

# SYNERGY NORTH CORPORATION

---

EXHIBIT 4  
OPERATING EXPENSE



1	<b>TABLE OF CONTENTS</b>	
2	4.1 Overview .....	7
3	4.1.1 Background .....	7
4	4.1.2 2024 Test Year OM&A Expense Summary.....	7
5	4.1.3 OM&A Budgeting Process .....	8
6	4.1.4 2017 Board Approved Proxy .....	10
7	4.1.5 Presentation of Consolidated OM&A Expenditures .....	11
8	4.1.6 2024 Test Year OM&A Expense Summary and Cost Trends .....	11
9	4.1.7 Accounting Policy Changes.....	19
10	4.1.8 Inflation Rate Assumed .....	19
11	4.1.9 Business Environment Changes .....	20
12	4.2 OM&A Summary and Cost Driver .....	23
13	4.2.1 Summary of Recoverable OM&A Expenses.....	23
14	4.2.2 Cost Driver Tables .....	24
15	4.2.3 OM&A Cost per Customer and Full-Time Equivalent .....	32
16	4.2.4 Capitalized OM&A.....	33
17	4.3 OM&A Program Delivery with Variance Analysis .....	34
18	4.3.1 Program Delivery and Variance Analysis .....	34
19	4.3.2 Operations Work Programs.....	37
20	4.3.3 Maintenance Work Programs .....	49
21	4.3.4 Customer Service Work Programs.....	71
22	4.3.5 Administration Work Programs.....	74
23	4.3.6 Information Technology .....	85
24	4.4 Workforce Planning and Employee Compensation .....	86
25	4.4.1 Introduction .....	86
26	4.4.2 Workforce Planning .....	89
27	4.4.3 Compensation Strategy.....	91
28	4.4.4 FTE and Employee Costs .....	93
29	4.4.5 FTE, Wages & Benefits Variance Analysis.....	94

1	4.4.6	Employee Benefit Programs.....	106
2	4.5	Shared Services and Corporate Cost Allocation.....	111
3	4.5.1	Overview.....	111
4	4.5.2	Shared Services To Affiliates .....	112
5	4.5.3	Shared Services From Affiliates.....	115
6	4.5.4	Affiliate Board of Director Costs.....	115
7	4.5.5	Variance Analysis .....	115
8	4.6	Non-Affiliate Services, One Time Costs, Regulatory Costs.....	116
9	4.6.1	Non-Affiliate Services.....	116
10	4.6.2	One Time Costs .....	117
11	4.6.3	Regulatory Costs .....	117
12	4.7	Low-Income Energy Assistance Program (LEAP), Charitable and Political Donations.....	118
13	4.7.1	LEAP .....	118
14	4.7.2	Charitable Donations .....	118
15	4.7.3	Political Donations .....	118
16	4.8	Conservation and Demand Management.....	119
17	4.9	Funding Options for Future Conservation and Demand Management Activities .....	119
18			
19			

**1 TABLES**

2 Table 4-1: 2024 Test Year OM&A Expenses ..... 8

3 Table 4-2: Computation of Former KHEC Board Approved Proxy ..... 10

4 Table 4-3: Computation of 2017 Board Approved Proxy ..... 11

5 Table 4-4: Former KHEC 2017 Board Approved Proxy vs KHEC 2017 And 2018 Actuals ..... 11

6 Table 4-5: 2017 Board Approved Proxy to 2024 Test Year (Appendix 2-JA)..... 12

7 Table 4-6: OM&A Expenditures 2017 BA Proxy to 2024 Test Year (Figure 4.1 Data Points). 13

8 Table 4-7: Inflation Factors..... 19

9 Table 4-8: CPI Forecasts By Major Financial Institutions..... 20

10 Table 4-9: Summary of Recoverable OM&A Expenses (Appendix 2-JA) ..... 24

11 Table 4-10: Primary OM&A Cost Drivers..... 24

12 Table 4-11: Cost Driver Table (Appendix 2-JB) ..... 26

13 Table 4-12: Recoverable OM&A Cost per Customer and per FTE (Appendix 2-L) ..... 33

14 Table 4-13: Capitalized OM&A (Appendix 2-D)..... 33

15 Table 4-14: OM&A Program Table (APPENDIX 2-JC) ..... 35

16 Table 4-15: USofA Accounts within OM&A Programs (Appendix 2-JC) ..... 36

17 Table: 4-16: IT Costs Allocated to OM&A Programs..... 85

18 Table 4-17: Current Collective Agreements ..... 87

19 Table 4-18: PLT FTE’s From 2017 to 2024 ..... 91

20 Table 4-19: FTE & Employee Costs..... 93

21 Table 4-20: FTE and Employee Cost Variances..... 94

22 Table 4-21: Employee Benefits Charged Directly to OM&A and Capital ..... 108

23 Table 4-22: Employee Benefits Charged to OM&A ..... 109

1	Table 4-23: Shared Services and Corporate Cost Allocation for 2017 (Appendix 2-N) .....	114
2	Table 4-24: Shared Services and Corporate Cost Allocation for 2018 (Appendix 2-N) .....	114
3	Table 4-25: Shared Services and Corporate Cost Allocation for 2019 (Appendix 2-N) .....	114
4	Table 4-26: Shared Services and Corporate Cost Allocation for 2020 (Appendix 2-N) .....	114
5	Table 4-27: Shared Services and Corporate Cost Allocation for 2021 (Appendix 2-N) .....	115
6	Table 4-28: Shared Services and Corporate Cost Allocation for 2022 (Appendix 2-N) .....	115
7	Table 4-29: Shared Services and Corporate Cost Allocation for 2023 (Appendix 2-N) .....	115
8	Table 4-30: Shared Services and Corporate Cost Allocation for 2024 (Appendix 2-N) .....	115
9	Table 4-31: Summary of Affiliates Services and Corporate Cost Allocations.....	116
10	Table 4-32: LEAP .....	118
11		

## 1 LIST OF ATTACHMENTS

- 2 4-A SNC Sick Leave Benefits and Post-Retirement Non Pension Benefits Actuary Report
- 3 4-B SNC Purchasing Policy
- 4 4-C Vegetation Management Plan 2022
- 5 4-D Appendix 2-M

## 1 **4.1 OVERVIEW**

---

### 2 **4.1.1 BACKGROUND**

---

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

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

### 14 **4.1.2 2024 TEST YEAR OM&A EXPENSE SUMMARY**

---

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

1 **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
<b>Total</b>	<b>\$ 17,307,644</b>	<b>\$ 21,432,230</b>
%Change		<b>23.83%</b>

2  
3 **4.1.3 OM&A BUDGETING PROCESS**

---

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

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

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

16 SNC employs the following processes with respect to its budgeting:

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

- 1 • Each department manager or supervisor then develops capital and operating plans with these issues  
2 or objectives in mind. The following directives are provided to each manager and supervisor to assist  
3 them with preparation:
- 4 ➤ External expenses for all department budgets are built using previous year actual, current year  
5 forecast and current year budget as a base. Each third-party expense is reviewed to determine  
6 whether the service is required and whether there are opportunities for cost minimization or  
7 service level improvements.
  - 8 ➤ Significant variances in spending from prior years must be explained and documented.
  - 9 ➤ Review of department headcount-based requirement for staff and need for change.
- 10 • Each department works with Finance to prepare a labour budget using projected wage and benefit  
11 costs. Overtime is based on projected need and historical comparisons with an expectation that it is  
12 closely managed to reduce costs where possible. Salaries, overtime, and payroll burden are distrusted  
13 over accounts based on historical and forecasted allocations.
- 14 • Overhead department costs are budgeted and allocated over operating, maintenance and capital  
15 accounts based on what is considered directly attributable to capital and the allocation driver for the  
16 partial overhead departments.
- 17 • The Finance department then completes an initial consolidation of all departments to develop a draft  
18 budget. Finance works with each department to identify variances and issues for consideration.
- 19 • Senior management reviews the draft budget and makes changes to balance cost control with  
20 achieving core objectives as per SNC's Board Approved Business Plan. In an effort to contain costs and  
21 explore efficiencies and still provide an acceptable level of reliability and customer service, the team  
22 looks in detail for discretionary costs and identifies cost areas that can be delayed or addressed with  
23 alternative approaches.
- 24 • Senior management makes a submission to the Board of Directors on the proposed budget and formal  
25 approval is requested.
- 26 • Once the Board of Directors approves the annual budget the budget amounts do not change, and it  
27 provides a plan against which actual results are compared and explained.
- 28 SNC's Distribution System Plan ("DSP") and Asset Management Plan, are also used to determine the  
29 necessary distribution system operations and maintenance expenditures need to help ensure safe,  
30 reliable delivery of electricity to customers. This information is provided in Exhibit 2, Attachment 2-A  
31 (DSP).

1 **4.1.4 2017 BOARD APPROVED PROXY**

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

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

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

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

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

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

16 **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
<b>Total</b>	<b>\$ 1,971,056</b>	<b>\$ 1,988,401</b>	<b>\$ 1,997,946</b>	<b>\$ 2,019,923</b>	<b>\$ 2,040,122</b>	<b>\$ 2,070,724</b>	<b>\$ 2,097,643</b>

17

1 **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
<b>Total</b>	<b>\$ 15,210,000</b>	<b>\$ 2,097,643</b>	<b>\$ 17,307,644</b>

2  
3 **4.1.5 PRESENTATION OF CONSOLIDATED OM&A EXPENDITURES**

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

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

9  
10 **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
<b>Total</b>	<b>\$ 2,097,643</b>	<b>\$ 2,211,789</b>	<b>\$ 2,309,936</b>

11  
12 **4.1.6 2024 TEST YEAR OM&A EXPENSE SUMMARY AND COST TRENDS**

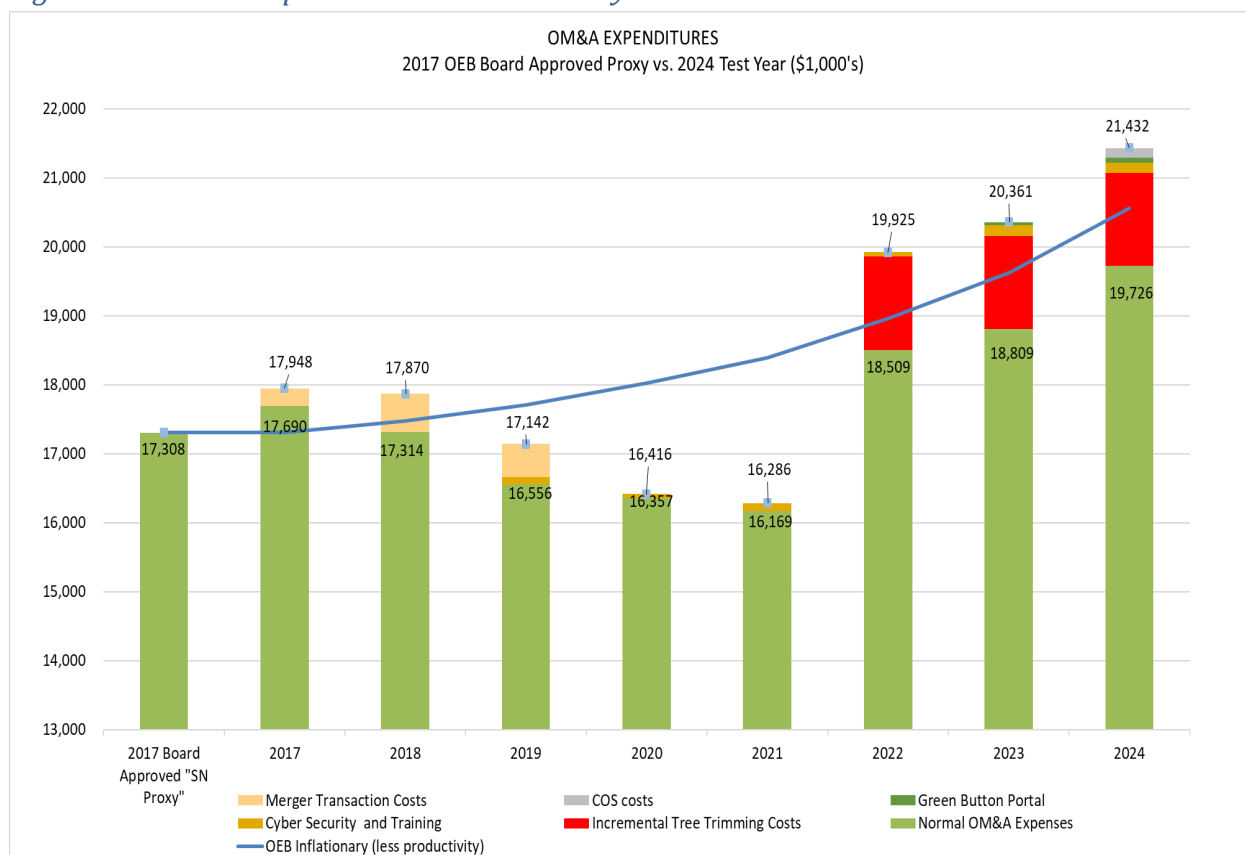
13 SNC's Test Year OM&A expenses are \$21,423,230 including expenditures relating to LEAP. A summary of  
 14 OM&A expenses from 2017 Board Approved Proxy to the 2024 Test Year is in Table 4-5 below.

1 **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
<b>Total</b>	<b>\$ 17,307,644</b>	<b>\$ 17,947,718</b>	<b>\$ 17,869,739</b>	<b>\$ 17,142,144</b>	<b>\$ 16,416,351</b>	<b>\$ 16,286,459</b>	<b>\$ 19,924,511</b>	<b>\$ 20,361,448</b>	<b>\$ 21,432,230</b>
%Change (year over year)		3.70%	-0.43%	-4.07%	-4.23%	-0.79%	22.34%	2.19%	5.26%

2  
 3 Figure 4.1 below illustrates the level of OM&A expenditures for the 2017 Board Approved Proxy, 2017 to  
 4 2022 Actuals, 2023 Bridge and 2024 Test Year, and compares the actual and proposed levels of OM&A for  
 5 SNC to the level of OM&A derived from taking the 2017 Board Approved Proxy OM&A and applying the  
 6 OEB's inflation factor over the same period. Total expenditures reconcile to Appendix 2-JA.

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



8  
 9 Table 4-6 below portrays the specific elements of the above graph.

1 **TABLE 4-6: OM&A EXPENDITURES 2017 BA PROXY TO 2024 TEST YEAR (FIGURE 4.1 DATA**  
 2 **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
<b>Total OM&amp;A (Appendix 2-JA)</b>	<b>\$ 17,947,718</b>	<b>\$ 17,869,739</b>	<b>\$ 17,142,144</b>	<b>\$ 16,416,351</b>	<b>\$ 16,286,459</b>	<b>\$ 19,924,511</b>	<b>\$ 20,361,448</b>	<b>\$ 21,432,230</b>
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

3  
 4 This illustrates that SNC has achieved significant operating efficiencies between 2019 and the 2024 Test  
 5 Year. In order to fully understand SNC's trend in OM&A over the six year historical period, and the  
 6 forecasted bridge and test year, a summary of key events that occurred in each year is provided below:

7 *2017 to 2018*

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

10 *2019*

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

14 *2020*

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

- 24 • Shutdown of all non-critical work from March 23, 2020, until April 29, 2020.
- 25 • Cuts to outside contracting to both capital and OM&A with expected OM&A savings of \$105,000.
- 26 • Suspension of all travel, conferences and in person training with initial projected savings in OM&A of  
 27 \$182,000.

1 • A decision to defer the hiring of unfilled Power Line Technician positions. With projected cash savings  
2 of \$110,000 to OM&A and \$615,000 to capital. Suspension of all promotion and sponsorship programs  
3 estimated in the amount of \$43,000.

4 • Other designated items in the amount of \$92,000.

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

9 The actual OM&A reductions were as follows:

- 10 • Contractor spending \$207,000
- 11 • Labour (Hiring and attribution) \$110,000
- 12 • Overhead allocation \$651,000
- 13 • Travel, Seminars and Conferences \$183,000
- 14 • Promotion \$58,000
- 15 • Training \$44,000
- 16 • Other \$104,000

17 The total decrease in OM&A, as a result of pandemic cuts and unplanned broadband requirements was  
18 \$1.36 million in 2020.

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

### 23 *2021*

24 The pandemic persisted through to late 2021 and due to the provincial health guidelines SNC continued  
25 to prohibit travel, reduce onsite training, and continued to require support staff to work from home. In  
26 addition, provincial isolation rules which required staff to isolate for 10 days following a positive COVID-  
27 19 test decreased availability of staff to perform work. Additionally, there are limited qualified powerline  
28 subcontractors in the Thunder Bay and Kenora regions. The strategic decision to defer subcontractor work  
29 in 2020 had unintended repercussions that lasted beyond the initial pandemic response. Contractors were

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

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

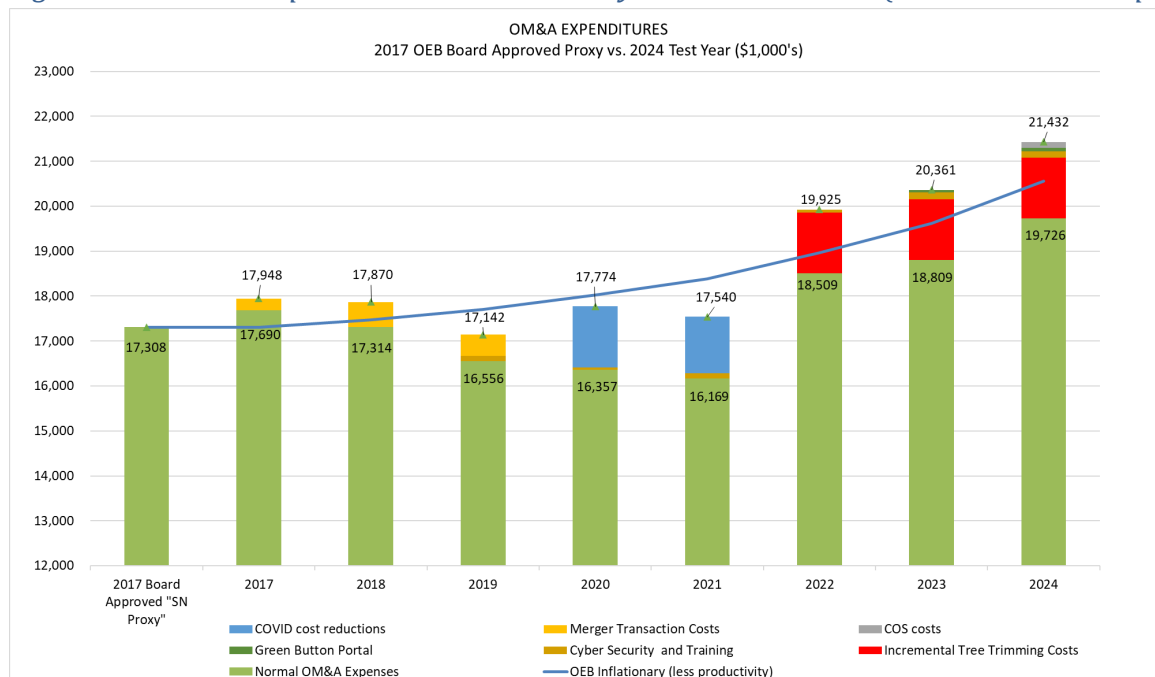
12 The financial impacts of the above was:

- 13 • Reduction in labour of \$270,000
- 14 • Reduction in overhead of \$516,000
- 15 • Reduction in non-forestry contractors of \$158,000
- 16 • Reduction in travel of \$175,000
- 17 • Reduction in supply purchases of \$136,000

18 A total OM&A reduction of \$1.25 million.

19 Figure 4.2 below shows the implications of the pandemic related decisions on SNC's OM&A costs in years  
20 2020 and 2021. Had the pandemic not occurred, SNC's historical OM&A would have followed a trend  
21 much closer to just inflationary impact, while still achieving merger synergies.

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



2

3 *2022*

4 The most significant increase in OM&A was an incremental \$1.35 million spent on tree trimming costs in  
 5 2022. The increased spend on tree trimming was to address the first objective of SNC's Vegetation  
 6 Management Plan, filed as Attachment 4-C, to eliminate immediate hazards by removing any vegetation  
 7 within 1m of overhead primary lines. Further details are provided in Section 4.3.3.5 Vegetation  
 8 Management Program Delivery and variance analysis.

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

12 Although COVID-19 continued to impact certain aspects of the operations in 2022, SNC was able to obtain  
 13 sufficient contractors to meet its desired maintenance programs. The available contractor capacity  
 14 allowed SNC to catch-up on a portion of the maintenance that was forgone over the prior two years in the  
 15 amount of \$438,000. As explained in Exhibit 1 - Section 1.6.6, SNC found deficiencies in its Skywire as part  
 16 of its system investigation in 2020, however as a result of the pandemic, this work was deferred until  
 17 2022. During inspection in 2022 it was determined that most installations that had Skywire had the same  
 18 hazard, these poles had sufficient shell-rot at the top of the pole where the Skywire attachment was  
 19 located. The Skywire itself was deteriorated due to its age, exposure to the elements, lightning strikes,

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

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

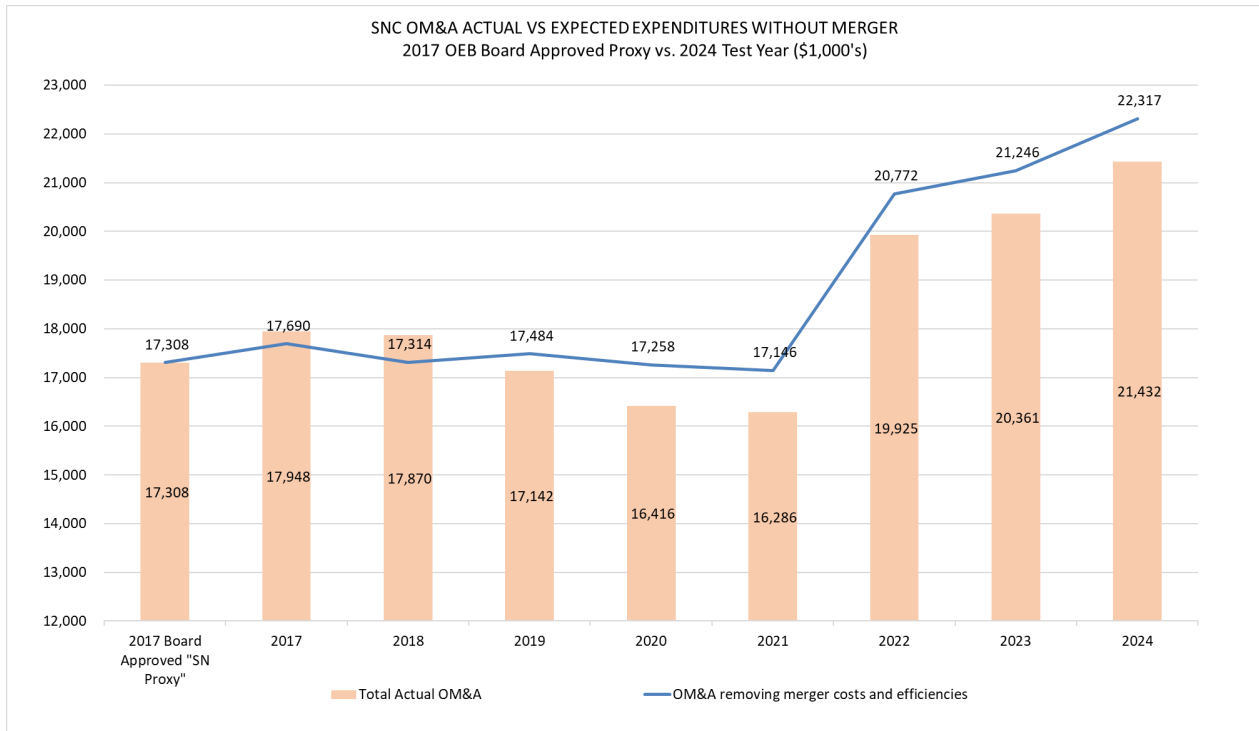
7 *2023 & 2024*

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

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

16

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



2  
 3 The chart in Figure 4.3 above shows that SNC achieved the merger savings it was expecting throughout  
 4 2019 to 2021 as a decrease in OM&A in 2020 and 2021 due to management decisions made throughout  
 5 the COVID period. OM&A is higher in 2022 due to an incremental increase of \$1.35 million in tree  
 6 trimming expenses (Section 4.3.3.5) as well as the return of in person training, conferences, and meetings,  
 7 and the catch up on maintenance work as discussed above.

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

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

4 **4.1.7 ACCOUNTING POLICY CHANGES**

---

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

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

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

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

17 **4.1.8 INFLATION RATE ASSUMED**

---

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

23 **TABLE 4-7: INFLATION FACTORS**

Year	Inflation
2023	3.70%
2024	2.00%

24  
 25 Labour cost escalation for union and non-union employees, of 3.0% was used in the preparation of the  
 26 operating and capital budgets. These assumptions are aligned to the collective agreement ratified for the  
 27 period May 1, 2022, to April 30, 2025. The 2% for 2024, for non labour items is slightly lower than the

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

3 **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
<b>Average</b>	<b>6.82%</b>	<b>3.48%</b>	<b>2.16%</b>	

4  
 5 Canada’s annual inflation rate in February 2023 was 5.2%. Although economists are predicting inflation  
 6 to come back down to 2.16% on average in 2024, the full impact and duration of this emerging trend is  
 7 not yet known, however it is expected that SNC’s operating and capital expenditure costs will likely be  
 8 higher than what is currently in proposed 2024 rates if inflation does not come down to predicted rates.

9  
 10 **4.1.9 BUSINESS ENVIRONMENT CHANGES**

---

11 **Business Environment Changes**

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

15 **Tree Trimming / Vegetation Management**

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

---

<sup>1</sup> “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

<sup>2</sup> “Northwestern Ontario dealing with surge in forest fires as hot, dry weather settles into region” Nick Westoll, Global News, Posted July 9, 2021

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

3 An aerial LIDAR survey identified that a significant portion of SNC's overhead system was exposed to  
4 vegetation within 1 meter. In order to address this risk, SNC had to spend an additional \$1.35 million  
5 (\$2.37 million in total) in 2022 at no additional cost to customers and is projecting to spend an additional  
6 \$1.35 million (\$2.23 million in total) in 2023 to eliminate the immediate hazards posed by the vegetation.  
7 SNC only had \$721,653 in its budgeted tree trimming account based in its last approved COS, therefore  
8 the majority of these costs were not in its rates. Going forward, SNC's ultimate goal within this application  
9 period is to achieve an optimized vegetation management cycle consistent with LDC's in Ontario. The  
10 combination of increased costs for tree trimming and the magnitude of vegetation in the SNC service  
11 territory is further described below in Exhibit 4, Section 4.3.3.5 – Vegetation Management Program.

## 12 **Competitive Labour Market**

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

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

## 26 **Technological Advancements and Cyber Security**

---

<sup>3</sup> "Ontario's fire season picking up with 51 active forest fires" CBC News, Posted Jun 20, 2023

<sup>4</sup> [Thunder Bay Employment Trends | CREA Statistics](#)

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

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

14 Having a robust cyber security program will also include regular penetration and tabletop attack exercises.  
15 The common occurrence of these exercises will ensure that a corporation is prepared if an attack occurs.  
16 Cybersecurity costs from 2019 to 2023 are \$634,290, an amount that is \$503,056 greater than what was  
17 approved in 2017 rates. An average of \$100,611 higher per year since 2019.

### 18 **Regulatory and Policy Changes**

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

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

- 1 • Implementation of the Fair Hydro Plan Act (2017)
- 2 • Introduction of the Winter Disconnection Moratorium (2017)
- 3 • Implementation of the OEB Cyber Security Framework (2018)
- 4 • Increased reporting for Activity and Program-based Benchmarking Initiative (2019)
- 5 • The cancellation and centralization of Conservation and Demand Management (CDM) (2019 & 2020)
- 6 • Implementation of the Ontario Rebate for Electricity Consumers Act (“OREC”) (2019)
- 7 • Implementation of changes to Customer Service Rules (2019 & 2020)
- 8 • Continued connection of Renewable Generation
- 9 • Implementation of the OEB’s standardized accounting process for RPP settlement (2019)
- 10 • Implementation of changes to Customer Service Rules (2019 & 2020)
- 11 • Elimination of the Collection of Account Charge (2019)
- 12 • Installation of Metering Inside the Settlement Timeframe (MIST) meters for GS>50kW customers
- 13 (2020)
- 14 • Implementation of COVID-19 Billing Changes (2020)
- 15 • Implementation of Time of Use Opt-Out (2020)
- 16 • Green Button Implementation (2023)
- 17 Resources to address regulatory demands and to participate in regulatory processes and proceedings
- 18 effectively continue to be an issue for SNC. There has been significant turnover in regulatory roles, and
- 19 jobs remain unfilled due to the inability to find and recruit qualified people.

## 20 **4.2 OM&A SUMMARY AND COST DRIVER**

---

### 21 **4.2.1 SUMMARY OF RECOVERABLE OM&A EXPENSES**

---

22 SNC follows the Board’s Accounting Procedures Handbook (“APH”) in distinguishing work performed  
23 between operations and maintenance. A Summary of SNC’s OM&A expenses (5005- 5695, 6205),  
24 including LEAP payments, for the 2017 Board Approved Proxy, 2017-2022 Actuals, 2023 Bridge Year and  
25 2024 Test Year is provided in Table 4-9: Summary of Recoverable OM&A Expenses below, which is  
26 consistent with the Boards’ Appendix 2-JA. SNC is proposing to receive the 2024 Test Year costs through  
27 distribution rates for the 2024 Test Year.

1 **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
<b>Total O&amp;M</b>	<b>\$8,251,620</b>	<b>\$8,785,036</b>	<b>\$9,154,901</b>	<b>\$8,880,567</b>	<b>\$8,316,594</b>	<b>\$8,386,665</b>	<b>\$11,359,433</b>	<b>\$11,252,770</b>	<b>\$11,778,894</b>
%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
<b>Total Admin</b>	<b>\$9,056,024</b>	<b>\$9,162,682</b>	<b>\$8,714,839</b>	<b>\$8,261,577</b>	<b>\$8,099,757</b>	<b>\$7,899,794</b>	<b>\$8,565,078</b>	<b>\$9,108,678</b>	<b>\$9,653,336</b>
			-4.9%	-5.2%	-2.0%	-2.5%	8.4%	6.3%	6.0%
<b>Total OM&amp;A</b>	<b>\$ 17,307,644</b>	<b>\$ 17,947,718</b>	<b>\$ 17,869,739</b>	<b>\$ 17,142,144</b>	<b>\$ 16,416,351</b>	<b>\$ 16,286,459</b>	<b>\$ 19,924,511</b>	<b>\$ 20,361,448</b>	<b>\$ 21,432,230</b>
%Change (year over year)			-0.4%	-4.1%	-4.2%	-0.8%	22.3%	2.2%	5.3%

2  
3 **4.2.2 COST DRIVER TABLES**

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

9 **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%	
<b>2024 Test Year OM&amp;A</b>	<b>\$ 21,432,230</b>	

10  
11 2024 Test Year OM&A expenditures are 23.83% higher than 2017 Board Approved Proxy levels, which  
 12 equates to an average of 3.4% annually. If the incremental tree trimming costs were not incurred, the  
 13 annual average increase would be 2.29%, which is below the annual average CPI for the same period. The  
 14 primary reason for the increase is inflation impacts on labour and non-labour costs, increased tree  
 15 trimming costs, higher levels of general administration and overhead costs in support of work programs  
 16 and increased costs in support of growing asset base (further discussed below in Section 4.3.1).

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

---

<sup>5</sup> [Employer health benefits cost trends rising 10% in 2023: survey | Benefits Canada.com](#)

- 1           ➤ Engineering - increase of \$277,572 charged to OM&A driven by inflationary increases, the
- 2           addition of an Operations Project Manager and increased reliance of Locates
- 3           subcontractors to comply with ON1call's 5 days service requirement.
- 4           ➤ Supervisory - increase of \$175,497 charged to OM&A, as a result of inflationary changes
- 5           and migration from Kenora's accounting practices to Thunder Bay's as a result of the
- 6           merger.
- 7           ➤ Building Costs have increased \$221,426, the main driver of this is the rent expenses for
- 8           SNC's Operation Centre has risen by \$163,909 from 2017 to 2024. As discussed in Exhibit
- 9           1 - Section 1.4.17, building costs would have been \$118,776 higher in 2024 if SNC did not
- 10          decide to move. SNC made the decision to consolidate rental space at its head office, this
- 11          decision will result in an overall reduction in 7,199 sq ft of rented space. Consolidation
- 12          will result in over \$1 million in savings over the next 10 years.

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

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

17

OM&A	Last Rebasings Year (2017 Actuals)	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
<b>Reporting Basis</b>								
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
Building / 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

18

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

#### 5 **Change in Salaries, Wages and Benefits**

##### 6 ***Last Rebasing to Actual 2017 - (\$205,853)***

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

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

##### 11 ***2018 Actual to 2019 Actual – (\$471,789)***

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

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

##### 17 ***2020 Actual to 2021 - \$255,591***

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

##### 20 ***2022 Actual to 2023 Bridge - \$632,577***

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

##### 28 ***2023 Bridge Year to 2024 Test - \$508,065***

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

1   **Training**

2    **2022 Actual to 2023 Bridge - \$178,324**

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

7   **Trucking**

8    **2021 Actual to 2022 Actual - \$207,897**

9    2022 Fleet Department costs are up \$207,897 over 2021 Actuals. The cost drivers for the department  
10   cost increase include increased depreciation, and a significant increase in the cost of gas and oil (a 31%  
11   increase in diesel fuel, and 20% increase in gasoline fuel costs). Trucking costs are aligned with how staff  
12   is deployed throughout the organization.

13   **Professional Fees**

14   **2017 Last Rebasing to 2017 Actual - \$548,811**

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

19   2017 Actual Professional fees for TBHEDI's last cost of service application were significantly higher than  
20   budgeted as TBHEDI incurred unbudgeted costs for additional expert witness costs, the legal costs  
21   associated with witness preparation and costs of attendance at oral hearing etc.

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

24   **2017 Actual to 2018 Actual – (\$266,447)**

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

27   **2019 Actual to 2020 Actual (\$347,386)**

28   2019 Actual professional fees were quite high as a result of legal and consulting costs associated with the  
29   merger. TBHEDI and KHEC incurred \$479,213 in 2019 of merger transaction costs. After the amalgamation  
30   was in place the associated professional fees dropped in accordance in 2020.

1 **Bad Debts**

2 **2017 Actual to 2018 Actual – (\$217,013)**

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

6 **2019 Actual to 2020 Actual - \$257,612**

7 The increase in Bad Debt cost driver in 2021 were a result of multiple items, a balance owing from a large  
8 customer was deemed non-collectable in the amount of \$61,000. Actual account write-offs in 2020  
9 exceeded the corresponding provision by \$140,000, as a result of the OEB Winter Disconnection  
10 Moratorium for Residential customers. This ban has caused increases in the amount of bad debt each year  
11 as students and transient people move out of the service territory by the time the disconnection ban has  
12 ended each spring. Lastly, management anticipated that the COVID-19 pandemic would have an impact  
13 on the collectability of debt, based on an analysis of over 60 day accounts, an additional provision of  
14 \$72,000 was included in the year.

15 **2020 to 2021 Actual – (\$256,438)**

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

17 **Outside Services**

18 **2017 Last Rebasing to 2017 Actual - \$427,464**

19 \$427,464 increase was due to the following increases to Outsourced work:

- 20 • \$196,060 increase in outside services as SNC was hit with two significant weather events during the  
21 year.
- 22 • Kenora Outside Services costs increased by \$110,442 vs the calculated 2017 proxy. The majority of  
23 these balances relate to City of Kenora costs which were \$100,000 higher than proxy.

24 **2017 to 2018 Actual – \$231,018**

25 \$231,018 increase was due to SNC experiencing three significant weather events during the year which  
26 resulted in additional outside service requirements. As a result of some timing constraints SNC moved  
27 PLT's to recoverable work for a portion of the period, requiring increased usage of contractors at the end  
28 of the year to complete required work. In addition, as described in 4.4.2 Workforce planning staffing mix  
29 was reviewed and 3 PLT's were not hired in 2017, these lost hours were filled with contractors in 2018.

1    **2018 to 2019 Actual – (\$663,650)**

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

8    **2019 to 2020 Actual – (\$348,004)**

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

16   **2021 to 2022 Actual – 945,310**

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

25   **2022 to 2023 Actual – (\$708,128)**

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

28   In additional as discussed in 4.1.6, a portion of the Skywire work was catch up work resulting from COVID.  
29   2023 is a return to expected spending levels.

30   **Outside Services – Tree Trimming**

1 **2017 Last Rebasing to 2017 Actual - \$348,514**

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

3 **2017 to 2018 Actual – (\$204,629)**

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

8 **2021 Actual to 2022 Actual – \$1,263,022**

9 Based on the Vegetation Management Plan put in place in May of 2022, as described in Section 4.3.3.5,  
10 the plan was to clear vegetation identified within 1m back to 3m by subcontractors for a total cost of  
11 \$2,053,194. The Vegetation Management Plan can be found in Attachment 4-C.

12 **2022 Actual to 2023 Bridge – (\$198,996)**

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

14 **Administrative**

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

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

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

23 **2018 Actual to 2019 Actual – \$498,575**

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

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

3 **2019 Actual to 2020 Actual – (\$196,457)**

4 2019 balances included a \$114,881 inventory write-off an expense that didn't occur in 2020. SNC also  
5 saw a reduction working meals, training, and conference charges as a result of COVID-19. SNC received a  
6 \$19,963 insurance recovery in the year charged to this cost driver.

7 **2021 Actual to 2022 Actual – \$266,207**

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

12 **2022 Actual to 2023 Bridge - \$369,798**

13 2023 increase is the result of further increase in IT costs. As discussed in Section 4.3.6 Information  
14 Technology, a \$25,000 penetration test was deferred from 2022 to 2023. Combination of inflation,  
15 increased cybersecurity fees and an IBM I security audit resulted in an additional \$75,000 in expenditures.  
16 The remainder of the increase relates to increased supply purchases, particularly small tools, and  
17 equipment. These accounts vary depending on failure testing, type of work being performed, technology  
18 changes and standards. Fewer replacement and upgrades were required in 2022, resulting in projected  
19 increase in 2023 of \$110, 930 in operations and stations.

20 **Overhead Costs**

21 **2021 Actual to 2022 Actual – \$374,206**

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

27 **4.2.3 OM&A COST PER CUSTOMER AND FULL-TIME EQUIVALENT**

---

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

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

3 **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
<b>Reporting Basis</b>									
<b>OM&amp;A Costs</b>									
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 <sup>5</sup>	\$ 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 <sup>5</sup>	\$ 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 <sup>2,4</sup>	55,827	56,857	56,944	57,071	57,274	57,384	57,481	57,625	57,770
Number of FTEs <sup>3,4</sup>	154	141	137	137	129	132	128	136	135
Customers/FTEs	363	402	416	416	444	433	450	423	427
<b>OM&amp;A cost per customer</b>									
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
<b>OM&amp;A cost per FTE</b>									
O&M per FTE	\$53,707	\$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

5 **4.2.4 CAPITALIZED OM&A**

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

9 **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
<b>Total Capitalized OM&amp;A (A)</b>	<b>3,308,893</b>	<b>3,211,153</b>	<b>3,349,454</b>	<b>3,796,941</b>	<b>3,650,407</b>	<b>3,845,739</b>	<b>3,906,510</b>	<b>4,435,035</b>	<b>4,759,293</b>

10

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

1 **4.3 OM&A PROGRAM DELIVERY WITH VARIANCE ANALYSIS**

---

2 **4.3.1 PROGRAM DELIVERY AND VARIANCE ANALYSIS**

---

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

11

1 **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)
<b>Reporting Basis</b>											
<b>Operations</b>											
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
<b>Sub-Total</b>	<b>3,538,189</b>	<b>2,881,340</b>	<b>3,312,882</b>	<b>3,365,919</b>	<b>2,748,749</b>	<b>2,820,903</b>	<b>3,228,112</b>	<b>3,862,346</b>	<b>4,326,174</b>		
<b>Maintenance</b>											
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
<b>Sub-Total</b>	<b>4,713,431</b>	<b>5,903,696</b>	<b>5,842,018</b>	<b>5,514,649</b>	<b>5,567,845</b>	<b>5,565,763</b>	<b>8,131,321</b>	<b>7,390,424</b>	<b>7,452,720</b>		
<b>Community Relations</b>											
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
<b>Sub-Total</b>	<b>167,483</b>	<b>170,165</b>	<b>138,175</b>	<b>227,826</b>	<b>162,777</b>	<b>248,689</b>	<b>273,635</b>	<b>284,250</b>	<b>303,172</b>		
<b>Customer Service</b>											
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)
<b>Sub-Total</b>	<b>2,877,424</b>	<b>2,789,173</b>	<b>2,508,200</b>	<b>2,354,708</b>	<b>2,508,864</b>	<b>2,202,438</b>	<b>2,598,680</b>	<b>2,331,449</b>	<b>2,473,769</b>		
<b>Administration</b>											
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
<b>Sub-Total</b>	<b>6,011,116</b>	<b>6,203,344</b>	<b>6,068,464</b>	<b>5,679,043</b>	<b>5,428,116</b>	<b>5,448,667</b>	<b>5,692,763</b>	<b>6,492,979</b>	<b>6,876,395</b>		
<b>Total</b>	<b>17,307,644</b>	<b>17,947,718</b>	<b>17,869,739</b>	<b>17,142,144</b>	<b>16,416,351</b>	<b>16,286,459</b>	<b>19,924,511</b>	<b>20,361,448</b>	<b>21,432,230</b>	<b>1,507,719</b>	<b>4,124,586</b>

2

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

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

Programs	USofA Accounts
<b>Operations</b>	
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
<b>Maintenance</b>	
Maintenance Supervisory	5105
Meter Maintenance	5175
Overhead\Underground Maintenance	5120, 5125, 5130, 5145, 5150, 5155, 5160
Station Maintenance	5110, 5112, 5114
Tree Trimming	5135
<b>Community Relations</b>	
LEAP	6205
Community Relations	5415, 5420, 5515, 5675
<b>Customer Service</b>	
Bad Debt	5315, 5335
Customer Billing	5310, 5315, 5675
Customer Collection	5320
<b>Administration</b>	
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

3

4 **MATERIALITY THRESHOLD**

5 In accordance with Chapter 2 Filing Requirements, an applicant must provide justification for changes

6 from year to year to its rate base, capital expenditures and OM&A spending above a materiality threshold.

7 SNC's materiality threshold is calculated as .5% of proposed base distribution revenue requirements for

8 distributors with a revenue requirement of greater than \$10 million and less than or equal to \$200 million.

9 As such, SNC has calculated the threshold of \$178,000 for variance analysis.

## 1 **4.3.2 OPERATIONS WORK PROGRAMS**

---

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

### 4 *4.3.2.1 Meter Operations*

#### 5 ***Program Overview***

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

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

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

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

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

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

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

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

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

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

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

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

4 **Program Costs**

Program	2017 BA Proxy	Historical Years						Bridge Year	Test Year
		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

6 **Variance Analysis and Explanation**

7 Meter operations expenditures have fluctuated over the 2017- 2022 period, however there are no  
 8 material year-over year variances for the 2017 to 2024 period. Costs have decreased by (\$84,111) from  
 9 2017 Board Approved Proxy to 2024 Test Year.

10 Outside services for Metering have decreased by (\$67,331), due to SNC’s decision in 2020 to train and  
 11 utilize its internal staff in the locates department to perform meter removals outside of peak periods  
 12 (November through to March). There was also a reduction in salary and benefits, (\$19,401) due to a  
 13 decreased need for reverification of meters due to a lower number of meters that were purchased in  
 14 2010.

15 **4.3.2.2 System Control Operations**

16 **Program Overview**

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

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

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

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

10 In the event that a full complement of staff is unavailable due to retirements or unplanned vacancies, SNC  
 11 incurs overtime at a premium to provide adequate coverage, through the assignment of additional shifts.  
 12 The difficulty in filling the specialized positions in the control room with qualified staff can lead to  
 13 extended vacancies. In addition, new hires to SNC, whether at the apprentice or journey person level are  
 14 not permitted to join the control room rotation until they have completed all training and competency  
 15 requirements. This can result in additional costs – salaries and benefits are incurred for the new hires and  
 16 overtime is incurred for the fully trained journey person operators who must take on extra shifts to ensure  
 17 24x7 coverage.

18 **Program Costs**

Program	2017 BA Proxy	Historical Years						Bridge Year	Test Year
		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

19  
 20 **Variance Analysis and Explanation**

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

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

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

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

#### 18 ***2017 Board Approved Proxy to 2024 Test Year***

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

#### 25 ***2022 Actuals to 2024 Test Year***

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

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

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

### 3 *4.3.2.3 Overhead and Underground Operations*

#### 4 **Program Overview**

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

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

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

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

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

1 **Program Costs**

Program	2017 BA Proxy	Historical Years						Bridge Year	Test Year
		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

3 **Variance Analysis and Explanation**

4 **2017 BA to 2024 Test Year**

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

18 **2017 BA to 2017 Actuals**

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

26 **2019 to 2022 Actuals**

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

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

#### 14 **2022 Actuals to 2024 Test Year**

15 2022 Actuals to 2024 Test year program expenses increase \$383,782. 2022 Actual to 2023 Bridge year  
16 expenses increase by \$155,396, mainly driven by inflationary wages increases of \$56,600 and increase in  
17 trucking costs of \$33,927. 2024 Test Year expenses are \$228,386 higher than 2023 bridge year, primarily  
18 due to an increase in safety equipment of \$109,153. This expense is the Personal Protective Equipment  
19 (PPE) which is provided to all unionized field staff working in proximity to energized overhead and  
20 underground equipment, on a bi-annual basis (every 2 years). It is a negotiated amount as per the  
21 Collective Agreement with Unionized staff.

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

#### 29 *4.3.2.4 Operations Supervisory* 30 **Program Overview**

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

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

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

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

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

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

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

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

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

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

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

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

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

5 **Program Costs**

Program	2017 BA Proxy	Historical Years						Bridge Year	Test Year
		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

6

7 **Variance Analysis and Explanation**

8 **2022 Actuals vs 2024 Test Year**

9 2024 Test Year expenses are \$264,015 higher than 2022 actuals.

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

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

15 **4.3.2.5 Station Operations**

16 **Program Overview**

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

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

1 the reliable and efficient operation of the distribution system. SNC has plans to decommission all seven  
 2 4kV distribution stations by 2027, as part of its 4kV to 25kV voltage conversion program, and has removed  
 3 3 stations since 2017, with a 4th being decommissioned in 2023.

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

6 **Program Costs**

Program	2017 BA Proxy	Historical Years						Bridge Year	Test Year
		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

8 **Variance Analysis and Explanation**

9 **2022 Actuals to 2024 Test Year**

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

### 1 **4.3.3 MAINTENANCE WORK PROGRAMS**

---

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

#### 6 *4.3.3.1 Maintenance Supervisory*

##### 7 Program Overview

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

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

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

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

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

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

11  
 12 **Program Costs**

Program	2017 BA Proxy	Historical Years						Bridge Year	Test Year
		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

13  
 14 **Variance Analysis and Explanation**

15 **2017 Board Approved vs 2024 Test Year**

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

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

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

27 **2017 Board Approved vs 2017 Actual**

1 The increase of \$448,051 is driven by:

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

#### 7 **2019 Actuals to 2020 Actuals**

8 Expenses increased by \$230,378 in 2020. The largest variance is from the Engineering Overhead allocation.

9 The primary drivers being the following:

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

#### 17 *4.3.3.2 Meter Maintenance*

##### 18 ***Program Overview***

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

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

##### 28 ***Program Costs***

Program	Historical Years							Bridge Year	Test Year
	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

1

2 **Variance Analysis and Explanations**

3 There are no material variances from 2017 to 2024.

4 **4.3.3.3 Overhead/Underground Maintenance**

5 **Program Overview**

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

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

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

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

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

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

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

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

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

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

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

15 **Program Costs**

Program	2017 BA Proxy	Historical Years						Bridge Year	Test Year
		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

16

17 **Variance Analysis and Explanations**

18 **2017 Board Approves Proxy to 2024 Test Year**

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

27 **2017 Board Approved vs 2017 Actual**

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

9 ***2019 to 2020 Actuals***

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

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

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

28 The expenses for cable testing, pole testing and overhead risk inspections were initially charged under the  
29 Overhead and Underground Maintenance accounts when the programs were first initiated in 2020 and  
30 2019 respectively. However, as the utility found that these inspections were driving capital replacement

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

#### 8 ***2021 Actuals to 2022 Actuals***

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

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

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

#### 16 ***2022 Actuals to 2024 Test Year***

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

#### 20 ***4.3.3.4 Stations Maintenance***

##### 21 ***Program Description***

22 The Stations Maintenance Program is responsible for the maintenance of all equipment at SNC's four (4)  
23 12kV distribution stations, and seven (7) 4kV distribution stations as well as 70 smart switches (remotely  
24 operable switches, reclosers, and switchgears). The difference between the stations is that the  
25 distribution stations have a primary side voltage <50kV and are provided a source of electricity from SNC  
26 circuits, whereas the municipal substation has a primary side voltage of >50kV and is provided a source of  
27 electricity from Hydro One Networks Inc. (HONI).

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

1 2027, this program is responsible for the maintenance activities for the substation assets. (Transformer,  
2 oil circuit breakers, control relays, batteries, and facilities). The Stations Maintenance program conducts  
3 inspection and maintenance tasks typically on a fixed cycle and is focused on preserving and maximizing  
4 an asset's performance over its expected useful life while mitigating a wide variety of system risks.  
5 Inspections focus on predetermined conditions indicative of a potential failure.

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

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

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

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

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

3 **Program Costs**

Program	2017 BA Proxy	Historical Years						Bridge Year	Test Year
		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

5 **Variance Analysis and Explanations**

6 There are no material variances from 2017 to 2024.

7 **4.3.3.5 Vegetation Management**

8 **Program Description**

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

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

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

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

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

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

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

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

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

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

29 ***Program Costs***

Program	2017 BA Proxy	Historical Years						Bridge Year	Test Year
		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

1

2 **Variance Analysis and Explanation**

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

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

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

<sup>6</sup> “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

<sup>7</sup> “Northwestern Ontario dealing with surge in forest fires as hot, dry weather settles into region” Nick Westoll, Global News, Posted July 9, 2021

<sup>8</sup> Wikipedia “2018 California wildfires”

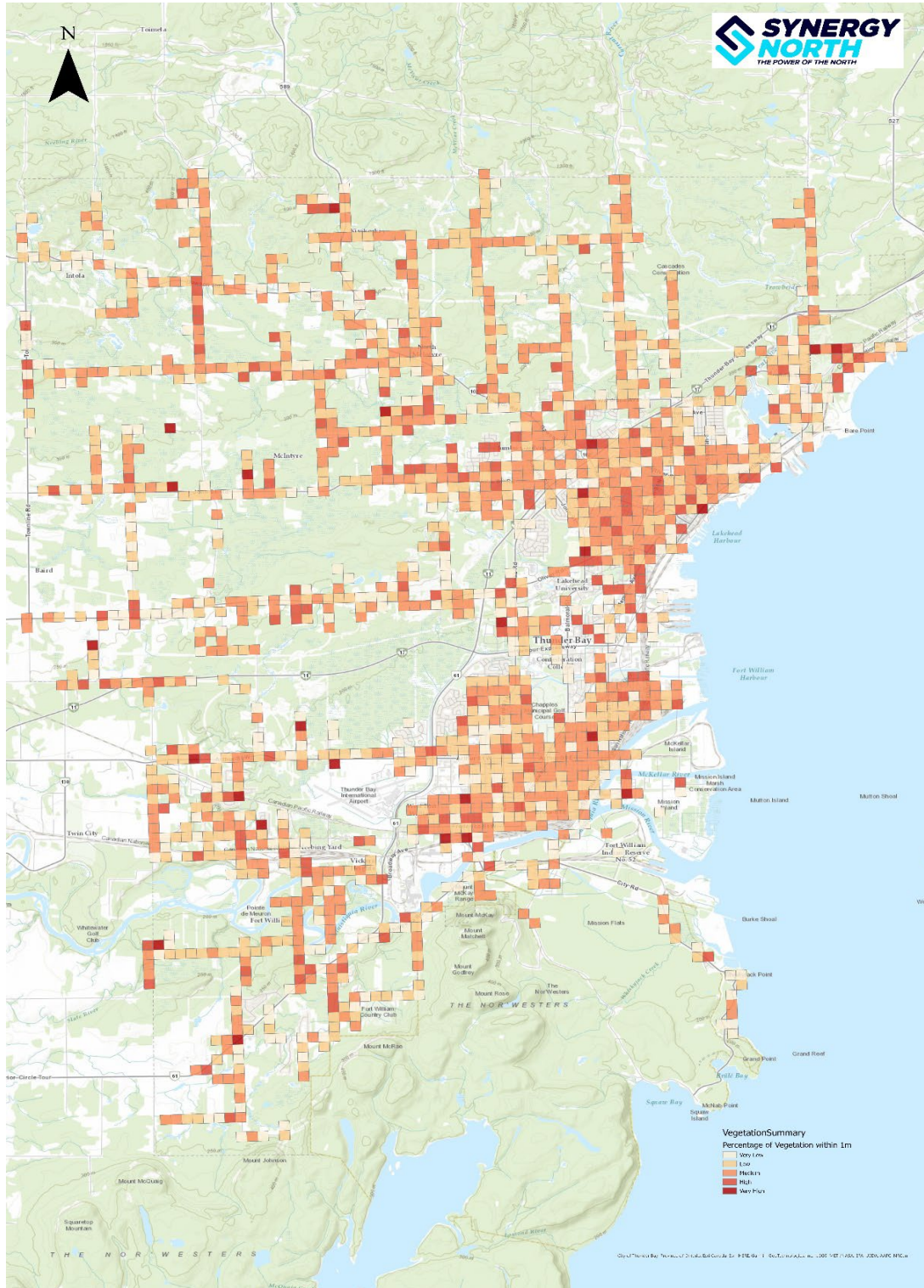
<sup>9</sup> “PG&E Faces Criminal Charges Over Fatal 2020 Wildfire in California” Ivan Penn, The New York Times, Published Sept. 24<sup>th</sup>, 2021

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

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

14

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



2

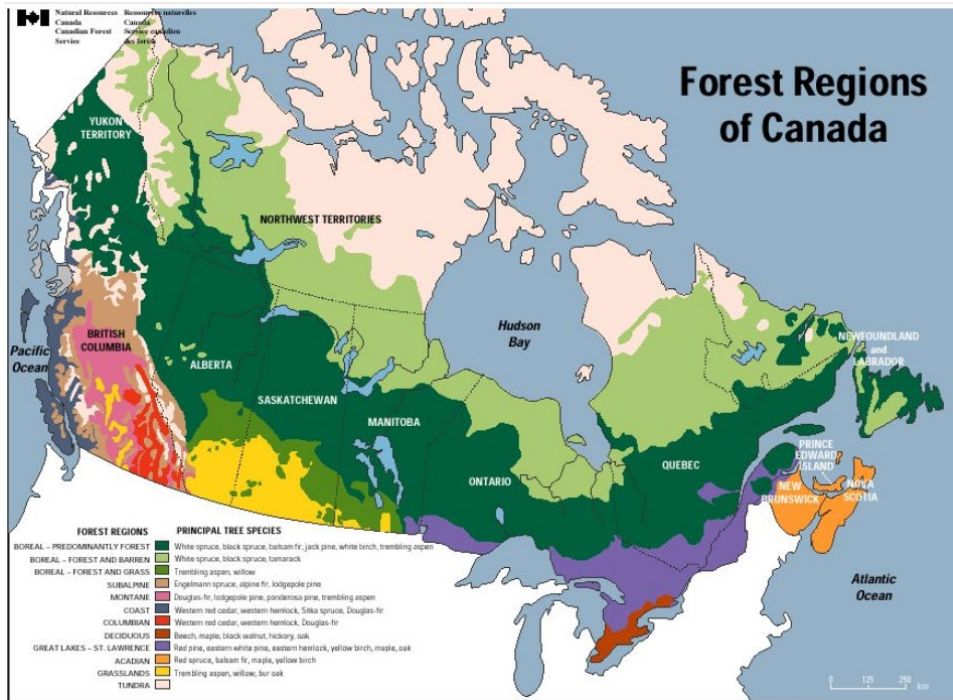
3

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

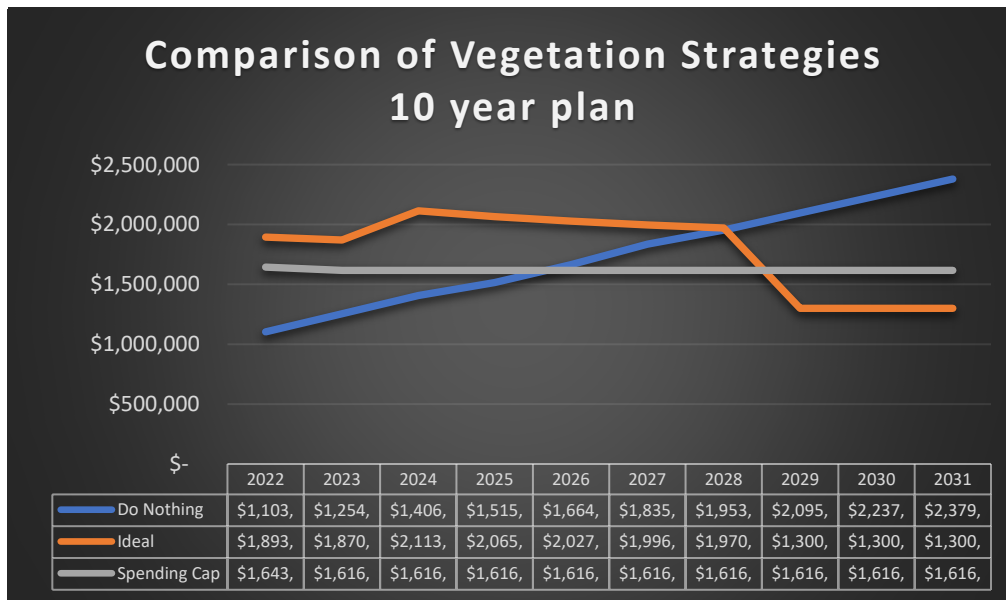
5 The 4 key objectives of the plan are:

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

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



1  
 2 Several scenarios of how to approach vegetation management were presented to the Local Advisory  
 3 Committee (LAC) meeting held in February 2022. The bill impacts of each scenario were presented, and  
 4 the members of the LAC agreed with managements recommended approach. Feedback received to  
 5 ensure that customers were educated that this is a temporary increase with the goal of having an optimal  
 6 program and a cost reduction by 2028.



7

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

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

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

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

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



1  
2 It is important to note that 84 km were cleared in this manner in 2022 and 29 km in 2023, totalling 113  
3 km. Due to this method of clearing (mechanical brushing), the vegetation is chipped on site leaving the  
4 mulch on location below the powerline. With the modified environment, the resultant growth conditions  
5 favour low lying vegetation which crowd out the ability for larger trees to grow as quickly. Therefore, due  
6 these suppressed growth conditions, it is expected that an optimal cycle will extend beyond 5 years in  
7 these areas, and SNC will not need to return to this 113 km of line to perform vegetation management  
8 within the forecasted cost of service period. These conditions will be documented in the Vegetation  
9 Register to ensure incorporation of the conditions into the future vegetation management planning  
10 processes. The below photo provides illustration of the ground conditions with mulch that result in  
11 suppressed growth.



1

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

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

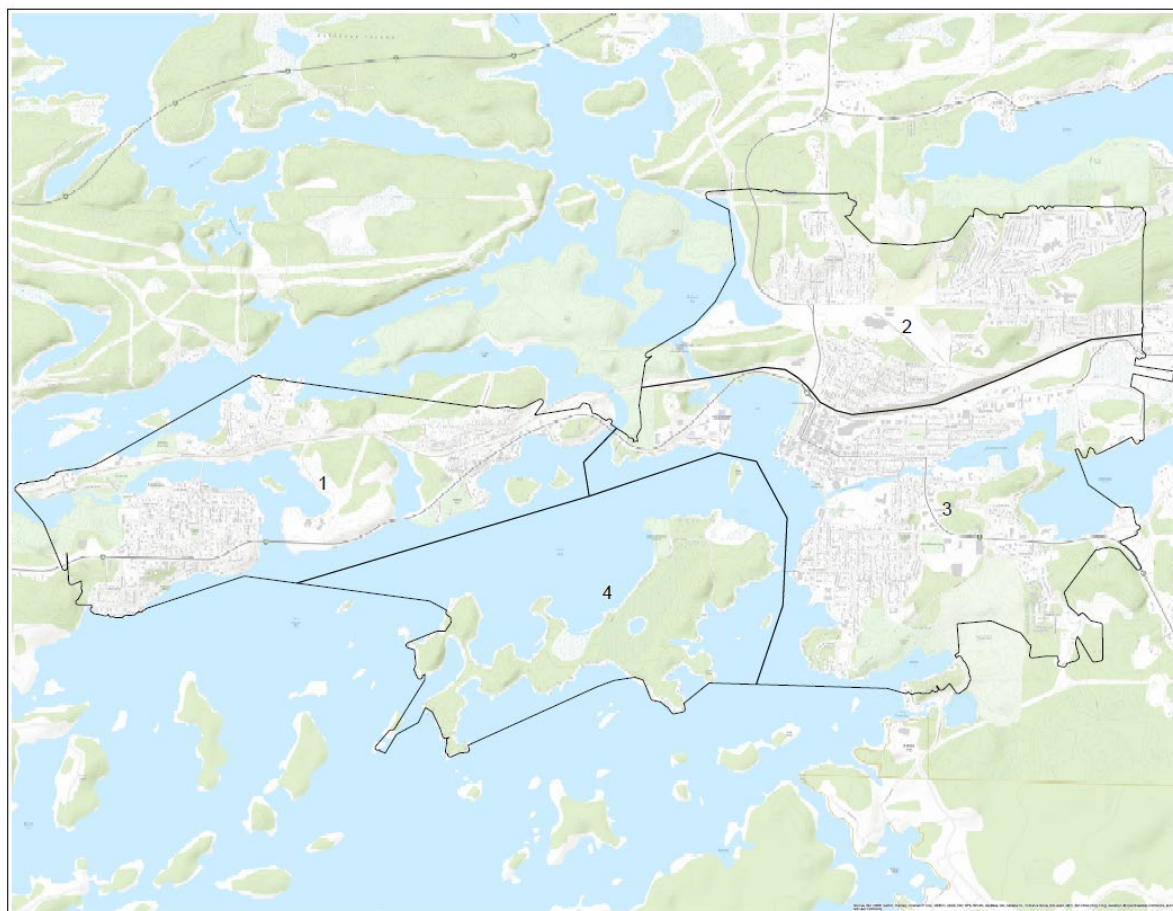
11 **2017 Board Approved – 2024 Test Year**

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

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

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

7 Since then, Kenora's service territory has been divided into 4 quadrants, with each zone being  
8 approximately equivalent in size (see Figure below). Vegetation management activities took place in Zone  
9 1 following the merger in 2019. Subsequently in 2020, operations continued in Zone 3. Coney Island's  
10 (Zone 4) vegetation was managed in 2021. This area is boat access only and requires crews and equipment  
11 to obtain the necessary transportation to perform work on site. Vegetation management within Zone 2 is  
12 ongoing at the time of writing but is intended to be complete by the end of 2023.



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

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

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

### 13 ***2017 Board Approved vs 2017 Actual***

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

19 Following 2017's vegetation management activities, SNC determined that a more comprehensive tracking  
20 system was needed to understand and budget vegetation management activities. The Project Manager  
21 and Forestry Coordinator developed the set of metrics that were needed and then implemented them in  
22 2018. This resulted in the vegetation management subcontractor providing additional information when  
23 submitting any invoices for payment. The tracking system included a excel workbook which tracked the  
24 equipment used, the number of crew members, the hours used, the cost per hour for labor and  
25 equipment, the spans cleared, a description of the work (trim or remove), the density of the vegetation,  
26 the corridor where work occurred, and the number of trees managed.

### 27 ***2021 – 2022 Actuals***

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

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

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

Mariday Park - Completed Tree Inventory



13  
 14 **2022 Actuals to 2024 Test Year**

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

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

### 3 **4.3.4 CUSTOMER SERVICE WORK PROGRAMS**

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

#### 9 *4.3.4.1 Customer Collection*

##### 10 **Program Overview**

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

##### 15 **Program Costs**

Program	2017 BA Proxy	Historical Years						Bridge Year	Test Year
		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

##### 17 **Variance Analysis and Explanation**

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

#### 19 *4.3.4.2 Bad Debt*

##### 20 **Program Overview**

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

##### 26 **Program Costs**

Program	2017 BA Proxy	Historical Years						Bridge Year	Test Year
		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

1

2 **Variance Analysis and Explanation**

3 Bad debt expenses have fluctuated year over year from 2017 to 2022, the six-year average bad debt

4 expense being approximately \$218,000.

5 **2017 Board Approved Proxy to 2017 Actuals**

6 Historically the allowance for the doubtful accounts is based on 10-year historical write off percentage, in

7 2017 a provision was set up for 100% of balances over 60 days. The excess provision equals \$108,000. In

8 addition, there was an excess of \$26,000 more written off then included in the opening provision relating

9 to 2015.

10 **2017 Actuals to 2018 Actuals**

11 The treatment of the 2017 provision was deemed to be incorrect, the over accrual of \$108,000 was

12 reduced from the 2018 provision. Miscellaneous receivables reviewed on a line by line basis, the

13 provision for these accounts was \$16,000 less than the provision in 2017. Further, in 2018 SNC

14 implemented an auto call system, replacing a previously mailed notice.

15 **2023 Bridge to 2024 Test**

16 The 2023 Bridge and 2024 Test Year bad debt expense were forecasted using an average percentage of

17 historical write off methodology.

18 **4.3.4.3 Customer Billing**

19 **Program Overview**

20 The Billing program is responsible for the accurate and timely billing of residential and commercial

21 customers. This involves collecting, validating, and managing the accuracy of meter data and ensuring the

22 integrity of the billing data received from the provincial Metering Data Management/Repository. The

23 Billing program ensures compliance with regulatory requirements and implements changes relating to

24 customer billing including rate changes and annual rate class reclassifications.

25 **Program Costs**

Program	2017 BA Proxy	Historical Years						Bridge Year	Test Year
		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

1  
 2 **Variance Analysis and Explanations**

3 **2017 Board Approved vs 2024 Test Year**

4 The decrease of (\$418,485) for the customer service billing program between the 2024 Test Year and the  
 5 2017 Board Approved Proxy amount is primarily a result of the efficiencies achieved through the merger.

6 **2018 Actuals to 2019 Actuals**

7 The previous Kenora Hydro had outsourced its billing activities to the City of Kenora, which historically  
 8 had cost Kenora Hydro \$337,726, \$447,124 and \$439,239 from its Board Approved Proxy 2017, 2017 and  
 9 2018 actuals respectively. Post-merger in 2019, these costs have been eliminated and only the  
 10 incremental costs of SNC now providing the billing program inhouse remains. Further details on merger  
 11 efficiencies achieved are included in Exhibit 1 – Section 1.9.4 Realized and Projected Savings as a Result  
 12 of Consolidation.

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

17 **2021 Actual vs 2022 Actual**

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

23 **4.3.4.4 Community Relations Work Programs**  
 24 **Program Overview**

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

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

5 **Program Costs**

Program	2017 BA Proxy	Historical Years						Bridge Year	Test Year
		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

7 **Variance Analysis and Explanations**

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

9 **4.3.4.5 LEAP**

10 **Program Overview**

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

14 **Program Costs**

Program	2017 BA Proxy	Historical Years						Bridge Year	Test Year
		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

16 **Variance Analysis and Explanations**

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

18 **4.3.5 ADMINISTRATION WORK PROGRAMS**

19 **4.3.5.1 Corporate Expenses**

20 **Program Overview**

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

24 **Program Costs**

Program	Historical Years							Bridge Year	Test Year
	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

1

2 **Variance Analysis and Explanations**

3 **2017 Board Approved Proxy to 2017 Actuals**

4 Increase of \$316,695 in Corporate Expenses are related to \$266,639 in merger transaction costs were  
 5 incurred in 2017, \$94,787 of this was incurred by Kenora Hydro. Included in professional fees was also  
 6 \$20,000 relating to the costs associated with its expert witness used in the 2017 rate application. In  
 7 addition, the City of Kenora increased its cost allocation to Kenora Hydro by \$35,000 over its 2016 rate.

8 **2019 Actuals to 2020 Actuals**

9 2018 Actuals and 2019 corporate expenses are higher as both Thunder Bay Hydro and Kenora Hydro  
 10 incurred merger transaction costs of \$555,550 in 2018 and \$479,213 in 2019, this includes valuation costs,  
 11 legal and consulting costs. The significant decrease in 2020 in Corporate Expenses is due to the reduction  
 12 of merger transaction costs.

13 **4.3.5.2 Finance, Regulatory and Purchasing**

14 **Program Overview**

15 **Finance**

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

23 **Regulatory**

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

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

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

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

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

16 *Purchasing and Stores*

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

22 **Program Costs**

Program	2017 BA Proxy	Historical Years						Bridge Year	Test Year
		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

24 **Variance Analysis and Explanation**

25 **2017 Board Approved proxy to 2024 Test Year**

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

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

6 **2022 Actuals to 2024 Test Year**

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

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

17 **4.3.5.3 General Administration**

18 **Program Overview**

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

22

23 **Program Costs**

Programs	2017 BA Proxy	Historical Years					Bridge Year	Test Year	
		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

24

25 **Variance Analysis and Explanation**

26 **2018 Actuals to 2019 Actuals**

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

#### 8 ***2022 Actuals to 2024 Test Year***

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

#### 16 *4.3.5.4 Human Resources and Safety*

##### 17 ***Program Overview***

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

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

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

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

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

18 **Program Costs**

Program	2017 BA Proxy	Historical Years						Bridge Year	Test Year
		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

20 **Variance Analysis and Explanation**

21 **2017 BA Proxy to 2024 Test Year**

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

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

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

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

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

#### 18 ***2022 Actuals to 2023 Bridge Year***

19 2023 bridge year expenses increased \$250,981 over 2022, as Salaries, wages and benefits are higher by  
20 \$39,607 due to the September 2022 resignation of the Safety & Training Specialist, and this position was  
21 not filled until late December 2022. This resulted in four months of wages and benefits being under spent  
22 in 2022. In 2023 and beyond, SNC has budgeted for this position to be filled at the 100% wage level.

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

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

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

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

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

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

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

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

21 ***2022 Actuals to 2024 Test Year***

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

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

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

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

11 Additionally, the division widened in scope and is now responsible for Enterprise Risk Management. To  
12 build its capacity as internal subject matter experts, SNC has incurred costs to gain access to resources  
13 and training through the Conference Board of Canada Strategic Risk Council (this includes an increase in  
14 cost due to a \$5,500 annual membership fee plus travel to two training workshops at a total cost of  
15 \$6,580).

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

#### 18 *4.3.5.5 Power Systems, Engineering and Customer Service Administration* 19 **Program Overview**

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

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

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

13 **Program Costs**

Program	2017 BA Proxy	Historical Years						Bridge Year	Test Year
		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

15 **Variance Analysis and Explanation**

16 **2017 BA Proxy to 2017 Actuals**

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

22 **2021 to 2022**

23 Program expenses increased \$184,608 from 2021 to 2022. Salaries, wages, and benefits were down by  
 24 \$84,334 in 2021 due to the timing of position changes, the outgoing VP of Customer Service was promoted  
 25 to President in May of 2021, and the incoming VP was brought in at a lower wage band. In 2022 expenses  
 26 came back up \$74,740 over historical 2020 levels due to \$30,642 increase in training and inflationary and  
 27 progression increases in salaries, wages and benefits.

1 *4.3.5.6 President and Board of Directors*

2 **Program Overview**

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

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

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

18 **Program Costs**

Program	2017 BA Proxy	Historical Years						Bridge Year	Test Year
		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

19  
 20 **Variance Analysis and Explanation**

21 **2017-2018**

22 2017 and 2018 President and Board of Directors expenses include both TBHEDI and KHEC’s Board of  
 23 Directors and Presidents & CEO’s costs.

24 **2018 to 2019**

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

1 **4.3.6 INFORMATION TECHNOLOGY**

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

4 **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)
<b>Total IT Costs within Wires OM&amp;A Programs</b>	<b>\$946,020</b>	<b>\$979,540</b>	<b>\$1,077,285</b>	<b>\$1,124,187</b>	<b>\$1,183,159</b>	<b>\$ 1,397,359</b>	<b>\$1,500,147</b>	<b>\$1,510,882</b>
%Change (year over year)		3.42%	9.07%	4.17%	4.98%	15.33%	6.85%	0.71%
<b>Software costs within Wires OM&amp;A Programs</b>	<b>\$80,858</b>	<b>\$89,042</b>	<b>\$91,856</b>	<b>\$161,128</b>	<b>\$173,729</b>	<b>\$ 253,099</b>	<b>\$ 232,247</b>	<b>\$ 240,129</b>
%Change (year over year)		9.19%	3.06%	42.99%	7.25%	31.36%	-8.98%	3.28%
<b>Contract Services within Wires OM&amp;A Programs</b>	<b>\$16,945</b>	<b>\$19,046</b>	<b>\$124,937</b>	<b>\$79,766</b>	<b>\$132,937</b>	<b>91,214.27</b>	<b>\$172,935</b>	<b>\$161,351</b>
%Change (year over year)		11.03%	84.76%	-56.63%	40.00%	-45.74%	47.26%	-7.18%

5  
 6 The increase in total IT spending between 2017 actual and 2024 was \$555,442, and IT costs that were  
 7 allocated to SNC’s OM&A programs increased by \$564,862. The primary drivers of the increased IT costs  
 8 are as follows:

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

11 Contract services allocated to OM&A programs increased from \$16,945 to \$161,351. The significant  
 12 increase occurred in 2019 when the actual fees paid to Stratejm for cyber security services increased by  
 13 \$108,000. A SIEM (Security Information and Event Management) contractor was procured to advance  
 14 SNC’s cyber security posture. The following were items in IT spending performed with contracted services:

- 15 • 2017 - SNC Performed a security assessment on its system
- 16 • 2018 – SNC Signed an initial 6 month cyber security contract to establish proof of value with the 3rd  
 17 party, this contract extended into 2019.
- 18 • 2019 - After initial contract, SNC signed an additional one year contract for 3rd cyber security. In  
 19 addition, SNC hired a consultant to migrate email history from IBM smartcloud to Office 365
- 20 • 2021 - In addition to the current cyber security contract, SNC hired a consultant to perform an  
 21 additional assessment on its security system, this included a penetration test.

1 • 2022 – actual costs of \$92,844. Two planned projects were not completed in 2022 resulting the  
2 decreased spending. SNC had planned further security and penetration testing for \$25,000 however  
3 this was deferred until 2023. In addition, SNC was going to spend \$50,000 on a utility network  
4 transition, however the scope of this work was changed and transferred to engineering.

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

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

## 18 **4.4 WORKFORCE PLANNING AND EMPLOYEE COMPENSATION**

---

### 19 **4.4.1 INTRODUCTION**

---

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

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

3 **UNIONIZED EMPLOYEES**

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

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

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

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

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

17 **TABLE 4-17: CURRENT COLLECTIVE AGREEMENTS**

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

18  
 19 The wage increase shown in the table above for each bargaining unit is applicable to each year of the  
 20 contract and starts May 1<sup>st</sup> of each year. Each job classification in the collective bargaining agreements  
 21 has a basic job description and a wage rate progression scale that increases from a minimum to a  
 22 maximum rate. If required (new position, severely revised, etc.) positions are evaluated, and Pay Equity  
 23 is maintained, using the HAY Job Evaluation System,

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

#### 5 **MANAGEMENT & NON-UNION EMPLOYEES**

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

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

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

#### 14 **EXECUTIVE MANAGEMENT TEAM**

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

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

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

#### 27 **PRESIDENT**

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

4 The President also receives a monthly vehicle allowance.

#### 5 **HEALTH BENEFITS**

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

#### 12 **4.4.2 WORKFORCE PLANNING**

---

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

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

#### 19 **EXECUTIVE MANAGEMENT**

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

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

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

### 3 POWERLINE

4 In SNC's last cost of service application, the SNC Powerline resource strategy was to maintain a large  
5 percentage of its PLT needs internally, with a minimal amount of outsourcing. This decision was based on  
6 the capital work programs from the historical period of 2007 to 2017 that was largely driven by overhead  
7 4KV conversion projects. These projects required a large number of PLT staff year-round and there were  
8 limited Power Line contractors available in the region at the time.

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

14 Future investment planning indicated that after the completion of the 4kV conversion program around  
15 2028, SNC would transition to more underground renewal work, needing favorable ground conditions  
16 which could only be completed between May-October. This shift in work will be unlikely to require the  
17 same PLT complement year-round but will require a more flexible workforce during peak periods.

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

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

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

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

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

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

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

9 **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
<b>Number of PLT Employees (FTEs including Part-Time)<sup>1</sup></b>									
	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

11 **4.4.3 COMPENSATION STRATEGY**

---

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

16 **Progression Pay**

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

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

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

### 11 **Incentive Based Pay**

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

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

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

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

28

### 29 **Benefits**

1 A comprehensive and competitive benefits package exists which includes medical and dental insurance,  
 2 life insurance, vacation and leave policies and a company-sponsored retirement plan.  
 3 The plans are designed to address the health and welfare needs of the employee population. The benefit  
 4 packages are consistent across the organization for 128 full-time employees, including the executive team.  
 5 The only inconsistencies are Long Term Disability (LTD) coverage for a portion of the union group  
 6 (grandfathered as the result of a merger and subsequent negotiating process); life insurance coverage  
 7 (some staff receive 2 times current base salary versus the majority 1.5 times current base salary); tiered  
 8 health spending account (annual) amounts for non-union staff; and reduced, employee-funded partial  
 9 benefits for participating part-time staff.

#### 10 4.4.4 FTE AND EMPLOYEE COSTS

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

13 **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
<b>Number of Employees (FTEs including Part-Time)<sup>1</sup></b>									
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
<b>Total</b>	<b>153.6</b>	<b>141.3</b>	<b>136.8</b>	<b>137.3</b>	<b>129.0</b>	<b>132.5</b>	<b>127.9</b>	<b>136.2</b>	<b>135.3</b>
<b>Total Salary and Wages including overtime and incentive pay</b>									
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
<b>Total</b>	<b>\$ 12,554,868</b>	<b>\$ 11,300,042</b>	<b>\$ 11,777,170</b>	<b>\$ 11,992,566</b>	<b>\$ 11,614,302</b>	<b>\$ 12,242,547</b>	<b>\$ 12,206,528</b>	<b>\$ 13,395,294</b>	<b>\$ 13,911,195</b>
<b>Total Benefits (Current + Accrued)</b>									
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
<b>Total</b>	<b>\$ 3,095,961</b>	<b>\$ 2,980,648</b>	<b>\$ 2,663,586</b>	<b>\$ 2,976,405</b>	<b>\$ 2,847,811</b>	<b>\$ 2,922,823</b>	<b>\$ 2,908,377</b>	<b>\$ 3,248,522</b>	<b>\$ 3,525,011</b>
<b>Total Compensation (Salary, Wages, &amp; Benefits)</b>									
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
<b>Total</b>	<b>\$ 15,650,829</b>	<b>\$ 14,280,690</b>	<b>\$ 14,440,756</b>	<b>\$ 14,968,970</b>	<b>\$ 14,462,113</b>	<b>\$ 15,165,370</b>	<b>\$ 15,114,905</b>	<b>\$ 16,643,816</b>	<b>\$ 17,436,207</b>
<b>Total Compensation Breakdown (Capital, OM&amp;A)</b>									
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
<b>Total</b>	<b>\$ 15,650,829</b>	<b>\$ 14,280,690</b>	<b>\$ 14,440,756</b>	<b>\$ 14,968,970</b>	<b>\$ 14,462,113</b>	<b>\$ 15,165,370</b>	<b>\$ 15,114,905</b>	<b>\$ 16,643,816</b>	<b>\$ 17,436,207</b>

14  
 15 The number of employees shown above in Table 4-19 is based on the computation of the number of full  
 16 time equivalent (FTE) positions throughout each of the fiscal years. Staff members hired by or resigning  
 17 from SNC are prorated in that year as a portion of an FTE based on the hours worked. The FTE calculation  
 18 is based on hours worked by employees, including overtime hours divided by their annual regular time  
 19 hours. The table excludes Board of Directors and employees dedicated to non-rate regulated activities,  
 20 including CDM, solar renewable generation and labour hours billed to affiliates. SNC does not include  
 21 hours for staff on LTD. The salaries and wages amounts include all salaries and wages paid, inclusive of

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

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

#### 7 **4.4.5 FTE, WAGES & BENEFITS VARIANCE ANALYSIS**

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

11 **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 Year
<b>TEs including Part-Time)<sup>1</sup></b>								
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)
<b>Total</b>	<b>(12.3)</b>	<b>(4.5)</b>	<b>0.5</b>	<b>(8.4)</b>	<b>3.5</b>	<b>(4.6)</b>	<b>8.4</b>	<b>(1.0)</b>
<b>Total Salary and Wages including overtime and incentive pay</b>								
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
<b>Total</b>	<b>(1,254,826)</b>	<b>477,127</b>	<b>215,396</b>	<b>(378,264)</b>	<b>628,245</b>	<b>(36,019)</b>	<b>1,188,766</b>	<b>515,901</b>
<b>Total Benefits (Current + Accrued)</b>								
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
<b>Total</b>	<b>(115,313)</b>	<b>(317,062)</b>	<b>312,819</b>	<b>(128,593)</b>	<b>75,012</b>	<b>(14,446)</b>	<b>340,145</b>	<b>276,489</b>
<b>Total Compensation (Salary, Wages, &amp; Benefits)</b>								
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
<b>Total</b>	<b>(1,370,139)</b>	<b>160,066</b>	<b>528,215</b>	<b>(506,857)</b>	<b>703,257</b>	<b>(50,465)</b>	<b>1,528,911</b>	<b>792,390</b>
<b>Total Compensation Breakdown (Capital, OM&amp;A)</b>								
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
<b>Total</b>	<b>(1,370,139)</b>	<b>160,066</b>	<b>528,215</b>	<b>(506,857)</b>	<b>703,257</b>	<b>(50,465)</b>	<b>1,528,911</b>	<b>792,390</b>

12  
 13 SNC Management count has remained relatively steady since its last Cost of Service, decreasing by (3.61)  
 14 FTE overall. The changes in the non-Management have decreased by (14.76) FTE.

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

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

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

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

9 Notable changes in Year over Year FTE are as follows:

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

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

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

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

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

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

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

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

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

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

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

5 • Down (1.52) FTE in Engineering due to two Locator/Drafters in Engineering which were promoted to  
6 Stations Electrician and P&C Technician positions in other departments and the subsequent timing of  
7 hiring their replacements. Because the Locator/Drafters moved out of the department in October and  
8 November, it was determined that during the low locates season, new staff could wait until January  
9 of the following year to start training. Additionally, replacing the Distribution Engineer position which  
10 was vacated in 2017 took several rounds of recruitment before a suitable candidate was selected, and  
11 hired May 7, 2018.

12 • Up .64 FTE in Finance. SNC made the decision in 2018 to consolidate one of the Cashier's positions  
13 with the Finance Clerk position resulting in a saving of (1) FTE. Further temporary reductions included,  
14 SNC's Purchasing & Stores Manager left halfway through the year, resulting in a (.25) FTE vacancy until  
15 the position was filled. The Corporate Financial analyst was off on maternity leave (.54) FTE. These  
16 FTE savings were offset by temporary increases in the Account Payable Clerk and Controller position  
17 due to overlap necessitated by a retirement and an LTD totaling 1.49 FTE. In 2017 both the Regulatory  
18 Analyst and the Accounting Clerk position were vacant for a portion of the year; these were filled full  
19 time in 2018 resulting in an increase of .62 FTE

20 • Down (1) FTE in Power Systems due to two PLT positions being on LTD during the year and the delayed  
21 subsequent hiring for the positions.

22 • Overtime hours are resulting in an increase in FTE variance of 1.02 FTE.

23 Non FTE related labour and benefit cost impacts were, in 2018 TBHC staff received a 2% cost of living  
24 increase, Staff in Kenora received a 2.25% increase in 2018. Union increases occur in May, which result in  
25 an effective increase of 2.17% for the year. Based on 2017 payroll, the expected inflationary increase was  
26 \$230,000. In addition, SNC paid an additional \$367,000 in the year for progression changes, severance,  
27 and one-time performance based bonuses. Apprentices and new hire progression increases occur every  
28 six months and then upon obtaining their certification.

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

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

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

- 4 • TBHEDI and KHEC merged on January 1, 2019, upon merger the two entities went from two Presidents  
5 down to one, reducing FTE count by (1) FTE and also resulted in a significant reduction in total actual  
6 wages in the period.
- 7 • 1 FTE PLT in Kenora was reduced through attrition upon merger.
- 8 • Although not an FTE reduction, dollar savings were achieved when in 2019, a restructuring plan was  
9 initiated after the retirement of the Kenora area Operations Manager that allowed for this position to  
10 be replaced with a Lines Supervisor, at a lower salary.
- 11 • Down (.71) FTE in Finance. As a result of the amalgamation with Kenora, the decision was made to  
12 move the Financial Clerk in Kenora to an Office Clerk position (.53) FTE. In 2018, SNC had two  
13 Controllers for a portion of the year due to overlap before an LTD, in 2019 the contracted Controller  
14 left the position before the regular Controller returned, the combined difference was a reduction of  
15 (.84) FTE. SNC also did not have a Summer Student in 2019 (.39) FTE. These savings were offset by  
16 overlap in the Senior Cashier position as a result of a retirement which was an increase of .63 FTE and  
17 the return of a maternity leave another increase of .33 FTE
- 18 • Up 0.98 in Customer Service which was driven by an increase of 0.5 FTE in Billing for an increase in  
19 volume due to the merger. Also, Customer Service previously provided by the City of Kenora to Kenora  
20 Hydro was absorbed by SNC. There was an increase in part time FTE to ensure that SNC could handle  
21 the workload before making any permanent changes accounting for an increased 0.42 FTE.
- 22 • Minimal change in (0.1) FTE in Engineering, however there was an addition of 1 FTE of a Distribution  
23 Designer and a loss of (1) FTE which was a result of the Project Engineer moving from Engineering to  
24 the Operations group. The movement of the Project Manager was to align more closely with the Lines  
25 group and the Lines VP, where the projects that this position was managing. The addition of the  
26 Distribution Designer was due to the amount of outsourced work that continued to increase for capital  
27 renewal and connection projects, where it was determined that a stable internal resource would  
28 benefit the corporation.
- 29 • Additionally, being able to hire for the 3 vacant Locator positions in the first week of January, kept  
30 overtime low in the organization as the staff in the department was not required to work additional

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

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

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

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

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

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

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

- 21 • Customer billing reduced an FTE when the billing clerk in Kenora retired in March 2020, efficiencies  
22 were achieved by not backfilling this position based on a management re-evaluation of workloads and  
23 automation of processes.
- 24 • Down (.49) FTE in Finance as in 2019 there was overlap in the Account Payable Clerk position to  
25 prepare for an upcoming retirement, this did not occur in 2020 resulting in a decrease of (.88) FTE. In  
26 2019 the Financial Assistant position in Kenora was eliminated part way through the year (.56) FTE.  
27 As a result of the pandemic, SNC did not need a Mail Clerk this resulted in a (.15) FTE reduction, this  
28 position will not be refilled. These savings were offset by increases in the Senior Cashier/Finance Clerk  
29 position due to overlaps necessary for training of .50 FTE. Full time coverage in the Corporate Financial

- 1 Analyst positions following maternity leave in 2018 and 2019 was an increase of .21 FTE and full-time  
2 coverage in the Controller position following an LTD was an increase of .35 FTE.
- 3 • FTE changes in Operations were as follows:
- 4 ➤ One PLT moved into a supervisor role in April to fill a vacancy due to a retirement in the  
5 year.
- 6 ➤ Three PLT's retired throughout the year (2.36 FTE) and those positions were not filled as  
7 we set out a plan to lower PLT FTE's as detailed in Section 4.4.2
- 8 ➤ Three PLT's resigned or were terminated midway through the year (2.24 FTE), and those  
9 positions were not filled as we set out a plan to lower PLT FTE's as detailed in Section  
10 4.4.2
- 11 ➤ 4 Temp PLT were hired as SNC suspended contractor work during pandemic, increasing  
12 by 1.3 FTE. Temp positions were utilized as they could be laid off without impacting the  
13 collective agreement with IBEW local 339 as needed if lockdowns were reinstated and  
14 work needed to be suspended.
- 15 ➤ 2 Temp Apprentice PLT were hired, increasing FTE by 1.04 FTE as SNC suspended  
16 contractor work during pandemic. Temp positions were utilized as they could be laid off  
17 without impacting the collective agreement with IBEW local 33 if Pandemic lockdowns  
18 were reinstated and work needed to be suspended.
- 19 ➤ Temporary Labourer hours were down in 2020, resulting in a decrease in FTE of (1.2).
- 20 • Down (0.5) FTE in Engineering due to the termination of the Services Engineer in May of 2020, which  
21 was backfilled by existing staff. This position was then filled with an Engineer in Training on August  
22 31<sup>st</sup>, 2020.
- 23 • During the lock down of the COVID-19 pandemic, SNC halted the provision of Locates for one month  
24 and then when lock down was lifted the number of tickets was double of a typical month. This resulted  
25 in additional overtime worked by the Locators and Locator/Drafters to meet the backlog.
- 26 • Overtime hours are resulting in an FTE variance of 0.73 FTE.
- 27 Thunder Bay Union staff received a 2% increase in 2020, Kenora union staff received varying rates  
28 depending on their position ranging from 2%-4.37% however given their rate change occurs in May, the  
29 average increase for the year was between 2% and 3.58%. Based on 2019 normalized payroll the expected  
30 inflationary increase was \$352,000. In addition, SNC paid an additional \$339,000 in the year for

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6 Non FTE related labour and benefit cost impacts were, management and Thunder Bay Union staff received  
7 a 3.0% cost of living increase. Given that Thunder Bay union staff wage increase occurs in May the average  
8 impact was 3.03%, Kenora union staff received a 4.11% rate increase for an average of 3.41. The 4.11%  
9 increase was needed to standardize the rates between the two zones. Based on 2022 normalized payroll  
10 the expected inflationary increase was approximately \$370,000. In addition, SNC paid an additional  
11 \$65,000 in the year for progression changes, severance and one time performance based bonuses.  
12 Apprentices and new hire progression increases occur every six months and then upon obtaining their  
13 certification.

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

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

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

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

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

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

#### 27 **Overall FTE Reduction**

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

#### 8 **4.4.6 EMPLOYEE BENEFIT PROGRAMS**

---

9 Benefits offered by SNC are summarized below.

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

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

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

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

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

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

#### 28 **OMERS PENSION PLAN**

1 SNC employees are members of the Ontario Municipal Employees Retirement System (“OMERS”). OMERS  
2 is a multi-employer pension plan in which most Ontario LDCs participate. As such, SNC pension benefit  
3 costs are consistent with other participating Ontario LDCs. The plan is a contributory defined pension plan  
4 which is financed by equal contributions from the employer and employee based on the employee’s  
5 contributory earnings. Pension premium information from 2017 to 2022 actual and 2023 Bridge Year and  
6 2024 Test Year can be found in Table 4-21 and Table 4-22 below. For the 2024 Test Year, SNC assumed  
7 OMERS rates of 9.0% on earning up to CPP earning limits and 14.6% on earning over CPP earnings limit.  
8 The 2023 Year’s Maximum Pensionable Earnings is \$66,600.

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

#### 16 **EMPLOYEE FUTURE BENEFITS**

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

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

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

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

2 **OTHER BENEFITS**

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

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

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

	Last Rebasings Year Proxy		Last Rebasings 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%
<b>Total CPP</b>	<b>\$271,799</b>		<b>\$224,160</b>		<b>\$225,356</b>		<b>\$222,158</b>		<b>\$205,307</b>		<b>\$257,239</b>		<b>\$252,961</b>		<b>\$265,190</b>		<b>\$312,329</b>	
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%
<b>Total EI</b>	<b>\$130,263</b>		<b>\$95,438</b>		<b>\$96,198</b>		<b>\$89,814</b>		<b>\$80,099</b>		<b>\$92,869</b>		<b>\$87,463</b>		<b>\$92,267</b>		<b>\$102,631</b>	
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%
<b>Total EHT</b>	<b>\$147,621</b>		<b>\$330,446</b>		<b>\$149,147</b>		<b>\$144,259</b>		<b>\$135,692</b>		<b>\$155,587</b>		<b>\$149,801</b>		<b>\$162,607</b>		<b>\$169,760</b>	
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%
<b>Total WSIB</b>	<b>\$70,344</b>		<b>\$71,796</b>		<b>\$74,266</b>		<b>\$70,440</b>		<b>\$65,462</b>		<b>\$76,275</b>		<b>\$51,089</b>		<b>\$51,152</b>		<b>\$62,532</b>	
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%
<b>Total OMERS</b>	<b>\$944,979</b>		<b>\$771,133</b>		<b>\$760,289</b>		<b>\$714,053</b>		<b>\$696,508</b>		<b>\$720,689</b>		<b>\$702,659</b>		<b>\$771,144</b>		<b>\$809,855</b>	
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%
<b>Total Corporate Benefits</b>	<b>\$547,120</b>		<b>\$605,558</b>		<b>\$374,388</b>		<b>\$574,012</b>		<b>\$489,540</b>		<b>\$538,250</b>		<b>\$487,156</b>		<b>\$588,654</b>		<b>\$671,997</b>	
Other Benefits																		
Charged to Capital (2-D)		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%
<b>Total Other Benefits</b>	<b>\$26,100</b>		<b>\$28,574</b>		<b>\$34,811</b>		<b>\$30,593</b>		<b>\$36,551</b>		<b>\$29,397</b>		<b>\$46,171</b>		<b>\$76,834</b>		<b>\$62,461</b>	

13  
 14 However, employees wages and benefits are also allocated to overhead departments and are ultimately  
 15 indirectly allocated to OM&A as well. As a result of this process, wages and benefits are initially allocated  
 16 to Capital, OM&A and overhead departments. Table 4-22 provides a breakdown of the ultimate impact  
 17 to capital and OM&A for all benefits.

1 **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

2  
 3 **Board Approved Proxy 2017 vs Actual 2017 Benefits OM&A Increase of \$92,777, Capital Decrease of**  
 4 **(\$208,090)**

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

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

8 2018 benefits were down as a result of a further decrease in FTE in the period. In addition, as a result of  
 9 a valuation report prepared by RSM Canada Consulting LP, group total future benefit costs allocated to  
 10 SNC decreased by (\$187,138). An adjustment was made by the actuaries to life insurance future costs  
 11 related to union employees, fixing this calculation caused a past service adjustment. In addition, 2018 was  
 12 the last year in which any employee at SNC was able to utilize sick leave credits to facilitate an early  
 13 retirement.

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

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

23  
 24  
 25

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

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

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

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

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

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

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

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

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

21 The majority of the variance relates to the increase in wages. In addition, changes to the Canada Pension  
22 Plan, with the addition of a second tier of payments will be an added burden to SNC for the majority of its  
23 employees. As a result of continued inflationary pressures and increased pressure on mental health  
24 related services SNC's benefit carrier, recommended that SNC increase benefit costs by a further 10%  
25 (\$55,000) in 2024. Lastly, future benefits increase by \$50,000 as a result of known factors available at  
26 the timing of budgeting, including interest rate and demographic assumptions.

## 1 **4.5 SHARED SERVICES AND CORPORATE COST ALLOCATION**

---

### 2 **4.5.1 OVERVIEW**

---

3 Thunder Bay Hydro Corporation (“TBHC”) is the parent company for three affiliates;

- 4 • Thunder Bay Hydro Renewable Power Incorporated (“TBRPI”), a generation company,
- 5 • Thunder Bay Hydro Utility Services Inc. (“TBHUSI”), offers:
  - 6 - Back office services to other Northwestern Ontario LDC’s,
  - 7 - Competitive meter service provider (MSP) services,
  - 8 - Locate services, and
- 9 • SNC (“SNC”) the Distribution Company.

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

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

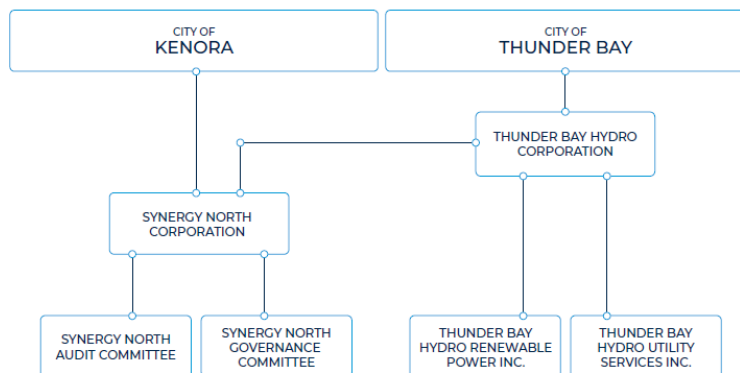
20 Corporate Cost Allocation is defined as an allocation of costs for corporate and miscellaneous shared  
21 services from the parent company TBHC to SNC and vice versa. SNC confirms that there is no sharing of  
22 costs between TBHC and SNC.

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

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

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

#### 4.0 GOVERNANCE STRUCTURE



3

4 These relationships are in place to benefit from cost savings due to increased efficiencies and economies

5 of scale. The tables beginning with Table 4-23 through to 4-30 provide a summary of the transactions and

6 pricing methodology used to assign costs for 2017 to 2022 Actual, 2023 Bridge Year, 2024 Test Year,

7 respectively. These tables are consistent with the Board's Appendix 2-N.

#### 8 **4.5.2 SHARED SERVICES TO AFFILIATES**

9 Consistent with the *Affiliate Relationships Code for Electricity Distributors and Transmitters*, the pricing

10 methodology used for shared services is based on fully allocated costs. All amounts billed to the affiliates

11 are excluded from SNC's OM&A.

#### 12 **Services Provided by SNC to TBHRPI**

13 TBHRPI is a wholly owned subsidiary company of TBHC which operates a landfill gas generation plant

14 under a 20-year contract with the OPA effective August 3, 2010.

15 Services provided include direct planning, and administration in the operation of the landfill gas

16 generation facility. TBHRPI receives these services from SNC on a fully allocated basis which is calculated

17 annually and charged on a fixed monthly basis. SNC recovers revenues from TBHRPI in respect of the

18 services it provides, in accordance with the Affiliate Relationship Code.

#### 19 **Services Provided by SNC to TBHUSI**

20 SNC receives revenues from TBHUSI in respect of the services it provides, and these revenues are as per

21 the Affiliate Services Agreement, which are consistent with the Affiliate Relationship Code.

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

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

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

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

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

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

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

1 Table 4-23 through 4-30 below provides detail of Shared services and Corporate Cost Allocations for 2017  
 2 – 2024.

3 **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	Cost for
From	To			the Service	the Service
				\$	\$
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

5 **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	Cost for
From	To			the Service	the Service
				\$	\$
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

7 **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	Cost for
From	To			the Service	the Service
				\$	\$
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

9 **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	Cost for
From	To			the Service	the Service
				\$	\$
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

10

1 **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

2  
3 **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

4  
5 **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

6  
7 **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

8  
9 **4.5.3 SHARED SERVICES FROM AFFILIATES**

10 SNC does not receive services from Affiliates.

11 **4.5.4 AFFILIATE BOARD OF DIRECTOR COSTS**

12 SNC is reimbursed for TBHC, TBHUSI and TBHRPI Board remuneration disbursements. TBHC and TBHRPI  
 13 (\$12,687 included within Renewable Generation Activity) Board of Director related affiliate charges are  
 14 not included in SNC's OM&A costs. SNC is also reimbursed \$12,687 for TBHUSI Board remuneration  
 15 disbursements and this amount is included in USofA account 4220.

16 **4.5.5 VARIANCE ANALYSIS**

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

1 **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

2  
3 **2024 Test Year vs. 2017 BA Proxy**

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

12 **2024 Test Year vs. 2022 Actual**

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

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

17 **4.6 NON-AFFILIATE SERVICES, ONE TIME COSTS, REGULATORY**  
 18 **COSTS**

---

19 **4.6.1 NON-AFFILIATE SERVICES**

---

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

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

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

#### 8 **4.6.2 ONE TIME COSTS**

---

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

#### 12 **4.6.3 REGULATORY COSTS**

---

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

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

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

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

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

1 **4.7 LOW-INCOME ENERGY ASSISTANCE PROGRAM (LEAP),**  
2 **CHARITABLE AND POLITICAL DONATIONS**

---

3 **4.7.1 LEAP**

---

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

7 In accordance with Filing Guidelines 2.4.3.6, SNC has included \$46,160 of expense under Community  
8 Relations. At the time the final rates are determined, SNC will update this figure as calculated in Table 4-  
9 29 LEAP. In the table below, this amount is based on 0.12% of the 2024 Test Year Service Revenue  
10 Requirement. This amount has been included in Account 6205 – Donations. SNC’s 2024 Test Year Revenue  
11 Requirement does not include any legacy low-income energy assistance programs.

12 **TABLE 4-32: LEAP**

	<b>2024 Test Year</b>
Service Revenue Requirement	\$38,620,360
LEAP %	0.12%
LEAP Amount	<b>\$46,344</b>
LEAP Amount Used	\$46,160

13

14  
15 **4.7.2 CHARITABLE DONATIONS**

---

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

18 **4.7.3 POLITICAL DONATIONS**

---

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

21

## 1 **4.8 CONSERVATION AND DEMAND MANAGEMENT**

---

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

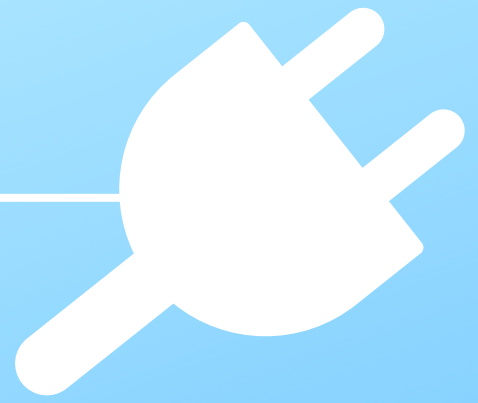
9 SNC confirms that no costs for dedicated CDM staff to support IESO programs funded under the 2021-  
10 2024 CDM Framework are included in this Application.

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

## 13 **4.9 FUNDING OPTIONS FOR FUTURE CONSERVATION AND** 14 **DEMAND MANAGEMENT ACTIVITIES**

---

15 At this time, SNC does not have any future CDM activities planned. However, in the Northwest Integrated  
16 Regional Resource Plan issued in January 2023, the IESO recommended that SNC lead further Non-Wires  
17 Alternative (NWA) analysis and refinement as part of local planning. SNC is planning to monitor load  
18 growth at Kenora MTS to determine when a firm commitment for additional capacity is required and  
19 implement NWAs if they remain feasible and cost-effective. Furthermore, the IESO has stated that it will  
20 consider Kenora MTS as a potential focus area for the Local Initiatives Program under the 2021-2024  
21 Conservation and Demand Management Framework. The IESO will has stated that it will collaborate with  
22 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