.75x salary at retirement to age 65
- Paid-up life insurance coverage of $7,000 is paid for retirees at age 65

Other Management

- Basic coverage amount of 1.5x salary at retirement to age 65
- Paid-up life insurance coverage of $7,000 is paid for retirees at age 65

Union

- Paid-up life insurance coverage of $7,000 is paid for retirees at retirement

Employees with a grandfathered coverage amount

- Paid-up life insurance coverage of $15,000 or $10,000 is paid for retirees at age 65

Health Benefits

Eligible employees are entitled to post-retirement health benefits to age 65. Coverage for health benefits continues to the eligible dependents of a deceased employee or pensioner for a period of 12 months.

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

ACTUARIAL CERTIFICATION

An actuarial valuation has been performed on the post-retirement non-pension benefit plans sponsored by Synergy North (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 post-retirement non-pension benefits sponsored by and identified by the Corporation are included in the calculations; and
4. This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

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

The latest date on which the next actuarial valuation should be performed is December 31, 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 11, 2022

SECTION E — EMPLOYER CERTIFICATION

Post-Retirement Non-Pension Benefit Plan
of Synergy North
Actuarial Valuation as at December 31, 2021

I hereby confirm, as an authorized signing officer of the administrator of the Post-Retirement Non-Pension Benefit Plan of Synergy North 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.

Synergy North

February 8, 2022
Date

Signature

Aaron Blazina
Name

Vice President Finance
Title

APPENDIX —
DETAILED ACCOUNTING SCHEDULES

Synergy North

Estimated Benefit Expense (IAS 19)

Post-Retirement Non-Pension Benefits for Kenora Hydro Corporation Ltd.

FINAL

	Actuals CY 2021 *	Projected ** CY 2022	Projected ** CY 2023	Projected ** CY 2024
Discount Rate at January 1	3.10%	2.90%	2.90%	2.90%
Discount Rate at December 31	2.90%	2.90%	2.90%	2.90%
Health Benefit Cost Trend Rate at December 31	4.40%	4.70%	4.90%	5.10%
Long Term Health Benefit Cost Trend Rate	4.00%	4.00%	4.00%	4.00%
First Year of Long Term Health Benefit Cost Trend Rate	2040	2040	2040	2040
Salary Scale Rate	3.00%	3.00%	3.00%	3.00%
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	249,200	112,105	118,224	118,398
Defined Benefit Cost Recognized in Income Statement	17,163	19,418	10,878	11,191
Defined Benefit Cost Recognized in Other Comprehensive Income	(144,502)	-	-	-
Benefits Paid by the Employer	(9,756)	(13,299)	(10,704)	(4,601)
Net Defined Benefit Liability/(Asset) as at December 31	112,105	118,224	118,398	124,988
B. Determination of Defined Benefit Cost				
B1. Determination of Defined Benefit Cost Recognized in Income Statement				
Current Service Cost	9,588	16,358	7,603	7,823
Interest Cost	7,575	3,060	3,275	3,368
Defined Benefit Cost Recognized in Income Statement	17,163	19,418	10,878	11,191
B2. Remeasurements of the Net Defined Benefit Liability/(Asset) Recognized in Other Comprehensive Income				
Net Actuarial Loss/(Gain) arising from Changes in Financial Assumptions	7,117	-	-	-
Net Actuarial Loss/(Gain) arising from Changes in Demographic Assumptions	(595)	-	-	-
Net Actuarial Loss/(Gain) arising from Experience Adjustments	(151,024)	-	-	-
Net Actuarial Loss/(Gain) arising from Corrections ****	-	-	-	-
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	(144,502)	-	-	-
Total Defined Benefit Cost	(127,339)	19,418	10,878	11,191
C. Change in the Present Value of Defined Benefit Obligation				
Present Value of Defined Benefit Obligation as at January 1	249,200	112,105	118,224	118,398
Current Service Cost	9,588	16,358	7,603	7,823
Interest Cost	7,575	3,060	3,275	3,368
Benefits Paid	(9,756)	(13,299)	(10,704)	(4,601)
Net Actuarial Loss/(Gain)	(144,502)	-	-	-
Present Value of Defined Benefit Obligation as at December 31	112,105	118,224	118,398	124,988

* 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, 2019.

** Projected CY 2022, 2023 and 2024 results are provided for informational purposes only. Signficant 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.

Synergy North

Estimated Benefit Expense (IAS 19)

Post-Retirement Non-Pension Benefits for Kenora Hydro Corporation Ltd.

FINAL

	Actuals CY 2021 *	Projected ** CY 2022	Projected ** CY 2023	Projected ** CY 2024
Discount Rate at January 1	3.10%	2.90%	2.90%	2.90%
Discount Rate at December 31	2.90%	2.90%	2.90%	2.90%
Health Benefit Cost Trend Rate at December 31	4.40%	4.70%	4.90%	5.10%
Long Term Health Benefit Cost Trend Rate	4.00%	4.00%	4.00%	4.00%
First Year of Long Term Health Benefit Cost Trend Rate	2040	2040	2040	2040
Salary Scale Rate	3.00%	3.00%	3.00%	3.00%
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	249,200	112,105	118,224	118,398
Benefits Paid	(4,878)	(6,650)	(5,352)	(2,301)
Accrued Benefits	244,322	105,456	112,872	116,098
Interest Cost	7,575	3,060	3,275	3,368
Expected Present Value of Defined Benefit Obligation as at December 31				
Present Value of Defined Benefit Obligation as at January 1	249,200	112,105	118,224	118,398
Current Service Cost	9,588	16,358	7,603	7,823
Benefits Paid	(9,756)	(13,299)	(10,704)	(4,601)
Interest Cost	7,575	3,060	3,275	3,368
Expected Present Value of Defined Benefit Obligation as at December 31	256,607	118,224	118,398	124,988

E. Net Actuarial Loss/(Gain)

Net Actuarial Loss/(Gain) as at December 31				
Expected Present Value of Defined Benefit Obligation	256,607	118,224	118,398	124,988
Actual Present Value of Defined Benefit Obligation	112,105	118,224	118,398	124,988
Net Actuarial Loss/(Gain) as at December 31	(144,502)	-	-	-

* 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, 2019.

** Projected CY 2022, 2023 and 2024 results are provided for informational purposes only. Signficant 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.

Synergy North

Estimated Benefit Expense (IAS 19)

Post-Retirement Non-Pension Benefits for Thunder Bay Hydro Distribution Inc.

FINAL

	Actuals CY 2021 *	Projected ** CY 2022	Projected ** CY 2023	Projected ** CY 2024
Discount Rate at January 1	3.10%	2.90%	2.90%	2.90%
Discount Rate at December 31	2.90%	2.90%	2.90%	2.90%
Health Benefit Cost Trend Rate at December 31	4.40%	4.70%	4.90%	5.10%
Long Term Health Benefit Cost Trend Rate	4.00%	4.00%	4.00%	4.00%
First Year of Long Term Health Benefit Cost Trend Rate	2040	2040	2040	2040
Salary Scale Rate	3.00%	3.00%	3.00%	3.00%
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	1,791,482	1,631,297	1,659,208	1,693,295
Defined Benefit Cost Recognized in Income Statement	146,530	145,382	140,048	139,908
Defined Benefit Cost Recognized in Other Comprehensive Income	(202,250)	(3,846)	(3,824)	(3,899)
Benefits Paid by the Employer	(104,465)	(113,625)	(102,137)	(94,834)
Net Defined Benefit Liability/(Asset) as at December 31	1,631,297	1,659,208	1,693,295	1,734,470
B. Determination of Defined Benefit Cost				
B1. Determination of Defined Benefit Cost Recognized in Income Statement				
Current Service Cost	92,601	99,710	93,401	92,167
Interest Cost	53,929	45,672	46,647	47,741
Defined Benefit Cost Recognized in Income Statement	146,530	145,382	140,048	139,908
B2. Remeasurements of the Net Defined Benefit Liability/(Asset) Recognized in Other Comprehensive Income				
Net Actuarial Loss/(Gain) arising from Changes in Financial Assumptions	160,116	-	-	-
Net Actuarial Loss/(Gain) arising from Changes in Demographic Assumptions	(18,484)	-	-	-
Net Actuarial Loss/(Gain) arising from Experience Adjustments	(174,112)	(3,846)	(3,824)	(3,899)
Net Actuarial Loss/(Gain) arising from Corrections ****	(169,770)	-	-	-
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	(202,250)	(3,846)	(3,824)	(3,899)
Total Defined Benefit Cost	(55,720)	141,536	136,224	136,009
C. Change in the Present Value of Defined Benefit Obligation				
Present Value of Defined Benefit Obligation as at January 1	1,791,482	1,631,297	1,659,208	1,693,295
Current Service Cost	92,601	99,710	93,401	92,167
Interest Cost	53,929	45,672	46,647	47,741
Benefits Paid	(104,465)	(113,625)	(102,137)	(94,834)
Net Actuarial Loss/(Gain)	(202,250)	(3,846)	(3,824)	(3,899)
Present Value of Defined Benefit Obligation as at December 31	1,631,297	1,659,208	1,693,295	1,734,470

* 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, 2019.

** Projected CY 2022, 2023 and 2024 results are provided for informational purposes only. Signficant 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.

**** Represents a correction to the benefit provisions valued with respect to paid-up life insurance benefits.

Synergy North

Estimated Benefit Expense (IAS 19)

Post-Retirement Non-Pension Benefits for Thunder Bay Hydro Distribution Inc.

FINAL

	Actuals CY 2021 *	Projected ** CY 2022	Projected ** CY 2023	Projected ** CY 2024
Discount Rate at January 1	3.10%	2.90%	2.90%	2.90%
Discount Rate at December 31	2.90%	2.90%	2.90%	2.90%
Health Benefit Cost Trend Rate at December 31	4.40%	4.70%	4.90%	5.10%
Long Term Health Benefit Cost Trend Rate	4.00%	4.00%	4.00%	4.00%
First Year of Long Term Health Benefit Cost Trend Rate	2040	2040	2040	2040
Salary Scale Rate	3.00%	3.00%	3.00%	3.00%
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	1,791,482	1,631,297	1,659,208	1,693,295
Benefits Paid	(52,233)	(56,813)	(51,069)	(47,417)
Accrued Benefits	1,739,250	1,574,485	1,608,140	1,645,878
Interest Cost	53,929	45,672	46,647	47,741
Expected Present Value of Defined Benefit Obligation as at December 31				
Present Value of Defined Benefit Obligation as at January 1	1,791,482	1,631,297	1,659,208	1,693,295
Current Service Cost	92,601	99,710	93,401	92,167
Benefits Paid	(104,465)	(113,625)	(102,137)	(94,834)
Interest Cost	53,929	45,672	46,647	47,741
Expected Present Value of Defined Benefit Obligation as at December 31	1,833,547	1,663,054	1,697,119	1,738,369
E. Net Actuarial Loss/(Gain)				
Net Actuarial Loss/(Gain) as at December 31				
Expected Present Value of Defined Benefit Obligation	1,833,547	1,663,054	1,697,119	1,738,369
Actual Present Value of Defined Benefit Obligation	1,631,297	1,659,208	1,693,295	1,734,470
Net Actuarial Loss/(Gain) as at December 31	(202,250)	(3,846)	(3,824)	(3,899)

* 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, 2019.

** Projected CY 2022, 2023 and 2024 results are provided for informational purposes only. Signficant 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.

**** Represents a correction to the benefit provisions valued with respect to paid-up life insurance benefits.

Synergy North

Estimated Benefit Expense (IAS 19)

Post-Retirement Non-Pension Benefits

FINAL

	Actuals CY 2021 *	Projected ** CY 2022	Projected ** CY 2023	Projected ** CY 2024
Discount Rate at January 1	3.10%	2.90%	2.90%	2.90%
Discount Rate at December 31	2.90%	2.90%	2.90%	2.90%
Health Benefit Cost Trend Rate at December 31	4.40%	4.70%	4.90%	5.10%
Long Term Health Benefit Cost Trend Rate	4.00%	4.00%	4.00%	4.00%
First Year of Long Term Health Benefit Cost Trend Rate	2040	2040	2040	2040
Salary Scale Rate	3.00%	3.00%	3.00%	3.00%
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	2,040,682	1,743,403	1,777,432	1,811,693
Defined Benefit Cost Recognized in Income Statement	163,694	164,800	150,926	151,097
Defined Benefit Cost Recognized in Other Comprehensive Income	(346,752)	(3,847)	(3,824)	(3,897)
Benefits Paid by the Employer	(114,221)	(126,924)	(112,841)	(99,435)
Net Defined Benefit Liability/(Asset) as at December 31	1,743,403	1,777,432	1,811,693	1,859,458
B. Determination of Defined Benefit Cost				
B1. Determination of Defined Benefit Cost Recognized in Income Statement				
Current Service Cost	102,190	116,068	101,005	99,990
Interest Cost	61,504	48,732	49,921	51,107
Defined Benefit Cost Recognized in Income Statement	163,694	164,800	150,926	151,097
B2. Remeasurements of the Net Defined Benefit Liability/(Asset) Recognized in Other Comprehensive Income				
Net Actuarial Loss/(Gain) arising from Changes in Financial Assumptions	167,235	-	-	-
Net Actuarial Loss/(Gain) arising from Changes in Demographic Assumptions	(19,080)	-	-	-
Net Actuarial Loss/(Gain) arising from Experience Adjustments	(325,138)	(3,847)	(3,824)	(3,897)
Net Actuarial Loss/(Gain) arising from Corrections ****	(169,769)	-	-	-
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	(346,752)	(3,847)	(3,824)	(3,897)
Total Defined Benefit Cost	(183,058)	160,953	147,102	147,200
C. Change in the Present Value of Defined Benefit Obligation				
Present Value of Defined Benefit Obligation as at January 1	2,040,682	1,743,403	1,777,432	1,811,693
Current Service Cost	102,190	116,068	101,005	99,990
Interest Cost	61,504	48,732	49,921	51,107
Benefits Paid	(114,221)	(126,924)	(112,841)	(99,435)
Net Actuarial Loss/(Gain)	(346,752)	(3,847)	(3,824)	(3,897)
Present Value of Defined Benefit Obligation as at December 31	1,743,403	1,777,432	1,811,693	1,859,458

* 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, 2019.

** Projected CY 2022, 2023 and 2024 results are provided for informational purposes only. Signficant 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.

**** Represents a correction to the benefit provisions valued with respect to paid-up life insurance benefits.

Synergy North

Estimated Benefit Expense (IAS 19)

Post-Retirement Non-Pension Benefits

FINAL

	Actuals CY 2021 *	Projected ** CY 2022	Projected ** CY 2023	Projected ** CY 2024
Discount Rate at January 1	3.10%	2.90%	2.90%	2.90%
Discount Rate at December 31	2.90%	2.90%	2.90%	2.90%
Health Benefit Cost Trend Rate at December 31	4.40%	4.70%	4.90%	5.10%
Long Term Health Benefit Cost Trend Rate	4.00%	4.00%	4.00%	4.00%
First Year of Long Term Health Benefit Cost Trend Rate	2040	2040	2040	2040
Salary Scale Rate	3.00%	3.00%	3.00%	3.00%
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	2,040,682	1,743,403	1,777,432	1,811,693
Benefits Paid	(57,111)	(63,462)	(56,421)	(49,718)
Accrued Benefits	1,983,572	1,679,941	1,721,012	1,761,976
Interest Cost	61,504	48,732	49,921	51,107
Expected Present Value of Defined Benefit Obligation as at December 31				
Present Value of Defined Benefit Obligation as at January 1	2,040,682	1,743,403	1,777,432	1,811,693
Current Service Cost	102,190	116,068	101,005	99,990
Benefits Paid	(114,221)	(126,924)	(112,841)	(99,435)
Interest Cost	61,504	48,732	49,921	51,107
Expected Present Value of Defined Benefit Obligation as at December 31	2,090,155	1,781,279	1,815,517	1,863,355

E. Net Actuarial Loss/(Gain)

Net Actuarial Loss/(Gain) as at December 31				
Expected Present Value of Defined Benefit Obligation	2,090,155	1,781,279	1,815,517	1,863,355
Actual Present Value of Defined Benefit Obligation	1,743,403	1,777,432	1,811,693	1,859,458
Net Actuarial Loss/(Gain) as at December 31	(346,752)	(3,847)	(3,824)	(3,897)

* 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, 2019.

** Projected CY 2022, 2023 and 2024 results are provided for informational purposes only. Signficant 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.

**** Represents a correction to the benefit provisions valued with respect to paid-up life insurance benefits.

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EXHIBIT 4

ATTACHMENT 4 - B

SNC PURCHASING POLICY

SYNERGY NORTH CORPORATION

FINANCE DIVISION
PURCHASING DEPARTMENT

PURCHASING POLICIES

JANUARY 2008

Prepared by_____ Date _____
Rosemary Pietrzyk, HB.Comm
Manager, Purchasing & Stores

Reviewed by_____ Date _____
Cindy Speziale, CA
Vice President, Finance

Authorized by_____ Date _____
Robert Mace, MBA
President

REVISION HISTORY

REV. NO	ISSUE DATE (Revised)	PREPARED BY	REVIEWED BY AND DATE	APPROVED BY AND DATE	DESCRIPTION OF REVISION
	January 2008	R. Pietrzyk	C. Speziale	R. Mace	Original Issue
01	January 27/09	C. Speziale	C.S. on 27/01/09		Policy 5.6.3-Insurance Requirements increased
02	January 24, 2011	J. Dosen			Changed GST and PST to HST throughout document
03	July 11, 2023	P. Boutotte			Replaced all references to Thunder Bay Hydro with SYNERGY NORTH CORPORATION throughout the document

TABLE OF CONTENTS

SYNERGY NORTH CORPORATION'S VISION AND VALUES

Our Vision

SYNERGY NORTH CORPORATION is people working together, providing services of the best value and quality to our customers.

Our Values

At SYNERGY NORTH CORPORATION, we….

are committed to continually improving our level of service to all our customers, internal and external.

will treat all individuals with respect, fairness, trust and dignity.

strive to respond to customer and employee concerns effectively.

emphasize our commitment to safety, training and respect for the environment.

will develop and implement leading edge technology to benefit our customers.

Our Motto

"COMMITTED TO CUSTOMER SATISFACTION"

A STATEMENT OF ETHICS FOR PUBLIC PURCHASERS

SYNERGY NORTH CORPORATION is a member of the Ontario Public Buyers Association and supports the following code of ethics. These ethics shall be adhered to by all persons with SYNERGY NORTH CORPORATION who are authorized to procure goods and/or services in any capacity.

1. **Open and Honest Dealings with Everyone who is involved in the Purchasing Process.** This includes all businesses with which SYNERGY NORTH CORPORATION contracts or from which it purchases goods and/or services.

2. **Fair and Impartial Award Recommendations for All Contracts and Tenders.** SYNERGY NORTH CORPORATION does not extend preferential treatment to any vendor, including local companies. Referencing the Province of Ontario's Discriminatory Business Practices Act (R.S.O. 1990), granting preference to local vendors cannot be undertaken. Moreover, it is not good business practice since it limits fair and open competition for all vendors and is therefore a detriment to obtaining the best possible value for SYNERGY NORTH CORPORATION.

3. **An Irreproachable Standard of Personal Integrity on the Part of all those Designated as Purchasing Representatives for SYNERGY NORTH CORPORATION.** Absolutely no gifts or favours are accepted by the purchasing representatives of SYNERGY NORTH CORPORATION in return for business or the consideration of business. Furthermore, the purchasing representatives of SYNERGY NORTH CORPORATION do not publicly endorse one company in order to give that company an advantage over others.

4. **Cooperation with Other Public Agencies in Order to Obtain the Best Possible Value for Every Tax Dollar.** SYNERGY NORTH CORPORATION is a member of a cooperative purchasing group. Made up of several public agencies, this group pools its expertise and resources in order to practice good value analysis and where possible, purchase goods and/or services in volume and save tax dollars.

1.0 CORPORATE PURCHASING POLICY

1.1 POLICY STATEMENT

It is the purpose of this policy to ensure that the Purchasing Department procure the required quality and quantity of material, supplies and services for all users in the most cost effective, timely and efficient manner and is objective and equitable in its treatment of all vendors. This policy has been developed based upon SYNERGY NORTH CORPORATION's Visions and Values and The Ontario Public Buyers Association's Code of Ethics.

1.2 PURCHASING OBJECTIVES

1. To make procurement decisions using a competitive process that is open, transparent, and fair, maintaining the highest standard of ethics, and ensuring the objective and equitable treatment of all vendors.

2. To acquire by purchase, rental or lease, the required quality and quantity of materials, supplies and services (including professional and consulting services) in an efficient and cost effective manner in accordance with the Corporately approved Purchasing Policies.

3. To develop and maintain sound business relationships with suppliers in order to ensure good communications, advance information on new products, alternative supplies, improved quality, potential cost savings, and improved safety.

4. To monitor and disseminate information to user departments (lead time, back order information) on the economic climate which may have an impact on SYNERGY NORTH CORPORATION and to determine the appropriate actions to be taken through Purchasing Policies and Procedures.

5. To procure necessary goods and services with due regard to the preservation of the natural environment and to encourage the use of "environmentally friendly" products and services.

6. To maintain, develop, and update a list of qualified vendors.

7. To maintain an efficient level of inventory.

1.3 GENERAL CONDITIONS

1. The Manager, Purchasing & Stores, shall exercise general supervision and control over the procurement of all goods and services in accordance with the Purchasing Policies and Procedures and shall be responsible for providing all necessary advice and services required for such purchases in accordance with the method of purchase authorized by the Purchasing Policy.

2. Generally, all acquisitions shall be in accordance with the approved departmental budgets and estimates.

3. The expenditure must be related to a whole job or complete job, item or service. No requirement for goods and services may be divided into two or more parts to avoid the provisions of this policy.

4. SYNERGY NORTH CORPORATION shall be under no obligation to accept the lowest bid or any bid received in response to an informal/formal quotation, tender or proposal call. When using this privilege clause, the specific reasons the bid(s) may not be accepted must be stated.

5. The Manager, Purchasing & Stores, in consultation with the Department Manager/ Supervisor of the Requisitioning Department, may remove a vendor's name from the list of bidders for a period of up to two years on the basis of documented poor performance, non-performance or conflict of interest. A written notice of the decision will be provided to the vendor by the Manager, Purchasing & Stores.

1.4 RESTRICTIONS

The following activities are restricted, unless specifically approved by the President:

1. The segmenting of any purchase (goods or services) to avoid the requirements of the Policy by any method, which includes purchases made using procurement corporate credit cards.

2. The purchase or offer to purchase by an employee of SYNERGY NORTH CORPORATION of any goods and/or services, except in accordance with this Policy.

3. Purchase by SYNERGY NORTH CORPORATION of any goods or services for personal use by or on behalf of any member of the Board, employees of SYNERGY NORTH CORPORATION or immediate families.

4. Where an employee involved in the award of any contract, either on his or her own behalf or while acting for, by, with or through another person, has any pecuniary interest, direct or indirect, in the Contract, the employee:

    a. shall immediately disclose the interest to the Vice President of the Division involved in the award of the contract and shall describe the general nature thereof;
    b. shall not take part in the award of the contract; and
    c. shall not attempt in any way to influence the award of the contract.

1.5 EXCLUSIONS

Those items listed in Appendix A - Recurring or Non-Competitive Expenditures, Page 51, are exempt from the requirements of the Purchasing Policies. Approval authorities are required.

2.0 PURCHASING DEPARTMENT RESPONSIBILITIES

2.1 PURCHASING DEPARTMENT RESPONSIBILITIES

1. Ensure that business transactions are conducted ethically and professionally.

2. Be responsible for the administration of the Corporate Purchasing Policies, Guidelines and Procedures, and continually review the corporate use of goods and/or services to ensure the company is receiving the best quality, quantity, service, price, etc.

3. Review purchase requisitions for completeness.

4. Determine the best method of obtaining competitive bids in conjunction with Policy 4.3 - General Procurement, Page 12.

5. Review and advise on specifications and prequalifications for potential purchasing concerns and the practicability of specifications to ensure a maximum number of competitive bids and vendor's ability to supply.

6. Consult with the requisitioner for possible advantageous changes i.e. quantity price breaks, material substitutions, standard shelf items, market conditions with regard to lead time availability, lease/purchase considerations.

7. Ensure that qualified vendors who have expressed an interest in doing business with SYNERGY NORTH CORPORATION receive requests for Quotations, Tenders, and Proposals and Prequalifications, where required.

8. Prepare bid documents including contract documents, as required.

9. Prepare and issue Purchase Orders.

10. Provide training and documentation of the Purchasing P/I module to users of the system. Provide copies of the policies and procedures to all staff that have been delegated purchasing authority and training to ensure clear understanding of the corporate expectations.

11. Maintain records of business transactions as required for legal and statutory purposes.

12. Maintain an efficient level of inventory.

13. Pursue opportunities to further their knowledge of good public purchasing principles and to maintain excellent skills.

3.0 DEFINITIONS

In this policy,

"Acquisition Method" means the process by which goods or services are procured.

"Approval" means authorization to proceed with the purchase and/or services and/or disposal of goods.

"Award" means authorization to proceed with the purchase of materials, supplies and services from a chosen supplier.

"Bid" means an offer or submission from a vendor in response to a request for quotation, tender or proposal, which is subject to acceptance or rejection.

"Bid Deposit" means currencies, certified cheques, bond surety issued by a surety company or other form of negotiable instrument to ensure the successful bidder will enter into an agreement.

"Bid Irregularity" means a deviation between the requirements (terms, conditions, specifications, special instructions) of a bid request and the information provided in a bid response (Reference Appendix J – Purchasing Guidelines Regarding Bid Irregularities, Page 90).

"Bid Request" means a formal request for bids or a solicitation, which may be in the form of a Request for Quotation, Request for Tender or Request for Proposal.

"Blanket Purchase Order" (Reference "Outline Agreement", Page 7).

"Capital Expenditures" The purpose of capitalizing expenditures is to provide for an equitable allocation of cost among existing and future customers. As assets are expected to provide future economic benefits, expenditures incurred for the acquisition, construction or development of assets should be capitalized and allocated over the asset's estimated useful life. Specifically, an asset must have these characteristics:

(a) they embody a future benefit that involves a capacity to provide services (the future period must be identifiable and be greater than one year);
(b) held for use in the supply of services (poles, meters, etc.), for rental to others (i.e. water heaters) for administrative purposes (i.e. office furniture) or for the development, construction, maintenance or repair of other capital assets (i.e. chain saws);
(c) have been acquired, constructed or developed with the intention of being used on a continuing basis (i.e. construction signs, battery powered cable cutters, etc.)
(d) are not intended for sale in the ordinary course of business.

As a general rule of thumb, we do not capitalize individuals items costing less than $1,000

The harder judgement call comes in the determination of “betterment” versus “repair”. A “betterment” is defined as the cost incurred to enhance the service potential of a capital asset. Service potential may be enhanced when there is an increase in the previously assessed service capacity, associated operating costs are lowered, the useful life is extended or the quality of output is improved (i.e. a refurbished transformer or meter). A “repair” is defined as the cost incurred in the maintenance of the service potential of a capital asset. Betterments should be capitalized versus repairs which are expensed currently.

“Centralized Purchasing” refers to the activities conducted by the Purchasing function in Finance and Corporate Services, which is responsible for the purchase of all goods and/or services in accordance with the requirements of these policies.

“Competitive Method” means an acquisition method where selected vendors are given an equal opportunity to submit bids in accordance with SYNERGY NORTH policy and procedures.

“Contract” means a formal legal agreement by way of a purchase order or other agreement.

“Cooperative Purchasing” means coordination of SYNERGY NORTH purchases with purchases from other not for profit organizations such as other municipalities, utility companies, school boards, hospitals, etc.

“Consulting and Professional Services” includes architects, engineers, designers, surveyors, accountants, auditors, lawyers and any other consulting and professional services rendered on behalf of SYNERGY NORTH CORPORATION. These professionals should possess a current member status /accreditation in their appropriate professional body.

“Emergency” means a situation, or a threat of an impending situation, where the immediate acquisition of goods or services is essential to prevent serious delays, injury, damage, or to restore or maintain essential service to a minimum level.

“Emergency Method” means a procurement process where the usual competitive acquisition rules are suspended due to the prevailing emergency circumstance(s).

“Execute” means to legally bind SYNERGY NORTH to the terms and conditions defined within the Purchase Order and/or Agreement.

“Expanded Works” means approved construction projects in which an unexpected problem arises during construction, which does not expand the scope of the project but is necessary in order to deliver the original approved work.

"Goods" includes supplies, equipment, materials, structures and fixtures to be delivered, installed or constructed, including the Recurring or Non-Competitive Expenditures (Reference Appendix A-Recurring or Non-Competitive Expenditures, Page 51).

"Guideline" means a statement of policy or procedure by which to determine a course of action.

"Labour and Material Bond" means a bond issued by a surety company to ensure that the contractor will pay his or her suppliers and thereby protects SYNERGY NORTH against items which might be granted to supplier should the contractor not make proper payments.

"Lowest Acceptable Bid" means the lowest price submitted which meets the requirements and specifications as set out in the bid request, minor deviations excepted.

"Lowest Total Cost" is the cost, after all factors of price, quality, terms and conditions, service, warranty, residual costs, replacement and disposal costs are considered, that results in the lowest cost of purchase, ownership, or operation over the life of the product or service to SYNERGY NORTH.

"Negotiation" means the action or process of conferring with one or more vendors leading to an agreement on the acquisition of the required goods and services under the conditions outlined in this Policy.

"Negotiation Method" means an acquisition method whereby SYNERGY NORTH CORPORATION may confer with one or more vendors leading to an agreement on needed goods and services under the conditions outlined in this Policy.

"Non-Competitive Procurement" means sole sourcing and single sourcing.

"Open-Competitive Method" means tenders are advertised using an online tendering portal. All potential vendors are given an equal opportunity to submit bids in accordance with SYNERGY NORTH policy and procedures.

"Outline Agreement" means any contract for the purchase of goods and services which will be required frequently or repetitively but where the exact quantity of goods and services required may not be precisely known or the time period during which the goods and services are to be delivered may not be precisely determined.

"Performance Bond" means a bond issued by a surety company on SYNERGY NORTH executed in connection with a contract and which secures the performance and fulfillment of the undertakings, covenants, terms, conditions and agreements contained in the contracts.

"Policy" means a course of action intended to influence and determine decisions, actions and other matters.

"Prequalification" is a procurement process used to prequalify vendors for subsequent participation in an invitational Request for Proposal or Request for Quotation/Tender.

Responses from proponents are evaluated against selection criteria set out in the solicitation, and a short-list of prequalified proponents is created.

"Procure"/"Procurement"/"Purchase" means to acquire by purchase, rental or lease of goods and/or service.

"Procedure" means a series of steps taken to accomplish an end or a set of established forms or methods for conducting the affairs of an organized business.

"Proposal" (Request for Proposal/RFP) means an offer to provide goods or services to SYNERGY NORTH where it is not practical to prepare precise specifications, or where "alternatives" to detailed specifications will be considered, which may be subject to further negotiation. This process allows vendors to propose solutions to arrive at the end product, and allows for evaluation on criteria other than price.

"Purchase Order" means a written offer to a supplier formally stating all terms and conditions for purchase of goods and/or services or a written acceptance of an offer.

"Purchase Requisition" means an online request for procuring goods and/or services initiated by the user, for which budget approval has been granted.

"Quotation" means a request for prices on specific goods and/or services from selected vendors which are submitted verbally, in writing or transmitted by facsimile as specified in the Request for Quotation.

"Recommendation to Purchase" (RTP) means approval is required by the Manager, Supply Chain Management, and may be required by the Vice President, Finance and President, to proceed with the purchase (Reference Section 4.3-General Procurement, Page 12, for circumstances where RTP is required).

"Request for Proposal/RFP" means a formal request for details on the supply of goods or the provision of services, which cannot be fully defined or specified at the time of the request.

"Requisitioner" means the person requesting the purchase of the good and/or service.

"Risk Management" is a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on, monitoring and communicating risk issues (Reference Appendix F-Contractor Risk Assessment Form, Page 76).

"Sealed Bid" means a formal sealed response received as part of a quotation, tender or proposal.

"Services" means all professional, consulting, construction or maintenance services, including the "Recurring or Non-Competitive Expenditures" (Reference Appendix A-Recurring or Non-Competitive Expenditures, Page 51).

"Single Source" means there is more than one source in the open market but only one of these is recommended for consideration in a contract.

"Specification" means a set of requirements or descriptions containing all of the details of the item or service required. This can be as basic as a one-line description or as complex as a set of engineering specifications complete with drawings.

A specification can be either "performance based" whereby the specifier restricts the text to stating the performance that must be achieved or "prescriptive" whereby the specifier details specific products.

"Sole Source" means the procurement of a good or service is unique to a particular vendor and cannot be obtained from another source.

"Terms of Reference" are contained in a "Request for Proposal" (RFP) document and provide proponents with the information they need to evaluate and understand the requirements of the work to which the RFP refers. Establishing satisfactory "terms of reference" involves such examples as convening a selection committee, establishing selection criteria, describing the job, disclosing the purpose for the work or services to be provided, defining the overall objective and goals to be accomplished.

"Tender" means a formal request for sealed bids for the supply of goods and/or services.

"Time-Sensitive" means a situation for which the timing to initiate and/or complete the purchase is paramount but the time available to follow normal procedures is insufficient.

"Total Acquisition Cost" means the Contract amount shall be the estimated Total Acquisition Cost less any rebates.

"Total Purchase Price" means the total final cost including all related expenses and taxes, and inclusive of any rebates or shared costs by a third party to the agreement.

"Vendor"/"Supplier" means any individual or organization providing goods or services to SYNERGY NORTH including, but not limited to contractors, consultants, service organizations, etc.

4.0 GENERAL OVERVIEW OF PROCUREMENT

4.1 TYPES AND GOALS OF PROCUREMENT PROCESSES

Consideration	Competitive Process Seeking Multiple Bids or Proposals				Non-Competitive Procurement
	Request for Proposal	**Request for Tender**	**Request for Quotation (formal)**	**Informal, Low Value Procurement**	
Key Goals	To implement an effective, objective, fair, open, transparent, accountable and efficient process for obtaining unique proposals designed to meet **broad outcomes to a complex problem or need for which there is no clear or single solution**. To select the proposal that earns the highest score and meets the requirements specified in the competition, based on qualitative, technical and pricing considerations.	To implement an effective, objective, fair, open, transparent, accountable and efficient process for obtaining competitive bids based on precisely defined requirements for which a clear or single solution exists. To accept the lowest bid meeting the requirements specified in the competition.	Same as Request for Tender, except that bid solicitation is done primarily on an invitational bid. To accept the lowest bid meeting the requirements specified in the competition.	To obtain competitive pricing for a one-time procurement in an expeditious and cost effective manner through phone, fax, e-mail, other similar communication, i.e. Vendor advertisements or vendor catalogues. Informal bid is requested from known suppliers. To accept the lowest bid meeting the requirements specified in the competition.	To allow for procurement in an efficient and timely manner without seeking competitive pricing. Allows for sole sourcing purchase by negotiations, p-card purchases.

4.2 CIRCUMSTANCES FOR USE OF PROCUREMENT PROCESSES

Consideration	Competitive Process Seeking Multiple Bids or Proposals				Non-Competitive Procurement
	Request for Proposal	**Request for Tender**	**Request for Quotation (formal)**	**Informal, Quotation**	
Dollar value of procurement	Low to High Value	Medium to High Value	Low to Medium Value	Low Value	Any value, subject to proper authorization and to guidelines as outlined in Policy #1, Non-Competitive Purchases
Requisitioner has a clear or single solution in mind and precisely defines technical requirements for evaluating bids or proposals	Rarely	Always			
In evaluating bids/proposals from qualified bidders, price is the primary factor and is not negotiated	Low to Moderate Likelihood	Always			Not Applicable

4.3 GENERAL PROCUREMENT

4.3.1 AUTHORITIES

The authority for approval of purchase requisitions by dollar range values is set by the Supervisor of the Department.

4.3.2 GUIDELINES FOR METHOD OF PURCHASE

In all cases where:

1. Funds are not budgeted for the purchase and/or;
2. Low price to specification is not being recommended by the requisitioner and/or;
3. Only one (1) bid is received and/or;
4. The commodity or service is being sole- or single sourced; and/or
5. The cost of the tendered good or service exceeds the budgeted amount by more than 20%;

The additional requirements are:

1. A "Recommendation to Purchase" (RTP) is mandatory and prepared by the Purchasing Department (Reference Section 5.11, Policy #11-Recommendation to Purchase (RTP), Page 34);
2. This "RTP" requires approval from the Manager, Purchasing & Stores and may require Vice President, Finance approval, and the President's approval;

Value ranges defined in this section are **inclusive** of all delivery charges and **exclusive** of HST.

A. GOODS

1. **Purchase Card (P-Card)**: Low Dollar Value Procurements - Value Range > $0 up to and including $1,000.

This method of purchase is non-competitive and, as such, may be sole-or single sourced by the Purchaser.

This purchasing function has been decentralized to the Purchaser, therefore, it is the responsibility of the respective departmental Manager to ensure that the Purchasing Card Policy is adhered to (Reference Section 5.16, Policy #16-Purchasing Card Policy and Procedures, Page 41).

i) **With the exception of the purchase of services, "Part C" capital expenditures and material held in SYNERGY NORTH CORPORATION Stores inventory,** the purchaser is authorized to procure goods by way of a P-Card in the stated value range. No purchase requisition is required.

Responsibility of the Purchaser:

1. Funds must be budgeted for.

2. The requirement (specification) shall be defined by the Purchaser.

3. Firm pricing shall be requested by the Purchaser prior to the purchase being transacted.

4. The P-Card "Purchases Record Form" (Reference Appendix O-Purchasing Card purchases Record, Page 97) shall be completed by the Purchaser, approved by the Purchaser's Supervisor and then forwarded to the Manager, Purchasing & Stores.

5. The Purchaser is responsible for addressing and resolving any issue regarding the purchase with the vendor, for example, price discrepancies, delivery issues.

Responsibility of the Purchasing Department:

1. The Manager, Purchasing & Stores, shall review the P-Card "Purchases Record Form" to ensure adherence to the Purchasing Policy.

ii) **When a Purchase Card (P-Card) is not accepted by a vendor,** the Purchaser may request a purchase order number from the Purchasing Department. The Purchaser shall verbally provide the vendor with the purchase order number to expedite the procurement/ordering process.

Responsibility of the Purchaser

1. To complete a requisition, describing the requirement, noting the quantity and firm unit price. In the "Comments Section" (F8) of the requisition, the following information shall be documented:

   a. "Confirming P.O. # xxxxxx. Vendor does not accept P-Card purchases. Order placed with "name of company", "salesperson's name" (where possible) and "date of purchase."

   b. If order has been picked up or delivered before you complete the requisition, note that "the item(s) has been picked-up/or has been delivered". Should this not be the case, provide the quoted delivery date.

2. To enter the receipt of the item(s) when delivered and confirmed as complete and accurate.

3. To handle any issues arising from the purchase, for example, quantity discrepancies, expediting of order, invoice discrepancies.

Responsibility of the Purchasing Department:

1. To create the purchase order and issue same to the vendor.

2. To provide the Purchaser and Accounts Payable with copies of the purchase order.

2. Purchase Dollar Value Range from $1,001 up to but **not including** $10,000.

This value range requires a formal, competitive method of acquisition in the form of a Request for Quotation and is centralized in the Purchasing Department.

Requirements:

1. Funds shall be budgeted for.

2. An on line purchase requisition shall be completed by the requisitioner, with appropriate approvals.

3. A formal written specification shall be precisely defined by the requisitioner and approved by the departmental Manager. The approved specification shall be forwarded to the Purchasing Department.

4. Sealed bids shall be solicited by the Purchasing Department in a Request for Quotation (RFQ) to known authorized vendors. A minimum of three (3) competitive bids, where possible, shall be solicited from three (3) separate vendors. All vendors shall receive the same written information.

5. All Request for Quotations shall be issued, opened and awarded by the Purchasing Department.

6. The award shall be based on the lowest compliant bid.

7. The purchase order shall be issued by the Purchasing Department.

3. Purchase Dollar Value Range greater than or equal to $10,000.

This value range requires a formal, competitive method of acquisition in the form of a Request for Tender and is centralized in the Purchasing Department.

Requirements:

1. Funds shall be budgeted for.

2. An on-line purchase requisition shall be completed by the requisitioner, with appropriate approvals.

3. A formal, written specification shall be precisely defined by the requisitioner and approved by the departmental Manager. The approved specification shall be forwarded to the Purchasing Department.

4. Sealed bids shall be solicited by the Purchasing Department by way of a Request for Tender (RFT) to known authorized vendors. A minimum of three (3) competitive bids, where possible, shall be solicited from three (3) separate vendors. All vendors shall receive the same written information.

5. All Request for Tenders shall be issued, opened and awarded by the Purchasing Department.

6. The award shall be based on lowest compliant bid. The purchase order shall be issued by the Purchasing Department.

B. SERVICES (No Purchase of Services Permitted with P-Card)

All Dollar Value Ranges (*Reference Appendix E- Prequalification/Tender Process Flow Chart for Services, Page 74*).

1. Purchase Dollar Value Range >$0 up to and including $1,000.

This method of purchase is non-competitive and, as such, may be sole or single sourced by the Requisitioner and is Purchasing Department centralized.

Requirements:

Reference B.2. Requirements, #1 through #5.

2. Purchase Dollar Value Range > $1,000.

This method of purchase requires competition and is Purchasing Department centralized.

Requirements:

1. A purchase requisition shall be completed by the requisitioner, with required approvals.

2. A “Contractor Risk Assessment Form” (Reference Appendix F-Contractor Risk Assessment Form Page 76) shall be completed by the requisitioner to determine the degree of risk involved with the required service which will determine whether prequalification process is required. If a prequalification is required, the requisitioner and the Manager, Safety & Training, shall define the requirements and create the document.

3. The requirement (specification) shall be defined and documented by the requisitioner, either in the description field of the requisition or on a separate specification document, depending on the length and complexity of the requirement.

4. WSIB Clearance Certificate, Insurance Requirement, Contract Document and Undertaking to Comply Document, shall be requested from the successful company by the Purchasing Department.
5. The purchase order awarded to the successful company shall be issued by the Purchasing Department once requirements #1 through #4 are met in full.

C. GOODS AND SERVICES

Request for Proposal (RFP) – All Purchase Dollar Value Ranges

This method of acquisition is centralized in the Purchasing Department when:

- expertise and experience is required; or
- comprehensive technical specifications cannot be fully defined or specified; or
- alternate methods are being sought to perform a certain function of service.

Requirements:

1. Funds shall be budgeted for.

2. An on-line purchase requisition shall be completed by the requisitioner, with appropriate approvals.

3. For procurement of services only, a "Contractor Risk Assessment Form" (Reference Appendix F-Contractor Risk Assessment Form, Page 76) shall be completed by the requisitioner to determine degree of risk/ whether prequalification is required (Reference Appendix E–Prequalification/ Tender Process Flow Chart for Services, Page 74). If a prequalification is required, the requisitioner and the Manager, Safety & Training, shall define the requirements and create the document.

4. If required, the prequalification precedes the "RFP" and only prequalified vendors/contractors receive the proposal package.

5. The "Terms of Reference" (Reference Section 3.0, Definitions, Page 9) section of the RFP is developed by the requisitioner and the front end of the document (for example, Information to Bidders, Requirements at Time of Closing, Conditions) is prepared by the Purchasing Department.

6. All RFP's shall be issued, advertised, if required, opened and awarded by the Purchasing Department.

7. The Formal RFP shall be issued by the Purchasing Department to known/preferred/prequalified vendors and shall be a sealed bid process.

8. All RFP's shall clearly set out the evaluation criteria and weightings upon which an award of the RFP may be made. The requisitioner shall define the criteria and weightings.

9. All proposals that meet the required terms, conditions and terms of reference outlined in the RFP document shall be evaluated based on the evaluation criteria and weightings.

10. The proposal earning the highest score based on the criteria and weightings shall be receive the award.

11. For services only, Contract Documents and Undertaking to Comply, Liability Insurance and WSIB Clearance Certificates shall be requested by the Purchasing Department.

12. The purchase order shall be issued only after all requirements are met.

13. Exceptions to this policy may include:

    Policy for Emergency Purchasing (Reference Section 5.10, Policy #10, Page 33)
    Policy for Non-Competitive Purchases (Reference Section 5.1, Policy #1, Page 18)

4.3.3 REFERENCE

Section 3.0 - Definitions
Section 4.1 - Types and Goals of Procurement Processes
Section 5.1 - Policy #1 - Non-Competitive Purchases
Section 5.3 - Policy #3 – Prequalification of Acceptable Bidders
Section 5.4 - Policy #4 - Specifications
Section 5.5 - Policy #5 – Proposals
Section 5.11 - Policy #11 – Recommendation to Purchase (RTP)
Appendix C - Sample Front End and RFP Document
Appendix E - Prequalification/Tender Process Flow Chart for Services

5.0 POLICIES

5.1 POLICY #1 – NON-COMPETITIVE PURCHASES

(Sole Source Procurement, Purchase by Negotiation)

5.1.1 POLICY

The purpose of this policy is to set out guidelines for acquiring goods and/or services without a competitive bidding process. Purchase by negotiation may be adopted, if in the judgment of the Manager, Purchasing and Stores, in consultation with the requisitioning Department Manager, any of the following conditions apply:

- When an unforeseeable condition of urgency exists, and the goods or services cannot be obtained in time through a competitive process.
- When the required item is covered by an exclusive right such as a patent, copyright or exclusive license.
- When the purchase involves a component or replacement part for which there is no substitute.
- When the purchase involves an item for which compatibility with an existing product is an overriding consideration or to avoid violating warranty/guarantee requirements when service is required.
- When the purchase is already covered by a lease-purchase agreement where payments are partially or totally credited to the purchase.
- When no bids were received in a competitive process.
- When only one bid is received in a tender, proposal or quotation call.
- Where two or more identical low bids have been received.
- When the required item is in short supply due to market conditions.
- When the lowest tender, proposal or quotation meeting specifications, terms and conditions substantially exceeds (by at least 20%) the estimated cost and it is **impractical** to recall the tender, proposal or quotation.

- When competitive sourcing for low value procurement would be uneconomical or would not attract bids.

When a Manager intends to select a supplier to provide goods and/or services pursuant to section 5.1.1, the Purchasing Department shall be advised in writing of the compelling rationale that warrants a non-competitive selection for approval prior to entering into any discussions with the supplier.

The supplier, with whom the Manager and the Purchasing Department have the greatest confidence to fulfill the requirement and provides for fair market value, shall be selected.

The contract resulting from negotiations shall be awarded by the Purchasing Department, provided that the funds are available in appropriate accounts within approved budgets including authorized revisions to meet the proposed expenditure.

Any purchase contract for **$100,000** or more in value, excluding taxes and freight, shall require the approval from the President to proceed with negotiations. Further, any negotiated purchase contract for **$100,000** or more in value, excluding taxes and freight, shall again be subject to approval from the President prior to award of contract.

5.1.2 REFERENCE

Section 3.0 - Definitions
Appendix B – Non-Competitive Purchases Form (Policy #1)
Appendix I – Emergency Reporting Form (Policy #10)

5.2 POLICY #2 – ADMINISTRATIVE FEE

5.2.1 POLICY

The purpose of this policy is to outline specific administration fees for bid documents.

SYNERGY NORTH CORPORATION may charge a minimum administration fee of $25.00 for tender and proposal documents. The Manager, Purchasing & Stores, in conjunction with the Requisitioner, will determine whether a fee will be charged for the document and if so, the amount of the fee.

Cheques shall be made payable to SYNERGY NORTH CORPORATION. Failure to submit the fee with the tender/proposal/quotation submission may result in disqualification of bid.

5.2.2 REFERENCE

5.3 POLICY #3 – PREQUALIFICATION OF ACCEPTABLE BIDDERS

5.3.1 POLICY

The purpose of this policy is to set out guidelines for the prequalification of acceptable bidders prior to the competitive bid process.

The purpose of the prequalification is to minimize the amount of risk associated with hiring contractors. Further, the process ensures that each bidder can demonstrate the ability to provide the necessary experience, expertise and resources to satisfactorily complete the work required as specified by SYNERGY NORTH CORPORATION.

It is the responsibility of the Hiring Supervisor (Requisitioner) to assess the potential risk associated with the work by completing the "Contractor Risk Assessment Form" (CRA) (Reference Appendix F-Contractor Risk Assessment Form, Page 76).

1. If the work is determined to be **"high risk"**, a prequalification is required.

2. If the work is determined to be **"medium risk"**, it is at the discretion of the Hiring Supervisor as to whether a prequalification is required. If determined that a prequalification is not required, the risk assessment is subject to review and approval by the Vice President of the hiring Division.

3. If the work is determined to be **"low risk"**, prequalification is most likely not required, however, it is at the discretion of the Hiring Supervisor. If determined that a prequalification is not required, the risk assessment is subject to review and approval by the Vice President of the hiring Division.

The prequalification, if determined to be required, is developed by the Hiring Supervisor in conjunction with the Manager, Safety & Training.

5.3.2 CRITERIA

This may include but not be limited to the following:

1. Experience on similar work (both from a company and staff perspective)

2. References provided from other customers for similar work

3. Verification of applicable certificates, licenses, membership

4. Health and safety policies and programs

5. WSIB and insurance requirements

6. Financial capability

To determine whether a company prequalifies, the Hiring Supervisor will be responsible for evaluating the work experience, qualifications, references, and vehicles and equipment portion of the prequalification, while the Manager, Safety & Training will focus on safety requirements, qualifications and training, insurance, and WSIB requirements.

The recommendation regarding acceptable companies who will be invited to participate in the subsequent competitive sealed bid will be forwarded to the Purchasing Department by the hiring Supervisor. Only these prequalified companies will be invited to submit sealed tenders/proposals.

5.3.3 REFERENCE

Appendix D – Contractor Safety Management Program
Appendix E – Prequalification/Tender Process Flow Chart for Services
Appendix F - Contractor Risk Assessment Form
Appendix G – Instruction to Assist the Hiring Supervisor
Hiring Supervisor Instruction to Purchasing Department Form
Prequalification Review – Manager, Safety & Training
Prequalification Review – Hiring Supervisor
Appendix H – Sample Prequalification Document

5.4 POLICY #4 – SPECIFICATIONS

(for the issuance of “Request for Quotation” (RFQ) and “Request for Tender” (RFT)

5.4.1 POLICY

The purpose of this policy is to provide guidelines with respect to specifications.

When the requirement to be purchased can be fully defined and the award can be achieved on the basis of low bid to specification, a “Request for Quotation” (RFQ) or “Request for Tender” (RFT) shall be issued by the Purchasing Department. The Purchasing Department shall process the specification in the format required dependent on the dollar value of the purchase (RFQ, RFT).

Where it is not possible to prepare precise specifications in order to issue a Request for Tender for the provision of goods and/or services, a Request for Proposals shall be issued.

1. The Department whose budget provides for the acquisition of goods and/or services shall be responsible to prepare and provide specifications. Specifications shall be approved by the requisitioning Department Manager and then forwarded to the Purchasing Department with approval attached.

    - Specifications should be detailed but, where possible, not brand specific to allow for potential vendors to provide alternatives in the event an equal or better-proven product or method is available and shall not deter a competitive process.

    - Potential vendors shall not be requested to expend time, money or effort on design or in developing specifications or otherwise help define a requirement beyond the normal level of service expected from vendors. When such services are required:

        - The Manager, Purchasing & Stores shall be advised.

        - The contracted vendor will be considered as a Consultant and unable to make an offer for the supply of the goods and services, unless approved by the Vice President of the Division and the Manager, Purchasing & Stores.

        - A fee shall be paid to the contracted vendor.

        - The detailed specification shall be approved by the Manager of the Requisitioning Department and shall become the property of SYNERGY NORTH CORPORATION for use in obtaining competitive bids.

2. The Purchasing Department shall review and recommend changes to the specifications when deemed necessary and resulting changes to specifications shall be made with the cooperation of the Requisitioning Department. The Manager, Purchasing & Stores,

shall assist in determining if the specifications are clear in understanding, in the appropriate form, commercially practical and in sufficient generic form, where possible, to ensure competitive bidding.

The Manager, Purchasing and Stores may reject any specification not consistent with the Purchasing Policy.

3. In cases where the specification will result in a sole or single source purchase, it shall be required that the Hiring Supervisor complete the "Non-Competitive Purchases Form" (Reference Appendix B-Non-Competitive Purchases Form (Policy #1), Page 52) and authorization shall be required by the Requisitioner's Vice President. The completed form shall be forwarded to the Purchasing Department where the information will be utilized to complete a Recommendation to Purchase (RTP). The RTP shall require approval from the Manager, Purchasing & Stores, Vice President, Finance as required by the Manager, Purchasing & Stores and the President, if deemed required by the Vice President, Finance.

4. The Purchasing Department shall process the specification as a "Request for Quotation" (RFQ), either formal or informal or a "Request for Tender" (RFT), dependent on the dollar value of the purchase.

5.4.2 REFERENCE

Section 4.1 - Types and Goals of Procurement Processes
Section 4.2 - Circumstances For Use of Procurement Processes
Section 5.5 - Policy #5 – Proposals
Section 5.11 - Policy #11 – Recommendation to Purchase
Appendix B - Non-Competitive Purchases Form (Policy #1)
Appendix C - Sample Front End and RFP/RFT Document
Appendix J - Purchasing Guidelines Regarding Bid Irregularities
Appendix Q - Purchasing 101
Appendix R - Before Entering a Purchase Requisition
- How to Create and Complete a Requisition

5.5 POLICY #5 – PROPOSALS

5.5.1 POLICY

The purpose of this policy is to provide guidelines with respect to Request for Proposals.

The Request for Proposal (RFP) is a competitive method of purchase that may be tendered by way of public call or invitational bid. This method of purchase is utilized when the requirements for goods or services needed cannot be definitively specified and the suitability of the purchase of goods and services depends upon the expertise and experience of the successful vendor, examples include:

1. Professional services (architects, legal counsel, engineers).
2. Consulting services (computer systems, insurance).
3. Goods and services which the Requisitioner cannot (or should not) strictly or easily define without more information from the vendor(s) (insurance).
4. Occasions when innovative solutions are sought.

5.5.2 ROLES AND RESPONSIBILITIES

The **Requisitioning Department** shall provide the Purchasing Department with:

1. A purchase requisition, with approvals as required.

2. For procurement of services only, a "Contractor Risk Assessment Form" (Reference Appendix F-Contractor Risk Assessment Form, Page 76) shall be completed by the requisitioner to determine degree of risk/ whether prequalification is required (Reference Appendix E–Prequalification/ Tender Process Flow Chart for Services, Page 74). If a prequalification is required, the requisitioner and the Manager, Safety & Training, shall define the requirements and create the document.

3. If required, the prequalification precedes the "RFP" and only prequalified vendors/contractors receive the proposal package.

4. The terms of reference (Section 3.0, Definitions, Page 9)

5. The evaluation criteria and weightings to be applied in assessing the proposals submitted.

6. A summary of the proposals received noting analysis of each submission.

7. A recommendation regarding the successful proposal. The award is to be made to the vendor meeting all mandatory requirements and determined by reference to the evaluation criteria and weightings providing best value.

The **Purchasing Department** shall be responsible for:

1. Making itself available to the Requisitioner for consultation during the creation of the RFP.

2. Issuing the RFP.

3. Participating as a member of the Proposal Selection/Review Committee, when required.

4. Awarding the RFP, administering all necessary contract documents provided that:

    a. Sufficient funds are available and approved by the Finance Division,
    b. The award is made to the Supplier meeting all mandatory requirements and providing best value as stipulated in the Request for Proposal,
    c. The Purchasing Department is in receipt of a funded requisition, and
    d. The provisions of this Policy are followed.

5.5.3 SELECTION COMMITTEE

A Selection Committee comprised of a minimum of two representatives from the Requisitioning Department, and when the contract price is anticipated to be $100,000 or greater, a representative from the Purchasing Department shall review all proposals against the established criteria, reach consensus on the final rating results, and ensure that the final rating results, with supporting documents, are kept in the procurement file.

5.5.4 COMMUNICATION WITH PROPONENTS

During the proposal process all communication with bidders shall be through the Purchasing Department.

5.5.5 REFERENCE

Section 3.0 – Definitions
Section 4.1 - Types and Goals of Procurement Processes
Section 4.2 - Circumstances for Use of Procurement Processes
Section 5.11 – Policy #11 – Recommendation to Purchase
Appendix C – Sample Front End and RFP/RFT Document
Appendix J – Purchasing Guidelines Regarding Bid Irregularities
Appendix Q – Purchasing 101
Appendix R - Before Entering a Purchase Requisition
- How to Create and Complete a Requisition

5.6 POLICY #6 – FINANCIAL SECURITY REQUIREMENTS

The purpose of this policy is to set out guidelines for financial security requirements for tenders and proposals.

5.6.1 BID DEPOSIT

A Bid may be required to be accompanied by a form of Bid deposit to guarantee entry into a Contract, as follows:

ESTIMATED TOTAL ACQUISITION COST	**MINIMUM DEPOSIT REQUIRED**
$50,000 OR LESS (WHERE THE SCOPE OF WORK OR SPECIAL PROJECTS ARE DEEMED TO REQUIRE A BID DEPOSIT)	5%
GREATER THAN $50,000	10%

The amount of the bid deposit shall be determined by the Manager of the Requisitioning Department, in conjunction with the Manager, Purchasing & Stores.

A bid deposit shall be provided in Canadian currency and in one of the following formats:

1. A bid bond or an agreement to bond issued by a bonding agency currently licensed to operate in the Province of Ontario naming SYNERGY NORTH CORPORATION as the Oblige.

2. A certified cheque made payable to SYNERGY NORTH CORPORATION.

3. An irrevocable letter of credit naming SYNERGY NORTH CORPORATION as the beneficiary.

4. A money order made payable to SYNERGY NORTH

CORPORATION. SYNERGY NORTH CORPORATION does

not pay interest on any bid deposits.

All bid deposits must be original documentation, signed and sealed as appropriate. No faxed or photocopies will be accepted.

SYNERGY NORTH CORPORATION is authorized to cash and deposit any bid deposit in

SYNERGY NORTH CORPORATION's possession that is forfeited as a result of non-compliance with any of the terms, conditions and/or specifications of a sealed bid.

Bid deposits shall be dated for a minimum of 60 days, or the same period/term as specified in the proposal or tender. All bid deposits except those of the proponents submitting the two lowest acceptable bids shall be returned no later than five (5) working days following the opening of bids by SYNERGY NORTH CORPORATION. The bid deposit of the bidder submitting the second lowest acceptable tender or the second highest evaluated proposal will be held until not later than ten (10) business days after the execution of the contract by SYNERGY NORTH CORPORATION.

If, within 60 days (the period of the contract) after the date of opening bids, a bidder has not been notified that its bid has been recommended to SYNERGY NORTH CORPORATION for acceptance, its bid deposit will be returned on demand. Such demand for the return of a bid deposit or the return of the bid deposit by SYNERGY NORTH CORPORATION to a bidder whose bid has not been accepted shall constitute the withdrawal or expiry of the validity of the bid.

5.6.2 BONDING REQUIREMENTS

Performance, Labour and Material and/or Maintenance Bonds are required for all construction projects exceeding $100,000 for a minimum of 50% of the bid amount. For construction projects less than $100,000, the bid amount will be determined at the discretion of the Manager, Purchasing & Stores in conjunction with the Requisitioner.

All bonds must be originals, signed and sealed. No faxed or photocopies will be accepted.

5.6.3 INSURANCE REQUIREMENTS

The standard per occurrence***** insurance minimums are as follows:

$5 Million – Commercial General Liability Policy
$5 Million – Automobile Liability Policy
$5 Million – Professional Errors and Omissions Liability.

***** The per occurrence coverage can be entirely primary insurance, or a combination of primary and umbrella, as long as it totals $5,000,000 “per occurrence”.

Bid documents must clearly indicate the insurance requirements to be provided and maintained until the termination of the contract by the successful bidder, including:

A “Cross Liability” clause.

Endorsement certifying that SYNERGY NORTH CORPORATION is named as an additional insured.

An endorsement to the effect that the policy or policies will not be altered, cancelled or allowed to lapse without thirty (30) days prior written notice to SYNERGY NORTH CORPORATION.

5.6.4 WORKPLACE REQUIREMENTS

Workplace Safety & Insurance Board (WSIB) Requirements:

1. The successful bidder shall furnish a WSIB Clearance Certificate indicating their WSIB firm number, account number and that their account is in good standing. The form must be provided prior to the formal award of contract. The successful bidder further agrees to maintain their WSIB account in good standing throughout the contract period.

2. SYNERGY NORTH CORPORATION will require the successful bidder to produce a Clearance Certificate from WSIB from time to time during the contract on request and/or prior to final payment.

1. If the successful bidder is a self-employed individual, partner or executive officer who does not pay WSIB premiums and is recognized by WSIB as an "independent operator", a letter from WSIB acknowledging independent contractor status and confirming that WSIB coverage is not required, must be provided to SYNERGY NORTH CORPORATION prior to formal award of contract.

5.6.5 REFERENCE

5.7 POLICY #7 – EXERCISE OF CONTRACT RENEWAL OPTION

5.7.1 POLICY

The purpose of this policy is to set out guidelines regarding exercising an option to renew with an existing contract.

Where a contract contains an option for renewal, the Manager of the department which requisitioned the requirement, may authorize the Purchasing Department to exercise such option provided that:

- the supplier's performance in supplying the goods and/or services is considered to have met the requirements of the contract, and
- the Manager of the Requisitioning Department and the Purchasing Department agree that the exercise of the option is in the best interest of SYNERGY NORTH CORPORATION, and
- funds are available in appropriate accounts within approved budgets including authorized revisions to meet the proposed expenditure.

The authorization from the Manager of the requisitioning Department shall include a written explanation as to why the renewal is in the best interest of SYNERGY NORTH CORPORATION and include comment on the market situation and trend.

5.7.2 REFERENCE

5.8 POLICY #8 - CONTRACT AMENDMENTS AND REVISIONS

The purpose of this policy is to set out guidelines regarding contract amendments and revisions to an existing contract.

No amendment or revision to a contract shall be made unless the amendment is in the best interest of SYNERGY NORTH CORPORATION. This decision is to be made by the Manager of the requisitioning Department in conjunction with the Purchasing Department.

No amendment that changes the price of a contract shall be agreed to without a corresponding change in the requirement or scope of work.

Amendments to contracts are subject to the identification and availability of sufficient funds in appropriate accounts within approved budgets including authorized revisions.

5.8.1 REFERENCE

5.9 POLICY #9 – LOCAL SUPPLIERS

5.9.1 POLICY

The Province of Ontario's *Discriminatory Business Practices Act (R.S.O. 1990)* has been established to prevent discrimination in Ontario on the ground of race, creed, colour, nationality, ancestry, place of origin, sex, or geographical locations of persons employed or engaging in business. Granting preference, therefore, to local suppliers to supply goods and/or services to SYNERGY NORTH CORPORATION cannot be undertaken.

5.9.2 REFERENCE

5.10 POLICY #10 – EMERGENCY PURCHASING

5.10.1 POLICY

The purpose of this policy is to set out guidelines for acquiring goods and/or services when an emergency arises.

When the President has declared an emergency, goods and/or services shall be acquired by the most expedient and economical means. The Purchasing Department will provide cooperative assistance when requested to expedite any purchasing documents necessary to deal with the emergency. Any purchase acquisition document issued under such conditions shall be justified and approved by the Vice President of the initiating department. For amounts exceeding $50,000, the Vice President shall issue an information report to the President.

Subsequent to the resolution of the Emergency, all transactions require an online requisition to be entered to complete the procurement process. The initiating department shall complete the Emergency Reporting Form and forward it to the Manager, Purchasing & Stores.

5.10.2 REFERENCE

Section 3.0 – Definitions
Appendix B – Non-Competitive Purchases Form (Policy #1)
Appendix I – Emergency Reporting Form (Policy #10)

5.11 POLICY #11 – RECOMMENDATION TO PURCHASE (RTP)

5.11.1 POLICY

The purpose of this policy is to outline the circumstances when a "Recommendation to Purchase" (RTP) is required.

A "Recommendation to Purchase" is required (prior to award) when at least one (1) of the following circumstances exists:

1. The Requisitioner is recommending to the Purchasing Department a vendor which is not low price to specification (i.e. a recommendation may be based on delivery);

2. The good or service has not been budgeted for;

3. The cost of the tendered good or service exceeds the budgeted amount by more than 20%;

4. Only one bid has been received in the tendering process;

5. The item or service has been sole sourced or single sourced.

A "Recommendation to Purchase" shall be issued by the Purchasing Department and requires the approval of the following:

1. Manager, Purchasing & Stores, for all RTP's

2. Vice President, Finance, at the discretion of the Manager, Purchasing & Stores

3. President, at the discretion of the Vice President, Finance

Information required from the Requisitioner for the Recommendation to Purchase, includes but may not be limited to:

1. Justification for recommendation.

2. Budgeted amount.

3. In such cases where the specification will result in a sole or single source purchase, it shall be required that the Hiring Supervisor complete the "Non-Competitive Purchases Form" (Reference Appendix B-Non-Competitive Purchases Form (Policy #1) Page 52) and authorization shall be required by the Requisitioner's Vice President.

5.11.2 REFERENCE

Section 5.1 - Non-Competitive Purchases

5.12 POLICY #12 – BID IRREGULARITIES

5.12.1 POLICY

The purpose of this policy is to define the various irregularities with regards to bid submissions.

A bid irregularity is a deviation between the requirements (terms, conditions, specifications special instructions) of a bid request and the information provided in a bid response.

For the purpose of this policy, bid irregularities are further classified as “major irregularities” or “minor irregularities”.

- A **“major irregularity”** is a deviation from the bid request that affects the price, quality, quantity or delivery, and is material to the award. This also includes late bids, bid surety not in the form specified; amount of the surety must be equal or greater than the amount requested, attendance at mandatory site visits. If the deviation is permitted, the bidder could gain an unfair advantage over competitors. The Manager, Purchasing & Stores, shall reject any bid which contains a major irregularity.

- A **“minor irregularity”** is a deviation from the bid request, which affects form, rather than substance. The effect on the price, quality, quantity or delivery is not material to the award. If the deviation is permitted or corrected, the bidder would not gain an unfair advantage over competitors. The Manager, Purchasing & Stores, may permit the bidder to correct a minor irregularity.

Regarding mathematical errors, such as errors found in taxes, extensions, additions, etc. the unit price shall generally govern.

5.12.2 ACTION TAKEN

The Manager, Purchasing & Stores shall be responsible for all action taken in dealing with bid irregularities and acts in accordance with the nature of the irregularity:

1. Major irregularity (automatic rejection)

2. Minor irregularity (bidder may rectify)

5.12.3 REFERENCE

Appendix J - Purchasing Guidelines Regarding Bid Irregularities

5.13 POLICY #13 – CONSULTING AND PROFESSIONAL SERVICES

5.13.1 POLICY

The purpose of this policy is to set out guidelines for acquiring Consulting and Professional Services as defined in Section 3.0, Definitions, Page 6, and in accordance with SYNERGY NORTH CORPORATION Purchasing Policies. Where possible, all qualified firms providing Consulting and Professional Services shall have fair access to SYNERGY NORTH CORPORATION assignments.

A consultant or professional may be required for various reasons. Some examples include:

a. To supplement staff time, particularly appropriate when the project is a non-recurring one.

b. To supplement staff expertise when tasks may call for special skills that current staff does not posses or cannot be learned quickly or easily by staff.

c. To ensure objectivity when projects which may be controversial or political and a consultant may be able to find a "win-win" solution.

d. To obtain a variety of skills from a consulting firm with access to a number of people with different skills.

e. To assist in handling work load or projects.

5.13.2 SELECTION TYPES(1 TO 4 AS NOTED BELOW)

1. Selection Based on Responses to a "Request for Proposal" (RFP):

This process requires that a consultant submit a full project proposal in order to be considered (Reference Section 5.5, Policy #5-Proposals, Page 25).

The steps in the RFP – Consultant process typically includes:

- Distribution of RFP package (by Purchasing Department)
- Review of proposals (by requisitioning Department)
- Preliminary ranking (by requisitioning Department) identifies candidates for interviews
- Interview (optional) (by requisitioning Department)
- Recommendation of Selection (by requisitioning Department).

2. Combining the RFP in a Two-Part Selection Process:

This process may be used to broaden the pool of consultants. RFP's shall be made available to any consulting firm that might reasonably be interested in the project. Interviews may be conducted at any one of the two stages of the process.

Part One:
This selection process follows an RFP process to identify a "short list" of consultants to be invited to submit full project proposals. Interested consulting firms shall submit a statement of qualifications corresponding to the required scope and description of work as defined by the requisitioning Department.

The requisitioning Department shall review the statements of qualifications submitted and prepare a "short list" of only those firms that meet the full required qualifications.

Part Two:
RFP's shall be issued by the Purchasing Department to those consulting firms which have been short listed.

3. Sole-Source Procurement:

This approach may be considered when selecting a single consultant either for a particular task or for a continuing relationship. For both legal and political reasons, the Requisitioning Supervisor considering the use of this selection process shall provide the reason for doing so, in writing, to the Purchasing Department prior to making any commitment with the consultant.

Flexibility to use this selection process may be appropriate under the following circumstances:

- When a consultant, due to prior work with SYNERGY NORTH CORPORATION, has significant background in a matter requiring resolution in a short period of time.
- When it is practically necessary to retain a local consultant and there is only one who is qualified.
- When SYNERGY NORTH CORPORATION requires the services of a consultant with a unique specialty.
- If there is not sufficient time to go through a formal search procedure.
- When significant cost savings can be achieved by using a consultant who is familiar with SYNERGY NORTH CORPORATION and its procedures.

4. Alternate Form of Single-Source Procurement:

Should a consultant be familiar with a project from work done under a previous contract **that was awarded after a competitive process**, consideration may be given to use an amendment to that contract. Consideration to use an amendment to the contract to retain the consultant's services for later stages of the project or a related project shall be approved by the Purchasing Department prior to any commitment being made to a consultant.

5.13.3 TYPE OF CONTRACT

Fixed price (also called lump sum) whereby a fixed price is received for a defined scope of services. This type of contract may include additional, extra-cost options.

Time and expense (cost-plus), whereby a consultant is reimbursed on a fixed formula for professional time and expenses. This type of contract shall be utilized to provide maximum flexibility where the scope of services is impossible to determine in advance.

5.13.4 REFERENCE

Section 3.0 - Definitions

5.14 POLICY #14 – COOPERATIVE PURCHASING

5.14.1 POLICY

SYNERGY NORTH CORPORATION may participate with other government agencies, public authorities or businesses, in cooperative acquisition ventures when it is in the best interest of SYNERGY NORTH CORPORATION to do so.

The policies and procedures of SYNERGY NORTH CORPORATION will be followed, such as requirements regarding Contractor Risk Assessment, prequalification, WSIB and insurance.

Each agency will issue its own contract and is responsible for the remainder of the procurement function (issuing the purchase order, receiving, inspecting and payment).

5.14.2 REFERENCE

5.15 POLICY #15 – DISPOSAL OF SURPLUS GOODS POLICY

5.15.1 POLICY

The purpose of this policy is to set out guidelines for the disposal of surplus goods which shall be evaluated on a case by case basis.

5.15.2 METHOD OF DISPOSAL

1. The Manager, Purchasing & Stores, shall have the authority to sell, exchange, or otherwise dispose of goods declared as surplus to the needs of SYNERGY NORTH CORPORATION, and where it is cost effective and in the best interest of SYNERGY NORTH CORPORATION to do so, items or groups of items may:

2. Be transferred to other departments within SYNERGY NORTH CORPORATION; or

3. Be offered for sale by external advertisement or in-house (where it is deemed appropriate, a reserve price may be established); or

4. Be sold or traded to the original supplier or others in that line of business where it is determined that a higher net return will be obtained than following other procedures; or

5. Be donated to a non-profit agency; or

6. Be recycled; or

7. In the event that all efforts to dispose of Goods by sale are unsuccessful, these items may be scrapped.

8. The Manager, Purchasing & Stores, shall submit an annual report to the Vice President, Finance, summarizing the disposal of all surplus Goods pursuant to this policy.

5.15.3 REFERENCE

Appendix K – Surplus/Scrap – Identification and Disposal Form
Appendix L – Surplus/Scrap Vehicle – Identification and Disposal Form

5.16 POLICY #16 – PURCHASING CARD POLICY AND PROCEDURES

5.16.1 INTRODUCTION

PURPOSE AND SCOPE

To outline the policy and procedures for the use and control of SYNERGY NORTH CORPORATION's Purchasing Card.

BACKGROUND

Departmentally approved employees are authorized to use the Purchasing Card to efficiently purchase low-dollar-value goods and services in support of sound business practices. In addition, benefits will accrue in Finance by reducing the number of invoices processed, resulting in fewer cheques being prepared in Purchasing, by reducing the number of purchase requisitions resulting in fewer low dollar purchase orders and for user departments by providing a simplified process and an increased level of service.

AUTHORITY

The Administrator (Vice President, Finance and/or designate(s)) authorizes Supervisors to empower approved employees within their Departments or areas of responsibility.

INQUIRIES

Inquiries related to the accounting aspects of this policy should be addressed to the Administrator.

Inquiries related to the purchasing aspects of this policy should be addressed to the Manager, Purchasing and Stores.

5.16.2 POLICY

The Administrator is responsible for the Purchasing Card co-ordination function within SYNERGY NORTH CORPORATION.

Each Purchasing Card will have a unique number, and will be issued in the name of SYNERGY NORTH CORPORATION and the name of the employee who has been authorized to use that card. The card is not transferable to any other employee, even if that other employee is also authorized to use a Purchasing Card on behalf of SYNERGY NORTH CORPORATION.

Supervisors have been delegated purchasing and approval signing authority for low-dollar-value purchases.

The Purchasing Card will be issued to employees approved by Supervisors who occupy

positions with delegated low-dollar-value purchasing authority.

The credit limit, which is the maximum amount chargeable to each Purchasing Card, is restricted to the maximum dollar limit established by each respective Vice President or Vice President, Finance, based on the forecasted monthly use of the Purchasing Card.

The Purchasing Cards must not be used:

- When the purchase of a service requires specific performance(s) of the supplier of such service (i.e., completion dates, certifications, warranties, shipping costs, etc.).
- When the purchase of a service involves contracted labour and WSIB clearance certificates, contract documents, insurance, etc. are required to be on file.
- When the goods and services are available under an existing blanket purchase order or contract.
- When the goods are available from Stores.
- When the cost of the goods or services would be significantly increased as a result of using the card and an alternative method of payment is available (i.e., a discount is provided by the vendor as a result of not using the card).
- For purchasing goods and services which have SYNERGY NORTH CORPORATION standardization (i.e. SYNERGY NORTH CORPORATION furnishings).
- For personal purchases.
- To obtain cash advances.

No cardholder may accept cash or a cheque from a vendor who is making a refund pertaining to a transaction previously charged to a Purchasing Card account. The vendor in all cases must issue a credit voucher.

Every cardholder shall be informed in writing of his or her responsibilities and restrictions regarding the use of the Purchasing Card and shall agree to them in writing (Reference Appendix N-Purchasing Card-Purchasing Acknowledgement of Responsibilities and Obligations, Page 95). Cardholders will be held liable for any misuse or wilful disregard of policies or operating procedures which result in a loss of money, fraud or collusion and may be subject to discipline up to and including termination for such infractions.

To avoid the payment of interest, payments to the bank shall be made within 21 days following the monthly statement date (refer to Payment of Monthly Statements, and Payment and Calculation of Interest sections – Page 49).

The liability for authorized charges on the Purchasing Card rests with SYNERGY NORTH CORPORATION, not the individual cardholder.

The maximum SYNERGY NORTH CORPORATION liability for unauthorized use of the card following loss or theft of the card shall be $50. Unauthorized use means a use that did not benefit SYNERGY NORTH CORPORATION and was made by someone other than the cardholder. SYNERGY NORTH CORPORATION is not liable for any unauthorized use of the card which occurs after notification of loss, theft, or cancellation has been received by the bank. However, if the loss or theft or a card is not reported immediately, SYNERGY NORTH CORPORATION may be liable for all unauthorized purchases charged to the account.

There is a fee of $20 per Purchasing Card per year.

Purchases made outside Canada will be converted to Canadian funds at a rate established by USBank™ Canada.

5.16.3 RESPONSIBILITIES

The Cardholder is responsible for:

- Adhering to all conditions and restrictions imposed on the Purchasing Card by SYNERGY NORTH CORPORATION and the bank.
- Submitting the “Employee Acknowledgement of Responsibilities and Obligations” form to the Purchasing Manager (Reference Appendix N, Page 95).
- Ensuring that the Purchasing Card, monthly statements and other documents bearing the card number are kept in a secure location with controlled access.
- Immediately notifying the bank, the Respective Vice President and the Administrator of any loss or theft of the card.
- Informing the Administrator of cancellation, changes in business address or area of responsibility, and/or telephone number, through the respective Vice President.
- Returning the card to the Administrator for cancellation, as appropriate, through the Respective Vice President.
- Maintaining a “Purchasing Card Purchases Record’ (Reference Appendix “O”, Page 97), on a monthly basis, for all purchases made with the Purchasing Card.
- Resolving disputed charges with the assistance of the Administrator, as required.

- Forwarding all supporting documentation (i.e., cash register and Purchasing Card receipts, vendor notices, Purchasing Card Purchases Record, etc.) related to all purchases made with the Purchasing Card to Finance for reconciliation, account verification and audit purposes.

- Obtaining the required MSDS's for all WHMIS controlled products purchased with the Purchasing Card and immediately forwarding a copy to the Safety and Training Division.

- Reporting all items purchased with the Purchasing Card that form part of Asset Inventory.

- Ensuring that all vendors performing service work have the required comprehensive liability insurance, Workers' Compensation coverage and comply with the Health and Safety and Training requirements.

The Vice Presidents are responsible for:

- Assessing the need for Purchasing Cards based on operational requirements.

- Identifying the employee(s) who will be authorized to make low-dollar-value purchases through the use of a Purchasing Card.

- Establishing the credit limits, transaction limit and monthly limit for each cardholder

- Specifying the types of items to be purchased with the card, as need be.

- Preparing and submitting the appropriate bank forms and other pertinent information to the Administrator for the issuance or cancellation of cards, increases or decreases to credit limits, change of address or change in Division or area of responsibility (Reference "Cancellation of Purchasing Cards", Page 46).

- Ensuring that each cardholder is informed of his or her responsibilities regarding the use of the Purchasing Card.

- Ensuring that the use of Purchasing Cards conforms to Divisional and corporate policy and procedures.

- Monitoring and controlling the utilization of Purchasing Cards within their Division or area of responsibility.

- Reviewing and approving, on a monthly basis, the Purchasing Card Purchases Records for all purchases charged to their budgets. In the absence of a Vice President, the Vice President can delegate this responsibility to a supervisor.

The Administrator is responsible for:

- Assigning the Purchasing Card payment function within the finance area;
- Assisting the cardholders to resolve disputed charges, as required (refer to Disputed Charges – page 49).
- Authorizing the issuance or withdrawal of Purchasing Cards with the bank.
- Processing increases or decreases to credit limits, as requested by the Vice Presidents.
- Processing bank forms with respect to changes of address and changes of Division or area of responsibility, as requested by Supervisors.
- Developing corporate policies and procedures on low-dollar-value purchasing for goods and services.
- Ensuring that the conduct of all purchasing activity is done in accordance with approved Purchasing policies and procedures.
- Compiling and reporting pertinent Purchasing Card data to the Supervisors, as required.
- Providing co-ordination with respect to monitoring the overall utilization of Purchasing Cards within SYNERGY NORTH CORPORATION.

5.16.4 PROCEDURES

REQUESTS FOR PURCHASING CARDS

The “Employee Information section of the application form must be completed and signed by the employee and approved by the respective Vice President for each card requested (Reference Appendix M-Purchasing Card Application Form, Page 94). Personal credit information is not required, as the card will be issued to SYNERGY NORTH CORPORATION. The lower part of the form entitled “Unit Information” and “Company Authorization” will be completed by the Administrator.

The approved application form must be sent by the respective Vice President to the Administrator for transmittal to the bank.

Purchasing Cards are expected to be issued within five (5) working days from the date that the application form is received by the bank. The cards will be sent directly to the Administrator at the address indicated on the Bank Application Form.

Issuance of Purchasing Cards

Upon receipt of the cards from the bank, the Administrator must review the listing of enclosed cards for accuracy. Any inaccuracies are to be reported immediately to the bank by the Administrator.

The respective Vice President must inform the cardholder of the responsibilities and restrictions regarding the use of the Purchasing Card and obtain a written Employee "Acknowledgement of Responsibilities and Obligations" form (Reference Appendix N, Page 95) from each cardholder before issuing the card. The Acknowledgement of Responsibilities and Obligations form shall be forwarded to the Administrator for safekeeping.

The cardholder must sign the Purchasing Card and store it in a secure place until used.

Cancellation of Purchasing Cards

The cardholder must complete a "Purchasing Card Request for Change" form (Reference Appendix P, Page 98) and return the card cut in half to the Administrator for cancellation, through the respective Vice President, when:

- specifically requested to return the card by the Administrator or the respective Vice President
- upon transfer to another Department or area of responsibility or
- upon termination of employment with SYNERGY NORTH CORPORATION.

Lost or Stolen Purchasing Cards

The cardholder must immediately notify the bank of any loss or theft of the card through the Hotline service at 1-800-588-8065. Lost or stolen cards can be reported 24 hours a day. The cardholder must also advise their respective Vice President who shall confirm the loss or theft in writing by forwarding a change form to the Administrator. If the card is stolen, the police must be notified and a police report requested by the respective Vice President.

If the lost or stolen card should eventually be recovered or found, it must be cut in half and returned to the Administrator through the Respective Vice President.

Change of Address or Change of Division or Area of Responsibility

To change the billing address or the Division, the respective Vice President must complete the "Purchasing Card Request for Change" form (Reference Appendix P, Page 98) and forward it to the Administrator.

The change of address is expected to be made within three (3) working days from the date that the form is received by the bank.

With respect to a change of Division or area of responsibility, the reason for cancellation of the card must be indicated under “Reason” on the “Purchasing Card Request for Change” form (Reference Appendix P, Page 98). The card will be cancelled when the form is received by the bank. If another card is required for low-dollar-value purchases related to the new Division or area of responsibility, a new Purchasing Card Application form must be completed by the respective Vice President and sent to the Administrator (Reference “Requests for Purchasing Cards”, Page 45.

MODIFICATION OF CREDIT LIMIT

To modify a credit limit, the respective Vice President must complete the “Purchasing Card Request for Change” form – Change of Credit Limit (Reference Appendix P, Page 98) and forward it to the Administrator.

The change to the credit limit is expected to be made within three (3) working days from the date that the form is received by the bank.

DISPUTED CHARGES

Items charged on monthly statements of accounts that do not accurately reflect the transactions made by the cardholder (i.e., bank errors such as wrong amount, incorrect account number, multiple postings of the same item, etc.) are considered to be disputed items.

The cardholder must notify the Administrator immediately by telephone when disputed items as stated under Disputed Charges section are involved, as well as inform the respective Vice President concerned. Disputed items reported by cardholders will be credited on the individual statement the following month (provided they are legitimate). The amount indicated on the statement is the amount that should be paid to the bank.

The cardholder shall provide information and assistance to the bank to settle the disputed items, as required.

If the questionable item is not a bank error (i.e., late delivery, defective goods, wrong price, quantity difference, returned goods, etc.), the matter must be settled directly with the vendor by the cardholder. Such matters must be drawn to the vendor’s attention immediately so as to minimize the delay in obtaining a credit to the Purchasing Card account. When the amount in dispute is of an insignificant dollar value, notices to vendors should be confirmed in writing even though settlement may be accomplished through telephone calls. Copies of the notices to vendors should be attached to the monthly Purchasing Card Purchases Record. Disputes with vendors are not considered to be disputed items and must not be deducted from monthly statements of accounts.

PURCHASE OF GOODS AND SERVICES

Records of purchases made with Purchasing Cards must be forwarded to Accounts Payable by cardholders for audit trail purposes and to facilitate payment, reconciliation and account verification (i.e., Purchasing Card Purchases Record, sales slips, credit vouchers, notices to vendors, etc.).

The appropriate sales tax exemption number/certificate must be provided to the vendor to ensure exemption from the provincial sales tax where applicable.

The appropriate Harmonized Sales Tax is to be paid where applicable.

For over-the-counter transactions, the cardholder will certify that the goods have been received or the services have been rendered by signing the sales slip, when goods are shipped, the cardholder must ensure that the shipment matches the order or sales slip.

For telephone orders, the cardholder must request the vendor to submit a copy of the sales slip with the shipment.

PURCHASING CARD PURCHASES RECORD

Supervisors shall ensure that a Purchasing Card Purchases Record is maintained (Reference Appendix O-Purchasing Card Purchases Record, Page 97), on a monthly basis, for all purchases made with Purchasing Cards as this record will:

- Facilitate the reconciliation of each items purchased during the month through the use of a Purchasing Card (i.e., telephone orders and over-the-counter transactions) with the monthly statement received from the bank;

- Expedite the coding of transactions (i.e., the description of the item and the account coding are included on the register for each item purchased);

- Make it easier for Supervisors to review and approve expenditures charged to their budget through the use of Purchasing Cards;

- Provide an appropriate monitoring tool for Supervisors with respect to expenditures incurred against their budget by employees with delegated purchasing authority for low-dollar-value purchases.

The information shown on the sample “Purchasing Card Purchases Record” (Reference Appendix O, Page 97) meets the “minimum” requirements.

PAYMENT OF MONTHLY STATEMENTS

The statement of accounts will be issued on the 21st day of each month and will be sent directly to Accounts Payable at the address indicated on the Bank Application Form.

Upon receipt of the statement for the current billing cycle, Accounts Payable must ensure that the statement is date stamped immediately in order to establish the “receipt date”. The due date is calculated 21 days following the monthly statement date.

The following documentation must be sent to Accounts Payable for payment purposes:

1. The monthly statement from the bank approved by the cardholder and the respective Vice President.

2. A copy of the Purchasing Card Purchases Record, including sales slips, credit vouchers, etc., approved by the cardholder, the Supervisor, the respective Vice President and the Administrator with the detailed purchases listed on the record must match the charges shown on the monthly statement with adjusting entries shown, as need be, for disputed items (bank errors) and purchases not yet processed by the bank.

3. The approved monthly statements and purchasing card purchases record must be sent to accounts payable for payment within 10 days after the due date printed on the statement in order that the month end entries can be made in a timely fashion.

REFUNDS FROM VENDORS

When merchandise is returned or other adjustments to accounts are necessary, credit vouchers will be issued by vendors. Such credits must be issued against the same Purchasing Card that the original transaction was charged to.

PAYMENT AND CALCULATION OF INTEREST

In accordance with the terms of the agreement between the bank and SYNERGY NORTH CORPORATION, the payment of interest to the bank is based on a 21-day payment period. Where SYNERGY NORTH CORPORATION is responsible for the delay, interest will be automatically calculated and paid on overdue accounts.

Where interest is payable, it will be calculated as follows:

- Consolidated statement from the date of the statement of account until the date payment is received by the bank and is a corporate charge;

- Individual statement – from the date of the purchase until the date payment is received by the bank and is a Divisional charge.

The rate of interest payable will be 18.20%. The bank reserves the right to change the rate from time to time upon 30 days written notice from the bank to SYNERGY NORTH

CORPORATION.

CARD RENEWAL

Each Purchasing Card is issued for a period of two (2) years starting with the month in which the card is issued. Cards will be automatically renewed unless the bank is advised otherwise by SYNERGY NORTH CORPORATION's Administrator.

MANAGEMENT REPORTS

The management reports produced by the bank are available to the Supervisors and the Administrator on a monthly basis for monitoring purposes. These reports are maintained in the Finance Division.

5.16.5 REFERENCE

Appendix M - Purchasing Card Application Form
Appendix N - Purchasing Acknowledgement of Responsibilities and Obligations
Appendix O - Purchasing Card Purchases Record
Appendix P - Purchasing Card Request for Change Form

EXHIBIT 4

ATTACHMENT 4 - C

VEGETATION MANAGEMENT PLAN 2022

SYNERGY NORTH CORPORATION

VEGETATION MANAGEMENT PLAN

SYNERGY NORTH CORPORATION

Managing vegetation along Synergy North's power lines for the safety of customers and utility workers

Prepared By: Bob Zappitelli, P. Eng and Karla Bailey P. Eng
Asset Management & Engineering

April 4, 2022
Rev.0

Table of Contents

Executive Summary

This report provides an analysis of the timing and the costs associated with implementing a Vegetation Management Plan over the next 10 years and recommends that the Board approve funding to eliminate all immediate hazards in the next 2 years. The proposed spending for 2022 represents an incremental cost of $1.35 million in sub-contractor in 2022 and 2023 respectively. In 2021, Synergy North budgeted $531,000 in OM&A sub-contractor costs for vegetation management but spent $784,000 due to reactionary vegetation hazards. This reactionary spending is one of the many reasons that Synergy North's management has sought to implement a proactive Vegetation Management Plan.

The environment that we live in is changing, and there is no longer a "business as usual" way to manage the risks and threats from climate change to utility infrastructure. In the Northwest this has been increasingly true over the last several years with more severe storms, higher winds, and drought conditions. In 2021 Northwest Ontario (including the City of Thunder Bay) experienced a summer-long fire ban imposed by the Ministry of Natural Resources to attempt to manage nearly 1,000 individual[1] wildfires in the region fueled by hotter, drier weather. One of the biggest fires was Kenora 51, which in July 2021 had burned over 51,000 hectares and forced evacuations of several remote First Nations[2] communities.

These drought-like conditions are not limited to Northwestern Ontario. In November of 2018 one of the costliest worldwide wildfires caused by an electrical transmission line resulted in over $26 billion in damage and firefighting costs, and 84 deaths[3]. The electrical utility, Pacific Gas & Energy (PG&E) pleaded guilty to criminal charges admitting its electrical grid caused the fire[4]. The utility continued to experience large-scale wildfires caused by vegetation in proximity to power lines in 2019 and 2020 and was directed by the California Public Utilities Commission to provide a wildfire mitigation plan to prevent catastrophic wildfires[5].

In the Utility sector, the public acknowledgment of these changes in the environment has resulted in a "Climate Adaptation Amendment" to the CSA standards. These standards apply to the construction of overhead and underground lines and provide direction on storm-hardening. It stands to reason that Synergy North's vegetation management practices and plans also adapt to manage the climate risks and threats to our infrastructure, as well, the risks our infrastructure pose to the environment.

The report enclosed details the results of an aerial lidar survey completed in 2019, which indicated a significant portion of our overhead system is exposed to risk. It is assumed that vegetation has continued to grow since receiving the aerial data and Synergy North's approach to managing this risk is to eliminate immediate hazards posed by vegetation and then proceed to systematically meet CSA standards on all spans of its distribution system. The goal is to achieve an optimized vegetation management cycle consistent with LDC's in Ontario and across the country. Implementing the plan over the long-term will require an application to the Ontario Energy Board with our 2024 Cost of Service Application.

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[1] "Ontario forest fires burned record area of land this summer as they displaced First Nations in northwest" Matt Vis, CBC News, Posted Nov 10, 2021

[2] "Northwestern Ontario dealing with surge in forest fires as hot, dry weather settles into region" Nick Westoll, Global News, Posted July 9, 2021

[3] Wikipedia "2018 California wildfires"

[4] "PG&E Faces Criminal Charges Over Fatal 2020 Wildfire in California" Ivan Penn, The New York Times, Published Sept. 24th, 2021

[5] "2022 Wildfire Mitigation Plan" https://www.pge.com/en_US/safety/emergency-preparedness/natural-disaster/wildfires/wildfire-mitigation-plan.page?WT.mc_id=Vanity_wildfiremitigationplan

Background

What

Managing vegetation (trees and plants) along our power lines for the safety of customers and utility workers achieving a balance to protect ecosystems is essential, it is something we plan with careful consideration. It's a coordinated effort of different professionals to achieve this. Our maintenance teams regularly remove vegetation that is growing too close to the lines.

Why

With over one thousand kilometers of powerline and thousands of trees growing along it, managing vegetation is incredibly important to us. If managed well, we can reduce the risk from fallen trees and branches to the safe operation of our network and minimize outages.

Where

We regularly clear vegetation from the area nearby power lines to meet the industry safety standards. (CSA 22.3 No.1:20 4.17). We remove trees that are, or could be dangerous, or negatively affect the reliability of service that thousands of customers rely on daily.

As well as maintenance of our system, there are times when we need to clear areas of vegetation to help our teams examine or repair assets or structures as part other work programs, such as pad-mount equipment inspections.

How

We use a combination of remote survey methods such as aerial surveys and lidar, as well as our historical data records to create our inventory of trees and vegetation.

We use this information to assist our tree and vegetation management professionals to undertake inspections of the system to carry out site-specific risk assessments.

When work is required, we select the appropriate method of work that considers the type and extent of vegetation to be managed and how this will impact our community and the environment. For example, there are cases where a tree is damaged or rotten and needs to be removed versus branches being trimmed.

Our team reaches out and provides information to our neighbors and stakeholders prior to work taking place.

Methods

We use a wide range of handheld and mechanical equipment to manage vegetation so that is clear of safe zones to prevent contact with our power lines. This work can occur from the ground and overhead from aerial lift devices such as boom trucks and other offroad equipment.

Our teams leave the work area tidy and either remove logs and branches or rake up leaves and other clippings.

Where trees might pose a risk to our system, we guide customers through the planning and safe execution of tree work that is required in proximity to energized overhead wire

Our Partners

Synergy North worked with various partners in obtaining data for developing the Vegetation Management Plan and in determining the appropriate methodology in managing the vegetation within our distribution territory. Those partners include City of Thunder Bay, City of Kenora and KBM Resources Group.

History

Synergy North has been submitting evidence to the OEB (Ontario Energy Board) as early as 2013 where Thunder Bay Hydro filed that "*Forestry operations occurred on an "as needed" basis. As a result, vegetation has been allowed to grow relatively unchecked into power lines causing many unscheduled power interruptions and increasing the safety risk to the public and power line workers*". Increased funding of $767,000 annually was requested to achieve a trimming cycle of seven years and OM&A costs were not increased accordingly by the OEB. Again in 2016 Thunder Bay Hydro filed that *"it is prudent to formulate a plan and timeline to re-establish right-of-way's clear of vegetation and an ongoing maintenance cycle to prevent encroachment levels from reaching the current state."* Again, the utility submitted for increased funding of $150,000 for a total $750,000 spend to achieve a trimming cycle of seven years based on reliability and tree contact statistics. The program was not discussed in the rate order and decision, but the overall OM&A costs were cut.

Post decision 2017- determined that a quantitative approach was needed to justify the case for forestry management. Synergy North contacted KBM in October of 2020 to understand how to obtain Lidar data for our service territory and what the data would be able to determine. Subsequently, it was discovered that the City of Thunder Bay had recently completed an aerial survey of the city. Synergy North obtained access to review the data and then proceeded with providing a purchase order to the city in March of 2021. We received the data set from the City of Thunder Bay in June of 2021. However, the data set was not processed with overhead wires classified and therefore, we issued a tender for re-classifying the Lidar data. This was awarded early September 2021. The final report was received from KBM on November 19, 2021 (attached for reference). Once this report was obtained, the task of creating a plan to manage the vegetation within proximity of overhead lines began. This management plan is the culmination of further research into best practices across utilities in our sector.

In previous years we have seen a two-fold increase in reactionary spending ("Blue Orders") from $276k in 2018 to $495k in 2020. Blue Orders are generated in response to customer concerns regarding vegetation near power lines. In addition to the Blue Order increase, Maintenance trimming increased accordingly.

With this issue continuing to come to the forefront, the utility took a proactive approach to determine the extent of the issue in a quantitative manner rather passively waiting for customers to call in.

Creation of the Vegetation Management Program

Figure 2 below summarizes the results of our most recent vegetation survey conducted in conjunction with some of our partners (data is from 2019). This was performed using an aerial survey (lidar) and advanced geoprocessing tools to measure both: how close the vegetation is to our overhead powerlines (proximity); and how tall the nearby vegetation is to our overhead powerlines (height).

These values are combined and are combined spatially with a grid overlay of the City of Thunder Bay to create the following proximity legend.

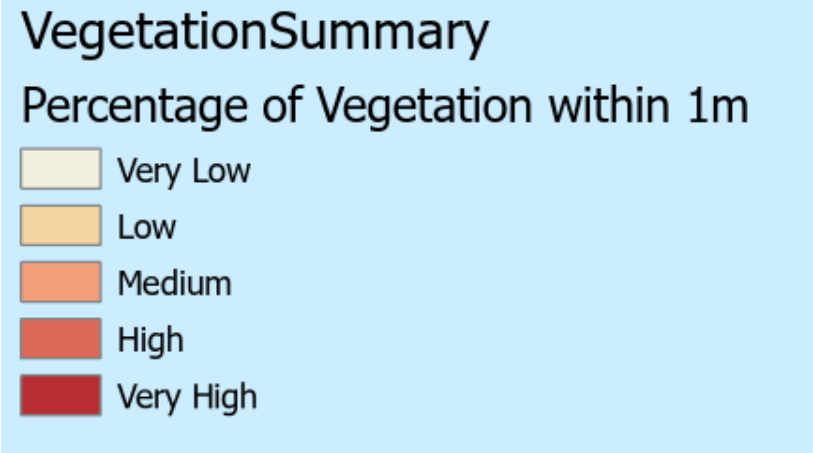


Figure 1 Map Legend

The results described the vegetation within a 10m corridor of the primary overhead line and summarized its geographic distribution. Additionally, the results provide insight into the potential threat that vegetation may have in reliably delivering power to customers.

In total there is 119.07ha of vegetation within managed corridors, the below chart indicates the amount of vegetation and its proximity to overhead lines.

Proximity to Wire	Area (ha)
>1m	5.36
1-3m	43.32
>3-5	70.3

Table 1- Total area of Vegetation within proximity to Wire

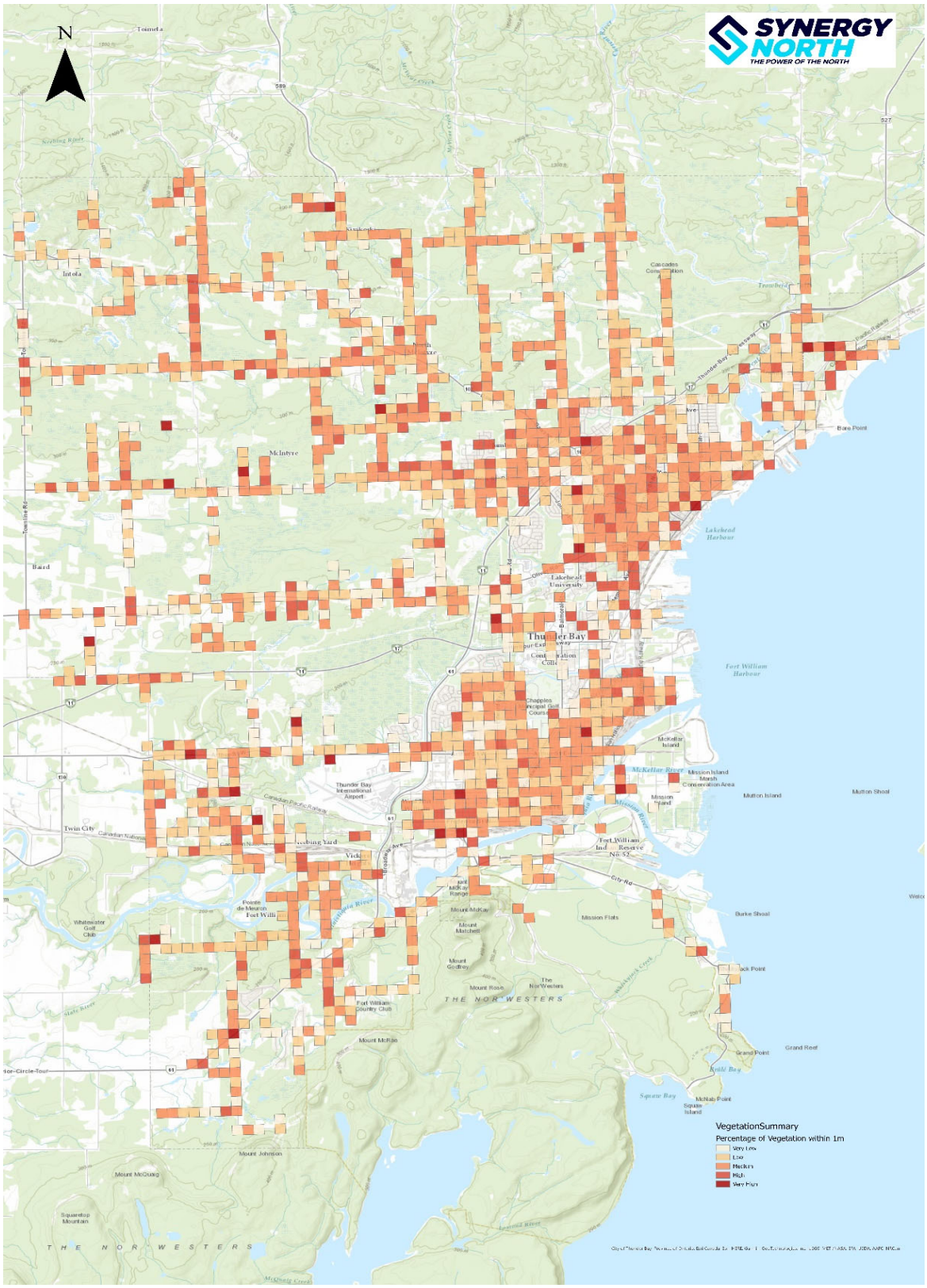


Figure 2 Grids with Vegetation within 1m (2019)

Each grid in Figure 2 represents 250 square meters. The analysis of these grids has identified that in practically all areas of the overhead distribution system there is some amount of vegetation within 1m.

Although 1680 grids analyzed indicated vegetation within 1m of the overhead lines, the 185 very high and high percentage hazard areas where vegetation is both high density and high proximity to the overhead powerlines is of top priority.

Based on the above-identified areas, Synergy North has defined 4 key objectives of its Vegetation Management Plan.

Key objectives:

1. Eliminate Immediate Hazard – Remove any vegetation within 1m of overhead primary lines, to remove immediate burning hazards.
2. Create a Vegetation Register – Update tree inventory and assessment tools to gain a better understanding of growth rates and future needs to proactively manage encroachments.
3. Meet Industry Standards – Demonstrate the levels of work, resources, and budget that are required to meet the minimum industry standard of vegetation cleared to 3m proximity of overhead primary wires.
4. Establish an Optimal Cycle – Determine the levels of work, resources, and budget that is required to maintain our levels of service, continue to operate in a safe and efficient state, and reach an optimal cycle of vegetation management

Eliminating Immediate Hazard:

The results of the lidar analysis show a significant amount of overhead line in immediate need of intervention. There are a total of 3000 spans to be managed within 1m of the overhead conductor. Approximately 400-500 spans with high-density vegetation an additional 2000-2500 spans of medium to low-density vegetation.

Synergy North's philosophy will be to manage all the hazards within 1m of overhead primary conductor over the next two years.

This will require three vegetation management crews with additional ground support for approximately 2 years. To eliminate this hazard will require $1.35 million annually in sub-contractor costs for a total of approximately $2.7 million.

All costs are calculated in 2022 dollars

Establishment of a Vegetation Register:

During the Eliminate Immediate Hazard Phase, Synergy North will refine its inventory and assessment tools of vegetation within the powerline corridor. This will require updating an asset inventory for trees (including information such as height, diameter, health, species etc.), as well define the likelihood and consequence of failure. This information will help model lifecycle behavior and develop efficient and optimal vegetation control cycles.

To model lifecycle behavior, our inspections will be moving forward with a data-gathering approach to help us understand and create a model for the growth and diversity of the urban and rural forest in our distribution system.

Forestry rules of thumb indicate that growth rates are approximately 0.5m / year. There are some species that vary from this based not only on species but also on the habitat that the species resides in. Initial indications show that growth rates in the urban setting of Thunder Bay are approximately 1m/year with the rural areas being 0.5m/year. This growth rate factors heavily into all of the phases of the vegetation management program as it is a compounding issue if vegetation is not managed on an optimal cycle.

Meeting Industry Standards:

During this phase Synergy North plans to continue eliminating hazards, moving to meet the minimum industry standards/regulatory requirements – up to 3m on primary lines.

There are 4500 spans to be managed within 1-3m of the overhead conductor, 1500 spans of high-density vegetation, and an additional 3000 spans of medium to low-density vegetation.

This will require four vegetation management crews for approximately 5 years. To eliminate this hazard would require 1.8 million annually for a total of approximately 9 million.

Moving Forward – Optimal Cycle:

Synergy North plans to utilize data and information gathered during the previous two objectives to develop a detailed asset management plan specific to vegetation management. An asset management plan will allow us to make informed decisions about our vegetation management practices balancing risk, cost, and performance, in line with our other corporate policies, strategies, and objectives.

There are approximately 23,000 spans combined in Thunder Bay and Kenora service territory. Of those approximately 13,000 spans have vegetation within 5m, thus the proposed optimal clearing program plans to inspect 1/3 of the system or approximately 4,300 spans each year to clear to the required industry standards.

It is anticipated that this will require three vegetation management crews on an annual basis at $1.35 million annually.

All costs are calculated in 2022 dollars

Scenarios:

The following scenarios outline possible outcomes due to alternate levels of financial intervention. Note that spending in our capital program has been removed for clarity, but it is anticipated that the level of expenditure will remain constant for the years shown.

The methodologies used to calculate the costing of future vegetation management used existing costing data as well as assumptions of growth and predictions of the effect of cutting on customer call-in behavior. The future costing incorporates an inherent economy of scale based on the sheer volume of trees to manage, resulting in a reduction of mobilization and demobilization costs. A comparator that was used was the Kenora service territory where the vegetation management has been completed on a 3-year cycle (similar to the proposed "Optimal Cycle"), where cost efficiencies and maintenance of the right of way have been achieved.

Scenario 1: Continue Reactive Program

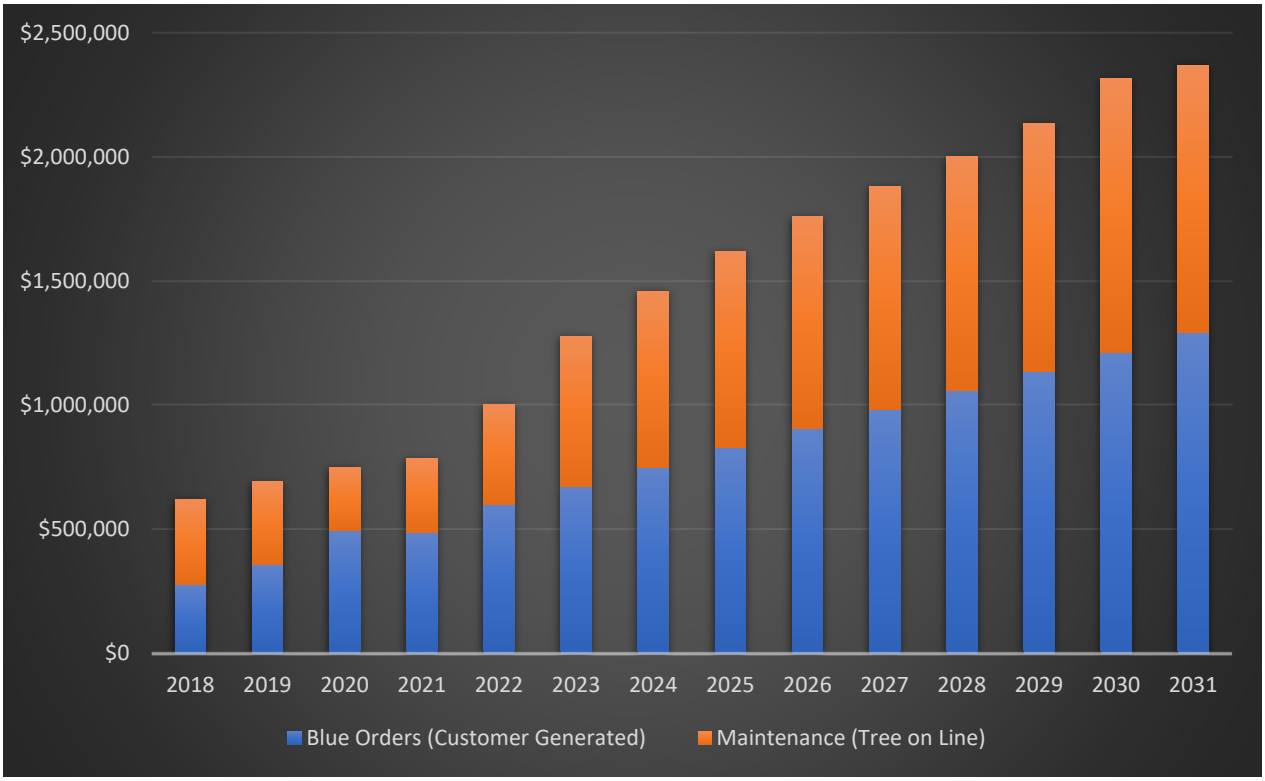


Figure 3- Reactive Spending Program

In this scenario, Synergy North continues to perform Customer Driven (Blue Order) and Reactive Maintenance (Tree on Line) work. The associated costs are projected to increase annually as we are both 1) unable to eliminate the immediate hazard, and 2) unable to enter the Meeting Standards Phase.

Note: This forecast was developed using qualitative methods (tree growth) and time-series analysis (2018-2021 moving average and trend projections) to produce the data shown for 2022-2028.

All costs are calculated in 2022 dollars

Phase	Spans Managed	Proximity to Line	Number of Years
Blue Orders	n/a as only clearing individual hazards, not full spans	<1m	10
Maintenance		<1-3m	

Table 2- Reactive Spending Summary

Scenario 2: Increase vegetation management with a Spending cap

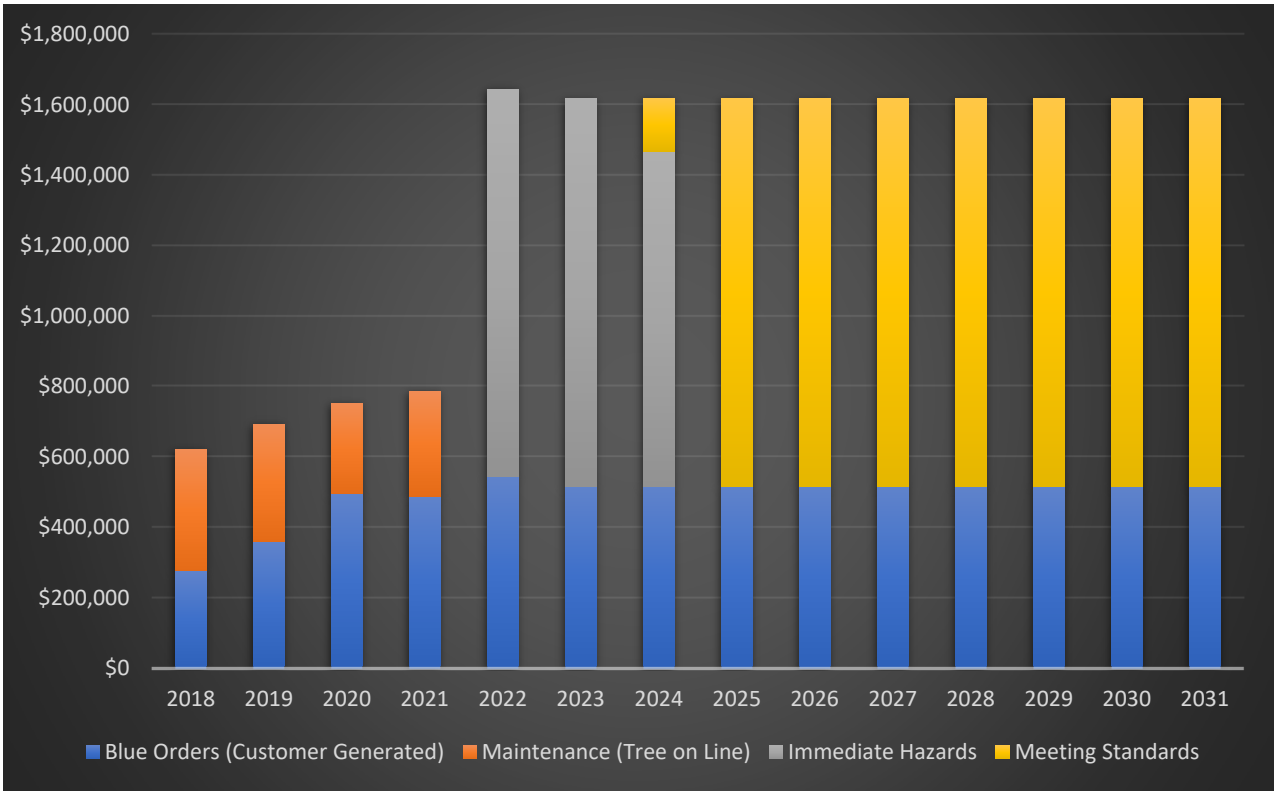


Figure 4 - Spending Cap Program

In this scenario, Synergy North will move forward with eliminating the proximity hazards but with an increase in spending restricted to 1.1 million. Synergy North would begin by eliminating the hazards identified in the "Immediate Hazards" phase in the years 2022-2024.

All costs are calculated in 2022 dollars

It is expected that because of this increased spending, the customer-driven work (Blue Orders) will stabilize at a level slightly reduced from 2022 beginning in 2023 through to 2031. However, Synergy North will not be able to fully establish the Meeting Standards phase of the program. It is anticipated that the maintenance type work will continue to be required, as the vegetation that is within 1-3m will not be fully eliminated.

Moving forward Synergy North will not have reached an optimal vegetation management cycle at the end of the 10-year term and will be in a continual cycle of both; eliminating immediate hazards and attempting to establish minimum clearance standards outlined in the "Meeting Standards" phase.

Phase	Spans Managed	Proximity to Line	Number of Years
Eliminate Hazard	3500	<1m	2.85
Meeting Standards	3900	>1-3m	7.15

Table 3 - Spending Cap Summary

Scenario 3: Ideal Program

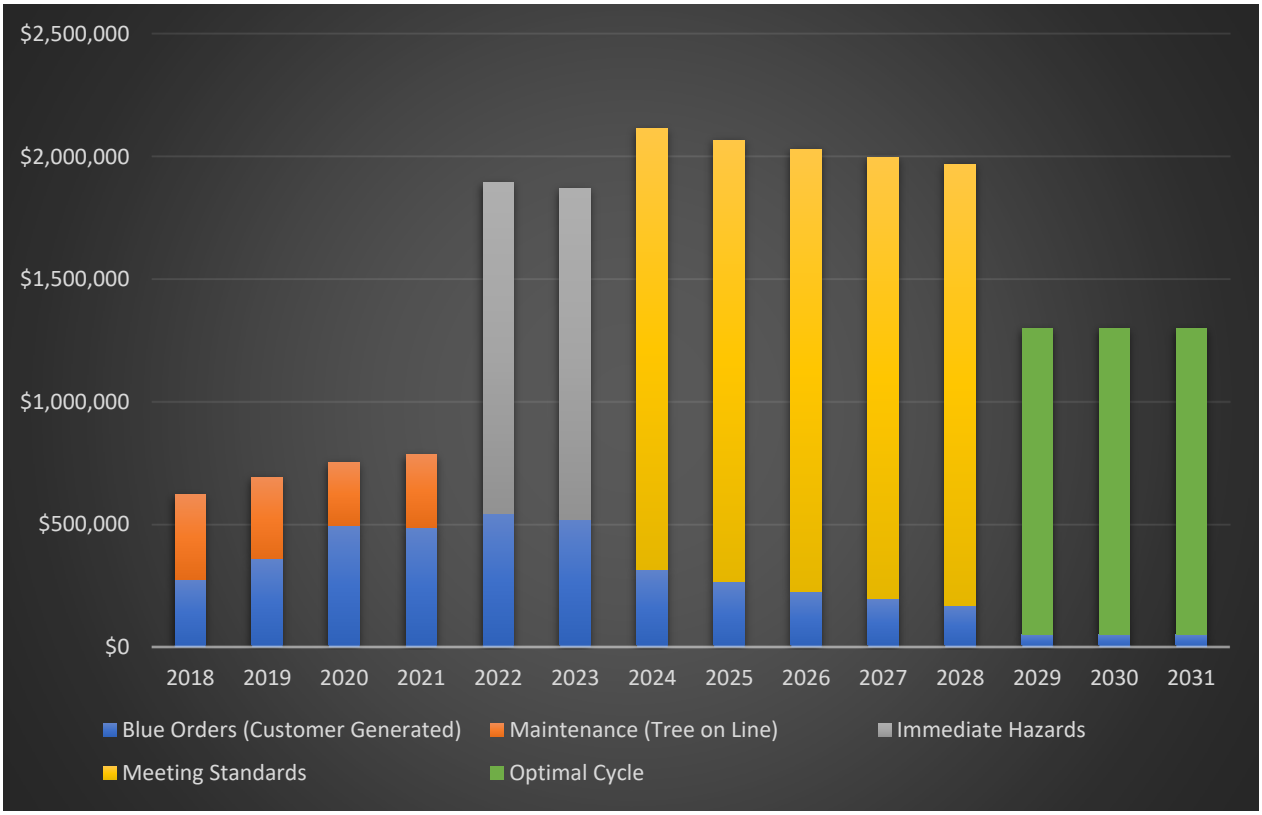


Figure 5 - Ideal Spending Program

In this scenario Synergy North will move forward with eliminating the hazards identified in the "Immediate Hazards" phase in 2022 and 2023. Following this, for years 2024-2028 Synergy North would remove the vegetation within the 3m corridor as identified in the "Meeting-Standards" phase and would meet industry standards across its distribution territory.

All costs are calculated in 2022 dollars

It is expected that because of this increased spending, the reactive work (Blue Orders) will gradually reduce beginning in 2023 through to 2028, landing at a minimal amount of 50k on an annual basis.

Moving forward, the outcome of this scenario allows for the transition to an optimal vegetation cycle in 2029, which should lead to an overall reduction in program spending. It is expected that the total envelope of spending would be reduced to approximately $1.3.-1.4 million at this time and allow Synergy North to complete a full cycle of its distribution system in 3 years.

Phase	Spans Managed	Proximity to Line	Number of Years
Eliminate Hazard	3000	<1m	2
Meeting Standards	4500	>1-3m	5
Optimal Cycle	4300	>3-5m	3

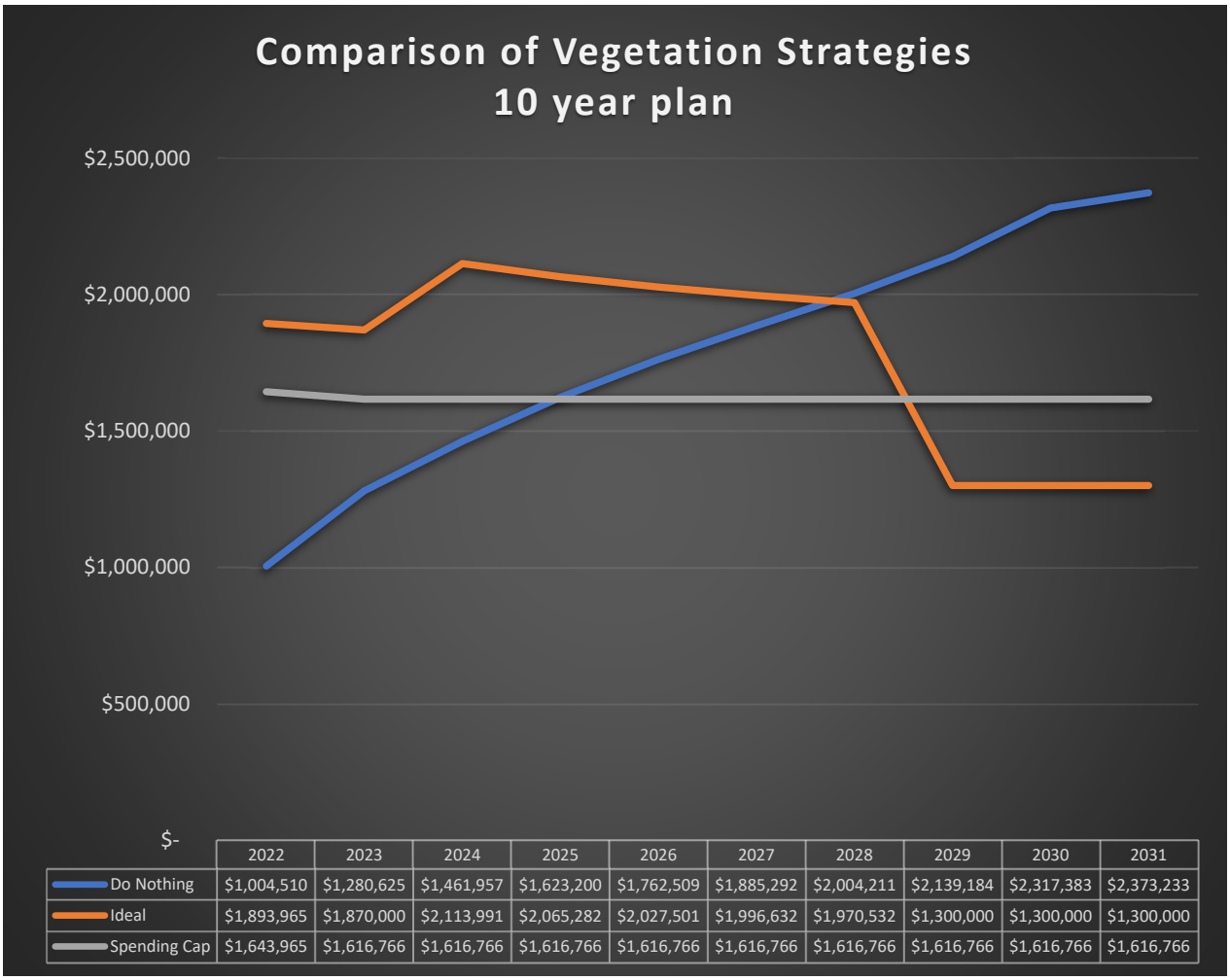
Table 4 - Ideal Program Summary

All costs are calculated in 2022 dollars

Total O&M Spending Projections 2022-2031

Scenario 1 – Continue Reactive Program	Scenario 2 – Spending Cap Program	Scenario 3 – Ideal Program
$ 17.85 million	$ 16.19 million	$ 17.84 million

Table 5 - Spending Projections Summary



	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Do Nothing	$1,004,510	$1,280,625	$1,461,957	$1,623,200	$1,762,509	$1,885,292	$2,004,211	$2,139,184	$2,317,383	$2,373,233
Ideal	$1,893,965	$1,870,000	$2,113,991	$2,065,282	$2,027,501	$1,996,632	$1,970,532	$1,300,000	$1,300,000	$1,300,000
Spending Cap	$1,643,965	$1,616,766	$1,616,766	$1,616,766	$1,616,766	$1,616,766	$1,616,766	$1,616,766	$1,616,766	$1,616,766

Figure 6 – Vegetation Strategy Comparison

To compare the three scenarios against each other, the above chart was produced to indicate the total spend over the 10-year period, with the Ideal Scenario already having completed one iteration of the "Optimal Cycle" of the entire distribution system, while the Spending Cap program is still in the "Meeting Standards" phase due to the growth of vegetation.

The Do Nothing program is similar in total spend to the Ideal program, but it continues to only manage customer-reported immediate hazards and leaves the utility in a high-risk position.

All costs are calculated in 2022 dollars

Liabilities

In determining the right approach to mitigate liabilities and the appropriate capital expenditures of such, Synergy North sought to understand the risks of being non-compliant with codes by asking the questions below:

1. What are the Corporation's liabilities for non-compliance with governing codes and/or a known risk, in the event of an injury, damage to property, or wildfire?
2. What are the officers/director's liabilities for non-compliance with governing codes and/or a known risk, in the event of an injury, damage to property, or wildfire?
3. What are the officers/director's liabilities if they cannot demonstrate that there were efforts made to mitigate non-compliance with governing codes and/or a known risk?
4. Have there been any cases before the OEB that have cited the liabilities to the utility/corporation for non-compliance with governing codes in the event of an injury, damage to property or wildfire?
5. Who are the governing bodies that can impose a fine either to officers/directors/Corporation with respect to non-compliance with codes in the event of an injury or damage to property or wildfire?
    a. What is the magnitude of those fines?

To mitigate the above risks, SNC determined the following actions were necessary.

1. Prepare and institute a thorough and extensive vegetation maintenance/ management plan or policy;
2. Ensure those making decisions concerning vegetation management adequately understand vegetation management issues, rules, and regulations;
3. Be aware of industry standards and ensure the policy comply with the Distribution System Code, Forest Fire Protection Act and any other relevant legislation;
4. Ensure that as part of the policy, officers are advised in a timely manner of any non-compliance;
5. Ensure that vegetation management concerns are promptly attended to by qualified employees; and
6. Ensure the policy is set up so that there is an immediate response when a notice of a breach of vegetation management codes or guideline is received.

Utility Comparators

Utility	Reference – link	Cycle of Vegetation Management in Years
Innpower	https://innpower.ca/customer-care/commercial/vegetation-management	4 year - 3m clearance
Niagara Peninsula Energy Inc	https://npei.ca/userfiles/1342195874_Tree-Trimming.pdf	2-8 years – 3m clearance
North Bay Hydro	https://www.northbayhydro.com/services/vegetation-management/	Website states 4 year – 3m clearance, OEB application indicated 11 yr. cycle and asked $ to move to 5 years
Oakville Hydro	https://www.oakvillehydro.com/my-home/general/tree-trimming-faq.html	4 year – 3m clearance
Waterloo North hydro	https://www.wnhydro.com/en/safety/Forestry-and-Vegetation.asp	2-5 years
Elexicon Energy	https://elexiconenergy.com/tree-trimming	3 years
Oshawa	https://www.opuc.on.ca/residential/tree-trimming/	3 years
Sudbury	https://sudburyhydro.com/power-line-clearances/	4 year, 3m clearance
Sault Ste Marie	https://ssmpuc.com/puc-services/customer-care/tree-trimming-and-removal/	North Bay Hydro and Greater Sudbury Hydro are joint owners of 17 Trees alongside Sault Ste. Marie
Hydro One Inc	Discussions with Teri French VP, Forestry Services, February 9, 2022	3-4 year – “optimal cycle program”

Table 6- Comparable Utilities

Recommendations

After compiling the data available to Synergy North's Engineering and Operations teams, the recommended path forward is to proceed with Scenario 3 – the Ideal program. This program sees an acute increase in spending in the first seven years but over the 10 year horizon is a similar overall spend to the Reactive and Spending Cap programs. This option also addresses the vegetation hazards in such a way that the vegetation corridors are re-established. The program establishes industry-standard levels of inspection and trimming (3-5 years) at reduced levels of expenditure, to the benefit of our customers.

All three scenarios for vegetation management were presented to the Local Advisory Committee (LAC) meeting held in February. (See attachment) The bill impacts of all three scenarios were calculated and are provided below. The members of the LAC were provided background information similar to what is provided in this report; and when presented with the costs, members of the LAC agreed that the cost of $1.50-$2.00 was the best approach. See Figure 4 – for the slide that was included in the presentation to the LAC. Feedback received from committee members was to provide customers with the knowledge and understanding that this is a temporary increase with the goal of having an optimal program and a cost reduction by 2028.

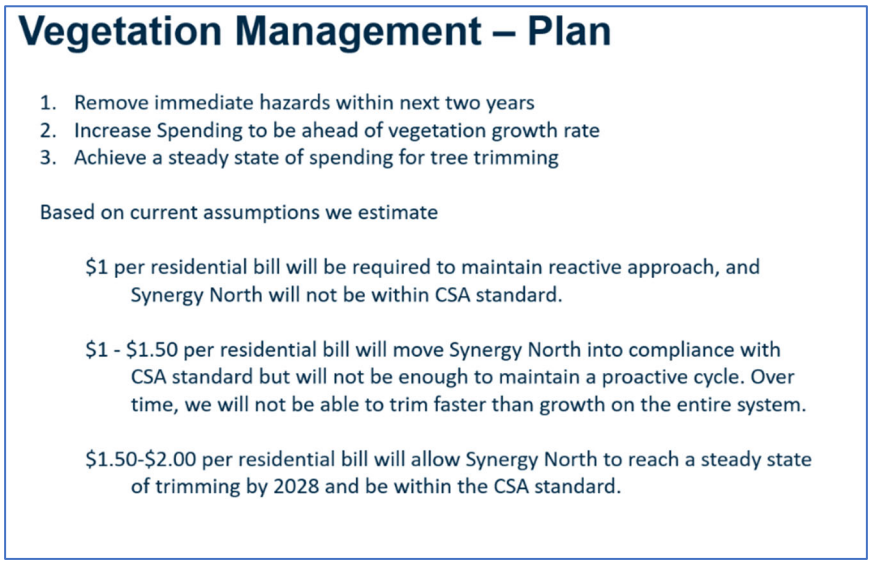


Figure 7 – Slide from LAC meeting March 3, 2022

Scenario 1 – A Reactive program where Synergy North continues to proceed with purely responding to hazards, results in a hazard to customers as well as non-compliance with clearances with CSA standards. Continuing with a program of this nature is not considered an acceptable option.

Scenario 2 – A Spending Cap program where Synergy North proceeds with a proactive approach to clearing hazards but does not do so at a financial level that eliminates the immediate hazards and meets standards within the forecasted timeline, is also not considered the best approach to address the hazards.

In addition to the above, the scenario of proceeding to clear all spans to meet industry standards (as opposed to clearing immediate hazards, then returning to clear to standard) was reviewed. This was not deemed an effective alternative for the following reasons.

Generally, blue orders are generated as a result of trees in close proximity (i.e., less than 1m). By proceeding with clearing the immediate hazards first, we can anticipate a reduction in spending in this category, while eliminating hazards and collecting data on what will be required in the Meeting Standards phase. This will allow for improved project estimating and crew optimization.

Crews are unable to clear as many spans per day. Clearing the immediate hazards is mainly a trimming activity as opposed to clearing to meet standards, which will require full tree removals (trimming activities allow for 4-7 times more spans cleared per crew when compared to spans requiring removals). As a result, several years will pass between initial cutting in an area and returning to it. The gains made by the initial clearing of vegetation may be lost during this time.

There will be additional costs associated with remobilizing to the same area once the immediate hazards are dealt with. These costs will be offset by the reduction in spending on Maintenance and Blue Order activities. This is evident when comparing the programs of Scenario 2 and 3 over the entire period. Both converge on similar spending levels; however, Scenario 3 achieves the desired outcome of an optimal vegetation management cycle.

Appendix A #21-39 LiDAR Data Analysis and Reporting

Synergy North

#21-39 LiDAR Data Analysis and Reporting

Attention:

Karla Bailey and Bob Zappitelli

ANTICIPATING CHANGE, DELIVERING CERTAINTY

SUBMITTED BY:

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RESOURCES GROUP

Table of Contents

Vegetation Analysis Report

The purpose of this report is to summarize the objectives, methodology and results of the Vegetation Analysis performed by KBM. Using a classified point cloud received from Synergy North two types of analysis were performed after structures and primary conductor categories were added to the LiDAR dataset. The following types of analysis were completed:

1. Measuring the height of vegetation points above ground within a 10-metre corridor and assigning to one of 3 categories (2-5m, >5-10m, >10-15m).
2. Calculate the 3D proximity of vegetation to the primary overhead line segment then categorize the results into defined groups (<1m, 1-3m, >3-5m).

Objective

Summarize vegetation within Synergy North's management area to support the development of a strategic vegetation management plan for primary overhead wires.

Methodology

Using the City of Thunder Bay sub grid, the Primary Overhead feature class (both received by Synergy North), and the results of the two analysis, KBM summarized vegetation with the 10m corridors at a municipal level.

The sub grid is a 250m x 250m square that uniquely identifies the municipal boundary of Thunder Bay. The primary overhead feature class was cleaned by Synergy North to only represent line the company is responsible to manage. All privately owned line was omitted from this summary However, it has been was used in the KBM analyses. Vegetation along these privately owned areas can be found in the following feature classes in addition to vegetation within Synergy North's management area:

- SynergyNorth_DistanceToWire
- SynergyNorth_VegetationHeight

Three areas within city limits were found to have insufficient LiDAR data. As a result, these areas were omitted from analysis. The areas are shown in Figure 1.

Figure 1: Areas within the City of Thunder Bay were there was inadequate LiDAR data to perform any type of analysis.

The following outlines how the data was summarized:

1. Determined which sub grids intersected primary overhead lines that are managed by Synergy North. Only sub grids that intersected managed primary overhead lines were carried forward.
2. Calculated the percent of total vegetation returned from the analysis is contained within each sub grid. The percent was calculated base on the sub grid area (62,500m^2).
3. Determine how much of the returned vegetation is within 1m of the wire
4. Generate a pivot table to aggregate vegetation areas into discrete categories based on sub grid
    a. Height Classes; 2-5m Tall, >5-10m Tall, >10m Tall
    b. Proximity to Primary Overhead Wire; <1m, >1-3m, >3-5m
5. The resulting pivot table was then joined to the sub grid to allow for vegetation concentrations and patterns to be visualized.

Results

The results described the vegetation within a 10m corridor of the primary overhead line and summarized its geographic distribution. Additionally, the results provide insight into the potential threat vegetation may have in reliably delivering power to customers. KBM was not able to summarize any vegetation metrics within the 10m corridor related and the line segment (span) / feeder because of data inconsistencies within the Primary Overhead line feature class. These should be addressed prior to reporting on vegetation from this lens.

In total there is 119.07ha of vegetation within managed corridors, of that 5.36ha is within 1m of the wires. The tables below detail the height distribution of vegetation and the proximity to wire within the corridors.

Vegetation Height

Vegetation Height Class	Area (ha)	Percent
2-5m Tall	28.35	24%
>5-10m Tall	56.98	34%
>10m Tall	33.74	38%

Table 1: Amount of vegetation within the 10m corridor that is greater than 2m.

Distance to Wire

Proximity to Wire	Area (ha)	Percent
>1m	5.36	4.5%
1-3m	43.32	36.5%
>3-5m	70.3	59%

Table 1: Amount of vegetation within the 10m corridor and the proximity to the primary overheard wire.

Concentrated geographic areas of vegetation less than 1m to the wire became apparent when looking at the result spatially. The map below (Figure 2) illustrates areas of vegetation within sub grids that is within 1m of the wire. An area of vegetation is defined as a geographic area of aggregated vegetation points that was returned in our analysis. Within the figure below each 250mx250m square is symbolized based on count within each sub grid.

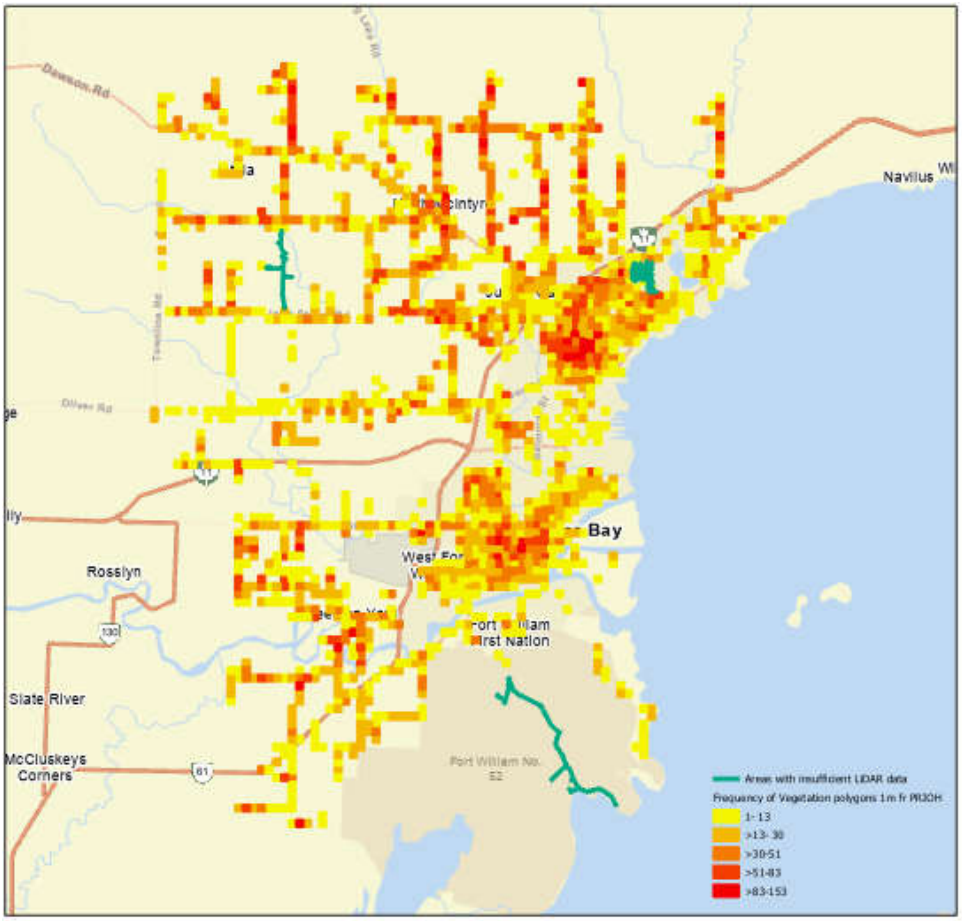

Figure 2: Illustration of areas within the city that have a low to high concentration of vegetation within 1m of the primary overhead wires.

Appendix B Local Advisory Council Minutes March 3, 2022

LOCAL ADVISORY COUNCIL MINUTES
March 3, 2022 – Virtual

ATTENDANCE:

A. Armitage A. Magill	David Walsh Anne-Marie Heron Sila Taymaz Glen Polhill Lucas Jewitt - Regrets

5:00pm → Meeting starts

1. **5:03pm - Acceptance of last meetings minutes**

   - all accept

2. **5:05pm Tree Trimming Presentation – Andy Armitage**

   - stems from Cost of Service (COS) – why?
   - safety standards, power reliability, system reliability maintenance
   - fair bit of growth on our lines due to passing time
   - Lidar radar – fly over of the City and mapped out where the trees sit in relation to our lines and how much density is there
   - mapped out the areas that need to be focused on
   - high risk of vegetation around our lines that puts us outside of the vegetation standards
   - been reactive in the past rather than proactive
   - between our pole spans, we are going to mark how much vegetation so we can understand the growth rate
   - meet industry standard to cut it back to standards
   - have a cycle of trimming, money your spending is proactively keeping the trees back
   - in order to do this, plan of attack is to remove hazards within the next two years
   - increase spending to be ahead of the vegetation growth rate & achieve a steady rate of spending

What does this mean for customers?

- $1 per residential bill will be required to maintain reactive approach and SN will not be within the CSA standard
- $1-1.50 per RS bill will move SN into compliance with CSA standard but will not be enough to maintain a proactive cycle. Over time, we will not be able to trim faster than growth on the entire system
- $1.50-$2.00 per RS bill will allow SN to reach our goal

How does the group feel about the best way to approach our customers?

- online learning tools?
- surveys?
- presentations? – Chamber of Commerce, no other larger groups that AMH can think of for industrial customers
- in person?

Group liked the idea of online learning tools and in person meetings the best.

Questions regarding the tree trimming presentation:

DW – was there ever a point where there was a tree maintenance schedule at hydro?

AA – no, always reactive based on outages or when a customer calls in. Never a cyclical maintenance.

DW – current home, trimming was done, what was this based on?

AA – based on capital work, trees trimmed first then poles put up.

DW – areas done recently, are they being mapped now?

AA – yes, based on a Hydro One design which is a 3-year cycle.

What does $2 a bill mean to customers? Value?

DW – okay with the $2 amount as he understands the importance

GP – agrees with Dave, security of reliability

ST – feels the same

AMH – ensure that it is being maintained going forward, otherwise okay with it

AA – yes, it would be. Significant ramp up to have the plan, do the work and be in a cycle that makes sense.

ST – SN should approach senior citizens within the City, might be most interested to learn about this as they have the time and are on a fixed income. 55 plus center, also the one in FW.

EXHIBIT 4

ATTACHMENT 4 - D

REGULATORY COST SCHEDULE, APPENDIX 2-M

SYNERGY NORTH CORPORATION

File Number:	EB-2023-0052
Exhibit:	4
Tab:	
Schedule:	
Page:	
Date:	16-Aug-23

TO BE UPDATED AT THE DRAFT RATE ORDER STAGE

Appendix 2-M
Regulatory Cost Schedule

	Regulatory Cost Category	USoA Account	USoA Account Balance	Last Rebasing Year (2017 OEB Approved)	Last Rebasing Year (2017 Actual)	Most Current Actuals Year 2022	2023 Bridge Year	Annual % Change	2024 Test Year	Annual % Change
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)=[(G)-(F)]/(F)	(I)	(J) = [(I)-(G)]/(G)
	Regulatory Costs (Ongoing)									
1	OEB Annual Assessment	5655		245,290	230,350	248,072	254,969	2.78%	268,257	5.21%
2	OEB Section 30 Costs (OEB-initiated)	5655		17,485	4,331	12,385	8,531	-31.12%	12,000	40.66%
3	Expert Witness costs for regulatory matters									
4	Legal costs for regulatory matters	5655		15,000		16,811		-100.00%		
5	Consultants' costs for regulatory matters									
6	Operating expenses associated with staff resources allocated to regulatory matters									
7	Operating expenses associated with other resources allocated to regulatory matters [1]									
8	Other regulatory agency fees or assessments									
9	Any other costs for regulatory matters (please define)	5655		24,100	21,155	25,060	25,000	-0.24%	28,500	14.00%
10	Intervenor costs	5655								
11	Include other items in green cells, as applicable									
12										
29										
30										
	Regulatory Costs (One-Time)									
1	Expert Witness costs	5655		3,000						
2	Legal costs	5655		4,000	351,369			-100.00%	145,000	
3	Consultants' costs	5655		76,098					382,500	
4	Incremental operating expenses associated with staff resources allocated to this application.									
5	Incremental operating expenses associated with other resources allocated to this application. [1]								60,280	
6	Intervenor costs	5655		60,800					110,000	
7	OEB Section 30 Costs (application-related)									
8	Include other items in green cells, as applicable	5655		7,500						
9										
30										
1	Sub-total - Ongoing Costs [2]		$ -	$ 301,875	$ 255,836	$ 302,327	$ 288,500	-4.57%	$ 308,757	7.02%
2	Sub-total - One-time Costs [3]		$ -	$ 151,398	$ 351,369	$ -	$ -		$ 697,780	
3	Total		$ -	$ 453,273	$ 607,205	$ 302,327	$ 288,500	-4.57%	$ 448,313	55.39%

Application-Related One-Time Costs	Total
Total One-Time Costs Related to Application to be Amortized over IRM Period	$ 697,780
1/5 of Total One-Time Costs	$ 139,556

Notes:

[1] Please identify the resources involved.
[2] Sum of all ongoing costs.
[3] Sum of all one-time costs related to this application.