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TABLES

ATTACHMENTS

EXHIBIT 4 – OPERATING EXPENSES INTERROGATORIES

OEB STAFF

4-STAFF-45

Regulatory Costs

Ref 1: Exhibit 4, page 117

Preamble:

Synergy North states,

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

Question(s):

a) Please explain any assumptions used to forecast the $697,780 one-time regulatory cost for the 2024 cost of service proceeding (e.g., how many intervenors, written vs oral hearing, etc.).

SNC Response

a) SNC received a quote of $145K from its legal counsel for costs to review evidence (including DSP), review interrogatories, and to support full settlement and the associated written agreement. SNC received a quote from its regulatory consultant to develop the load forecast, write certain evidence, run cost of service models, and assist in the overall development and review of the application. The quote for these services was $95,000. In addition to this, SNC budgeted a further $10,750 to cover assistance with drafting Exhibit 9. However, this quote did not include regulatory support for interrogatory responses and the settlement and draft rate order processes. It is expected that these costs will be in the order of $30,000.

   SNC budgeted a further $246,750 to cover costs associated, a written or oral hearing and written argument-in-chief. These amounts are based on submissions of other utilities and SNC's experience from the last Cost of Service in which SNC spent in excess of $170K. (TBHEDI 2017). Also included are costs to cover fees for DSP consultant, for work associated with the Oral hearing and costs associated with the OEB assessments.

SNC based its estimated intervenor costs on the application costs of like-size utilities; the average application costs for Burlington, Waterloo, London, Oshawa PUC, Niagara Peninsula, Milton, and PUC were $112,907; SNC rounded this down to $110,000. This is consistent with utilizing the average actual costs awards for SEC and VECC costs for the same utilities with 4 intervenors.

The remaining balances in other are for customer interaction $35,280 and DSP consultation fees $25,000 are related to actual fees spent on the application at the time of filing.

Actual costs incurred up to October 31, 2023, are as follows:

TABLE 4-1: REGULATORY COSTS – ONE TIME COS COSTS

	Legal	Consulting	Other	Intervenors	Total
2021			10,000		**10,000**
2022	5,990	8,100	2,698		**16,788**
2023	91,623	72,975	10,000		**174,598**
Total Costs Incurred	**97,613**	**81,075**	**22,698**	**-**	**201,386**
Budget	145,000	382,500	60,280	110,000	697,780

4-STAFF-46

Executive Compensation

Ref 1: Exhibit 4, page 88

Preamble

In reference 1, Synergy North states that executive compensation is reviewed annually and is largely dependent on relevant comparators in the industry. It made changes to its executive compensation in line with the results if the MEARIE salary survey.

Question(s):

a) Did Synergy North participate in the MEARIE survey? If so, please explain how Synergy North compared to the industry average.
b) What methodology is used for the executive compensation annual review?
c) Did Synergy North conduct any other benchmarking surveys in determining its compensation strategy including incentive pay?

SNC Response:

a) Yes, SNC participated in the MEARIE Survey. SNC was at or below the P50 for most positions using the comparator groups.

b) As per page 88 of SNC Exhibit 4 – Executive Management Team – executive compensation is reviewed through the MEARIE Annual Survey using comparator groups: Customer Base (40K-80K); Employees (101-180); and Revenue (>20M). The President's compensation is reviewed annually by the Board's Governance Committee and any changes are ultimately approved by the whole Board. All other positions are reviewed annually by the President, who provides annual adjustments in line with organizational wide increases, while ensuring that compensation is in line with MEARIE P50 results.

c) No other benchmarking surveys were conducted.

4-STAFF-47

FTEs

Ref 1: Exhibit 4, page 40

Ref 2: Exhibit 4, page 104

Preamble:

In reference 1, Synergy North states that the main costs for the System Control operations program stems from salary and benefits for labour. Further, it states that it has been advertising for an open position of System Operator-in-training since September 2022, and that this position still needs to be filled due to a lack of qualified applicants.

In reference 2, Synergy North confirmed that a new System Control Operator, P&C Technician and Office clerk in Kenora were pending being filled. In reference 2, Synergy North also states that in the bridge year 2023, 1 FTE position was added in order to complete the new Vegetation Management Plan.

Further, in reference 2 Synergy North states,

"Up to 0.74 FTE in Finance were added in order to fulfill a Regulatory Supervisor position in 2022 despite numerous rounds of job postings, it is anticipated that further rounds of postings will occur in 2023. However, given the unique and specialized skill set required for this candidate this process to date has been unsuccessful. SNC has also decided to change this position to a Financial Analyst position to aid in the hiring process (1 FTE).”

Question(s):

a) Please provide an update on the hiring process for the new FTE positions listed above.
b) Please describe the roles and responsibilities of each of the System Control Operator and the 1 FTE position to complete the Vegetation Management Plan?
c) Can Synergy North provide the ($) impact on program costs in reference 1 arising from this additional FTE?
d) Please confirm total FTEs within the 2023 test year that are still undergoing hiring.
e) Please also clarify that the Financial Analyst role is being hired instead of the Regulatory Supervisor position. If so, please provide further details on the responsibilities of the financial analyst and how the role will fit in with the existing manager and supervisor roles?

SNC Response:

a) SNC had an Operator resign in April 2023, leaving 2 open positions. SNC hired 2 FTE for the open System Control positions in June and August of 2023. Subsequently, one of those FTEs was terminated in September of 2023, leaving one position still vacant. The position is currently posted, and SNC will be starting the interview process in November of 2023.

   The Office Clerk in Kenora is currently posted and applications will be reviewed in November 2023.

   The P&C Technician FTE was hired in December 2022.

   There were 2 temporary Forestry Technicians hired in September and October of 2022. One of which resigned in November, and a replacement was hired in May of 2023.

   SNC had numerous postings for both Regulatory positions and was only able to attract a qualified internal applicant for the Regulatory Assurance Specialist role. Following the multiple unsuccessful rounds of interviews in 2022 for the Regulatory Supervisor role, it was decided that SNC would change the role into a Financial Analyst position in order to attract more applicants. SNC’s plan is to re-post this position post Cost of Service process, as time to interview and train a new employee was no longer available in 2023 as current regulatory staff are placing significant time and effort into the COS application.

b) The System Control Operator is responsible for monitoring, operating, and controlling the electrical power distribution system. System Control Operator also ensures the continuity of supply to customers and the implementation of the Utility Work Protection Code with regard to the safety of crews during construction and maintenance of the system. As part of the position, System Control Operators must successfully complete the MEARIE Electrical Operator Apprenticeship Program. Duties of a System Control Operator include:

- Provide 24 hour per day, 365 days per year coverage within System Control
- Monitor and control the electrical power distribution system via a SCADA system including remote substations, embedded generation, switching devices, communication lines, and associated equipment
- Act as the Controlling Authority for applying the Utility Work Protection Code with internal staff and external customers including Hydro One and local electrical contractors and assist with the co-ordination of switching between parties
- Maintain a detailed Operator's log and update system conditions as they occur
- Maintain system operating diagrams in AutoCAD/GIS/OMS when changes occur
- Dispatch crews in response to emergency and outage calls received from fire, police and/or customers
- Provide outage updates to internal stakeholders and the public
- Assist after-hours in times of system trouble and be available for extended shift overlaps and on-call assignments as required
- Prepare and archive customer outages, feeder loading and various other scheduled and assigned reports
- Monitor and operate building and yard security systems after-hours, and respond to issues accordingly
- Reference or respond to GPS tracking, emergency alerts, and advancing weather as required

The Forestry Technician is under the general direction and guidance of the Utility Arborist Coordinator; the Forestry Technician is responsible for the maintenance of the utility's power line urban forestry management (UFM) program. Duties of a Forestry Technician include:

- Coordinates work with Utility Arborist Coordinator and/or Project Engineer where line crews will be required.
- Manages by-law adherence and oversees the risk management of hazardous trees.
- Provides expertise on species growth, herbicide application, insect, and disease control, as well as any tree maintenance and treatment methods including proper tree trimming and tree removals pursuant to approved methods.
- Develop and maintain databases and perform standardized data collection and analysis.
- Monitors forest health assessments around SYNERGY NORTH infrastructure.
- Assists Line Supervisors and/or Engineering Services with day-to-day activities, as required.
- Performs field assessments and communicates with customers, City of Thunder Bay representatives, and any other officials.

c) SNC has budgeted $115K in total wages and benefits to cover the System Operator-in-Training Position.

d) There are currently five (5) positions undergoing hiring that represent 4.3 FTEs in the 2023 test year.

e) SNC confirms that that Financial Analyst role will be hired instead of the Regulatory Supervisor role. The Financial Analyst will have similar role to the Regulatory Assurance Specialist, including preparing a wide variety of regulatory annual, monthly and ad hoc reports, performing regulatory account analysis, aiding in the budget, ensuring that all new regulatory codes and orders are implemented, and reviewing billing codes for accuracy. This employee will report directly to the Regulatory and Finance Assurance Manager, eliminating a layer of management.

4-STAFF-48

Powerline Technician

Ref 1: Exhibit 4, page 91

Preamble:

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

Question(s):

a) Please provide a breakdown of the impact of contracting out services on Synergy North's budgets, i.e., the incremental cost of outsourcing against hiring equivalent FTE to complete the work.

SNC Response:

a) SNC performed an analysis of the incremental cost of outsourcing a crew versus the internal cost of a crew for SNC. The analysis incorporated the determination of the number of average productive hours of an internal PLT and the total costs incurred to employ a PLT at SNC, including benefits, training costs, safety clothing and tools, etc. The cost per productive hour for an internal crew versus a subcontractor was calculated as follows:

TABLE 4-2: INCREMENTAL COST OF OUTSOURCING

	SNC Internal Crew Rate	Sub-Contractor Costs
1 Leadhand	103.54	127.05
2 Powerline Technicians	194.89	233.10
Total Crew Cost	**298.43**	**360.15**

The impact of contracting out services on SNC's budgets equals $210,218, assuming 10,218 hours of internal work transferred to subcontractors.

Although the incremental cost of hiring a subcontractor crew is higher, the Powerline Resource Strategy to reduce its internal PLTs, fully aligns with its current and future investment plans, available construction season and availability of powerline contractors. The strategy will allow SNC to operate in the most efficient way possible. These efficiencies are described below.

Based on the investment planning strategy, SNC will transition to more underground renewal work in 2028, needing favourable ground conditions, which could only be completed between May-October. This shift in work will be unlikely to require the same PLT complement year-round but will require a more flexible workforce during peak periods. SNC's Collective Agreement with IBEW Local 339 does not allow for layoffs while having contracted out services, and therefore, SNC is required to have year-round work for internal staff, reducing SNC's ability to be flexible to its changing capital investment and renewal plan based on asset need.

In the early stages and still in 2017, the areas that were being converted were street front and Laneway access Poles. The 4kV conversion plan required the oldest assets to be converted first, as well as a systematic plan to work from the outer limits of the 4kVareas towards the stations. In 2017, a large majority of the work was still street front and 4kV work that required almost exclusively PLT staff. In 2018, SNC identified that the future asset replacement would start to be much more diversified. The progression of the 4kV conversions would start to be a mix of street front, easement, and commercial areas. In addition, a significant amount of underground work, 25 KV cable injection, replacement of underground duct, replacement of underground primary cable, replacement of transformer bases and 25 KV pole replacements in easements would also be required. In order to meet the requirements of the asset replacement plan, SNC needed to reduce work in the winter months and ramp up work that could only be performed in late spring, summer and fall (April 15 to November 30) months. SNC identified that it would have to reduce its Internal PLT complement as only street front work could be performed during the winter months (November 30 - April 15). The asset replacement plan also required a very diverse work force compared to previous years. Certain skills and equipment that SNC did not possess, such as directional drilling, off road equipment, concrete base installation, increased remediation work paving, and concrete work as a result of work in the downtown core and underground work.

Although the incremental cost per crew hour is higher for a subcontractor, if SNC had not reduced the number of internal PLT's since 2018, the overall costs to SNC would have been significantly higher to keep a larger number of PLT's on staff year-round as the future investment plan does not support the amount of winter work as past plans for the reasons stated above.

4-STAFF-49

Shared Services

Ref 1: Exhibit 4 –4.5.5 Variance analysis, Table 4-31, page 116

Preamble:

In reference 1, the variance between 2024 and 2017 OEB Approved Proxy price and cost for services provided are listed.

Question(s):

a) Please provide the calculation of the 2017 OEB Approved Proxy Price and cost for services provided. Please provide a table that includes type of service, pricing methodology and % Allocation.

b) Please confirm whether prices and cost for services provided is inclusive of the services received by Kenora Hydro pre merger?

SNC Response:

a) See Table 4-3 below. The 2017 OEB Approved Proxy Price for services and costs for services provided was calculated as follows:

- Approved 2017 amounts from the TBHEI COS.
- Approved 2011 amounts from KHEC COS, uplifted annually from 2011 to 2017 by the annual IRM increases.

Table 4-3: Shared Services 2017 Proxy Data

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Thunder Bay Hydro Electricity Distribution Inc.	Thunder Bay Hydro Utility Services Inc.	Conservation & Demand Mgmt, Utility Billing Services, Meter Services, IT Services	Cost + Greater of Bank Prime OR Approved ROE (9.19% EB-2008-0245)	$ 357,787	$ 321,012
Thunder Bay Hydro Electricity Distribution Inc.	Thunder Bay Hydro Utility Services Inc.	Corporate/Administrative Costs/IT Services	Fully Allocated Costs	$ 91,769	$ 91,769
Thunder Bay Hydro Electricity Distribution Inc.	Thunder Bay Hydro Corp.	Board Honourarium	Fully Allocated Costs	$ 8,013	$ 8,013
Thunder Bay Hydro Electricity Distribution Inc.	Thunder Bay Renewable Power Incorporated	Corporate/Administrative Costs	Fully Allocated Costs	$ 75,605	$ 82,569
City of Kenora	Kenora Hydro Electric Corporation Ltd	Billing & Collecting	Fully Allocated Costs	$ 212,169	$ 212,169
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	City of Kenora	Billing & Finance Services	Fully Allocated Costs	$ 52,547	$ 52,547
			Total:	$ 881,132	$ 848,327

This table represents the 2017 COS approved values on a Proxy basis. Upon review SNC determined that the Price for the service column relating to the Thunder Bay Renewable Power Incorporated should have been $8,000 higher. The value was unadjusted as it agrees to what was filed in the last application.

The title of Table 4-31 is "Summary of Affiliated Services and Corporate Cost Allocations"; however, the cost on each line in the table would not have been a percentage allocation; rather, the cost is the actual cost of providing the service.

b) The prices and costs for services in the table include the KHEC transactions with its Affiliate (City of Kenora), as noted in the last half of Table 4-3: Shared Services.

4-STAFF-50

Shared Services and Corporate Cost Allocation

Ref 1: Exhibit 4, page 111

Ref 2: Chapter 2 Appendices, tab 2N

Ref 3: Affiliate Relationship Code

Preamble:

In reference 1, Synergy North states that it provides services on a fully allocated cost basis to its Affiliates, and fully allocated cost basis plus an appropriate rate of return to TBUSI specifically.

In reference 2, Synergy North has the following table for the 2024 test year.

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	Thunder Bay Hydro Utility	Corporate/Administrative	Fully Allocated	$134,186	$134,186

Corporation	Services Inc.	Costs/IT Services	Costs		
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

As per reference 3,

"Where a reasonably competitive market does not exist for a service, product, resource or use of asset that a utility sells to an affiliate, the utility shall charge no less than its fully-allocated cost to provide that service, product, resource or use of asset. The fully-allocated cost shall include a return on the utility's invested capital. The return on invested capital shall be no less than the utility's approved weighted average cost of capital."

Question(s):

a) Please clarify on what basis Synergy North determined that cost-based pricing in accordance with the Affiliate Relationship Code applies to the services listed in the first row of the table from reference 2?
b) Please clarify why pricing for services provided to TBUSI includes an appropriate rate of return as specified in reference 1, but prices for services to other affiliates do not include a rate of return?
c) Please clarify what is meant by "mark up" in the first row of the table from reference 2?
d) Please explain how the services differ e.g., I.T services in both the first and second row of the table from reference 2?
e) Please confirm that fully allocated costs as listed in the table from reference 2 are inclusive of a return on the utility's invested capital no less than the utility's approved weighted average cost of capital.

SNC Response:

a) A current local market does not exist for the services provided by SNC to TBHUSI including those in the second row as such SNC charges a fully allocated cost (Cost plus an appropriate return) as per section 2.3.4.2 of the affiliate relationship code. SNC performs a year-end reconciliation at which they ensure that the total amount billed to USI equals or exceeds the total costs, both direct and indirect, plus a minimum return of SNC weighted cost of capital, which based on the original application was 6.33%.

b) In accordance with SNC Service Agreements see Attachment 4-1: Shared Service Agreements, all affiliates Service Level agreements specify that pricing will include a return on all shared services equal to at least the regulated rate of return. All services, resources and products are sold at the fully allocated cost to provide the service. With the utility being reimbursed at cost for any third-party cost incurred. SNC confirms that all affiliates are charged a minimum rate of return in 2024 of 6.33%, SNCs proposed weighted cost of capital.

c) Mark-up refers to the 15% added directly to wages charged directly to USI by SNC, resulting in a greater return to the utility.

d) The IT costs included in the second line of the table represent the costs deemed to be directly related to USI. The rate of return is included in line 1 of the table. The IT allocation in line 1 represents the indirect IT allocation costs of running USI. It forms part of the year end reconciliation and includes a rate of return.

e) SNC confirms that all rows in the table from Reference 2 includes a return greater than the regulated rate of return.

4-STAFF-51

Operating Expenses

Ref 1: Exhibit 4, page 32

Ref 2: Exhibit 4, page 22

Preamble:

In reference 2, Synergy North states that cybersecurity costs are related to regular penetration and tabletop attack exercises. In reference 1, Synergy North states that the penetration testing had been deferred from 2022 to 2023.

Question(s):

a) Please provide an update on the progress of cybersecurity testing.

SNC Response:

a) Penetration testing is scheduled to be completed in 2023.

4-STAFF-52

Inflationary increase

Ref 1: Exhibit 4, page 13, Table 4-6

Preamble:

In reference 1, the last line in table 4-6, presents the inflation driver of the historical OM&A. OEB staff understands that these inflation values are derived by applying OEB inflation factor less productivity to the preceding year's OM&A expenditures.

Question(s):

a) Please provide the stretch factor that is applied to the 2017 OEB Approved Proxy to derive the inflationary adjustment?
b) Please provide an annual inflation estimate using the 2017 actual OM&A as the base and escalating each year thereafter using the adjusted inflation value (OEB inflation less stretch factor).

SNC Response:

a) Table 4-4 provides the calculation of the total formulaic adjustment used in the application. The OEB inflation parameter was estimated to be 5% at the time the analysis was performed.

Table 4-4: Inflationary Increase, Stretch Factor

	2017	2018	2019	2020	2021	2022	2023	2024
Inflation	1.9%	1.2%	1.5%	2.0%	2.2%	3.3%	3.7%	5.0%
Customer growth		0.07%	0.14%	0.10%	0.10%	0.10%	0.10%	0.10%
Stretch (assumes Group 3)	-0.30%	-0.30%	-0.30%	-0.30%	-0.30%	-0.30%	-0.30%	-0.30%
Total Formulaic Adjustment	**1.60%**	**0.97%**	**1.34%**	**1.80%**	**2.00%**	**3.10%**	**3.50%**	**4.80%**

b) Table 4-5 uses 2017 actual OM&A as the base and escalates each year thereafter using the adjusted inflation value (OEB inflation less stretch factor)

TABLE 4-5: INFLATIONARY INCREASE, ANNUAL INFLATION ESTIMATE

	2017 Actuals	2018	2019	2020	2021	2022	2023	2024
Adjusted inflation value (OEB inflation less SNC stretch factor)		0.90%	1.05%	1.55%	1.90%	3.00%	3.40%	4.50%
Total OM&A	$ 17,947,718	$ 18,109,247	$ 18,299,394	$ 18,583,035	$ 18,936,113	$ 19,504,196	$ 20,167,339	$ 21,074,869

4-STAFF-53

Vegetation Management

Ref 1: Exhibit 4, Attachment 4-C, Vegetation Management Plan

Ref 2: Exhibit 4, page 64

Preamble:

The ideal scenario for vegetation management described in reference 1 allows Synergy North to complete a full cycle of its distribution system in 3 years.

Question(s):

a) What was the tree trimming cycle set to prior to the development of its vegetation management plan?
b) What is the tree trimming cycle that will be achieved under scenario 1: Continue Reactive Program and scenario 2: Increase vegetation management with a spending cap?
c) Does Synergy North have additional plans for out-of-cycle vegetation management for faster growing tree species?
d) Does Synergy North use methods of vegetation management other than trimming, such as chemical vegetation management?
e) If not, please explain why.

SNC Response:

a) The cycle that Thunder Bay Hydro was attempting to achieve was a 7 year cycle prior to the new vegetation management plan, however this cycle had yet to be achieved.
b) There would be no formal cycle with scenario 1: Continue Reactive Program, as tree trimming would occur on a reactive basis, and it is assumed that without intervention of a more active tree trimming cycle that the reactive requests and requests from customers to trim trees would escalate. The tree trimming cycle that would be achieved with scenario 2: Increase vegetation with spending cap would be a 7 year cycle.

c) For the proposed plan, SNC will continue to respond to customer requests for make-safe to areas that are out-of-cycle, however it does not have additional plans for out-of-cycle vegetation. Instead, SNC will utilize proper tree cutting techniques which encourage trees to grow away from the line to reduce the incidence of faster growing species causing a hazard.
d) SNC uses mechanical brushing (Hydro Axe) vegetation management techniques as well as traditional tree trimming where it is possible (e.g., roadside rural locations). SNC does not use chemical vegetation management techniques due to the environmental implications in urban settings. Chemical vegetation management kills all vegetation in the corridor, and SNC exclusively manages vegetation that is contained in municipal rights-of-way or private easements. The environmental and potential health risks to the public and waterways do not make this a desirable management approach for SNC.
e) N/A

4-STAFF-54

Vegetation Management and Reliability

Ref 1: Exhibit 4, Attachment 4-C, Vegetation Management Plan, page 2

Ref 2: Exhibit 1, page 76

Ref 3: Exhibit 4, page 59

Preamble:

In reference 1, Synergy North states:

"The proposed spending for 2022 represents an incremental cost of $1.35 million in sub-contractor in 2022 and 2023 respectively. In 2021, Synergy North budgeted $531,000 in OM&A sub-contractor costs for vegetation management but spent $784,000 due to reactionary vegetation hazards. This reactionary spending is one of the many reasons that Synergy North's management has sought to implement a proactive Vegetation Management Plan."

In reference 2, Synergy North states:

"In 2022 SNC experienced 81,463 hours of interruptions of which 29.5% were due to Defective Equipment, 21.5% were due to Scheduled Outages,19.3% were due to Tree Contacts"

In reference 3, Synergy North states:

"On average, during the years 2014 – 2019, Tree Contacts were in the top 3 reasons for customer hour-interrupts for SNC"

Question(s):

a) Please provide the actual to date spending on vegetation management in 2023.
b) Please confirm that despite the increased level of incremental spending between 2021-2022, reliability stats due to tree contacts have not improved.
c) Please clarify how much of the budgeted 2023 and 2024 vegetation management costs are related to subcontractor costs?

SNC Response:

a) SNC has spent $1,627,926 as of September 30, 2023, on vegetation management.
b) SNC provides data in 2-AMPCO-11, which indicates that the customer hours due to tree contacts decreased from 16,115 in 2021 to 15,688 in 2022, which is a slight improvement in reliability statistics. Furthermore, the increased incremental spending on the Vegetation Management Plan was initiated in May of 2022 (Page 65 of Exhibit 4), and only 50% of the vegetation within 1m of the overhead lines was trimmed.
c) Of the budgeted vegetation management cost in 2023, subcontractors account for $1,854,511 of the total costs and in 2024 subcontractors account for $1,791,280 of the related costs.

4-STAFF-55

OPEB

Ref 1: Filing Requirements For Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, Chapter 2, Cost of Services, p31

Preamble:

Reference 1 notes that:

"A breakdown of the pension and OPEBs amounts included in OM&A and capital must be provided for in the last OEB-approved rebasing application, and for historical, bridge and test years. The most recent actuarial report(s) must be included in the pre-filed evidence and be reconciled with the pension and OPEBs amounts (as applicable). The basis on which pension and OPEBs amounts are forecast for the bridge and test years must also be explained."

Question(s):

a) Please provide the following schedules as noted in Reference.

   i. A breakdown of the Pension & OPEBs amounts between capital and OM&A from the last OEB-approved to the test year, year-by-year.

   ii. A reconciliation of the recent actuarial report with the Pension & OPEBs amounts.

SNC Response:

a) The Following schedules are provided below.

   i. Table 4-6 below provides a breakdown of the Pension & OPEBs amount between capital and OM&A:

TABLE 4-6: PENSION AND OPEB AMOUNTS.

	Last Rebasing Year Proxy		Last Rebasing Year (2017 Actuals)		2018 Actuals		2019 Actuals		2020 Actuals		2021 Actuals		2022 Actuals		2023 Bridge Year		2024 Test Year	
OPEB Expenses																		
Charged to Capital	57,073	33%	40,757	27%	(46,342)	27%	53,258	29%	41,882	27%	55,523	32%	48,549	28%	50,215	30%	62,737	29%
Charged to OM&A	113,632	67%	109,072	73%	(124,391)	73%	128,710	71%	114,625	73%	119,988	68%	125,294	72%	119,387	70%	157,342	71%
Total OPEB Expenses	**170,705**		**149,829**		**(170,733)**		**181,968**		**156,507**		**175,511**		**173,844**		**169,602**		**220,079**	
OMERS																		
Charged to Capital	398,539	30%	315,013	27%	309,975	26%	359,854	30%	321,966	27%	340,063	29%	328,872	28%	351,535	28%	361,749	27%
Charged to OM&A	947,972	70%	870,049	73%	859,818	74%	820,339	70%	854,596	73%	821,832	71%	848,288	72%	912,438	72%	959,838	73%
Total 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**	

ii) Table 4-7 provides a reconciliation of the amounts in the most recent actuarial report to the values in the amounts reported in this application. A copy of the actuarial report can be found as Attachment 4-A on page 120 of Exhibit 4. SNC records its pension amounts as a defined contribution plan where costs match contributions paid as such no reconciliation is required.

TABLE 4-7: 2021 ACTUARIAL TO OPEBS EXPENSE RECONCILIATION

Reconciliaton of the recent actuarial report (2021) with the Pension & OPEB's amounts

OPEB Expenses		
Per 2021 Actuarial Valuation	$	$
Defined Benefit Cost Recognized in Income Statement	163,694	
Benefits paid by the Employer	(114,221)	49,473
Retiree Life insurance premiums paid		6,823
Retiree Health premiums paid		103,912
Retiree Stop Loss/Out of Country premiums paid		15,303
Total OPEB Expenses		175,511

SCHOOL ENERGY COALITION

4-SEC-19

[Ex.4, Appendix 2-JC]

Please provide a revised version of Appendix 2-JC that includes additional columns to show year-to-date actuals for 2023, and year-to-date actuals at the same point in time in 2021 and 2022.

SNC Response:

Please refer to the revised Excel model filed, SNC_2024_Chapter2_Appendices_20231110 with the additional columns added to Appendix 2-JC to show year to date actuals (up to September 30) for 2021, 2022, 2023.

4-SEC-20

[Ex.4]

For each year between 2019 and 2023, please provide the Applicant's internal OM&A budget that was approved before the year began. Please explain any material variances between the internal OM&A budget and actuals.

SNC Response:

For internal OM&A budget purposes, SNC receives approval for all corporate related expenses, this includes costs that are charged to affiliates, charges billed directly to customers, and costs associated with non-wires assets such as sentinel lights/ solar assets etc. As such, the total OM&A budget and actuals below are higher than presented in Appendix – 2JC of the Chapter 2 appendices.

TABLE 4-8: 2023 BUDGET VARIANCES

	2023 Budget	2023 Projections	2023 Variance
Operations and Maintenance			
Customer premises/meters and devices	$ 339,519	$ 390,105	$ 50,586
Distribution - overhead and underground	$ 7,951,997	$ 8,322,626	$ 370,629
Affiliate Related Activity	$ 255,379	$ 225,319	$ (30,060)
2017 COS OM&A Reduction			$ -
Safety and training	$ 736,939	$ 607,757	$ (129,182)
System control/station maintenance	$ 2,316,412	$ 2,110,910	$ (205,502)
Transformers	$ 764,959	$ 669,032	$ (95,927)
Total operations and maintenance expenses	$ 12,365,205	$ 12,325,749	$ (39,456)
			$ -
Administration			$ -
Customer-related			$ -
Administration			$ -
Bad debts	$ 213,982	$ 285,410	$ 71,428
Affiliate Related Activity	$ 23,127	$ 48,701	$ 25,574
Billing and collecting	$ 1,142,536	$ 1,237,693	$ 95,157
Customer service	$ 1,111,816	$ 1,061,099	$ (50,717)
Information services	$ 1,613,492	$ 1,537,354	$ (76,138)
Meter reading	$ 256,790	$ 258,065	$ 1,275
Recoverable	$ 428,965	$ 230,333	$ (198,632)
Total customer-related administration expenses	$ 4,790,708	$ 4,658,655	$ (132,053)
General			$ -
Affiliate Related Activity	$ 18,998	$ 17,502	$ (1,496)
Corporate	$ 857,205	$ 987,333	$ 130,128
Directors' expenses	$ 199,650	$ 207,969	$ 8,319
Finance	$ 1,586,004	$ 1,439,773	$ (146,231)
Human resources	$ 457,242	$ 552,608	$ 95,366
President's office	$ 656,211	$ 595,265	$ (60,946)
Purchasing	$ 278,560	$ 254,723	$ (23,837)
Power systems administration	$ 442,371	$ 417,447	$ (24,924)
Total general administration expenses	$ 4,496,241	$ 4,472,620	$ (23,621)
			$ -
Sub-total Operations, Maintenance and Administration	$ 21,652,154	$ 21,457,024	$ (195,130)

Distribution – Overhead and Underground $370,639

Wages and benefits allocated to overhead, and underground are projected to be above budget due to the allocation of required work in the period, as a result of this increased labour and the underspend in Recoverable and System control.

System control ($205,502)

As explained in Exhibit 4, page 104, SNC has been trying to hire a new System Control Operator to replace an individual on LTD. Although SNC was able to hire for the original vacant position, another System Control Operator resigned in 2023. Currently, this position is vacant and posted for filling.

Recoverable $198,632

Recoverable costs vary annually as they are driven by external parties. Offsetting recoverable revenues would offset this underspend. The work performed during the year had a higher capital component than expected.

TABLE 4-9: 2022 BUDGET VARIANCES

	2022 Budget	2022 Actual	2022 Variance
Operations and Maintenance			
Customer premises/meters and devices	$ 352,631	$ 361,851	$ 9,220
Distribution - overhead and underground	$ 7,835,782	$ 8,958,535	$ 1,122,754
Affiliate Related Activity	$ 254,939	$ 233,861	$ (21,078)
2017 COS OM&A Reduction			$ -
Safety and training	$ 650,313	$ 583,142	$ (67,171)
System control/station maintenance	$ 2,123,887	$ 1,965,466	$ (158,421)
Transformers	$ 674,114	$ 403,209	$ (270,905)
Total operations and maintenance expenses	$ 11,891,665	$ 12,506,064	$ 614,399
			$ -
Administration			$ -
Customer-related			$ -
Administration			$ -
Bad debts	$ 250,971	$ 306,353	$ 55,382
Affiliate Related Activity	$ 31,771	$ 51,136	$ 19,365
Billing and collecting	$ 1,207,828	$ 1,172,296	$ (35,532)
Customer service	$ 1,067,956	$ 940,481	$ (127,475)
Information services	$ 1,572,897	$ 1,459,245	$ (113,652)
Meter reading	$ 260,911	$ 233,214	$ (27,697)
Recoverable	$ 356,155	$ 731,017	$ 374,862
Total customer-related administration expenses	$ 4,748,489	$ 4,893,741	$ 145,252
General			$ -
Affiliate Related Activity	$ 14,132	$ 18,087	$ 3,955
Corporate	$ 753,653	$ 915,330	$ 161,677
Directors' expenses	$ 173,087	$ 172,981	$ (106)
Finance	$ 1,558,615	$ 1,329,239	$ (229,375)
Human resources	$ 501,873	$ 370,796	$ (131,077)
President's office	$ 558,445	$ 556,946	$ (1,499)
Purchasing	$ 266,703	$ 249,583	$ (17,120)
Power systems administration	$ 415,981	$ 389,002	$ (26,979)
Total general administration expenses	$ 4,242,488	$ 4,001,963	$ (240,525)
			$ -
Sub-total Operations, Maintenance and Administration	$ 20,882,642	$ 21,401,768	$ 519,126

2022 Budget to 2022 Actuals Variance

Overhead and Underground $1,122,754

The overspend includes an overspend of $400K in forestry and an overspend of $600K in overhead conductors and devices. The forestry variance was a result of deficiencies that were discovered in an area of the city that exceeded the expected costs of the area. As the contractor was mobilized in the area, it made financial and practical sense to complete the necessary work rather than demobilize and return in January. The variance of the overhead conductors and devices was a result of the removal of Skywire, which was identified in 2019. Further information on Skywire can be found in SNC's response to 4-AMPCO-24.

Transformers $270,905

The underspend was a result of lower wage and benefits allocation as well as lower material usage. As a result of these underspends, overhead allocations were also less than budget. This decrease was the result of transferring individuals to Recoverable work and as a result of unfilled PLT positions.

Recoverable $374,862

Recoverable costs vary annually as they are driven by external parties. Offsetting recoverable revenues would offset this overspend. This additional spending is a result of continued Joint Use Attachments being done by Tbaytel.

Finance ($229,375)

The underspend was a result of vacancy related to shortages. To start the year, the department was down two regulatory positions, one of which was filled temporarily at the end of January and then filled permanently in October. The other position remained unfilled for the year. There was also a maternity leave during the year that wasn't immediately backfilled.

TABLE 4-10: 2021 BUDGET VARIANCES

	2021 Budget	2021 Actual	2021 Variance
Operations and Maintenance			
Customer premises/meters and devices	$ 347,399	$ 300,829	$ (46,570)
Distribution - overhead and underground	$ 6,163,960	$ 5,960,696	$ (203,264)
Affiliate Related Activity	$ 240,991	$ 216,529	$ (24,462)
Safety and training	$ 558,798	$ 505,558	$ (53,240)
System control/station maintenance	$ 2,225,469	$ 1,949,577	$ (275,892)
Transformers	$ 737,575	$ 324,851	$ (412,724)
Total operations and maintenance expenses	$ 10,274,192	$ 9,258,041	$ (1,016,151)
			$ -
Administration			0
Customer-related			-
Bad debts	$ 287,000	$ 128,974	$ (158,026)
Affiliate Related Activity	$ 54,980	$ 55,449	$ 469
Billing and collecting	$ 1,252,712	$ 1,142,804	$ (109,908)
Customer service	$ 1,095,607	$ 963,703	$ (131,904)
Information services	$ 1,441,235	$ 1,317,745	$ (123,490)
Meter reading	$ 275,935	$ 235,189	$ (40,746)
Recoverable	$ 452,725	$ 1,004,586	$ 551,861
Total customer-related administration expenses	$ 4,860,194	$ 4,848,450	$ (11,744)
General			$ -
Affiliate Related Activity	$ 13,380	$ 15,057	$ 1,677
Corporate	$ 782,334	$ 715,259	$ (67,075)
Directors' expenses	$ 130,027	$ 118,202	$ (11,825)
Finance	$ 1,435,787	$ 1,481,777	$ 45,990
Human resources	$ 446,517	$ 391,969	$ (54,548)
President's office	$ 562,306	$ 643,127	$ 80,821
Purchasing	$ 248,831	$ 263,694	$ 14,863
Power systems administration	$ 200,712	$ 311,133	$ 110,421
Total general administration expenses	$ 3,819,894	$ 3,940,217	$ 120,323
			$ -
Sub-total Operations, Maintenance and Administration	$ 18,954,280	$ 18,046,708	$ (907,572)

2021 Budget to 2021 Actuals

Distribution – Overhead and Underground ($203,264), System Control/Station Maintenance ($275,892), and Transformers ($412,724)

SNC prioritized customer driven work over proactive OM&A activities. In 2021 there was a significant amount of Joint Use activity that was required to be completed. The transfer of labour was the result of the inability to secure subcontractors in light of COVID 19 decisions made in the previous year. See Exhibit 4, pages 13-16.

Recoverable $551,861

Recoverable costs vary annually as they are driven by external parties. Offsetting recoverable revenues would offset this overspend. The main driver of Recoverable OM&A in 2021 was TBaytel's joint use attachments.

TABLE 4-11: 2020 BUDGET VARIANCES

	2020 Budget	2020 Actual	2020 Variance
Operations and Maintenance			
Customer premises/meters and devices	$ 373,914	$ 367,182	$ (6,732)
Distribution - overhead and underground	$ 6,043,343	$ 5,823,200	$ (220,143)
Affiliate Related Activity	$ 220,137	$ 206,434	$ (13,703)
Safety and training	$ 606,975	$ 483,443	$ (123,532)
System control/station maintenance	$ 2,258,400	$ 1,930,351	$ (328,049)
Transformers	$ 769,728	$ 364,373	$ (405,355)
Total operations and maintenance expenses	$ 10,272,497	$ 9,174,984	$ (1,097,513)
			0
Administration			0
Customer-related			0
Bad debts	$ 169,188	$ 385,412	$ 216,224
Affiliate Related Activity	$ 64,253	$ 64,436	$ 183
Billing and collecting	$ 1,261,506	$ 1,281,534	$ 20,028
Customer service	$ 1,028,796	$ 918,054	$ (110,742)
Information services	$ 1,351,967	$ 1,237,464	$ (114,503)
Meter reading	$ 287,599	$ 246,501	$ (41,098)
Recoverable	$ 297,891	$ 877,627	$ 579,736
Total customer-related administration expenses	$ 4,461,200	$ 5,011,028	$ 549,828
General			0
Affiliate Related Activity	$ 1,500	$ 14,710	$ 13,210
Corporate	$ 804,955	$ 810,492	$ 5,537
Directors' expenses	$ 133,908	$ 107,011	$ (26,897)
Finance	$ 1,333,480	$ 1,371,838	$ 38,358
Human resources	$ 508,319	$ 429,492	$ (78,827)
President's office	$ 517,980	$ 523,340	$ 5,360
Purchasing	$ 258,276	$ 245,781	$ (12,495)
Power systems administration	$ 357,079	$ 339,897	$ (17,183)
Total general administration expenses	$ 3,915,497	$ 3,842,561	$ (72,936)
			0
Sub-total Operations, Maintenance and Administration	$ 18,649,194	$ 18,028,572	$ (620,622)

2020 Budget to 2020 Actuals

Distribution-Overhead and Underground ($220,143), System Control/Station Maintenance ($328,049), Transformers ($405,355)

There were several reasons why costs were down:

- As a result of COVID 19, SNC implemented a cost reduction strategy including canceling all non-critical work from March to April, reducing contractor spending and delaying the hiring of bodies. At the same time, they received $1.2M dollars in additional recoverable capital and $800K in additional recoverable OM&A. SNC reallocated bodies from non-critical tasks to these other areas in order to meet requirements. Further information on the COVID plan can be found in section 4.1.6 on page 13 of Exhibit 4.
- SNC limited the subcontractors in the period due to unavailability as they had taken other work.
- In 2020, Thunder Bay and Kenora did not have any large storms.

Bad debts $216,224

In 2020, bad debts were affected by the disconnection ban that started in 2017, which resulted in increased bad debt. The 2020 provision included the impact of the 2018 disconnection ban. Also, an additional allowance was added for the potential impact of COVID on payments.

Recoverable $579,736

Recoverable costs vary annually as they are driven by external parties. Offsetting recoverable revenues would offset this overspend. The main driver of Recoverable OM&A in 2021 was Tbaytel's joint use attachments.

The 2019 Budget approved by the board in 2018 was based on Thunder Bay Hydro as a stand-alone entity; the following budget figures are based on the revised budget, including Kenora originals as amended for merger cost and savings.

TABLE 4-12: 2019 BUDGET VARIANCES

	2019 Budget	2019 Actual	2019 Variance
Operations and Maintenance			
Customer premises/meters and devices	$ 445,398	$ 428,325	$ (17,073)
Distribution - overhead and underground	$ 5,778,705	$ 6,346,706	$ 568,001
Affiliate Related Activity	$ 213,567	$ 212,615	$ (952)
Safety and training	$ 562,315	$ 511,722	$ (50,593)
System control/station maintenance	$ 2,165,704	$ 1,927,769	$ (237,935)
Transformers	$ 655,882	$ 378,297	$ (277,585)
Total operations and maintenance expenses	$ 9,821,571	$ 9,805,434	$ (16,137)
			$ -
Administration			0
Customer-related			-
Bad debts	$ 255,546	$ 126,090	$ (129,456)
Affiliate Related Activity	$ 110,528	$ 63,632	$ (46,896)
Billing and collecting	$ 1,211,822	$ 1,242,151	$ 30,329
Customer service	$ 1,028,075	$ 972,838	$ (55,237)
Information services	$ 1,181,209	$ 1,175,873	$ (5,336)
Meter reading	$ 271,287	$ 295,029	$ 23,742
Recoverable	$ 248,449	$ 763,706	$ 515,257
Total customer-related administration expenses	$ 4,306,916	$ 4,639,320	$ 332,404
General			$ -
Affiliate Related Activity	$ 1,500	$ 11,487	$ 9,987
Corporate	$ 1,530,998	$ 1,122,845	$ (408,153)
Directors' expenses	$ 127,785	$ 122,939	$ (4,846)
Finance	$ 1,348,067	$ 1,358,951	$ 10,884
Human resources	$ 469,035	$ 381,739	$ (87,296)
President's office	$ 444,876	$ 487,564	$ 42,688
Purchasing	$ 235,926	$ 245,818	$ 9,892
Power systems administration	$ 327,860	$ 362,317	$ 34,457
Total general administration expenses	$ 4,486,047	$ 4,093,660	$ (392,387)
Sub-total Operations, Maintenance and Administration	$ 18,614,534	$ 18,538,414	$ (76,120)

Distribution – Overhead and Underground $568,001

Outside services were $468K over the approved budget. This increase was driven by an overspend in the following areas:

- Tree trimming costs were $195K over budget.
- SNC spent an excess of $127K in feeder maintenance as a result of defective insulators found in the system.
- $88K in outside services to cover storm work that occurred in the year.

- Wages allocated to Distribution were a further $123K over budget to fix maintenance issues discovered by 3rd parties who were doing Joint Use projects in Kenora.

System Control/Station Maintenance ($237,935)

The underspend in budget was driven entirely by allocated wages and benefits. Station Maintenance staff was transferred to recoverable and capital work necessary to complete significant work in Kenora area.

Transformer ($277,585)

The underspend in budget was driven entirely by allocated wages and benefits. Transformer staff was transferred to recoverable and capital work necessary to complete significant work in the Kenora area.

Recoverable $515,257

Following the merger with Kenora, Tbaytel undertook a significant fibre-to-home project in Kenora; as a result of this project, SNC incurred expenses to make Kenora's poles ready for Joint Use.

Corporate ($408,153)

The 2019 budget included merger costs of $598K. Total actual merger costs were $479K, of which only $301K was allocated to this account, resulting in an underspend of $298K. The remainder of the underspend is due to lower-than-expected insurance costs, asset retirement obligation costs and EDA fees, totaling $88K.

4-SEC-21

[Ex.4]

Please reconcile the $508,065 increase in 2024 'Salaries, Wages and Benefits' in Appendix 2-JB (Cost Driver Table) with an increase in 2024 (over 2023) compensation costs allocated to OM&A of $296,202 shown in Appendix 2-K (Employee Costs).

SNC Response:

Please see Table 4-13.

Table 4-13: Reconciliation of Originally Filed 2-JB to 2-K

	2023		2024	Difference	Explanation
Wages and Benefits Per 2JB	7,924,669		8,432,734	508,065	
Board Cost not in 2K	(110,182)		(113,757)	(3,575)	
Immaterial non Wage Items in 2JB	32,171		33,408	1,237	Immaterial benefit items not picked up in 2K due to GL allocation
				-	
Information Systems	709,094		725,840	16,745	Included with Administrative Costs on 2 JB
Engineering and Planning Total Wages and Benefits		1,798,028		-	
Allocated to OM&A	754,272		780,742	26,470	Included in Overhead Costs on 2JB
Material Overhead Wages		227,188		-	
Allocated to OM&A	176,233		182,749	6,516	Included in Overhead Costs on 2JB
supervisory Overhead Wages		1,556,775		-	
Allocated to OM&A	1,042,495		1,059,187	16,692	Included in Overhead Costs on 2JB
Indirect Labour Burden		1,322,487		-	
Allocated to OM&A	733,580		682,771	(50,809)	Included in Overhead Costs on 2JB
Trucking Labour Burden		466,556		-	
Allocated to OM&A	224,255		213,571	(10,684)	Included in Trucking Costs on 2JB
Operation Centre Overhead allocated to OM&A	136,349		140,951	4,602	Included in All Other Items on 2JB
Revised Capital allocation in 2k			(149,987)	(149,987)	Figure is properly recorded in all other documents
Immaterial Difference	125,325		56,253	(69,072)	
Wage balance per 2K	11,748,260		12,044,462	296,202	

SNC is also submitting a revised excel filed as SNC_2024_Chapter2_Appendices_20231110, to properly report the OM&A/Capital breakdown on the Appendix 2-K only as per Table 4-14.

Table 4-14: SNC Revised 2-K

	Last Rebasing Year (2017 OEB Approved Proxy)	Last Rebasing Year (2017 Actuals)	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
Number of Employees (FTEs including Part-Time)[1]									
Management (including executive)	27.2	26.4	26.9	25.9	24.6	24.4	23.1	23.1	23.6
Non-Management (union and non-union)	126.4	115.0	109.9	111.4	104.4	108.1	104.8	113.1	111.7
Total	154	141	137	137	129	132	128	136	135
Total Salary and Wages including ovetime and incentive pay									
Management (including executive)	$ 3,153,484	$ 3,139,284	$ 3,466,348	$ 3,370,971	$ 3,291,514	$ 3,303,764	$ 3,307,508	$ 3,476,753	$ 3,668,581
Non-Management (union and non-union)	$ 9,401,385	$ 8,160,758	$ 8,310,822	$ 8,621,595	$ 8,322,788	$ 8,938,783	$ 8,899,021	$ 9,918,541	$ 10,242,615
Total	$ 12,554,868	$ 11,300,042	$ 11,777,170	$ 11,992,566	$ 11,614,302	$ 12,242,547	$ 12,206,528	$ 13,395,294	$ 13,911,195
Total Benefits (Current + Accrued)									
Management (including executive)	$ 786,334	$ 846,331	$ 766,377	$ 875,506	$ 847,451	$ 816,161	$ 839,527	$ 867,637	$ 973,407
Non-Management (union and non-union)	$ 2,309,627	$ 2,134,317	$ 1,897,209	$ 2,100,899	$ 2,000,361	$ 2,106,662	$ 2,068,850	$ 2,380,885	$ 2,551,604
Total	$ 3,095,961	$ 2,980,648	$ 2,663,586	$ 2,976,405	$ 2,847,811	$ 2,922,823	$ 2,908,377	$ 3,248,522	$ 3,525,011
Total Compensation (Salary, Wages, & Benefits)									
Management (including executive)	$ 3,939,817	$ 3,985,615	$ 4,232,725	$ 4,246,476	$ 4,138,964	$ 4,119,924	$ 4,147,034	$ 4,344,390	$ 4,641,988
Non-Management (union and non-union)	$ 11,711,012	$ 10,295,075	$ 10,208,030	$ 10,722,494	$ 10,323,149	$ 11,045,446	$ 10,967,871	$ 12,299,426	$ 12,794,219
Total	$ 15,650,829	$ 14,280,690	$ 14,440,756	$ 14,968,970	$ 14,462,113	$ 15,165,370	$ 15,114,905	$ 16,643,816	$ 17,436,207
Total Compensation Breakdown (Capital, OM&A)									
OM&A	$ 10,932,455	$ 10,323,447	$ 10,671,794	$ 10,463,549	$ 10,802,067	$ 10,833,542	$ 11,185,632	$ 11,748,260	$ 12,194,449
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	$ 5,241,757
Total	$ 15,650,829	$ 14,280,690	$ 14,440,756	$ 14,968,970	$ 14,462,113	$ 15,165,370	$ 15,114,905	$ 16,643,816	$ 17,436,207

TABLE 4-15: RECONCILIATION OF 2-JB TO REVISED 2-K

	2023		2024 Revised 2K	Difference	Explanation
Wages and Benefits Per 2JB	7,924,669		8,432,734	508,065	
Board Cost not in 2K	(110,182)		(113,757)	(3,575)	
Immaterial non Wage Items in 2JB	32,171		33,408	1,237	Immaterial benefit items not picked up in 2K due to GL allocation
			-	-	
Information Systems	709,094		725,840	16,745	Included with Administrative Costs on 2 JB
Engineering and Planning Total Wages and Benefits		1,798,028	-	-	
Allocated to OM&A	754,272		780,742	26,470	Included in Overhead Costs on 2JB
Material Overhead Wages		227,188	-	-	
Allocated to OM&A	176,233		182,749	6,516	Included in Overhead Costs on 2JB
supervisory Overhead Wages		1,556,775	-	-	
Allocated to OM&A	1,042,495		1,059,187	16,692	Included in Overhead Costs on 2JB
Indirect Labour Burden		1,322,487	-	-	
Allocated to OM&A	733,580		682,771	(50,809)	Included in Overhead Costs on 2JB
Trucking Labour Burden		466,556	-	-	
Allocated to OM&A	224,255		213,571	(10,684)	Included in Trucking Costs on 2JB
Operation Centre Overhead allocated to OM&A	136,349		140,951	4,602	Included in All Other Items on 2JB
Revised Capital allocation in 2k				-	Figure is properly recorded in all other documents
Immaterial Difference	125,325		56,253	(69,072)	
Wage balance per 2K	11,748,260		12,194,449	446,189	

4-SEC-22

[Ex.4, p.94]

With respect to the increase in FTE in 2023, please outline the new positions added, their rationale, and if the position has been filed to date.

SNC Response:

There were two new full-time positions added in the 2023 Bridge Year that contributed to the increase in FTE in 2023 – a Forestry Technician and an additional Protection and Control Technician. The equivalent of 2.85FTE of overtime was also added to the budget as discussed on page 104 and page 105 in Exhibit 4, starting at line 26 on page 104.

As detailed in Exhibit 4 on page 104 lines 9-11, “One FTE position was added in order to complete the new Vegetation Management Plan put into place in 2022 as addressed in Section 4.3.3.5. One Forestry Technician was hired to help with the increased workload, customer notification, planning, tree inventory, mapping, contractor monitoring.”

The increase in overtime hours, which results in an increased 2.85 FTE, relates to the nature and location of the work being perform in the next phases of the 4kV conversion. Work being performed in the downtown cores has a large impact on commercial customers and due to the nature of their hours, requires that SNC perform the work outside of its normal hours of operations. This does not impact the nature of the work that SNC performs during normal working hours.

A P&C position has been added in 2023 to meet the changing technology required to operate the distribution system. Due to the advancement of technology within the system, SNC has seen a reduction in Stations staff and a requirement for additional Protection and Control Technicians within the utility. P&C technicians possess the skills required to install, maintain, and operate the specialty equipment within SNC's distribution system.

SNC has filled both of these positions. All remaining FTE increases related to the filling of 2022 vacancies.

4-SEC-23

[Ex.4, p.94]

With respect to employee vacancies:

a) How many vacancies (calculated in FTEs) has the Applicant forecast as part of its 2024 budget?
b) Please provide the number of vacancies (calculated in FTEs) that the Applicant has had for each year between 2017 and 2023.

SNC Response:

a) There are no vacancies forecasted as part of the 2024 budget.
b) Please see response to 4-AMPCO-33.

4-SEC-24

[Ex.4, p.115]

Please provide a copy of the shared services agreement between the Applicant and each affiliate that it provides services to.

SNC Response:

SNC has three shared services agreements with its affiliates: Thunder Bay Hydro Corporation, Thunder Bay Hydro Renewable Power Incorporated and Thunder Bay Hydro Utility Services Inc.

SNC provides a copy of these agreements as Attachment 4-1: SNC Shared Service Agreements.

4-SEC-25

[Ex.4, Attachment 4-C]

With respect to the Vegetation Management Plan:

a) Has the Applicant quantified the customer benefits of the increased vegetation management spending (e.g. example increased reliability, decrease in storm restoration costs, etc.)? If so, please provide details. If not, please explain why not.

b) Please provide each of Figures 3-5 in a tabular format.

c) Please explain how the Applicant determined the total cost of the work that would be required to be completed. Please provide all assumptions used.

d) For each scenario included in the plan, please provide the amount of vegetation management work (as opposed to cost) that is forecast to be completed, each year, broken down by category (e.g. blue orders, maintenance, immediate hazards, meeting standards, optimal cycle etc.).

e) If the actual plan which underlies the 2024 budget is different than any of the specific scenarios in the plan, please provide a response to part (d) based on the actual plan.

SNC Response:

a) The primary driver for the implementation of the Vegetation Management Plan was in response to the LIDAR survey completed in 2019, which indicated that a significant portion of the overhead system in Thunder Bay was exposed to health and safety risks. Industry safety standards (CSA 22.3 No. 1:20) specify minimum clearances to energized overhead primary wires, and it became evident that much of the system was not in compliance, posing an immediate risk. The plan acknowledges that SNC is addressing the vegetation hazards in such a way that the vegetation corridor is re-established. Following the forecast period, SNC will be aligned with industry standard levels of inspection and maintenance at a reduced level of expenditure to the benefit of our customers. Outside of those statements, SNC has not quantified the customer benefits of the increased vegetation management as the health and safety of the public are difficult measures to quantify and measure. It is possible that the vegetation management plan should have a positive impact on reliability and storm restoration costs, however, as this was not the primary driver, SNC has not quantified these impacts.

b) Details for Figures 3-5 from the Vegetation Management plan have been provided in tabular format below:

Year	Blue Orders (Customer Generated)	Maintenance (Tree on Line)	Grand Total
2018	$276,355	$344,940	$621,295
2019	$359,398	$333,093	$692,490
2020	$494,905	$257,154	$752,059
2021	$488,473	$296,012	$784,485
2022	$598,952	$405,558	$1,004,510
2023	$674,933	$605,692	$1,280,625
2024	$752,119	$709,838	$1,461,957
2025	$829,305	$793,895	$1,623,200
2026	$906,491	$856,018	$1,762,509
2027	$983,677	$901,615	$1,885,292
2028	$1,060,863	$943,348	$2,004,211
2029	$1,138,049	$1,001,135	$2,139,184
2030	$1,215,235	$1,102,148	$2,317,383
2031	$1,292,421	$1,080,812	$2,373,233

Figure 3 – Reactive Spending Program

Figure 4 – Spending Cap Program

Year	Blue Orders (Customer Generated)	Maintenance (Tree on Line)	Immediate Hazards	Meeting Standards	Grand Total
2018	$ 276,355	$ 344,940			$ 621,295
2019	$ 359,398	$ 333,093			$ 692,490
2020	$ 494,905	$ 257,154			$ 752,059
2021	$ 488,473	$ 296,012			$ 784,485
2022	$ 543,965		$ 1,100,000		$ 1,643,965
2023	$ 516,766		$ 1,100,000		$ 1,616,766
2024	$ 516,766		$ 950,000	$ 150,000	$ 1,616,766
2025	$ 516,766			$ 1,100,000	$ 1,616,766
2026	$ 516,766			$ 1,100,000	$ 1,616,766
2027	$ 516,766			$ 1,100,000	$ 1,616,766
2028	$ 516,766			$ 1,100,000	$ 1,616,766
2029	$ 516,766			$ 1,100,000	$ 1,616,766
2030	$ 516,766			$ 1,100,000	$ 1,616,766
2031	$ 516,766			$ 1,100,000	$ 1,616,766

Figure 5 – Ideal Spending Program

Year	Blue Orders (Customer Generated)	Maintenance (Tree on Line)	Immediate Hazards	Meeting Standards	Optimal Cycle	Grand Total
2018	$ 276,355	$ 344,940				$ 621,295
2019	$ 359,398	$ 333,093				$ 692,490
2020	$ 494,905	$ 257,154				$ 752,059
2021	$ 488,473	$ 296,012				$ 784,485
2022	$ 543,965		$ 1,350,000			$ 1,893,965
2023	$ 520,000		$ 1,350,000			$ 1,870,000
2024	$ 313,991			$ 1,800,000		$ 2,113,991
2025	$ 265,282			$ 1,800,000		$ 2,065,282
2026	$ 227,501			$ 1,800,000		$ 2,027,501
2027	$ 196,632			$ 1,800,000		$ 1,996,632
2028	$ 170,532			$ 1,800,000		$ 1,970,532
2029	$ 50,000				$ 1,250,000	$ 1,300,000
2030	$ 50,000				$ 1,250,000	$ 1,300,000
2031	$ 50,000				$ 1,250,000	$ 1,300,000

c) The LIDAR data provided by the City of Thunder Bay and analyzed by KBM was from an aerial data collection effort that occurred in 2019. SNC was able to correlate the geospatial vegetation data with areas where work had been done in 2019, 2020, and 2021. Actual historical costs for amount of historical vegetation management in specific areas performed in 2019, 2020 and 2021 were extrapolated in the forecast period to areas with similar vegetation densities. The analysis was then extrapolated to the remainder of the system and validated against vegetation management activities that were underway in 2022. This analysis established the total cost to a) remove the immediate hazards and b) the cost to meet standards.

d) Moving average and logarithmic regression models were used to forecast changes in the amount of reactionary spending (blue order/maintenance) as a result of the proposed level of spending in each scenario. The following assumption was included in the analysis:

- Growth rates – approximately 10-15% of the vegetation has a high growth rate, requiring more frequent maintenance to prevent it from quickly re-encroaching on lines.
- The amount of vegetation management work that is forecast to be completed each year has been broken down by category as follows:

Year	Blue Orders (Customer Generated)	Maintenance (Tree on Line)	Grand Total	Blue Orders (#)	Maintenance Thunder Bay (km)	Meeting Standards Kenora (km)
2025	$829,305	$793,895	$1,623,200	1136	17	36
2026	$906,491	$856,018	$1,762,509	1242	19	10
2027	$983,677	$901,615	$1,885,292	1347	19	35
2028	$1,060,863	$943,348	$2,004,211	1453	20	29
2029	$1,138,049	$1,001,135	$2,139,184	1559	22	36
2030	$1,215,235	$1,102,148	$2,317,383	1664	24	10
2031	$1,292,421	$1,080,812	$2,373,233	1770	23	35

Reactive Spending Program

Spending Cap Program

Year	Blue Orders (Customer Generated)	Immediate Hazards	Meeting Standards	Grand Total	Blue Orders (#)	Immediate Hazards (km)	Meeting Standards Thunder Bay (km)	Meeting Standards Kenora (km)
2024	$ 516,766	$ 950,000	$ 150,000	$ 1,616,766	708	253	17	29
2025	$ 516,766		$ 1,100,000	$ 1,616,766	708		117	36
2026	$ 516,766		$ 1,100,000	$ 1,616,766	708		117	10
2027	$ 516,766		$ 1,100,000	$ 1,616,766	708		117	35
2028	$ 516,766		$ 1,100,000	$ 1,616,766	708		117	29
2029	$ 516,766		$ 1,100,000	$ 1,616,766	708		117	36
2030	$ 516,766		$ 1,100,000	$ 1,616,766	708		117	10
2031	$ 516,766		$ 1,100,000	$ 1,616,766	708		117	35

Ideal Spending Program

Year	Blue Orders (Customer Generated)	Immediate Hazards	Meeting Standards	Optimal Cycle	Grand Total	Blue Orders (#)	Meeting Standards Thunder Bay (km)	Meeting Standards Kenora (km)	Optimal Cycle Thunder Bay (km)	Optimal Cycle Kenora (km)
2024	$ 313,991		$1,800,000		$ 2,113,991	430	139	29		
2025	$ 265,282		$1,800,000		$ 2,065,282	363	139	36		
2026	$ 227,501		$1,800,000		$ 2,027,501	312	139	10		
2027	$ 196,632		$1,800,000		$ 1,996,632	269	139	35		
2028	$ 170,532		$1,800,000		$ 1,970,532	234	139	29		
2029	$ 50,000			$ 1,250,000	$ 1,300,000	68			226	36
2030	$ 50,000			$ 1,250,000	$ 1,300,000	68			226	10
2031	$ 50,000			$ 1,250,000	$ 1,300,000	68			226	35

e) SNC has provided a response to part (d) based on the actual plan that underlies the 2024 budget.

VULNERABLE ENERGY CONSUMERS COALITION (VECC)

4.0 -VECC -37

Reference: Exhibit 4, Appendix 2-JC OM&A programs table

a) Please update the 2023 bridge year in Appendix -JC and include actual spending to date and the current estimate for the remaining year-end spending.

SNC Response:

a) Please refer to the attached revised excel file SNC_2024_Chapter2_Appendices_20231110 with the additional columns added to Appendix 2-JC to show year Forecasted 2023, including 9 months of actuals.

4.0 -VECC -38

Reference: Exhibit 4, pages 28, 32

a) Please confirm (or correct) that the OM&A shown in Appendix 2-JA and JC include in 2019 one-time merger transaction costs of $479,213.
b) Please confirm (or correct) the two Appendices also include for 2019 the one-time cost of $114,881 related to inventory write-off expenses.

SNC Response:

a) Appendix 2-JA and JC include merger transaction costs of $479,213.
b) Confirmed.

4.0 -VECC -39

Reference: Exhibit 4, page 33, Table 4-13

a) Please update Table 4-13 to show 2023 actual capitalized OM&A to-date and add a column showing year-end projections.
b) Please provide the overtime capitalized costs for 2021 through 2024 (budgeted).

SNC Response:

a) Please see Table 4-16 below.

TABLE 4-16: CAPITALIZED OM&A (APPENDIX 2-D) UPDATED

Capitalized OM&A	Year (2017 Actual)	2018 Historical	2019 Historical Year	2020 Historical Year	2021 Historical Year	2022 Historical Year	2023 Bridge Year	2023 Capitalized To Date	2023 Projections	2024 Test Year
Benefits	$ 124,611	$ 73,142	$ 146,492	$ 105,025	$ 144,907	$ 115,101	$ 144,598	$ 351,648	$ 454,429	$ 159,394
Downtime	$ 572,167	$ 533,493	$ 547,522	$ 539,755	$ 419,753	$ 475,163	$ 613,294	$ 345,273	$ 415,556	$ 614,042
Material	$ 107,361	$ 152,339	$ 118,644	$ 117,729	$ 136,090	$ 111,344	$ 126,051	$ 129,396	$ 138,896	$ 140,723
Supervisory	$ 534,999	$ 496,608	$ 714,598	$ 663,197	$ 617,035	$ 722,714	$ 759,841	$ 524,684	$ 883,357	$ 820,701
Engineering	$ 1,016,451	$ 973,642	$ 1,206,768	$ 1,222,532	$ 1,420,533	$ 1,312,084	$ 1,375,490	$ 719,427	$ 1,287,719	$ 1,487,523
Trucking	$ 855,564	$ 1,120,230	$ 1,062,917	$ 1,002,169	$ 1,107,421	$ 1,170,104	$ 1,415,761	$ 886,079	$ 1,405,903	$ 1,536,910
Total Capitalized OM&A (A)	$ 3,211,153	$ 3,349,454	$ 3,796,941	$ 3,650,407	$ 3,845,739	$ 3,906,510	$ 4,435,035	$ 2,956,506	$ 4,585,860	$ 4,759,293

b) Please see Table 4-17 below.

TABLE 4-17: CAPITALIZED OVERTIME COSTS

2021 Actual	2022 Actual	2023 Budgeted	2024 Budgeted
$ 534,931	$ 440,486	$ 771,114	$ 788,741

4.0 -VECC -40

Reference: Exhibit 4, pages 48 & 58

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

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

a) Please provide a table showing the number of stations associated with the costs in the tables above for each year 2019 through 2025 (forecast).

SNC Response:

a) Please see Table 4-18 below.

TABLE 4-18: NUMBER OF STATIONS

Year	Quantity of Stations
2019	13
2020	12
2021	12
2022	12
2023	12
2024	11
2025	11

4.0 -VECC -41

Reference: Exhibit 4, page 72

a) Please explain how the 2024 bad debt cost was estimated.

b) What is the current 2023 bad debt cost to date?

SNC Response:

a) Bad debt is comprised of two balances, balances relating to customers power bills and balances relating to miscellaneous charges such as motor vehicle accidents. The 2024 bad debt expense relating to customer power bills was estimated using a five year average percentage of historical write off's of SNC's total energy sales. Miscellaneous bad debt costs are based on historical write off percentages on all balances over 90 days.

b) 2023's bad debt expense up to September 30, 2023, is $217,549.

4.0 -VECC -42

Reference: Exhibit 4, page 54

		Historical Years							Bridge Year	Test Year
Program	2017 BA Proxy	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Forecast	2024 Forecas
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

a) Please separate the costs in the table shown above into the two separate components (i.e., costs of underground and costs of overhead maintenance).

SNC Response:

a) Please see Table 4-19 below.

TABLE 4-19: SPLIT OF OVERHEAD AND UNDERGROUND MAINTENANCE

Programs	2017 Board Approved Proxy	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
Overhead Maintenance	2,132,152	2,560,427	2,639,879	2,275,076	2,063,381	1,844,913	2,977,377	2,466,863	2,607,884
Underground Maintenance	340,947	448,791	449,766	481,659	485,884	649,336	620,369	432,016	478,162
Total	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

4.0 -VECC -43

Reference: Exhibit 4,

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

a) Community Relations costs have nearly doubled since 2017. Why?

b) Are costs related to SNC's Public Safety Strategy included in this category?

SNC Response:

a) Please see response to 4-CCC-18.

b) Yes, please see response to 4-CCC-18.

4.0 -VECC -44

Reference: Exhibit 4, page 76

		Historical Years						Bridge Year	Test Year
Program	2017 BAProxy	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Forecast	2024 Forecas
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

a) Please provide the number of FTEs associated with the above activity for each year 2017 through 2024.

SNC Response:

a) Please see Table 4-20 below.

Table 4-20: FTE's Finance

		2017	2018	2019	2020	2021	2022	2023	2024
Finance, Regulatory and Purchasing FTE		18.53	19.27	18.58	18.17	17.92	16.33	17.00	16.96

4.0 -VECC -45

Reference: Exhibit 4, page 79

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

a) Please provide the number of FTEs associated with this category of costs for each year 2017 through 2024.

SNC Response:

a) The FTEs associated with this category of costs for each of the requested years is provided in Table 4-21 below:

TABLE 4-21: FTE'S HR & SAFETY

	2017 BA Proxy	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Forecast	2024 Forecast
Number of Employees (FTEs including Part-Time)1									
Management (including executive)	1	1	1	1	1	1	1	2	2
Non-Management (union and non-union)	3	3	3	3	3	3	3	2	2
Total	4	4	4	4	4	4	4	4	4

4.0 -VECC -46

Reference: Exhibit 4,

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

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

a) Why are 2024 costs in this category higher than in 2017 when that year had one more CEO and (presumably) a more Board directors for the two separate utilities?

SNC Response

a) SNC attempts to compensate the CEO at the P50 Level, using the annual MEARIE Salary Survey as a guide, within comparable groups for revenue, employees, and customers. Changes within this category represent inflation and an adjustment to the P50 level.

4.0 -VECC -47

Reference: Exhibit 1, page 39 & Exhibit 4, pages 90-

a) Please provide a table for each year 2019 through 2024 which shows the number of employees (specify year end or year average) in each of the organizational areas shown in the chart at Figure 1, Exhibit 1, page 39.

SNC Response

a) Please see Table 4-22 for the years 2019 to 2024 showing the number of employees calculated as FTEs in each of the requested organizational areas, based on yearly average.

TABLE 4-22: FTE PER ORGANIZATIONAL AREA

	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Forecast	2024 Forecast
President & CEO	1.0	1.0	1.0	1.0	1.0	1.0
EA to the President	1.0	1.0	1.6	1.0	1.0	1.0
Customer and Renewable Energy Coordinator	0.4	0.4	0.4	0.4	0.4	0.4
PR & Communications	0.8	0.8	0.9	0.9	1.0	1.0
Vice President Human Resources, Safety & Corporate Risk, Chief Privacy Officer	4.0	4.0	4.3	3.7	4.0	4.0
Vice President Strategic Planning, IT & Customer Care	19.9	19.0	17.8	19.4	19.6	19.1
Vice President Finance, Regulatory Affairs & Purchasing	18.6	18.2	17.9	16.4	17.0	17.0
Vice President Lines, Construction, Maintenance and Operations	78.3	72.4	74.7	71.3	78.3	77.2
Vice President System Planning, Asset Management and Engineering	12.9	12.3	13.8	13.5	13.5	14.3
	136.8	129.1	132.5	127.5	135.9	135.0

4.0 -VECC -48

Reference: Exhibit 4, pages 90-

a) Of the 135.3 FTEs listed for 2024 in Table 4-19 (Appendix 2-K) please provide the current number of vacancies.

b) What is the annual churn rate of SNC?

SNC Response

a) Please see the response to 4-AMPCO-33

b) The annual churn rate of SNC is as follows:

TABLE 4-23: SNC'S ANNUAL CHURN RATE

	Last Rebasing Year (2017 Actuals)	2018 Actuals - Total	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 YTD Actuals
Churn Rate	13%	10%	8%	7%	10%	6%	12%

4.0 -VECC -49

Reference: Exhibit 4, pages 90-

a) Please provide a list of the management positions in 2022, 2023 and 2024.

SNC Response:

a) Please see Table 4-24

Table 4-24: List of Management Positions

Management Position Title	2022	2023	2024
Accounting Supervisor	y	y	y
Controller	y	y	y
Billing Supervisor	y	y	y
Customer Service Supervisor	y	y	y
Vice President, Customer & Information Services	y		
Vice President, Strategic Planning, IT & Customer Care		y	y
Vice President, Asset Management & Engineering	y		
Vice President, System Planning, Asset Management & Engineering		y	y
Program Engineer	y	y	y
Design Engineer	y	y	y
Vice President, Finance	y		
Vice President, Finance, Regulatory Affairs & Purchasing		y	y
Purchasing & Stores Manager	y	y	y
Supervisor, Regulatory Affairs	y		
Regulatory & Financial Assurance Manager	y	y	y
Vice President, Human Resources & Safety Chief Privacy Officer	y		
Vice President, Human Resources, Safety & Corporate Risk Chief Privacy Officer		y	y
Manager, Human Resources & Safety			y
Information Systems Manager	y	y	y
Service & Connections Supervisor	y	y	y
Admin Coordinator	y		
Vice President, Lines & Operations	y		
Vice President, Lines Construction, Maintenance & Operations		y	y
Operations Superintendent	y	y	y
Lines Supervisor - Kenora	y	y	y
Line Construction Supervisor (2)	y	y	y
Underground & Connections Supervisor	y	y	y
Line Maintenance Supervisor	y	y	y
President & CEO	y	y	y
Electrical & Maintenance Supervisor	y	y	y
System Control Supervisor	y	y	y

4.0 -VECC -50

Reference: Exhibit 4, Appendix 2-M

a) Please provide a table showing the one-time regulatory costs of $697,780 by category of costs estimates: (1) legal; (2) consulting; (3) intervenor; (4) internal; (5) other – please specify. Please also provide the costs incurred to date in each of those categories.

SNC Response

a) Please see the response to 4-Staff-45 for a breakdown legal, consulting, intervenor and other. SNC does not have any internal costs in this application.

4.0 -VECC -51

Reference: Exhibit 4, Attachment 4-C

a) Please provide the cost of the vegetation management plan in each year of 2022 through 2028 and the number of kilometres in each year actually or projected to be trimmed/addressed.

b) Please provide the metric(s) that SNC uses to evaluate the implementation of the plan.

c) Please clarify if the Kenora rate zone is included in the plan.

SNC Response:

a) Table 4-25 below details the cost of the vegetation management plan for Thunder Bay and Kenora in each year of 2022 through 2028 and the number of kilometres in each year projected to be inspected and trimmed.

TABLE 4-25: VEGETATION MANAGEMENT (KENORA AND THUNDER BAY)

	2022			2023 - Proposed Bridge Yr			2024 -Test	
	Tbay	Kenora	Total	Tbay	Kenora	Total	Tbay	Kenora
Internal	$ 303,774	$ 11,148	$ 314,922	$ 359,028	$ 16,186	$ 375,214	$ 274,881	$ 15,395
Subcontractor	$ 1,980,514	$ 72,680	$ 2,053,194	$ 1,774,511	$ 80,000	$ 1,854,511	$ 1,696,280	$ 95,000
Total	$ 2,284,288	$ 83,828	$ 2,368,116	$ 2,133,539	$ 96,186	$ 2,229,725	$ 1,971,162	$ 110,395
Km trimmed	575	3		262	35		139	29

2025			2026			2027			2028		
Tbay	Kenora	Total	Tbay	Kenora	Total	Tbay	Kenora	Total	Tbay	Kenora	Total
$ 270,154	$ 25,928	$ 296,082	$ 266,352	$ 35,651	$ 302,003	$ 295,079	$ 12,964	$ 308,043	$ 298,809	$ 15,395	$ 314,204
$ 1,667,106	$ 160,000	$ 1,827,106	$ 1,643,648	$ 220,000	$ 1,863,648	$ 1,820,921	$ 80,000	$ 1,900,921	$ 1,843,940	$ 95,000	$ 1,938,940
$ 1,937,260	$ 185,928	$ 2,123,188	$ 1,910,000	$ 255,651	$ 2,165,651	$ 2,116,000	$ 92,964	$ 2,208,964	$ 2,142,749	$ 110,395	$ 2,253,144
139	36		139	10		139	35		139	35	

b) Please see the response to 4-AMPCO-35.

c) Kenora was not included in the Vegetation Management Plan, as this report was specifically to address the issues with vegetation in proximity to overhead lines in the Thunder Bay distribution service territory. Kenora is already on a 4-year cycle, and it has been included in the total Vegetation Management Costs.

4.0 -VECC -52

Reference: Exhibit 4, page 85

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

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

a) Please provide a table showing the increase from 2018 of IT costs into the categories of: (1) internal labour; (2) external contractor; (3) software licensing; (3) hardware (if any in OM&A programs).

b) SNC's IT costs have increased by more than 50%. What efforts have been made to mitigate these large increases?

c) Does SNC have an IT strategy and plan for the 2024 -2028 rate period? If so please provide it.

SNC Response:

a) Please see Table 4-26 below.

TABLE 4-26: IT INCREASES SINCE 2018

	Original 2018	Test 2024	Increase
Internal Labour and Benefits	$ 557,958	$ 725,840	$ 167,881
External Contractor	$ 19,046	$ 161,351	$ 142,305
Software Licensing	$ 89,042	$ 240,129	$ 151,086
Hardware	$ 12,198	$ 20,880	$ 8,683

b) The primary drivers of increased IT costs are described in Exhibit 4, section 4.3.6 and were heavily driven by planned projects to increase SNC's cyber security position to industry standards. Products, support, and service costs are regularly audited and reviewed to ensure SNC receives the best value for them. This review also includes comparing new or alternative solutions available from other vendors and comparing internal, external, and outsourced managed services to minimize costs to the organization. Virtualization, cloud computing, and consolidation are also considered and leveraged where it is most cost effective. A competitive bidding process is used when procuring these products, services, and support to obtain the best available pricing. Licensed quantities are optimized at each renewal period and reduced to only minimum needed levels for staff to operate efficiently. Automation of repetitive tasks is also used to reduce the need for manual labour and increase efficiency.

c) SNC prioritizes the continuous advancement of cybersecurity measures to safeguard its digital assets. SNC's IT department is committed to furthering its investment in automation, identifying areas where efficiencies can be introduced or enhanced, and thereby optimizing performance and cost-effectiveness across business processes. SNC's IT accounts for the continuation of its hardware lifecycle replacement program, ensuring that IT infrastructure remains robust, current, and capable of supporting SNC's business needs while meeting cyber security requirements. This strategic blueprint is revisited annually, allowing for agility and realignment in response to the fast-paced evolution of the IT landscape, to help ensure that SNC's IT remains strong in terms of service delivery, security, and operational effectiveness. IT is considered a support service for SNC, and its strategies and goals are built into SNC's Strategic Plan, as filed in Exhibit 1, Attachment 1-E. Further, SNC's Information Systems Strategy, which forecasts its Capital Plan for the 2024 to 2028 period, was filed as Appendix G of the DSP.

CONSUMERS COUNCIL OF CANADA

4-CCC-14

Ex. 4/pp. 8-9

Please provide all directives and budget guidelines provided to staff with respect to the 2024 budget.

SNC Response:

All directives and guidelines provided to staff are attached as Attachment 4-2: Budget Directives.

4-CCC-15

Ex. 4/p. 16

Figure 4.2 sets out OM&A Expenditures 2017-2014. Tree trimming costs are driving increases in 2022, 2023 and 2024. Please explain why "Normal OM&A Expenses" in 2022 are not more aligned with OM&A costs in 2019, the year in which merger savings were achieved.

SNC Response:

TABLE 4-27: CPI INFLATION ANALYSIS

	2019	2020	2021	2022
OEB Inflationary Formulaic Adjustment		**1.80%**	**2.00%**	**3.10%**
"Normal" OM&A Expenses adjusted using OEB formulaic adjustment	16,556,289	16,854,302	17,191,388	17,724,321
CPI		**0.70%**	**7.0%**	**6.80%**
"Normal" OM&A Expenses adjusted using CPI	16,556,289	16,672,183	17,839,236	19,052,304
2022 Actual "Normal" OM&A achieved				18,508,503
Savings as a result of productivity and efficiency savings achieved				543,801

As described in Exhibit 1, pg. 48, SNC has experienced significant inflationary increases in materials, goods, and services specifically related to its capital and operating costs. The actual inflationary increases SNC experienced in 2022 range from 17% to 75%.

In comparing SNC's 2019 "Normal" OM&A expenses inflated with CPI, which is higher than the rates approved by the OEB, but significantly lower than the actual inflation SNC experienced in costs in 2021 and 2022, SNC kept its OM&A lower than actual inflation in 2022. The only way SNC was able to absorb the significant increases in inflation while continuing to provide the expected level of service and perform the level of work it did was through the continuous productivity and efficiencies put into place, as explained in Exhibit 1, page 53-61, Section 1.4.17 Realized Efficiencies and Improvements.

As discussed in Exhibit 4, pg. 16, SNC incurred significant costs to address the issues identified with its Skywire. The Skywire costs incurred were $438k in 2022, which is over and above what is budgeted for the "normal" amount of work on defective equipment. The primary reason for the 2022 increase is that Skywire work was deferred from 2020 and 2021 due to reasons described in Exhibit 1, page 90-91.

4-CCC-16

Ex. 4/p. 23

The evidence refers to the fact that resources to address regulatory processes and proceedings continue to be an issue for SNC. In addition, there has been significant turnover in regulatory roles and jobs remain unfilled due to the inability to find and recruit qualified people. How many regulatory roles are unfilled? For 2024 is it assumed those roles will be filled?

SNC Response:

SNC confirms that one regulatory role remains unfilled. Please see 4-Staff-47, part a) and e) for further information on SNC's plan to fill the role post cost of service application.

4-CCC-17

Ex. 4/p. 24/ Table 4-9 Summary of Recoverable OM&A Expenses (Appendix 2-JA)

Please provide an updated version of Appendix 2-JA which includes 2023 year to date actuals.

SNC Response:

Please see Table 4-28 below.

TABLE 4-28: UPDATED APPENDIX 2-JA INCLUDING 2023 YEAR TO DATE ACTUALS

	2017 Last Rebasing Year OEB Approved	2017 Last Rebasing Year Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year	2023 Actuals to September 30
Reporting Basis										
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	$ 1,995,506
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	$ 4,743,395
SubTotal	**$ 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**	**$ 6,738,900**
%Change (year over year)		6.5%	4.2%	-3.0%	-6.4%	0.8%	35.4%	-0.9%	4.7%	
%Change (Test Year vs Last Rebasing Year - Actual)									34.1%	
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	$ 1,544,758
Community Relations	$ 167,483	$ 170,165	$ 138,175	$ 227,826	$ 162,777	$ 248,689	$ 273,635	$ 284,250	$ 303,172	$ 243,527
Administrative and General	$ 6,011,116	$ 6,203,344	$ 6,068,464	$ 5,679,043	$ 5,428,116	$ 5,448,667	$ 5,692,763	$ 6,448,979	$ 6,876,395	$ 4,749,159
SubTotal	**$ 9,056,024**	**$ 9,162,682**	**$ 8,714,839**	**$ 8,261,577**	**$ 8,099,757**	**$ 7,899,794**	**$ 8,565,078**	**$ 9,064,678**	**$ 9,653,336**	**$ 6,537,444**
%Change (year over year)		1.2%	-4.9%	-5.2%	-2.0%	-2.5%	8.4%	5.8%	6.5%	
%Change (Test Year vs Last Rebasing Year - Actual)									5.4%	
Total	**$ 17,307,644**	**$ 17,947,718**	**$ 17,869,739**	**$ 17,142,144**	**$ 16,416,351**	**$ 16,286,459**	**$ 19,924,511**	**$ 20,317,448**	**$ 21,432,230**	**$ 13,276,344**
%Change (year over year)		3.7%	-0.4%	-4.1%	-4.2%	-0.8%	22.3%	2.0%	5.5%	

4-CCC-18

Ex. 4/p. 24 Table 4-9 Summary of Recoverable OM&A Expenses (Appendix 2-JA)

Please explain what activities are captured within Community Relations. Please explain why this component of the budget has almost doubled since 2017.

SNC Response:

Activities captured within the Community Relations Program include:

- Communications strategy, campaigns, media buys
- Public relations activities during power events, press releases, briefing materials, newsletters and preparing annual reports
- Maintain the utility's emergency communication plan
- Creating advertising and communications material
- Plan and organize internal events, community events, exhibitions etc.
- Develops and executes the Community Engagement Plan, customer service marketing, internal and public safety strategy.

The Community Relations Program expenses have increased since 2017, primarily due to the wind-down of LDC's delivery of conservation programs in 2019. The conservation programming ensured SNC (at the time, Kenora Hydro and Thunder Bay Hydro) were in the community on a regular basis. To continue to maintain a presence in Thunder Bay and Kenora communities, labour and sponsored event costs were increased. Participation in community events such as the Kenora Home & Leisure Show, Thunder Bay Home and Garden Show and the Thunder Bay Electric Vehicle Show give SNC the opportunity to engage with the public on a regular basis.

4-CCC-19

Ex. 4/p. 25

Administrative Costs include IT Department costs, bank charges, general plant maintenance, liability and property insurance costs, supplies etc. Please explain why these costs were not reduced as a result of the merger.

SNC Response:

See Response to 1-SEC-7, which includes all merger savings achieved, some of which are direct administrative cost savings.

However, there are two major drivers of the Administration Costs: a rise in IT costs from 2017 to 2024 ($660k) and an increase in insurance costs ($99k).

As indicated in the merger savings, SNC did achieve some insurance savings by merging policies and reducing overall deductibles; however, the utility is still impacted by the significant increase in insurance costs in the market. In 2023, SNC received a 4% increase in its liability premium and roughly 23% overall increase in its property insurance premium. SNC's insurance provider has already indicated that 2024 rates will increase by an additional 5% at a minimum. Please see Exhibit 4, Section 4.3.6 for details provided on the rise in Information Technology costs. Based on the way that Kenora allocated its IT costs prior to the merger, $96k in costs were allocated to the billing and collection department, reducing the actual IT increase to $565K. These increased IT costs represent changes in the IT environment, and these costs would have been even higher absent the merger. Included in these figures are $144K in additional cyber security fees as a result of the increased risk of cyber threats and the need for increased cyber security coverage. In addition, there was$159K in additional software fees. These fees are the result of changes in the way that software companies are providing their services, as they move to a cloud-based system.

4-CCC-20

Ex. 4/p. 88

The Executive Team became eligible to receive incentive compensation to a maximum of 15% of base salary in 2021. Please explain how this incentive program is structured. What incentive compensation is included in the 2024 revenue requirement?

SNC Response:

Please see page 88 of Exhibit 4, Executive Management Team. Vice President incentive compensation is based on 15% of their base salary for 2024. This incentive compensation is tied directly to four Corporate Performance components: Safety, Financial, Operational, and People; and up to four Individual Performance components as determined annually with the President & CEO. 50% of the bonus is based on the Corporate Performance, and the other 50% is based on the individual matrices. Within the corporate performance category, each category is again broken down depending on the level of achievement within those categories.

Incentive compensation for the President is set separately by the Board of Director. It includes set objectives that are tied to the Board strategy including financial cost control, strategic initiatives, operational goals, and individual goals. These objectives are tied to an annual percentage of the incentive compensation with each category assigned a further percentage based on level of completeness. For further details on the President remuneration strategy please see 4-VECC-46.

The total incentive compensation included in the 2024 revenue requirement is $210,075.

4-CCC-21

Ex. 4/p. 93 – Table 4-19: FTE & Employee Costs

Please provide 2023 FTEs year to date actuals. How many vacancies are included in the 2023 FTE numbers?

SNC Response:

Please see the 2023 FTE Year to Date actuals provided in the table below. There are 10.3 vacancies included in the 2023 FTE YTD data.

TABLE 4-29: FTE YTD ACTUALS

	2023 Year To Date
Number of Employees (FTEs including Part-Time)	
Management (including executive)	21.9
Non-Management (union and non-union)	104.1
Vacant Positions	10.3
Total	136

4-CCC-22

Ex. 4/p. 117

The total regulatory costs of the Application are $697,780. Please provide an explanation as to how these numbers were derived. Please include all assumptions. What are the actual costs incurred to date? The overall amount includes $382,500 in rates consulting fees. Please provide a detailed breakdown of this amount.

SNC Response

Please see SNC's response to 4-STAFF-45.

ASSOCIATION OF MAJOR POWER PRODUCERS (AMPCO)

4-AMPCO-21

Ref: Exhibit 4 p. 8

SNC's Board of Directors approved the 2023 budget in November 2022, and the 2024 budget was approved in January 2023.

Please provide all correspondence to and from SNC's Board of Directors regarding approval of the 2023 and 2024 budgets.

SNC Response:

Please see 1-CCC-1 for correspondence provided with regard to the approval of the 2024 budget. See Attachments 4-3: Budget Correspondence, for all additional correspondence with regard to SNC's Board of Directors' approval of the 2023 and 2024 budgets.

4-AMPCO-22

Ref: Exhibit 4 p. 8

SNC indicates once approved, the budget is only revised if a material change in plan is required. Please discuss if any material changes have impacted the 2023 and 2024 budgets.

SNC Response:

SNC is expected to operate within its budget unless a material change in plan is required. An example of this would be the implementation of the forestry plan that occurred in 2022, otherwise Management is required to operate within the envelope as approved by the board.

2023 budget did not include any significant plan changes that required management to request additional funds from the board.

The following changes were implemented as a result of new information received subsequent to provisional 2024 budget approval; the budget will receive final approval once the Decision and Order is received, as described in Attachment 4-3: SNC Budget Correspondence. The changes made to the 2024 test year filed were an increase in wireline attachment revenue to account for OEB rate changes, change to amortization of contributions in aid of construction and an adjustment to loss on infrastructure.

4-AMPCO-23

Ref: Ex. 4 Appendix 2-JC

a) Please provide the subcontractor costs under each program for the years 2017 to 2024.

b) Please provide the total % of OM&A costs allocated to subcontractors for each of the years 2017 to 2024.

SNC Response:

a) Please see Table 4-30 below.

b) Please see Table 4-30 below.

Table 4-30: Subcontractor Costs in Each Program (Appendix 2-JC)

Programs	Last Rebasing Year (2017 OEB-Approved)	Last Rebasing Year (2017 Actuals)	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operation									
Meter Operations	98,051	10,694	25,853	79,491	15,497	22,784	8,067	30,117	30,720
System Control Operations									
Overhead\Underground Operations	33,085	28,879	139,282	309,277	61,717	18,555	208,181	59,533	61,119
Operations Supervisory									
Station Operations	2,500	45,648	5,053	7,505	15,979	9,742	55,353	49,676	50,670
Sub-Total	133,636	85,220	170,188	396,273	93,193	51,081	271,601	139,326	142,509
Maintenance									
Maintenance Supervisory									
Meter Maintenance									
Overhead\Underground Maintenance	112,500	484,892	595,412	254,204	187,600	211,338	938,993	289,477	281,523
Station Maintenance	40,000	8,871	3,685	21,658	10,029	14,789	32,559	61,487	62,717
Tree Trimming	480,000	828,514	621,295	692,490	752,249	790,485	2,053,507	1,854,511	1,791,280
Sub-Total	632,500	1,322,277	1,220,392	968,352	949,878	1,016,612	3,025,059	2,205,475	2,135,520
Customer Service									
Bad Debt									
Customer Billing	574,484	708,292	689,810	266,757	248,187	219,893	227,793	235,024	241,024
Customer Collection	10,652	10,476	1,595	23,373	-6,019	1,726	6,291	24,373	20,773
Sub-Total	585,136	718,768	691,405	290,130	242,168	221,619	234,084	259,397	261,797
Community Relations									
LEAP									
Community Relations	5,877	3,914	7,009	5,354	5,392	15,697	24,854	20,800	20,800
Sub-Total	5,877	3,914	7,009	5,354	5,392	15,697	24,854	20,800	20,800
Administrative and General									
Corporate Expenses	250	5,158	4,376	4,260	0	0	5,650	0	0
Finance, Regulatory and Purchasing	2,600	0	524	270	0	426	10,500	0	10,500
General Administration	53,680	79,551	152,211	16,060	16,172	11,399	18,764	30,686	31,299
Human Resources and Safety	36,800	31,636	50,790	16,378	83,091	68,452	21,415	15,000	25,000
Power Systems, Engineering and Customer Servic	56,464	37,460	13,477	30,909	40,704	34,189	30,881	64,999	74,983
President and Board of Directors	1,063	0	0	0	0	15,000	0	0	0
Sub-Total	150,857	153,804	221,378	67,878	139,967	129,467	87,210	110,685	141,782
Miscellaneous									
Total Subcontractor Costs in OM&A Programs	**1,508,006**	**2,283,983**	**2,310,372**	**1,727,986**	**1,430,598**	**1,434,475**	**3,642,807**	**2,735,683**	**2,702,408**
Total OM&A	17,307,644	17,947,718	17,869,739	17,142,144	16,416,351	16,286,459	19,924,511	20,361,448	21,432,230
Subcontractor Costs as a % of Total OM&A	**8.7%**	**12.7%**	**12.9%**	**10.1%**	**8.7%**	**8.8%**	**18.3%**	**13.4%**	**12.6%**

4-AMPCO-24

Ref: Ex. 4 p. 16

Please provide the spending on the Skywire project by year, budget compared to actuals.

SNC Response:

As explained in Exhibit 4 on page 16, the Skywire deficiencies were first discovered in 2020 during the height of COVID-19. As there was concerns about customers' ability to pay for their electricity, and ultimately the ability of the utility to pay its bills, management made the decision to defer spending on proactive OM&A including replacement of non-urgent defective equipment. Spending on these two categories was again deferred in 2021 due to labour shortages as internal staff were transferred to capital and recoverable work. As discussed in Exhibit 4 on page 13 and 14, this resulted in significantly underspent budgets in both 2020 and 2021, including funds that were designated to cover defects found in the system. The annual budget of $3.8M including overheads is needed to perform OM&A activities that are reactive and proactive in nature and includes work performed on defective assets. These activities for reactive include but aren't limited to, storms, damaged poles, fire dispatched, no power, faulted cables, and replacement of defective equipment including broken switch, broken cut outs, blown arrester, damaged guy wire and activities such as Skywire replacement. Proactive activities include but are not limited to, Cross arm replacement, pole straightening, transformer painting, animal protection installation, load break switch maintenance, reclosure maintenance and dealing with non-urgent defective equipment. As this work should have been performed with budgeted dollars in 2020 and 2021, and for the fact that normal annual maintenance continued to occur in 2022, management made the decision to spend outside its budget on this project, utilizing funds from the previous two years. As per Exhibit 4 page 30 lines 19-21 the Skywire project cost $433,733.

4-AMPCO-25

Ref: Ex. 4 p. 30

SNC PLT's undertook a significant customer driven project during the year resulting the need to hire subcontractors for two significant projects in the 4th quarter of 2022.

Please provide a description of the projects and associated costs.

SNC Response:

For clarity, bullets 2 and 3 in Exhibit 4 page 30, lines 19-24 should have been indented further. The two projects discussed in the two bullets below the one referenced were the Skywire removal project and the cross-arm project which cost $433,733 and $239,880 respectively.

4-AMPCO-26

Ref: Ex. 4 p. 31

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

Please define reactionary vegetation hazards.

SNC Response:

Reactionary vegetation hazards refer to potential dangers posed by plant life in proximity to overhead power lines. These hazards arise as a response or reaction to existing conditions identified by customers and third parties and typically require an immediate response to mitigate the hazard they present such as pruning, limbing, full removals and clean up / pick up brush. Internally and in this application these reactionary hazards are referred to as "Blue Orders" and include vegetation management as a result of storms.

4-AMPCO-27

Ref: Ex. 4 Appendix 2-K

a) Please provide a further breakdown of Appendix 2-K based on the following categories: Executive, Management, Non-Union and Union.
b) With respect to salary and wages, please provide a further breakdown into the following categories: Salary and Wages, Overtime and Incentive Pay.
c) Please provide an excel version of the revised Appendix 2-K.

SNC Response:

a) Please see breakdown of Appendix 2-K as requested in the table below.
b) Please see breakdown of Appendix 2-K as requested in the table below.

TABLE 4-31: APPENDIX 2-K

Appendix 2-K Employee Costs	Last Rebasing Year (2017 OEB Approved Proxy)	Last Rebasing Year (2017 Actuals)	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
Number of Employees (FTEs including Part-Time)1									
Management (including executive)	27.2	26.4	26.9	25.9	24.6	24.4	23.1	23.1	23.6
Non-Management (union and non-union)	126.4	115.0	109.9	111.4	104.4	108.1	104.8	113.1	111.7
Total	153.6	141.3	136.8	137.3	129.0	132.5	127.9	136.2	135.3
Total Salary and Wages including ovetime and incentive pay									
Executive - Salary and Wages	$ 978,887	$ 975,458	$ 1,207,199	$ 944,266	$ 879,316	$ 1,133,754	$ 1,176,890	$ 1,178,509	$ 1,218,839
Executive - OT	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Executive - Incentives	$ -	$ 27,183	$ 57,298	$ 29,406	$ 44,550	$ 67,321	$ 151,727	$ 222,277	$ 210,076
Management - Salary and Wages	$ 2,174,596	$ 2,131,643	$ 2,201,851	$ 2,367,412	$ 2,361,836	$ 2,092,609	$ 1,978,891	$ 2,075,966	$ 2,239,666
Management - OT	$ -	$ -	$ -	$ 21,887	$ 5,811	$ 10,080	$ -	$ -	$ -
Management - Incentives	$ -	$ 5,000	$ -	$ 8,000	$ -	$ -	$ -	$ -	$ -
Total Management (including executive)	3,153,483	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-Union - Salary and Wages	$ 1,094,404	$ 917,814	$ 1,027,753	$ 1,036,944	$ 1,221,879	$ 1,185,323	$ 1,161,880	$ 1,198,732	$ 1,362,137
Non-Union - OT	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Non-Union - Incentives	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Union - Salary and Wages	$ 7,464,645	$ 6,750,251	$ 6,675,613	$ 6,735,484	$ 6,452,934	$ 6,631,742	$ 6,543,639	$ 7,218,254	$ 7,316,671
Union - OT	$ 842,336	$ 492,693	$ 607,456	$ 849,167	$ 647,975	$ 1,121,718	$ 1,153,502	$ 1,501,555	$ 1,563,807
Union - Incentives	$ -	$ -	$ -	$ -	$ -	$ -	$ 40,000		
Total Non-Management (union and non-union)	9,401,385	8,160,757	8,310,822	8,621,595	8,322,788	8,938,783	8,899,021	9,918,541	10,242,615
Total	$ 12,554,868	$ 11,300,041	$ 11,777,170	$ 11,992,566	$ 11,614,302	$ 12,242,547	$ 12,206,528	$ 13,395,294	$ 13,911,195
Total Benefits (Current + Accrued)									
Management (including executive)	$ 786,334	$ 846,331	$ 766,377	$ 875,506	$ 847,451	$ 816,161	$ 839,527	$ 867,637	$ 973,407
Non-Management (union and non-union)	$ 2,309,627	$ 2,134,317	$ 1,897,209	$ 2,100,899	$ 2,000,361	$ 2,106,662	$ 2,068,850	$ 2,380,885	$ 2,551,604
Total	$ 3,095,961	$ 2,980,648	$ 2,663,586	$ 2,976,405	$ 2,847,811	$ 2,922,823	$ 2,908,377	$ 3,248,522	$ 3,525,011
Total Compensation (Salary, Wages, & Benefits)									
Management (including executive)	$ 3,939,817	$ 3,985,615	$ 4,232,725	$ 4,246,476	$ 4,138,964	$ 4,119,924	$ 4,147,034	$ 4,344,390	$ 4,641,988
Non-Management (union and non-union)	$ 11,711,012	$ 10,295,075	$ 10,208,030	$ 10,722,494	$ 10,323,149	$ 11,045,446	$ 10,967,871	$ 12,299,426	$ 12,794,219
Total	$ 15,650,829	$ 14,280,690	$ 14,440,756	$ 14,968,970	$ 14,462,113	$ 15,165,370	$ 15,114,905	$ 16,643,816	$ 17,436,207
Total Compensation Breakdown (Capital, OM&A)									
OM&A	$ 10,932,455	$ 10,323,447	$ 10,671,794	$ 10,463,549	$ 10,802,067	$ 10,833,542	$ 11,185,632	$ 11,748,260	$ 12,194,449
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	$ 5,241,757
Total	$ 15,650,829	$ 14,280,690	$ 14,440,756	$ 14,968,970	$ 14,462,113	$ 15,165,370	$ 15,114,905	$ 16,643,816	$ 17,436,207
	-$ 0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

SNC highlights a required adjustment to the OM&A and Capital breakdown which is further discussed in 4-SEC-21.

c) Please see the attached Excel version, SNC_4-AMPCO-27 Revised Appendix 2K_20231110, of the revised Appendix 2-K as requested.

4-AMPCO-28

Ref: Ex. 4 p. 60

SNC provides Vegetation Management costs as follows:

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

a) Please confirm SNC has separate Vegetation Management plans for the Kenora and Thunder Bay service territories.

b) Please separate the costs in the above table between Thunder Bay and Kenora and split between internal costs and subcontractor costs.

c) Please provide the total km of line requiring vegetation management in each service territory.

d) Please provide the work accomplishments in each of the years 2017 to 2024 by service territory and provide details.

SNC Response:

a) SNC confirms that it has separate vegetation management plans for the Thunder Bay and Kenora service territories.

b) Costs from the above table have been separated out between Thunder Bay and Kenora and split between internal costs and subcontractor costs below.

TABLE 4-32 : VEGETATION MANAGEMENT COSTS: THUNDER BAY AND KENORA, INTERNAL AND SUBCONTRACTOR COSTS SPLIT

	2017			2018			2019			2020		
	Tbay	Kenora	Total	Tbay	Kenora	Total	Tbay	Kenora	Total	Tbay	Kenora	Total
Internal	$ 103,908	$ 118,565	$ 222,473	$ 116,635	$ 101,014	$217,649	$ 114,442	$ 18,252	$132,694	$ 115,465	$ 31,970	$147,435
Subcontractor	$ 828,514	$ -	$ 828,514	$ 621,295	$ -	$621,295	$ 597,238	$ 95,252	$692,490	$ 588,983	$163,076	$752,059
Total	$ 932,422	$ 118,565	$1,050,987	$ 737,929	$ 101,014	$838,944	$ 711,681	$ 113,504	$825,185	$ 704,448	$195,046	$899,494

	2021			2022			2023 - Proposed Bridge Yr			2024 - Forecast		
	Tbay	Kenora	Total	Tbay	Kenora	Total	Tbay	Kenora	Total	Tbay	Kenora	Total
Internal	$ 85,315	$ 81,634	$166,948	$ 303,774	$ 11,148	$ 314,922	$ 359,028	$ 16,186	$ 375,214	$ 274,881	$ 15,395	$ 290,276
Subcontractor	$ 400,891	$ 383,594	$784,485	$1,980,514	$ 72,680	$2,053,194	$ 1,774,511	$ 80,000	$1,854,511	$ 1,696,280	$ 95,000	$1,791,280
Total	$ 486,206	$ 465,228	$951,433	$2,284,288	$ 83,828	$2,368,116	$ 2,133,539	$ 96,186	$2,229,725	$ 1,971,162	$ 110,395	$2,081,556

c) The Thunder Bay service territory has 906 km of lines and Kenora has 110 km of lines requiring vegetation management.

d) The work accomplishments in each year 2017-2024 by service territory have been provided below. Blue orders include Check Tree in Lines, Pick up Brush, Area Trim, Make-Safe for work. * Numbers of blue orders in 2023 are year to date.

Work Accomplishments	2017		2018		2019		2020		2021		2022		2023 - Proposed Test Yr		2024 - Forecast	
Location	Tbay	Kenora	Tbay	Kenora	Tbay	Kenora	Tbay	Kenora	Tbay	Kenora	Tbay	Kenora	Tbay	Kenora	Tbay	Kenora
Km trimmed	19	Not available	5	Not available	6	29	13.3	36	6	7	575	3	262	35	139	29
Description	Mountain Rd Scotland Rd Feaver Rd Coppin Rd Chippewa Rd Broadway Ave Oliver Rd 15th Sideroad 18F7 ROW	Cleared hazards as required	Mapleward Rd West Arthur Easement Arthur ROW Confederation Dr	Cleared hazards as required	HWY 61 Oliver Rd Wardrope Ave Kirby Rd Beaver Rd	Zone 1	Alice Ave 25th side Rd Poleline RD Junot Ave 2M4/M5 ROW Hazlewood Dr	Zone 3	HWY 61 Riverdale Rd E	Zone 4 - Coney	491km to 1m 84km to 3m	Zone 4 finish	207km to 1m 55km to 3m	Zone 2	139km to 3m	Zone 1
# Blue Orders	639	171	611	134	817	120	760	94	669	53	538	63	444*	44*	TBD	TBD

4-AMPCO-29

Ref: Ex. 4 p. 68

Kenora's service territory has been divided into 4 quadrants, with each zone being approximately equivalent in size. Zone 1 was completed in 2019, Zone 3 in 2020, Zone 4 in 2021 and Zone 2 will be completed by the end of 2023.

a) Please confirm SNC has a 4-year Vegetation Management cycle for the Kenora service territory.
b) Please provide the km completed for each of the years 2019 to 2023 and confirm 100% of the service territory will be completed by the end of 2023.
c) For 2024, please provide the Zone and km to be completed and the associated costs.
d) Please discuss if Thunder Bay's service territory has also been divided into quadrants. If yes, please provide the map, the km in each zone, the cycle length and when the cycle will be implemented.

SNC Response:

a) SNC confirms that it has a planned 4-year cycle for vegetation management for the Kenora service territory.

b) Please see the below chart for the km completed for each year 2019-2023 in Kenora. SNC confirms that it plans to complete 100% of the service territory by the end of 2023.

TABLE 4-33: KM COMPLETED 2019-2023

	2019	2020	2021	2022	2023
Km complete	29	36	7	3	35

c) In 2024, SNC plans to manage the vegetation contained in Zone 1, and the associated costs for this are expected to be $110,395.
d) Thunder Bay's service territory has not yet been divided into quadrants, as the vegetation register is still being obtained. Once this is complete, SNC will be able to divide the city into appropriate areas and determine km's in each zone as well as cycle length.

4-AMPCO-30

Ref: Ex. 4 p. 82

Please provide the Storm Damage Repair costs for each of the years 2017 to 2024.

SNC Response:

Storm damage repair costs for 2017 to 2024 are as follows:

TABLE 4-34: STORM DAMAGE REPAIR COST

2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Budgeted	2024 Budgeted
$411,478	$406,340	$333,163	$146,027	$126,548	$278,302	$279,938	$282,638

4-AMPCO-31

Ref: Ex. 4 p. 87

Please provide the collective agreement increases for the years 2017 to 2022.

SNC Response:

Please see Table 4-35 below.

TABLE 4-35: COLLECTIVE AGREEMENT INCREASES 2017-2022

PWU/IBEW	2017	2018	2019	2020	2021	2022
IBEW Office	2.0%	2.0%	2.0%	2.0%	2.0%	3.1%
IBEW Outside	2.0%	2.0%	2.0%	2.0%	2.0%	3.1%
PWU – Line Foreman			2.0%	2.0%	2.0%	2.0%
PWU – Line Leadhand			2.0%	4.37%	2.0%	2.0%
PWU – Line PLT			2.0%	2.45%	2.0%	2.0%
PWU – Line Office Clerk			2.0%	2.0%	2.0%	2.0%
PWU – Line Labourer			2.0%	2.0%	2.0%	2.0%

4-AMPCO-32

Ref: Ex. 4 p. 93

The FTE calculation is based on hours worked by employees, including overtime hours divided by their annual regular time hours.

a) Please provide the overtime hours worked by employees for each of the years 2017 to 2024.

b) Please provide the forecast overtime budget compared to actuals for each of the years 2017 to 2024

c) Please provide the number of employees in each category, Management & Non-Management, in each of the years 2017 to 2024 excluding overtime hours.

SNC Response:

a) The following is the totals of overtime hours worked by employees for each of the years 2017 to 2024. 2023 and 2024 are forecasted overtime hours.

	Last Rebasing Year (2017 Actuals)	2018 Actuals - Total	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
Overtime Hours Worked	7,409	5,343	8,300	6,799	11,798	11,600	17,528	17,426

b) The following is the overtime budget and actual totals for 2017 to 2023. 2023 figures represent year to date September 30 actuals compared to 2023 full year budget. 2024 actual data is not available. The driver in the increase in overtime in 2023 and 2024 was the movement of capital and OM&A work to the downtown cores in Thunder Bay. This resulted in the need to use crews on overtime hours to avoid shutting off power during business hours. Due to inventory challenges, the required materials needed to perform these tasks have just arrived. SNC projected overtime spending till the end of the year is $1,441,239 which remains in line with the original budget of $1.45M.

	Last Rebasing Year (2017 Actuals)	2018 Actuals - Total	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 YTD Actuals
Overtime Budget	843,258	798,896	778,416	902,063	980,551	1,048,667	1,451,839
Overtime Actuals	484,638	601,290	877,148	654,710	1,131,798	1,153,324	611,706

c) The following is the number of employees calculated as FTEs in each category, Management and Non-Management, in each of the years 2017 to 2024 excluding overtime hours.

	Last Rebasing Year (2017 Actuals)	2018 Actuals - Total	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
Management FTE excluding OT (including executive)	26.4	26.9	25.9	24.6	24.4	23.1	23.1	23.6
Non-Management FTE excluding OT (union and non-union)	111.4	107.3	107.4	101.1	102.4	99.2	104.7	103.3
Total Without OT	**137.8**	**134.2**	**133.3**	**125.7**	**126.8**	**122.3**	**127.8**	**126.9**

4-AMPCO-33

Ref: Ex. 4 p. 95

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

Please provide the vacancy data (FTEs and $) for each of the years 2017 to 2023.

a) Please provide the current list of vacancies by position and identify how long each position has been vacant.

b) Please provide SNC's assumptions with respect to vacancies in its 2024 OM&A budget.

SNC Response:

a) The vacancy data (FTEs and $) for each of the years 2017 to 2023 is included below. The vacant system operator position did not have an impact on the FTE number as the hours were redistributed among existing staff through overtime. Calculate FTE $ are inclusive of wages, OT, and benefits.

	Last Rebasing Year (2017 Actuals)	2018 Actuals - Total	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 YTD Actuals
Calculated Vacancies (FTEs)	2.2	3.8	0.9	0.7	1.2	3.4	9.7
Calculated FTEs ($)	$ 206,310.83	$ 336,679.18	$ 68,173.48	$ 82,064.22	$ 100,164.10	$ 296,577.66	$ 1,021,243.80

The list of current vacancies by position including the date the position became vacant is provided below in Table 4-36.

TABLE 4-36: CURRENT VACANCIES BY POSITION

Current Vacancies	Vacancy Date
Locator/Drafter	April 2023
Manager, Purchasing & Stores	October 2023
Powerline Technician	February 2023
Powerline Technician	May 2023
Kenora Journeyman	September 2023
System Control Supervisor	June 2023
Kenora Lines Supervisor	October 2023
System Control Operator	September 2023
PLT Kenora	December 2022
Regulatory Affairs Supervisor	January 2022
KN Clerk	January 2022
Customer Service	March 2023

b) The 2024 OM&A budget was prepared using the assumption that all positions will be filled as of January 1, 2024.

4-AMPCO-34

Ref: Ex. 4 Appendix 4-C

Please provide the total number of trees in i) Thunder Bay and ii) Kenora.

SNC Response:

SNC is not able to provide the total number of trees contained in Thunder Bay and Kenora. However, SNC provides that it has gathered data in its vegetation register for the Thunder Bay service territory (which is 95% complete), and there are approximately 31,000 trees within the 3m corridor where SNC has overhead lines.

4-AMPCO-35

Ref: Ex. 4 Appendix 4-C Appendix A p. 5

SNC states "KBM was not able to summarize any vegetation metrics within the 10m corridor related and the line segment (span) / feeder because of data inconsistencies within the Primary Overhead line feature class. These should be addressed prior to reporting on vegetation from this lens.

a) Please provide SNC's historical vegetation management metrics.

b) Please provide SNC's proposed vegetation management metrics and targets for 2024 to 2028.

SNC Response:

a) Provided below are the SNC's historical vegetation management metric(s) from the OEB Activity Program Benchmarking: Vegetation Management O&M report released in 2023.

Distributor	Table 3: Unit Cost Indexes by Distributor: Vegetation Management O&M					
	Unit Cost ($/Pole)					
	2018	2019	2020	2021	2022	Average
Synergy North Corporation	35.98	35.27	38.25	40.39	100.33	50.04

b) SNC acknowledges that according to the unit cost indexes above that it will continue to be at 100$/pole for the next 5 years as it removes all vegetation hazards within 3m proximity to its overhead primary lines to obtain full compliance with CSA standard 22.3 No.1:20.

Once the vegetation management corridor is re-established and the vegetation management plan is complete to 3m clearance, SNC expects to be at 60$/pole unit cost index.

SNC is also closely monitoring the progress of the vegetation management plan scope and budget to ensure that it meets the planned kilometers of tree trimming at the expected cost. SNC will use invoice management and a GIS dashboard to provide insight.

4-AMPCO-36

Ref: Ex. 4 Appendix 4-C Appendix B p. 1

Please provide a copy of the Tree Trimming Presentation.

SNC Response:

A copy of the Tree Trimming Presentation is included as Attachment 4-4: Tree Trimming Presentation.

4-AMPCO-37

Ref: Ex. 4 Appendix 4-C Appendix B p. 5

KBM's report states "In total there is 119.07ha of vegetation within managed corridors, of that 5.36ha is within 1m of the wires." KBM provided Table 1 below.

Distance to Wire

Proximity to Wire	Area (ha)	Percent
>1m	5.36	4.5%
1-3m	43.32	36.5%
>3-5m	70.3	59%

Table 1: Amount of vegetation within the 10m corridor and the proximity to the primary overheard wire.

Ref: Ex. 4 p. 65

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

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

Ref: Ex. 4 p. 67

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

a) Please add # of km to Table 1 (Distance to Wire) above.
b) Please provide the km at 100% complete.
c) Please complete the following table:

Work Completed	2022	2023	2024	2025	2026	2027	2028
Cleared to 1 m (km)							
$							
Cleared to 3 m (km)							
$							

SNC Response:

a) Please see the below table with # of km added.

TABLE 4-37: DISTANCE TO WIRE

Proximity to Wire	Area (ha)	Percentage	# of km
<1m	5.36	4.5%	140
1-3m	43.32	36.5%	258
3-5m	70.3	59%	439

b) The km at 100% complete would have 0% in the <1m category and 0% in the 1-3m category. SNC is not able to quantify the number of hectares of vegetation that would remain in the >3-5m category. To obtain this data would require an additional lidar analysis. When the City of Thunder Bay completes a refreshed lidar data survey SNC will look to purchase it to obtain this data.

c) Please see Table 38 below.

TABLE 4-38: VEGETATION MANAGEMENT

Work Completed	2022 Actuals	2023 Bridge	2024 Test	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast
Cleared to 1 m (km)	491	207	0	0	0	0	0
$	$ 1,975,182	$ 1,768,539	$ -	$ -	$ -	$ -	$ -
Cleared to 3 m (km)	84	55	139	139	139	139	139
$	$ 309,106	$ 365,000	$ 1,971,162	$ 1,937,260	$ 1,910,000	$ 2,116,000	$ 2,142,749

4-AMPCO-38

Ref: Ex. 4 Appendix 4-D

Please provide a breakdown of the $382,500 in consultant costs in 2024.

SNC Response

Please see response to 4-STAFF-45.

4-AMPCO-39

Ref: Ex. 4

Please provide the total Operations and Maintenance Reactive spending for the years 2017 to 2024.

SNC Response:

The costs in the table below represent costs associated with reactive (unplanned) work including but not limited to, no power calls, part power calls, storm responses, power restoration to single or multiple customers, failed equipment, wires down, trees on lines, and any customer call that required an immediate response.

TABLE 4-39: OPERATIONS AND MAINTENANCE REACTIVE SPENDING 2017-2024

	2017	2018	2019	2020	2021	2022	2023	2024
Reactive Spending	$2,080,169	$1,945,961	$1,884,442	$1,838,808	$2,268,112	$2,728,910	$2,182,471	$2,285,047

In order to control costs, reduce overtime and improve efficiencies, SNC will only perform the necessary repairs to restore power or address any immediate hazards under these work orders. Where possible, SNC will then create a plan to permanently repair the issue during regular work hours at a later date. The costs in the above table are limited to work performed as part of the immediate response only. For work order tracking purposes, the costs associated with work performed at a later date are considered planned activities and as such are tracked separately.

ATTACHMENT 4-1:

Shared Service Agreements

SERVICES AGREEMENT

THIS AGREEMENT made as of the **1st day of August 2021**

BETWEEN:

SYNERGY NORTH CORPORATION., a corporation incorporated under the *Ontario Business Corporations Act,* R.S.O. 1990, c. B.I8 (hereinafter referred to as "SYNERGY NORTH ")

OF THE FIRST PART

and -

THUNDER BAY HYDRO CORPORATION, a corporation incorporated under the *Ontario Business Corporations Act,* R.S.O. 1990, c. B.I8 (hereinafter referred to as "HYDRO CORP")

OF THE SECOND PART

WHEREAS SYNERGY NORTH is required by the Ontario Energy Board to enter a service agreement (hereinafter referred to as the "Agreement") with HYDRO CORP under the Affiliate Relationships Code for Electricity Distributors and Transmitters (revised March 15, 2010 and as may be amended from time to time) (hereinafter referred to as the "Code");

AND WHEREAS the Code provides that SYNERGY NORTH and any affiliate with which it shares services, shall do so in accordance with a Services Agreement

AND WHEREAS SYNERGY NORTH has agreed to share services of certain of its employees with HYDRO CORP for a fee, subject to the terms and conditions set forth herein;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and agreements herein contained, it is mutually declared, covenanted and agreed by and between the parties hereto as follows:

1. **SERVICES PROVIDED**

(a) SYNERGY NORTH shall provide management services to HYDRO CORP as HYDRO CORP may reasonably require from time to time. The management services shall consist of providing direction, planning and administration in project construction and operations for HYDRO CORP business functions.

(b) SYNERGY NORTH shall sell all services, resources, and products to HYDRO CORP at SYNERGY NORTH 'S fully-allocated cost to provide the service, resource, or product, which shall include the sum of (i) direct project construction and operations management costs and (ii) HYDRO CORP's allocated portion of shared corporate overhead services. (iii) An appropriate rate of return. SYNERGY NORTH shall calculate the fully-allocated cost on an annual basis and invoice HYDRO CORP a fixed monthly charge accordingly with a final reconciliation occurring in March of the following year.

(c) SYNERGY NORTH shall not incur any third party costs in providing services to HYDRO CORP without the prior written approval of HYDRO CORP. HYDRO CORP shall reimburse SYNERGY NORTH for any third party costs incurred. SYNERGY NORTH shall submit to HYDRO CORP an invoice or similar evidence of payment in respect of all third party costs for which it seeks reimbursement hereunder.

(d) SYNERGY NORTH shall sell assets to HYDRO CORP at the greater of market price and the net book value of the asset. Before selling an asset to HYDRO CORP with a net book value that exceeds $100,000 or 0.1% of SYNERGY NORTH 's utility revenue, whichever is greater, SYNERGY NORTH shall obtain an independent assessment of its market price.

(e) SYNERGY NORTH shall purchase assets from HYDRO CORP at a price no more than the market price. Before SYNERGY NORTH purchases an asset from HYDRO CORP with a net book value that exceeds $100,000 or 0.1% of SYNERGY NORTH 's utility revenue, whichever is greater, the utility shall obtain an independent assessment of its market price.

(f) SYNERGY NORTH may provide loans, guarantee the indebtedness of, or invest in the securities of HYDRO CORP, but shall not invest or provide guarantees or any other form of financial support if the amount of support or investment, on an aggregated basis over all transactions with all affiliates, would equal an amount greater than 25% of SYNERGY NORTH 's total equity. In addition, the terms of any loan, investment, or other financial support provided to HYDRO CORP are to be no more favourable than what HYDRO CORP would be able to obtain on its own from the capital markets and in all cases at no more favourable terms than SYNERGY NORTH could obtain directly for itself in capital markets.

(g) All amounts owing by HYDRO CORP will be settled as incurred, or at a minimum, on a monthly basis. Both SYNERGY NORTH and HYDRO CORP will settle any amounts owing within three months following the year end of SYNERGY NORTH.

(h) SYNERGY NORTH shall take all reasonable steps to ensure that HYDRO CORP does not use SYNERGY NORTH 's name, logo or other distinguishing characteristics in a manner which would mislead consumers as to the distinction between SYNERGY NORTH and HYDRO CORP.

(i) SYNERGY NORTH shall take reasonable steps to ensure that HYDRO CORP does not imply in its marketing material favoured treatment or preferential access to SYNERGY NORTH 's system or services. If SYNERGY NORTH becomes aware of inappropriate marketing activity by HYDRO CORP, it shall (1) immediately take reasonable steps to notify affected customers of the violation (2) take necessary steps to ensure the affiliate is aware of the concern, and (3) inform the Board in writing of such activity and the remedial measures that were undertaken by SYNERGY NORTH.

(j) Requests by HYDRO CORP or HYDRO CORP's customers for access to SYNERGY NORTH 's SYNERGY NORTH network or for utility services shall be processed and provided by SYNERGY NORTH in the same manner as would be processed or provided for similarly situated non-affiliated parties.

2. LIMITATION OF LIABILITY

All risk arising under this Agreement and extraneous to this Agreement is with HYDRO CORP. SYNERGY NORTH assumes no risk. In no event shall SYNERGY NORTH be liable for damages arising from risks associated with the provision of services under this Agreement or otherwise.

3. DISPUTE RESOLUTION PROCESS

Any dispute arising between SYNERGY NORTH and HYDRO CORP under this Agreement or arising over the terms of the Agreement shall be resolved by arbitration under the Arbitrations Act, 1991, S.O. 1991, Chapter 17.

4. TERMINATION

The Term of this Agreement is one year commencing on the date hereof.

Provided HYDRO CORP is in compliance with all terms of this agreement, this agreement may be renewed by HYDRO CORP and/or SYNERGY NORTH for four (4) additional one year terms.

The agreement is assumed to have automatically renewed for an additional term unless either party provides written notice to the other party that it intends not to renew the agreement. If either party decides not to renew, it must provide the other party with written notice of its intent not to renew, at least six months prior to any anniversary of the date hereof. Any changes in the amounts payable under this Agreement shall be changed as of January 1st in each year, based on the change, if any, in the Consumer Price Index for Thunder Bay as of the end of October for the prior year from the previous end of October.

5. ENTIRE AGREEMENT

This Agreement contains the entire agreement amongst SYNERGY NORTH and HYDRO CORP and no amendment hereof shall be binding upon SYNERGY NORTH and HYDRO CORP unless same is in writing and signed by SYNERGY NORTH and HYDRO CORP. Amendments to this Agreement come into effect on the anniversary of a six-month notice period.

6. PERSONAL SERVICES AGREEMENT

This Agreement is a personal services agreement and may not be assigned by either party hereto without the prior written consent of the other party.

7. CONFIDENTIALITY

(a) Information that becomes known through the relationship between SYNERGY NORTH and HYDRO CORP remains confidential, and neither SYNERGY NORTH nor HYDRO CORP may disclose said information to any third party.

(b) All confidential information that SYNERGY NORTH shares with HYDRO CORP under this Agreement is to be protected from access by HYDRO CORP. Access to SYNERGY NORTH 's information services shall include appropriate computer data management and data access protocols as well as contractual provisions regarding the breach of any access protocols.

(c) Services to be provided by SYNERGY NORTH 's employees under Section 1 of this Agreement are subject to the provision that these employees are not directly involved in collecting, and do not have access to, confidential information.

(d) SYNERGY NORTH shall not release to HYDRO CORP confidential information relating to a smart sub-metering provider, wholesaler, consumer, retailer, or generator without the consent of that smart sub-metering provide, wholesaler, consumer, retailer, or generator.

(e) SYNERGY NORTH shall not disclose confidential information to HYDRO CORP without the consent in writing of the smart sub-metering provider, wholesaler, consumer, retailer, or generator, as the case may be, except where confidential information is required to be disclosed:

(i) for billing or market operation purposes;

(ii) for law enforcement purposes;
(iii) for the purpose of complying with a legal requirement; or
(iv) for the processing of past due accounts of the consumer which have been passed to a debt collection agency.

(f) Confidential information may be disclosed where the information has been sufficiently aggregated such that any individual smart sub-metering provider, wholesaler, consumer, retailer, or generator's information cannot reasonably be identified. If such information is aggregated it must be disclosed on a non-discriminatory basis to any party requesting the information.

8. DEGREE OF SEPERATION

SYNERGY NORTH shall ensure accounting and financial separation from HYDRO CORP and shall maintain separate financial records and books of accounts in accordance with guidelines specified in the Code.

9. QUALITY OF SERVICE

SYNERGY NORTH shall meet its obligations to HYDRO CORP under this Agreement by providing a quality of service at least equal to that which would be provided by an independent third party.

10. FORCE MAJEURE

"Force Majeure" means a strike, lockout, riot, insurrection, war, fire, tempest, flood, act of God, lack of materials or supply of service which results notwithstanding the diligent efforts of SYNERGY NORTH. During the occurrence of an event of Force Majeure, the obligations of the party effected by such event of Force Majeure, to the extent that such obligations cannot be performed as a result of such event of Force Majeure, shall be suspended, and such a party shall not be considered to be in default hereunder, for the period of such occurrence, except that the occurrence of an event of Force Majeure affecting HYDRO CORP (but not affecting the performance of SYNERGY NORTH's obligations hereunder) shall not relieve it of its obligations to make payments to SYNERGY NORTH hereunder. The non-performing party shall give the other party prompt written notice of the particulars of the event of Force Majeure and its expected duration and shall continue to furnish regular reports with respect thereto on a timely basis during the continuance of the event of Force Majeure and shall use its best efforts to remedy its inability to perform. The suspension of performance is to be of no greater scope and of no longer duration than is required by the Force Majeure condition. No obligations of either Party that arose before the Force Majeure causing the suspension of performance are excused as a result of the Force Majeure.

11. TIME

Time shall be of the essence herein.

12. PREVIOUS AGREEEMENTS

This Agreement terminates, cancels and supersedes any and all other written and verbal agreements between the parties relating to these issues herein.

13. INUREMENT

This Agreement shall bind SYNERGY NORTH, HYDRO CORP, and their respective legal representatives, executors, administrators, successors and permitted assigns.

14(1). DEFINITIONS

All words in the Agreement are defined under Sections 1.2 and 1.3 of the Affiliate Relationships Code for Electricity Distributors and Transmitters as of its revised date March 15, 2010 (hereinafter referred to as the "Code"), unless the context otherwise requires.

14(2). APPLICATION OF THE 'AFFILIATE RELATIONSHIPS CODE" TO THE AGREEMENT

All sections of the code apply to this Agreement and are incorporated by reference.

14. CONSTRUCTION

The Agreement herein shall, in all respects, be subject to and be interpreted, construed and enforced in accordance with the laws in effect in the Province of Ontario. Each party hereto accepts the jurisdiction of the courts of the Province of Ontario and all courts of appeal therefrom.

15. HEADINGS

The headings of clauses herein are inserted for convenience or reference only and shall not affect or be considered the construction of the provisions hereof.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first above written.

SYNERGY NORTH CORPORATION

____

Andy Armitage

THUNDER BAY HYDRO CORPORATION

____

Aaron Blazina

SERVICES AGREEMENT

THIS AGREEMENT made as of the **1st day of August 2021**

BETWEEN:

SYNERGY NORTH CORPORATION., a corporation incorporated under the *Ontario Business Corporations Act,* R.S.O. 1990, c. B.I8 (hereinafter referred to as "SYNERGY NORTH")

OF THE FIRST PART

and -

THUNDER BAY HYDRO RENEWABLE POWER INCORPORATED., a corporation incorporated under the *Ontario Business Corporations Act,* R.S.O. 1990, c. B.I8 (hereinafter referred to as "RENEWABLE")

OF THE SECOND PART

WHEREAS SYNERGY NORTH is required by the Ontario Energy Board to enter a service agreement (hereinafter referred to as the "Agreement") with RENEWABLE under the Affiliate Relationships Code for Electricity Distributors and Transmitters (revised March 15, 2010 and as may be amended from time to time) (hereinafter referred to as the "Code");

AND WHEREAS the Code provides that SYNERGY NORTH and any affiliate with which it shares services, shall do so in accordance with a Services Agreement

AND WHEREAS SYNERGY NORTH has agreed to share services of certain of its employees with RENEWABLE for a fee, subject to the terms and conditions set forth herein;

AND WHEREAS the only activities of RENEWABLE continue to be the operation of a Qualifying Facility under section 71(3) of the OEB Act.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and agreements herein contained, it is mutually declared, covenanted and agreed by and between the parties hereto as follows:

1. SERVICES PROVIDED

(a) SYNERGY NORTH shall provide management and general administrative services to RENEWEABLE as RENEWABLE may reasonably require from time to time. The management and general administrative services shall consist of providing direction, planning and administration in project construction and operations for RENEWABLE business functions.

(b) SYNERGY NORTH shall sell all services, resources, and products to RENEWABLE at SYNERGY NORTH'S fully-allocated cost to provide the service, resource, or product, which shall include the sum of (i) direct project construction and operations management costs and (ii) RENEWABLE's allocated portion of shared corporate overhead services. (iii) An appropriate rate of return. SYNERGY NORTH shall calculate the fully-allocated cost on an annual basis and invoice RENEWABLE a fixed monthly charge accordingly.

(c) SYNERGY NORTH shall not incur any third party costs in providing services to RENEWABLE without the prior written approval of RENEWABLE. RENEWABLE shall reimburse SYNERGY NORTH for any third party costs incurred. SYNERGY NORTH shall submit to RENEWABLE an invoice or similar evidence of payment in respect of all third party costs for which it seeks reimbursement hereunder.

(d) SYNERGY NORTH shall sell assets to RENEWABLE at the greater of market price and the net book value of the asset. Before selling an asset to RENEWABLE with a net book value that exceeds $100,000 or 0.1% of SYNERGY NORTH's utility revenue, whichever is greater, SYNERGY NORTH shall obtain an independent assessment of its market price.

(e) SYNERGY NORTH shall purchase assets from RENEWABLE at a price no more than the market price. Before SYNERGY NORTH purchases an asset from RENEWABLE with a net book value that exceeds $100,000 or 0.1% of SYNERGY NORTH's utility revenue, whichever is greater, the utility shall obtain an independent assessment of its market price.

(f) SYNERGY NORTH may provide loans, guarantee the indebtedness of, or invest in the securities of RENEWABLE, but shall not invest or provide guarantees or any other form of financial support if the amount of support or investment, on an aggregated basis over all transactions with all affiliates, would equal an amount greater than 25% of SYNERGY NORTH's total equity. In addition, the terms of any loan, investment, or other financial support provided to RENEWABLE are to be no more favourable than what RENEWABLE would be able to obtain on its own from the capital markets and in all cases at no more favourable term than SYNERGY NORTH could obtain directly for itself in capital markets. All loans from SYNERGY NORTH to RENEWABLE will be interest bearing, with interest at Infrastructure Ontario's current 15 years "amortizer rate". However, if at any time this rate is lower than the rate charged on SYNERGY NORTH's line of credit, than that rate will apply.

(g) All amounts owing by RENEWABLE will be settled as incurred, or at a minimum, on a monthly basis. Both SYNERGY NORTH and RENEWABLE, will settle any amounts owing within three months following the year end of SYNERGY NORTH.

(h) SYNERGY NORTH shall take all reasonable steps to ensure that RENEWABLE does not use SYNERGY NORTH's name, logo or other distinguishing characteristics in a manner which would mislead consumers as to the distinction between SYNERGY NORTH and RENEWABLE.

(i) SYNERGY NORTH shall take reasonable steps to ensure that RENEWABLE does not imply in its marketing material favoured treatment or preferential access to SYNERGY NORTH's system or services. If SYNERGY NORTH becomes aware of inappropriate marketing activity by RENEWABLE, it shall (1) immediately take reasonable steps to notify affected customers of the violation (2) take necessary steps to ensure the affiliate is aware of the concern, and (3) inform the Board in writing of such activity and the remedial measures that were undertaken by SYNERGY NORTH.

(j) Requests by RENEWABLE or RENEWABLE's customers for access to SYNERGY NORTH's SYNERGY NORTH network or for utility services shall be processed and provided by SYNERGY NORTH in the same manner as would be processed or provided for similarly situated non-affiliated parties.

2. LIMITATION OF LIABILITY

All risk arising under this Agreement and extraneous to this Agreement is with RENEWABLE. SYNERGY NORTH assumes no risk. In no event shall SYNERGY NORTH be liable for damages arising from risks associated with the provision of services under this Agreement or otherwise.

3. DISPUTE RESOLUTION PROCESS

Any dispute arising between SYNERGY NORTH and RENEWABLE under this Agreement or arising over the terms of the Agreement shall be resolved by arbitration under the Arbitrations Act, 1991, S.O. 1991, Chapter 17.

4. TERMINATION

The Term of this Agreement is one year commencing on the date hereof.

Provided RENEWABLE is in compliance with all terms of this agreement, this agreement may be renewed by Hydro Corp and/or Synergy North for Nine (9) additional one year terms.

The agreement is assumed to have automatically renewed for an additional term unless either party provides written notice to the other party that it intends not to renew the agreement. If either party decides not to renew, it must provide the other party with written notice of its intent not to renew, at least six months prior to any anniversary of the date hereof. Any changes in the amounts payable under this Agreement shall be changed as of January 1st in each year, based on the change, if any, in the Consumer Price Index for Thunder Bay as of the end of October for the prior year from the previous end of October.

In the event that RENEWALBE's ceases to operate a Qualifying Facility under OEB act 71(3) this agreement will immediately terminate.

5. ENTIRE AGREEMENT

This Agreement contains the entire agreement amongst SYNERGY NORTH and RENEWABLE and no amendment hereof shall be binding upon SYNERGY NORTH and RENEWABLE unless same is in writing and signed by SYNERGY NORTH and RENEWABLE. Amendments to this Agreement come into effect on the anniversary of a six-month notice period.

6. PERSONAL SERVICES AGREEMENT

This Agreement is a personal services agreement and may not be assigned by either party hereto without the prior written consent of the other party.

7. CONFIDENTIALITY

(a) Information that becomes known through the relationship between SYNERGY NORTH and RENEWABLE remains confidential, and neither SYNERGY NORTH nor RENEWABLE may disclose said information to any third party.

(b) All confidential information that SYNERGY NORTH shares with RENEWABLE under this Agreement is to be protected from access by RENEWABLE. Access to SYNERGY NORTH's information services shall include appropriate computer data management and data access protocols as well as contractual provisions regarding the breach of any access protocols.

(c) SYNERGY NORTH shall not release to RENEWABLE confidential information relating to a smart sub-metering provider, wholesaler, consumer, retailer, or generator without the consent of that smart sub-metering provide, wholesaler, consumer, retailer, or generator.

(d) SYNERGY NORTH shall not disclose confidential information to RENEWABLE without the consent in writing of the smart sub-metering provider, wholesaler, consumer, retailer, or generator, as the case may be, except where confidential information is required to be disclosed:

- (i) for billing or market operation purposes;
- (ii) for law enforcement purposes;
- (iii) for the purpose of complying with a legal requirement; or
- (iv) for the processing of past due accounts of the consumer which have been passed to a debt collection agency.

(e) Confidential information may be disclosed where the information has been sufficiently aggregated such that any individual smart sub-metering provider, wholesaler, consumer, retailer, or generator's information cannot reasonably be identified. If such information is aggregated it must be disclosed on a non-discriminatory basis to any party requesting the information.

8. DEGREE OF SEPERATION

SYNERGY NORTH shall ensure accounting and financial separation from RENEWABLE and shall maintain separate financial records and books of accounts in accordance with guidelines specified in the Code.

9. QUALITY OF SERVICE

SYNERGY NORTH shall meet its obligations to RENEWABLE under this Agreement by providing a quality of service at least equal to that which would be provided by an independent third party.

10. OTHER BUSINESS ACTIVITIES

RENEWABLE agrees that this agreement only covers activities relating to the operation of the Mapleward Generation Station. Any other activities performed by SYNERGY NORTH at the request of RENEWABLE relating to any other business venture are not covered by this agreement.

11. FORCE MAJEURE

"Force Majeure" means a strike, lockout, riot, insurrection, war, fire, tempest, flood, act of God, lack of materials or supply of service which results notwithstanding the diligent efforts of SYNERGY NORTH. During the occurrence of an event of Force Majeure, the obligations of the party effected by such event of Force Majeure, to the extent that such obligations cannot be performed as a result of such event of Force Majeure, shall be suspended, and such a party shall not be considered to be in default hereunder, for the period of such occurrence, except that the occurrence of an event of Force Majeure affecting RENEWABLE (but not affecting the performance of SYNERGY NORTH's obligations hereunder) shall not relieve it of its obligations to make payments to SYNERGY NORTH hereunder. The non-performing party shall give the other party prompt written notice of the particulars of the event of Force Majeure and its expected duration and shall continue to furnish regular reports with respect thereto on a timely basis during the continuance of the event of Force Majeure and shall use its best efforts to remedy its inability to perform. The suspension of performance is to be of no greater scope and of no longer duration than is required by the Force Majeure condition. No obligations of either Party that arose before the Force Majeure causing the suspension of performance are excused as a result of the Force Majeure.

12. TIME

Time shall be of the essence herein

13. PREVIOUS AGREEMENTS

This Agreement terminates, cancels and supersedes any and all other written and verbal agreements between the parties relating to these issues herein.

14. INUREMENT

This Agreement shall bind SYNERGY NORTH, RENEWABLE, and their respective legal representatives, executors, administrators, successors and permitted assigns

15(1). DEFINITIONS

All words in the Agreement are defined under Sections 1.2 and 1.3 of the Affiliate Relationships Code for Electricity Distributors and Transmitters as of its revised date March 15, 2010 (hereinafter referred to as the "Code"), unless the context otherwise requires.

15(2) APPLICATION OF THE 'AFFILIATE RELATIONSHIPS CODE" TO THE AGREEMENT

All sections of the code apply to this Agreement and are incorporated by reference.

16. CONSTRUCTION

The Agreement herein shall, in all respects, be subject to and be interpreted, construed and enforced in accordance with the laws in effect in the Province of Ontario. Each party hereto accepts the jurisdiction of the courts of the Province of Ontario and all courts of appeal therefrom.

17. HEADINGS

The headings of clauses herein are inserted for convenience or reference only and shall not affect or be considered the construction of the provisions hereof

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first above written.

SYNERGY NORTH CORPORATION

Aaron Blazina

THUNDER BAY HYDRO RENEWABLE POWER INCORPORATED

Andy Armitage

SERVICES AGREEMENT

THIS AGREEMENT made as of the **1st day of August 2021**

BETWEEN:

SYNERGY NORTH CORPORATION, a corporation incorporated under the *Ontario Business Corporations Act,* R.S.O. 1990, c. B.I8 (hereinafter referred to as "SYNERGY NORTH")

OF THE FIRST PART

and -

THUNDER BAY HYDRO UTILITY SERVICES INC., a corporation incorporated under the *Ontario Business Corporations Act,* R.S.O. 1990, c. B.I8 (hereinafter referred to as "SERVICES")

OF THE SECOND PART

WHEREAS SYNERGY NORTH is required by the Ontario Energy Board to enter a service agreement (hereinafter referred to as the "Agreement") with SERVICES under the Affiliate Relationships Code for Electricity Distributors and Transmitters (revised March 15, 2010 and as may be amended from time to time) (hereinafter referred to as the "Code");

AND WHEREAS the Code provides that SYNERGY NORTH and any affiliate with which it shares services, shall do so in accordance with a Services Agreement

AND WHEREAS SYNERGY NORTH has agreed to share services of certain of its employees with SERVICES for a fee, subject to the terms and conditions set forth herein;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and agreements herein contained, it is mutually declared, covenanted and agreed by and between the parties hereto as follows:

1. SERVICES PROVIDED

(a) SYNERGY NORTH shall provide meter services to SERVICES as SERVICES may reasonably require from time to time. The meter services shall consist of professional engineering work as well as a Qualified Meter Technician field services to customers of the Meter Service Provider (MSP) business, on an "as required basis.". All such services shall be provided on a fully allocated cost basis plus and appropriate rate of return. SYNERGY NORTHSYNERGY NORTH

(b) SYNERGY NORTH shall provide utility "back office" services to SERVICES as SERVICES may reasonably require from time to time and this will include download meter reading data, wholesale settlement, electronic business transaction functions, remote meter reader function, smart meter services, CDM services, information services, customer information services, accounting and regulatory services and purchasing services . These shall be provided on a fully allocated cost basis plus and appropriate rate of return.

(c) SYNERGY NORTH shall provide utility "Locates" services to SERVICES as SERVICES may reasonably require from time to time. The Locates services shall consist of back office administration as well as field locates services performed by qualified Damage Prevention Technicians. These shall be provided on a fully allocated cost basis cost basis plus and appropriate rate of return.

(d) In addition to any payments made under paragraphs 1 (a) and (b), SERVICES shall reimburse SYNERGY NORTH for any third party costs incurred by SYNERGY NORTH in accordance with paragraphs 1 (a) and (b). SYNERGY NORTH shall, if requested by SERVICES, be required to submit an invoice or similar evidence of payment in respect of all third party costs for which it seeks reimbursement hereunder.

(e) All amounts owing by SERVICES will be settled as incurred, or at a minimum, on a monthly basis. Both SYNERGY NORTH and SERVICES, will settle any amounts owing within three months following the year end of SYNERGY NORTH

(f) SYNERGY NORTH shall sell assets to SERVICES at the greater of market price and the net book value of the asset. Before selling an asset to SERVICES with a net book value that exceeds $100,000 or 0.1% of SYNERGY NORTH 's utility revenue, whichever is greater, SYNERGY NORTH shall obtain an independent assessment of its market price.

(g) SYNERGY NOTH shall take all reasonable steps to ensure that SERVICES does not use SYNERGY NORTH 's name, logo or other distinguishing characteristics in a manner which would mislead consumers as to the distinction between SYNERGY NORTH and SERVICES.

2. LIMITATION OF LIABILITY

All risk arising under this Agreement and extraneous to this Agreement is with SERVICES. SYNERGY NORTH assumes no risk. In no event shall SYNERGY NORTH be liable for damages arising from risks associated with the provision of services under this Agreement or otherwise.

3. DISPUTE RESOLUTION PROCESS

Any dispute arising between SYNERGY NORTH and SERVICES under this Agreement or arising over the terms of the Agreement shall be resolved by arbitration under the Arbitrations Act, 1991, S.0. 1991, Chapter 17.

4. TERMINATION

The Term of this Agreement is one year commencing on the date hereof.

Provided SERVICES is in compliance with all terms of this agreement, this agreement may be renewed by SERVICES and/or SYNERGY NORTH for four (4) additional one year terms.

The agreement is assumed to have automatically renewed for an additional term unless either party provides written notice to the other party that it intends not to renew the agreement. If either party decides not to renew, it must provide the other party with written notice of its intent not to renew.

5. ENTIRE AGREEMENT

This Agreement contains the entire agreement amongst SYNERGY NORTH and SERVICES and no amendment hereof shall be binding upon SYNERGY NORTH and SERVICES unless same is in writing and signed by SYNERGY NORTH and SERVICES. Amendments to this Agreement come into effect on the anniversary of a six-month notice period.

6. PERSONAL SERVICES AGREEMENT

This Agreement is a personal services agreement and may not be assigned by either party hereto without the prior written consent of the other party.

7. CONFIDENTIALITY

(a) Information that becomes known through the relationship between SYNERGY NORTH and SERVICES remains confidential, and neither SYNERGY NORTH nor SERVICES may disclose said information to any third party.

(b) All confidential information that SYNERGY NORTH shares with SERVICES under this Agreement is to be protected from access by SERVICES. Access to DISTRIBUTION's information services shall include appropriate computer data management and data access protocols as well as contractual provisions regarding the breach of any access protocols.

(c) Services to be provided by SYNERGY NORTH's employees under Section 1 of this Agreement are subject to the provision that these employees are not directly involved in collecting, and do not have access to, confidential information.

(d) SYNERGY NORTH shall not release to SERVICES confidential information relating to a consumer, retailer, or generator without the consent of that consumer, retailer, or generator.

(e) SYNERGY NORTH shall not disclose confidential information to SERVICES without the consent in writing of the consumer, retailer, or generator, as the case may be, except where confidential information is required to be disclosed:

(i) for billing or market operation purposes;

(ii) for law enforcement purposes;

(iii) for the purpose of complying with a legal requirement; or

(iv) for the processing of past due accounts of the consumer which have been passed to a debt collection agency.

(f) Confidential information may be disclosed where the information has been sufficiently aggregated such that any individual consumer, retailer, or generator's information cannot reasonably be identified. If such information is aggregated it must be disclosed on a non-discriminatory basis to any party requesting the information.

8. QUALITY OF SERVICE

SYNERGY NORTH shall meet its obligations to SERVICES under this Agreement by providing a quality of service at least equal to that which would be provided by an independent third party.

9. FORCE MAJEURE

"Force Majeure" means a strike, lockout, riot, insurrection, war, fire, tempest, flood, act of God, lack of materials or supply of service which results notwithstanding the diligent efforts of SYNERGY NORTH. During the occurrence of an event of Force Majeure, the obligations of the party effected by such event of Force Majeure, to the extent that such obligations cannot be performed as a result of such event of Force Majeure, shall be suspended, and such a party shall not be considered to be in default hereunder, for the period of such occurrence, except that the occurrence of an event of Force Majeure affecting SERVICES (but not affecting the performance of SYNERGY NORTH's obligations hereunder) shall not relieve it of its obligations to make payments to SYNERGY NORTH hereunder. The non-performing party shall give the other party prompt written notice of the particulars of the event of Force Majeure and its expected duration and shall continue to furnish regular reports with respect thereto on a timely basis during the continuance of the event of Force Majeure and shall use its best efforts to remedy its inability to perform. The suspension of performance is to be of no greater scope and of no longer duration than is required by the Force Majeure condition. No obligations of either Party that arose before the Force Majeure causing the suspension of performance are excused as a result of the Force Majeure.

10. TIME

Time shall be of the essence herein.

11. PREVIOUS AGREEEMENTS

This Agreement terminates, cancels and supersedes any and all other written and verbal agreements between the parties relating to these issues herein.

12. INUREMENT

This Agreement shall bind SYNERGY NORTH, SERVICES, and their respective legal representatives, executors, administrators, successors and pem1itted assigns.

13(1). DEFINITIONS

All words in the Agreement are defined under Sections 1.2 and 1.3 of the Affiliate Relationships Code for Electricity Distributors and Transmitters as of its revised date March 15, 2010 (hereinafter referred to as the "Code"), unless the context otherwise requires.

13(2). APPLICATION OF THE 'AFFILIATE RELATIONSHIPS CODE' TO THE AGREEMENT

All sections of the code apply to this Agreement and are incorporated by reference.

14. CONSTRUCTION

The Agreement herein shall, in all respects, be subject to and be interpreted, construed and enforced in accordance with the laws in effect in the Province of Ontario. Each party hereto accepts the jurisdiction of the courts of the Province of Ontario and all courts of appeal therefrom.

15. HEADINGS

The headings of clauses herein are inserted for convenience or reference only and shall not affect or be considered the construction of the provisions hereof.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first above written.

SYNERGY NORTH CORPORATION

Aaron Blazina

THUNDER BAY HYDRO UTILITY SERVICES INC.

Andy Armitage

ATTACHMENT 4-2:

Budget Directives

SYNERGY NORTH
THE POWER OF THE NORTH
34 CUMBERLAND STREET NORTH
THUNDER BAY, ON P7A 4L4
(807) 343-1111
1-833-428-1451
synergynorth.ca

MEMORANDUM

FINANCE DIVISION

Date:	April 19, 2022
To:	Executive Management Team
From:	Terri-Ann Sylvester
RE:	2023/24 Budget Process

2023 Budget:

Departmental 2022 Payroll Projection Information to Finance	May 20th
Departmental 2023 Payroll Budget Information to Finance	May, 20th
2023 DEPT INPUT completion	June 17th
2023 BUDGET FINANCE completion and updated in the 2023 BUDGET	July 22nd
2023 BUDGET review by VP, Finance	July 25th-27th

2024 Budget Payroll:

2024 Payroll Information to Finance	August 5th

2022 Projections:

2022 Projection DEPT INPUT completion	August 29th
2022 Projections FINANCE completion and updated to 2022 PROJECTIONS	September 23rd
Finance/CEO/VP Reviews	September 26th -30th
First Draft Budget to President	October 14th
Draft Budget Package to President for the Board of Directors Meeting	November 15th
Board of Director Approval	November 24th

2024 Budget:

2024 DEPT INPUT completion	September 30th
2024 BUDGET FINANCE completion and updated in the 2024 BUDGET	November 25th
Finance/CEO/VP Reviews	November 28th-December 2nd
Draft Budget Package to President and Board of Directors	December 16th
Board of Director Approval in principle	January 2023

It is expected that each of you will have reviewed your respective Department budgets and are in a position to address significant variances at the element expense level. The budget notes should provide the explanations as per the thresholds provided in the respective directive memos. Failure to provide the information at this time will only delay the process for everyone.

If there is a staff member that you would like to have the authority to enter budget or projection numbers, please request such from either myself or the Executive Assistant, Finance.

Please note, the labour costs related to the 2022 Projections and 2023 and 2024 Budget will be calculated by the Finance Department as outlined in the Payroll and Benefits memos.

If you have any questions on the budget process or otherwise, please feel free to come and see me or give me a call.

Cc: J. Allen
D. Gaudette, IT Manager
A. Armitage, VP, CS and Billing
M. Fragale, Accounting Supervisor
J. Robertson, Manager, Reg & Financial Assurance
Nicole Mihalus, EA, Power Systems
P. Boutotte, Purchasing & Stores Mgr
K. Speziale, COS Project Manager
C. Groulx, PR & Communications

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MEMORANDUM

FINANCE DIVISION

Date:	**April 19, 2022**
To:	**Executive Management Team**
From:	**Terri-Ann Sylvester (via email)**
RE:	**2024 Budget – Payroll and Benefits**

We will be calculating and inputting the payroll and benefits budget information in the 2024 Budget worksheets provided to you. To enable us to do this, please provide the following information:

- Provide detail regarding additional staff complements you will be budgeting for.
  - Position
  - Anticipated start date
  - Anticipated salary/ wage
  - GMBA distribution, providing multiple splits as necessary.

- What is the anticipated level of overtime for your department for 2024? We require this information at the departmental level and for simplicity please use a percentage of your gross payroll.

- What will be the FTE (full time equivalent) of your part-time/on-call staff for the year?

- Are you anticipating any retirements?
  - Retiring staff member's name
  - Estimated date of retirement

Power Systems, please provide a complete annual labour budget reconciled to the actual existing labour positions, plus additional anticipated positions. These positions must flow 100% to the various O&M and Capital projects.

On the Annual Labour Base Hour Requirement, ensure that "Downtime" (6583 427) [vacation, sick time, meetings, stats, etc.] is shown in a separate column and subtracted from the Annual Base Hours to arrive at Total Productive Hours to be allocated to the projects. Please note that the allocation of hours to this activity should be reviewed with Finance (objective is to look at the cost comparisons in advance to ensure a more efficient costing process) prior to finalizing the labour budget (historically has been significant variances with this costs and it affects all of the other Departmental Costs).

Please clearly identify contracted-out labour (i.e. do not mix with the overtime).

Please provide your anticipated overtime hours by project, otherwise overtime will be calculated proportionately based on regular wages.

This information is required by August 5, 2022**.**

Regards,

Terri-Ann, CPA, CA
Controller

cc: J. Robertson
A. Armitage
N. Mihalus
D. Gaudette
P, Boutotte
M. Fragale
J. Allen

SYNERGY NORTH
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synergynorth.ca

MEMORANDUM

FINANCE DIVISION

Date:	April 19, 2022
To:	Executive Management Team
From:	Terri-Ann Sylvester (via email)
RE:	2024 BUDGET INFORMATION AND PREPARATION TIPS

One of the purposes of the budget document is to measure our actual performance against our planned performance. Supervisors are provided with monthly reports that compare actual cost on a monthly and year-to-date basis. In order to make efficient use of our resources and to provide automation of “non-value added” tasks, it is critical that you become familiar with and utilize the functionality in the GMBA Budget Program.

The name of the worksheet is as follows:

300 2024 BUDGET DEPT INPUT (For Input through GMBA menu #9 for budget, menu #4 for input or #5 for viewing)

300 2024 BUDGET (For Printing through GMBA Budget menu #10)

The **F8 key** opens up a free form worksheet that can be used to provide pertinent supporting narrative/miscellaneous information info. This information will flow through to the final budget, and in turn to the 2024 GMBA account. This feature will enable quick access to the analysis/breakdown of the amount budgeted for an account. Additionally, if you wish, the notes from one year can be copied into the next budget year and modified as needed. Please contact myself for instructions on how this can be achieved.

Variance explanations **must** be provided for any costs at the element level that meet any of the following criteria:

1) Exceed 2023 budget by the greater of 5% or $10,000, or
2) Exceed the 2021 actuals by the greater of 10% or $20,000.

My suggestion for ensuring that this task has been successfully completed is to print the budget worksheet and highlight all of the elements that meet the foregoing criteria and check off as completed. If you would like Finance’s assistance in preparing an excel spreadsheet providing the criteria results, please contact me.

The **F9 key** enables non-linear budget activity. The default is to auto prorate equally over 12 months. If you know that there will be an uneven pattern, simply hit the F9, enter the appropriate dollar amounts in the months desired, remove the amounts that you do not want, and then hit the F7 Update key.

A few reminders about the budget options:

(1) Prepare the next year’s budget in the current fiscal year (i.e. 2022). Therefore, the budget level you see going through the GMBA menu option #9, and then option #4, is the one you want to select.

(2) The most efficient use of the F8 key would be to go into the account that you want to budget for, hit the F8 key, enter the descriptions along with the amounts, and then F7 Update. The amounts you have detailed in the miscellaneous information will automatically flow forward to the budget amount, and you will be returned to the budget entry screen.

(3) If you are using the miscellaneous information without amounts, do not do a F7 to update; otherwise you will cause the budget estimate to total to the dollars detailed on the Miscellaneous worksheet which is 0! Instead hit the enter key, the Ctrl key, and then the enter key again. (The first enter key will warn you that “The total of the miscellaneous information amount does not equal the budget amount entered”. The Ctrl key allows you to override the update, and the second enter key updates the information without having the dollar amounts agree).

(4) For Departments who track expenses **via Projects**, the Budget amount must also be entered at the project level **(F10)** with a 2 to change the selected project. This will ensure that project reports contain the detailed budgeted information. The total of the project input should be equal to total Budget amount entered for the element object.

(5) You must use the Ctrl key on the right hand side of the keyboard to field exit a line. If you work with the num lock button on, you can also field exit with the + key.

Everyone should also have access to the Print Worksheets menu option within budgeting. Printing the worksheets provides more information to you than is available on screen. The 2023 BUDGET worksheet output will be as follows:

Account Number	Account Descrip	2024 Depart Input	2023 Budget	2022 Budget	2022 Projections	2021 Actuals	2020 Actuals

For now, I have set the worksheets to print without printing all the miscellaneous information. If at any time you wish to have the miscellaneous information print, simply call the Executive Assistant, Finance asking her to make this change and then let her know when you have completed printing what you want so that she can change the default back to not printing. (If the Executive Assistant, Finance is not available, you can call myself or Cindy Speziale to make this change as well.)

Departments are NOT to input anything for Element 15, 16, 23, 30, 38, 42, 43, 65, 66, 68-01, 68-02, and 85-98 except for the following benefits:

16 60 Safety Footwear
16 61 Safety Eyewear
16 62 Educational Reimbursement
16 63 Fitness Reimbursement

Departments are NOT to input anything for the following IT related purchases. IT will be responsible for entering al of the following elements for the organization:

12 Computers-Local network
13 Computers-Mini
14 Computers PC Expense
46 03 Supplies/Computer
69 02 Capital Purchases/PC’s
69 05 Capital Purchases/Corp Comp/Server
69 21 Capital Purchases/Computer Software
69 40 Capital Purchases/Printers

Departments are NOT to input anything for 52 02. HR will be responsible for entering.

Departments are NOT to input anything for element 37 Promotion of Business. The PR & Communications Supervisor will be responsible for entering. All promotion type expenses should be submitted to her for review and input.

3
Finance Department requires the 2023 BUDGET work sheets no later than September 30, 2022.

T. Sylvester, CPA, CA
Controller

cc:	M. Fragale	N. Mihalus	J. Allen
	J. Robertson	D. Gaudette	P. Boutotte
	A. Armitage	C. Groulx	

ATTACHMENT 4-3:

SNC Budget Correspondence

VICE PRESIDENT'S REPORT
to the Audit Committee

Report No.: 2023 FIN-01

Preparation Date: January 4, 2023

Board Meeting Date: January 12, 2023

Subject:	**SYNERGY NORTH CORPORATION 2024 PROVISIONAL BUDGET**

Purpose of the Report

Attached for the Audit Committee's information is the 2024 Budget package which supports the utility's 2024 Cost of Service Distribution Rate Application.

Comments

This budget is based on a robust risk-based 5 Year Draft Distribution System Plan covering 2024 to 2028. It is reflective of feedback from customers from Phase One of the Cost of Service Rate Application (COS) Customer Engagement Process which commenced in 2022 and will continue into the Spring of 2023. It also continues to reflect key strategic initiatives as approved by the SNC Board.

What is being presented is subject to change. Due to the COS, this Budget is provisional. As Management continues to work through the application, changes may be needed to the figures presented here as more information becomes available, specifically with updated Cost of Capital (CoC), Cost of Debt and the results of Customer Engagement process.

A COS Decision and Order is expected in early 2024. Should a revised budget be necessary, one which reflects changes from the COS process, the revised budget will be provided to the Board at that time. Bear in mind that the Budget Overview below reflects rate increases May 1, 2024.

Budget Overview

Income

Income before taxes is provisionally budgeted at $4.2M for 2024, an increase of $2M over 2023's approved Budget. After taxes, SNC is budgeting a net income of $3.1M, an increase of $1.5M over 2023's Budget.

	2024 Budget	2023 budget	Difference	Change
Income				
Distribution Revenue	32,493,730.00	27,982,500.00	4,511,230.00	16.12%
Other Operating Income	3,107,331.00	2,813,221.00	294,110.00	10.45%
Total Revenue	35,601,061.00	30,795,721.00	4,805,340.00	15.60%
Expenses				
Operations add Maintenance	12,961,113.00	12,365,205.00	595,908.00	4.82%
Customer-Related Administration Expenses	4,945,145.00	4,804,397.00	140,748.00	2.93%
General Administration Expenses	4,745,898.00	4,496,241.00	249,657.00	5.55%
Total Operations, Maintenance and Admin	22,652,156.00	21,665,843.00	986,313.00	4.55%
Depreciation	5,509,790.00	5,354,937.00	154,853.00	2.89%
Financing Costs net of Carrying Charges	3,516,240.00	1,772,686.00	1,743,554.00	98.36%
Non-rate Regulated activity	(323,234.00)	(289,122.00)	(34,112.00)	11.80%
Income Before Taxes	4,246,109.00	2,291,377.00	1,954,732.00	85.31%

Operation Highlights

Revenues

Distribution Revenues

Budgeted increase of $4.5M

The COS rate application, which will be submitted to the OEB by August 31, 2023, will drive increases in revenues. A Decision and Order is anticipated to be approved and become effective May 1, 2024. Management defines three fundamental drivers of the increase in rates: Cost of Capital, Commercial Funding Methodology and Vegetation Management. The annualized impacts are as follows:

Cost of Capital (CoC): Refers to other than normal inflation changes caused by SNC's growing rate base, changes using the OEB's prescribed Cost of Capital Parameters and changes in SNC's effective cost of borrowing (excluding the impact of the City of Thunder Bay exiting rate minimization). The projected Distribution Revenue requirement of this decision is $2.54M annually.

Commercial Funding Methodology: Refers to the impact of the decision by the City of Thunder Bay to exit its rate minimization approach and its direction to SNC to adopt normal commercial funding. The projected Distribution Revenue requirement of this decision is $1.5M annually.

Vegetation Management: Refers to the impact of necessary forest program changes approved by the SNC board in 2021. The projected Distribution Revenue requirement of this decision is $1.36M.

Potential Changes

It is possible that the budgeted figure for Distribution revenue will change before filing the COS application. The following items may impact those figures:

1. Management used the 2021 cost of power in determining the working capital amounts for 2024. This figure will need to be updated as better information becomes available.
2. The final Payment in Lieu of Taxes calculation for application purposes has not been completed and will need to be updated. Management used the 2017 figure for budgeting purposes.
3. Management used the October 31, 2022, LTD rate to determine borrowing costs in 2023 and 2024. These rates impact the effective rate of borrowing costs, which determines Return on Debt (ROD). As more concrete data becomes available, Management will need to update these figures closer to the filing deadline.
4. The CoC parameters used in this Budget are based on the OEB's 2023 rates. 2024's rates will not be available until after filing. However, SNC will need to adjust its filing once these rates become available.
5. Feedback from customers from the Customer Engagement process may also necessitate adjustments.

Other Revenues

Budgeted increase of $294K

Other revenues comprise Pole Rental Revenues, Competitive Market Revenues, Income from affiliated companies, Reconnection and late payment charges, contributions in aid of construction and Sundry. One item is driving the overall increase, Management is budgeting an increase of $339K to Pole Rentals. This increase is a result of expected additional attachments and an expected increase in the rental rate. Any increases will offset SNC's revenue service requirements, ultimately reducing required Distribution Revenue.

Expenses

OM&A

Overall, Management is budgeting a 4.55% increase in OM&A costs vs the 2023 budget, an increase of $986K. Excluding recoverable, Management is budgeting a 5.17% increase.
Comparatively, if Management used the model that the OEB uses to calculate inflation for its IRM application, Management would have expected an increase between 5.7% and 5.9% in 2024.

OEB Annual Inflation Calculation

Table 1: Non-Labour Component - GDP-IPI (FDD) - National

Year	Q1	Q2	Q3	Q4	Annual	Annual Change %	weighting
2021	116.2	117.4	118.9	120.8	118.325		
2022	123.5	125.4	126.1	126.8	125.45	6.02%	70%

Table 2: labour Component - AWE - All Employees- Ontario

Year	Annual	Annual % Change	Weight		
2021	1,166.75	0.035			
2022	1232.088	0.056	30%		Td November Canadian Employment Data

Table 3: Resultant Values

Year	Annual GDP-IPI % (Table 1)	Weight	AWE% Change (Table 2)	Weight	Annual IPI	Annual % Change
2021	3.90%	70%	3.60%	30%	119.1	
2022	6.02%	70%	5.60%	30%	126.1	5.9%

The two figures in yellow have not been published yet but are based on the best available data.

Operation and Maintenance

Operations and Maintenance increased by $596K or 4.82% over the 2023 budget.

Two items in particular are driving the increase. Wages and benefits allocations are increasing $371K to reflect the 2024 programs and maintenance plan. Additionally, under the collective agreement, SNC purchases safety clothing for PLTs every other year. SNC has a Budget of $107K in 2024 to cover these requirements.

Administration

Total customer related administration expenses increased by $141K (2.93%)

On a line item basis, the only significant change is Bad debt. Projected bad debts in 2024 increased by $35K over 2023 (16.07%). Management continues to see a slight increase in its annual 5-year write-off percentage from .175% in 2022 to .179% in 2024. This increase in write-off percentages combined with a projected increase in total power sales results in higher anticipated budgeted bad debt

General Administration Expense

Total general administration expense increased by $250K (5.55%) over 2023 and is largely driven by the COS process. Included in 2024's Budget is $105K in costs associated with the COS application. These costs represent 2/3rd of 1/5 of the estimated costs to file the application.

Financing Costs Net of Carrying Charges

Interest on Long-term Debt is budgeted to increase $1.64M or 87.5%. This assumes all new external debt will be 30 years in duration and be at 5.05%, which was the Infrastructure Ontario (IO) rate on a 30-year amortizing loan as at October 31, 2022. And, any new interest requirements on Related party debt will be at the current OEB Cost of Capital rate of 4.88%. Four items are driving this increase as follows:

1) A $6.1M construction loan being drawn on the last day of December 2023 at a rate of 5.05%.
2) A $10M loan being drawn on December 1, 2023, to cover a necessary repayment of the City of Thunder Bay at 5.05%
3) Interest on the remaining City of Thunder Bay loan, with the first payment occurring on December 31 at 4.88%
4) A $7.96M loan being Drawn on July 1, 2024, to cover 2023 capital additions.

Solar

	2024	**2024**	**2023**	**2023**
	Budget	**Business Plan**	**Budget**	**Business Plan**
Generation	**$561,262**	**$561,810**	**$565,503**	**$566,384**
Interest	**$85,000**		**$67,500**	**$0**
Total Revenue	**$646,262**	**$561,810**	**$633,003**	**$566,384**
Pre-Tax Income	**$343,320**	**$160,614**	**$309,088**	**$160,177**

The majority of the increase in Solar income relates to the budgeted interest on funds generated in solar activities. It is estimated that over the 2024 fiscal year, the cash balance relating to solar activities will be $2M. Management is budgeting a 4.1% return on these funds based on a current prime rate of 5.95%.

Attachments

1) 2024 Capital and Operation Budget
2) 2024 Provisional Budget PPT

Recommendations

THAT, the Audit Committee approves for recommendation to the Board, as presented, a provisional level of Capital and Operating expenditures for 2024. Such provisional approval shall be replaced with Board approval of the 2024 Captial and Operating budgets once the 2024 Cost of Service Distribution Rate Decision is received from the Ontario Energy Board.

Respectfully Submitted: Aaron Blazina CPA, CA
VP, Finance

Signature:

PRESIDENT'S REPORT
to the Audit Committee

Report No.: 2023 PRES-01

Preparation Date: January 04, 2023

Committee Meeting Date: January 12, 2023

Subject:	***2024 Provisional Capital & Operating Budget***

Purpose of Report

To provide context and background information for the Audit Committee regarding the VP Finance's 2024 Provisional Budget Package that supports the 2024 Cost of Service Distribution Rate Application.

Comments

Under normal circumstances the Audit Committee approves for recommendation to the Board the budget late in the year for the following year. After approval, the budgeted expenditure levels do not change without subsequent Board approval. However, in years when the utility is filing a Cost of Service (COS) Distribution Rate Application with the Ontario Energy Board, a change to this process is required.

Due to the COS application process, the budget being presented to this Committee should be considered as a provisional budget. The expenditures budget as presented has been included in the COS application as support for SNC's requested rates. There is a probability that the rate decision SNC receives from the regulator will necessitate changes to both the revenue and expenditure budgets for 2024. The 2024 COS decision is not expected until sometime next spring. In the event that the decision requires revisions to 2024 expenditures, a revised budget which reflects these revisions will be provided to the Board for review and formal approval.

The Committee should also be aware that while the Operations budget does contain a line item for Distribution Revenue, this line item is ultimately what will be decided by the COS decision. The post COS decision budget to be provided later will reflect for the Board the actual impact of the OEB decision.

Although the Committee is not being asked to formally approve for recommendation the 2024 Capital and Operating budget at this time, technically management has no authority to expend financial resources in 2024 without prior Board approval. As such, the Committee is being asked to recommend for approval by the Board a provisional budget. Such approval will be replaced with a formal 2024 Budget approval once the COS decision is received, and an adjusted budget package is considered by the Board.

Attachments

1. FIN-01 VP Report 2024 Provisional Budget
2. 2024 Capital and Operation Budget
3. 2024 Provisional Budget PPT

Recommendations

THAT, the Audit Committee approves for recommendation to the Board, as presented, a provisional level of Capital and Operating expenditures for 2024. Such provisional approval shall be replaced with Board approval of the 2024 Capital and Operating budgets once the 2024 Cost of Service Distribution Rate Decision is received from the Ontario Energy Board.

Respectfully Submitted: Tim Wilson, MBA
President & CEO

Signature:

SYNERGY NORTH CORPORATION

2023 BUDGET

PREPARED BY:	**Finance Division**
DATE:	November 14, 2022
APPROVED BY THE BOARD:	November 24, 2022

SYNERGY NORTH CORPROATION

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SYNERGY NORTH CORPORATION

STATEMENT OF OPERATIONS FOR THE YEAR ENDING 2023

	Note	2023 Budget	2022 Budget **	2022 Projections
Distribution Revenue	(1)	$ 27,982,500	$ 27,011,311	$ 26,970,711
Other Operating Income				
Pole Rentals		$ 747,652	$ 740,768	$ 747,652
Competitive market revenues		$ 208,800	$ 206,976	$ 205,781
Income from affiliated companies		$ 433,309	$ 430,738	$ 368,869
Reconnection and change in occupancy chares		$ 221,000	$ 221,000	$ 198,000
Late payment charges		$ 366,000	$ 366,000	$ 330,000
Amortization of contributions in aid of construction		$ 298,227	$ 280,700	$ 280,700
Sundry	(2)	$ 538,233	$ 256,768	$ 1,042,389
		$ 2,813,221	$ 2,502,950	$ 3,173,391
Total Income		$ 30,795,721	$ 29,514,261	$ 30,144,102
Operations and Maintenance				
Customer premises/meters and devices		$ 339,519	$ 352,631	$ 438,841
Distribution - overhead and underground	(3)	$ 7,951,997	$ 7,835,782	$ 8,125,360
Affiliate Related Activity		$ 255,379	$ 254,939	$ 219,935
Safety and training		$ 736,939	$ 650,313	$ 671,743
System control/station maintenance		$ 2,316,412	$ 2,123,887	$ 2,041,600
Transformers		$ 764,959	$ 674,114	$ 574,401
Total operations and maintenance expenses	(4)	$ 12,365,205	$ 11,891,665	$ 12,071,880
Administration				
Customer-related				
Bad debts		$ 213,982	$ 250,971	$ 225,000
Affiliate Related Activity		$ 23,127	$ 31,771	$ 33,099
Billing and collecting		$ 1,142,536	$ 1,207,828	$ 1,151,800
Customer service		$ 1,111,816	$ 1,067,956	$ 1,015,800
Information services		$ 1,613,492	$ 1,572,897	$ 1,479,655
Meter reading		$ 270,479	$ 260,911	$ 254,793
Recoverable		$ 428,965	$ 356,155	$ 1,153,670
Total customer-related administration expenses	(5)	$ 4,804,397	$ 4,748,489	$ 5,313,817
General				
Affiliate Related Activity		$ 11,948	$ 14,132	$ 11,533
Corporate		$ 857,205	$ 753,653	$ 899,801
Directors' expenses		$ 199,650	$ 173,087	$ 175,203
Finance		$ 1,593,054	$ 1,558,615	$ 1,367,884
Human resources		$ 457,242	$ 501,873	$ 418,887
President's office		$ 656,211	$ 558,445	$ 563,082
Purchasing		$ 278,560	$ 266,703	$ 256,449
Power systems administration		$ 442,371	$ 415,981	$ 434,184
Total general administration expenses	(6)	$ 4,496,241	$ 4,242,488	$ 4,127,023
Sub-total Operations, Maintenance and Administration		$ 21,665,843	$ 20,882,642	$ 21,512,720
Other				
Net Income - Renewable Generation Activities	(7)	$ (309,088)	$ (232,482)	$ (265,313)
Disruptive Technology-Powerhouse Pilot		$ 19,966	$ 20,540	$ 19,937
Interest on Long -Term Debt	(8)	$ 1,879,186	$ 1,512,782	$ 1,510,641
Net Carrying Charges		$ (106,500)	$ (7,000)	$ (117,000)
Income before Amortization and PILS		$ 7,646,314	$ 7,337,779	$ 7,483,117
Amortization		$ 5,354,937	$ 4,907,746	$ 5,144,261
Income before Payments in Lieu of Taxes		$ 2,291,377	$ 2,430,033	$ 2,338,856
Current tax provision		$ 117,000	$ 252,000	$ 63,000
Payments in Lieu of Taxes /Future Taxes (PILS)		$ 500,000	$ 750,000	$ 557,000
Other Comprehensive Income			$ -	
		$ 617,000	$ 1,002,000	$ 620,000
NET INCOME		$ 1,674,377	$ 1,428,033	$ 1,718,856

SYNERGY NORTH CORPORATION

Year ended December 31, 2023

CAPITAL EXPENDITURES

	2023 Budget	2022 Budget	2022 Projected
System Access			
PCB Transformer Replacements		-	
Customer Recoverable System Modifications	420,389	459,125	915,127
Customer Driven System Expansions	63,095	108,967	108,967
Residential Service Connections	399,623	360,156	180,078
General Service Connections	513,959	695,936	695,936
Expansions for Residential Subdivisions	140,127	131,357	100,000
System Relocations	266,777	518,046	1,200,000
Meter Replacements	180,710	209,286	209,286
Total System Access	1,984,680	2,482,873	3,409,394
System Service			
Grid Modernization	276,720	247,249	247,249
Stations Upgrades			
Power Systems - SCADA	18,000	-	37,500
Total System Service	294,720	247,249	284,749
System Renewal			
Line Voltage Conversions and 25kV Planned Pole Replacements	9,235,018	8,063,436	8,079,899
Lines Safety Reports	1,267,955	778,754	778,754
Small Pole Replacements	614,122	619,084	3,446
Transformer and Switch Replacements	867,571	779,129	250,783
Underground Installations /Replacements	-	237,354	923,483
Total System Renewal	11,984,666	10,477,757	10,036,365
General Plant			
Office Equipment	54,000	310,000	85,000
Computers	86,000	131,200	167,637
Computer Software	61,000	70,000	149,608
Printers	7,500	6,000	6,000
Operations Centre Capital Improvements	80,000	15,000	9,600
Corporate Installed Hardware/Software	265,000	375,000	269,000
Tools	145,000	178,710	203,573
Communication Equipment	132,645	55,900	61,600
Rolling Stock	325,000	525,000	773,056
Total General Plant	1,156,145	1,666,810	1,725,074
GRAND TOTAL	15,420,211	14,874,689	15,455,582
Less funding:			
Capital Contributions	1,423,479	1,510,433	2,272,156
Balance to be financed	13,996,732	13,364,256	13,183,426

SYNERGY NORTH CORPORATION
Year Ended December 31, 2023
NOTES to 2023 BUDGET

The 2023 budget and 2022 projections have been prepared based on information and assumptions regarding future events. Actual results will vary from the information presented and the variations may be material.

DISTRIBUTION REVENUE

(1) Distribution revenue for 2022 is expected to be $41K under budget. Actual distribution revenue and volumetric sales were higher than budgeted; however, the customer owned transformer credit was higher than budgeted (Voltage Discount). The 2023 budget, which is $1.01M higher than the 2022 projection, was based on normalized customers and volume usage and a projected 3.4% IRM (Inflation 3.7%-.3% stretch factor) increase. The next year (2023) will follow a Price Cap IR rate adjustment mechanism that indexes current rates by inflation and productivity factors. 2022 included reduction relating to COVID impact, these were removed in 2023.

OTHER OPERATING INCOME

(2) Sundry

Sundry earnings are comprised mainly of the sale of scrap material, interest income, gains or losses on the disposal of capital assets and the revenue associated with Recoverable projects. 2022 projections are higher than 2022 budgeted mainly due to an increase in recoverable revenues related to an increase in joint use work in rural areas. Additionally, SNC is projecting additional earnings due to the increase in interest rate.

The 2023 budget is less than 2022 projections due to a decrease in recoverable revenues (-$710K), offset by an increase in interest income of (+$250K) due to elevated current interest rate.

OPERATIONS AND MAINTENANCE EXPENSE

(3) Forestry: During the April 2022 board meeting, the Board of Directors approved an additional $1.35M in forestry costs to mitigate the impact of vegetation that had grown within 1 meter of our lines. 2022's budget has been revised to account for these funds.

(4) Operation and maintenance expense budget increase is largely driven by wages and associated overhead costs. Year over Year increase are expected to be 4%, however these are offset by savings in customer related administration expenses. The 2021 projected costs are also higher than expected due to wage and overhead allocation, offset by a reduction In PPE purchases.

CUSTOMER-RELATED ADMINISTRATION EXPENSES

(5) Customer related administrative expenses excluding recoverable are budgeted to decrease by $1K. This decrease is driven by a reduction in bad debt of $37K, offset by increases in promotional costs and outside services.

2022's projected underspend to budget is driven by savings and deferrals in computer spending, and less wages than anticipated.

GENERAL ADMINISTRATION EXPENSES

(6) Combined GA expenses are up $254K (6%) over 2022 budget. The majority of this increase is driven by increase in association dues, insurance costs and interest fees charged on customer deposits located under the corporate header. Travel costs have increased as seminars and industry groups return to in person, following the pandemic.

Projections for 2022 are $121K under budget once 2022 CDM costs are included. Much of the savings come from the Finance Department which has been understaffed for the year by 1.5 FTE positions. These savings were offset by underbudgeted association dues, additional promotion of business and interest costs. All other departments are in line with budgeted amounts.

OTHER

(7) Net Income – Renewable Generation Activities

SYNERGY NORTH's Renewable Generation Department includes the administration and operating costs to investigate opportunities, manage and oversee the Mapleward Renewable Generating Station for the affiliated company and administer and oversee the construction and operations of the Solar PV activities. The following is the composition of the net amount disclosed in the Statement of Operations.

Reminder that all costs associated with RPI are either billed and paid for directly by RPI or are collected from them through Affiliated Company billings.

Synergy North Corporation
Non-Wires Solar Activity Financial Statements
31-Dec-23

	2023 Budget	2022 Budget	2022 Projections
Revenues			
IESO FIT Settlement Income	$ 565,503	$ 569,777	$ 569,777
Income from Affiliated Companies	$ 50,899	$ 45,856	$ 49,991
Interest	$ 67,500	$ 12,000	$ 49,000
	$ 627,633	$ 627,633	$ 615,462
Expenses			
Administration	$ 72,599	$ 69,980	$ 80,014
Amortization	$ 183,956	$ 184,671	$ 183,956
Finance Costs	$ 54,377	$ 69,165	$ 59,729
Solar PV Operation Costs	$ 63,882	$ 79,702	$ 79,759
	$ 374.814	$ 394,518	$ 403,455
	$ 252,819	$ 233,115	$ 212,007

(8) Interest on Long-Term Debt

The 2023 budget assumes 2021 capital infrastructure financing of $4.95M at an interest rate of 5% drawn on December 31, 2022 and 2022 capital infrastructure financing of $6.1M at 5% drawn on December 31, 2023. The 2023 budget also assumed one months' worth of interest starting to be paid on the City of Thunder Bay debt, with payments beginning in December of 2023. 2022 projections were impacted by an increase in the interest rate charged on debt, offset by a delay in loan draws. It was anticipated that a second draw would be required by September, this is begin delayed until the end of the year.

CAPITAL EXPENDITURES

System Access

PCB Transformer Replacements - This project reflects all mandated service obligations required to ensure the organization remains compliant with PCB legislation requiring removal of PCB's.

Customer Recoverable System Modifications - This project reflects work that includes additions or changes to distribution assets, which is customer driven. This includes work resulting from motor vehicle accidents, modifications to existing customer connections and make ready work for Third Parties.

Customer Driven System Expansions - This project contains all resource requirements for main distribution system upgrades or expansions to facilitate customer upgrades or connect new customers. Expansions driven by lot severances and property development are included in this project.

Residential Service Connections - This is the total cost for all new connection assets required to connect a new service to residence or small general services (200 Amp Max) from the supply line abutting the customers' premises.

General Service Connections - This project covers the total requirements to meet new commercial customer connection requirements from the supply line abutting the customers' premises. This includes only connection facilities and excludes any system expansion required to reach the customers' property.

Expansions for Residential Subdivisions - This project captures SYNERGY NORTH's transfer payment for new subdivisions towards expansion and connection assets. The majority of subdivision work is done by a developer. The Ontario Energy Board ("OEB") requires an economic evaluation be performed and depending on the additional load and development costs, SYNERGY NORTH must contribute accordingly.

System Relocations - This project captures the total costs associated with requests from customers, the City or the Ministry of Transportation - Ontario ("MTO") to relocate SYNERGY NORTH plant. While this work may be recoverable, the Highway Traffic Act requires that only the existing book value of the equipment along with 50% of the labour and trucking is recoverable by SYNERGY NORTH for MTO requests.

Meter Replacements - This project captures all the costs of meter replacements for failed meters as well as other meter replacements dictated by Measurement Canada and legislated by green energy programs. This also includes costs to acquire meters for the sampling program and the MIST (Metering Inside Settling Timeframe) program.

System Service

Grid Modernization - This project focuses on system operational objectives of; reliability, performance and functionality. The costs reflect the design, installation, and commissioning of remotely controlled reclosers and distributed automation enhancements to the SCADA (Supervisory Control and Data Acquisition) system.

Stations Upgrades - This project reflects all costs of upgrading the existing transforming and switching equipment used for the purpose of stepping down to distribution voltages. The account shall include all modifications to equipment used in the above operation from the high voltage feeder through to the low voltage connection outside the station, within the confines of the station area.

System Renewal

Line Voltage Conversions and 25kV Planned Pole Replacements - This is a subset of all planned projects whose primary driver within the 20-year capital plan is to replace the aging 4kV system with functionally equivalent 25kV system, thereby facilitating the removal of our nearing end of life 4/25 kV substations. This project category is also comprised of the replacement of wood poles on the 25kV system which are in poor condition and past their typical useful life. The selected poles are all at end of useful life due to failure risk, substandard performance, or functional obsolescence.

Lines Safety Reports - This account reflects all the capital requirements to address any Lines safety issues discovered during the risk inspection process that must be dealt with immediately. This is typically made up of single pole replacements but can include up to 5 pole replacements.

Small Pole Replacements - This project is comprised of the replacement of wood poles determined to be in poor condition and that pose a potential risk to public safety and/or customer reliability. These poles are outside of the planned 4kV to 25kV conversion schedule. Projects are selected based on addressing these issues in the most cost-efficient manner.

Stations Renewals - This project reflects all costs of upgrading the existing transforming and switching equipment used for the purpose of stepping down to distribution voltages. The account shall include all modifications to equipment used in the above operation from the high voltage feeder through to the low voltage connection outside the station, within the confines of the station area.

Transformer and Switch Replacements - This project reflects all costs for replacement of distribution transformers, switches, and switchgear that are identified through the risk inspection as at end of life and not included in other planned or customer driven projects.

Underground Installations/Replacements - This is a subset of all planned projects whose primary driver within the 20-year capital plan is either to replace or refurbish underground plant (cable, civil works, and transformers) that are at the end of their typical useful life.

Unplanned Capital - This project reflects the costs for removing poles or equipment for capital projects that have been closed.

2022-2024 Business Plan Updates November 2022

Customer Service Strategic Initiative				
Initiative	**Purpose**	**2022 Measures**	**Results to Date**	**2023-24 Measures**
Customer Engagement	To promote meaningful customer engagement throughout everything we do.	Engage with customers on 100% of all capital projects.	All 2022 capital projects engagement completed.	Engage with customers on 100% of all capital projects.
		Provide support and information for engagement with LAC and Customers on DSP Plan.	LAC provided input into DSP and Customer Engagement.	Provide support and information for engagement with LAC and Customers on DSP Plan for final submission.
		Business/Industrial relationship program. 46 customers per year reducing energy costs by 5%	24 customers have been completed in 2022, 27 in total participated in the program in 2022.	Business/Industrial relationship program. 46 customers per year reducing energy costs by 5%
OEB Standards of Service	To exceed OEB standards and customer expectations	SN SQIs	All SN Current SQIs met or exceeded	SN SQIs
		New Residential/Small Business connected on time – 100%	New Residential/Small Business connected on time – 100%	New Residential/Small Business connected on time – 100%
		Scheduled Appointments Met On Time – 90%	Scheduled Appointments Met On Time – 90%	Scheduled Appointments Met On Time – 90%
		Call answered Under 30 seconds – 90%	Call answered Under 30 seconds – 90%	Call answered Under 30 seconds – 90%
		Net Promoter Score > 20	Net Promoter Score = 36	Net Promoter Score > 20
		Bill Accuracy – 99.5%	Bill Accuracy – 99.5%	Bill Accuracy – 99.5%
		First Contact Resolution > 90%	First Contact Resolution > 90%	First Contact Resolution > 90%
Customer Service Portal	To enhance customer offerings and ensure regulatory compliance	Enhanced portal with Green Button available to customers by 2022.	Anticipated phase one of portal to be launched without Green Button Q4 2022.	Enhanced portal with Green Button available to customers by 2023 Q2.
				API Module to enhance CIS access enabled by 2023 Q3
				EV module available 2023 Q3

2022-2024 Business Plan Updates November 2022

Environmental, Social & Governance (ESG) Strategic Initiative				
Initiative	**Purpose**	**2022 Measures**	**Results to Date**	**2023-24 Measures**
ESG Framework	To develop and apply an ESG lens to the overall corporate strategy.	ESG Framework accepted by board 2022	Board accepted ESG Framework.	ESG Framework Implemented 2023 Disclosure reporting begins 2024
Net Zero Plan	To develop a net zero plan and target.	Develop a plan to create a baseline carbon emissions measurement which conforms to industry standards and plan of action completed by 2022.	During development of ESG framework, discovery Net Zero plan will follow materiality survey. Resulting in a delay in the Net Zero plan and execution.	Develop a plan to create a baseline carbon emissions measurement which conforms to industry standards and plan of action completed by 2023 Q3. Begin action Plan execution 2023/ 2024
Community Presence	To elevate Synergy North's Community presence and increase company volunteerism.	Ensure successful rollout of community involvement strategy.	Synergy North Connections Committee established.	Continue to execute community involvement strategy.
		Set ToR and Increase yearly company Volunteer Hours.	The committee has established ToR and volunteer events are in development	Continue to increase volunteer hours.
		Set Donation Target 2022	Donation targets have been set	Meet donation targets in 2023, 2024.

Human Resources Strategic Initiative				
Initiative	**Purpose**	**2022 Measures**	**Results to Date**	**2023-24 Measures**
Recruitment, Engagement and Retention	To position SN as a place to work and a place where employees will want to stay.	Job descriptions are reviewed at each hire.	Completed/On-going	Job descriptions are reviewed at each hire.
		Vacancies are filled within three months of posting.	Not met in one instance – Business & Regulatory vacancy has exceeded 3 months.	Vacancies are filled within three months of posting.
		Staff turnover (non-retirement) is under 10%.	Staff turnover is under 10%	Staff turnover (non-retirement) is under 10%.
		Develop/enhance relationships regarding diversity hiring; specifically with two (2) Indigenous groups where we can meet with them to highlight pathways to careers with Synergy North.	Completed/On-going SNC partnered with Outland Youth Employment to provide Equity and Opportunity for Indigenous Youth during an education session.	Develop/enhance relationships regarding diversity hiring; specifically with two (2) Indigenous groups where we can meet with them to highlight pathways to careers with Synergy North.
			Open positions have been directly posted with multiple Indigenous Organizations to further promote SNC as a desirable employer.	
			CEDC Rural and Northern Immigration Pilot (RNIP)	
		Perform annual review of the MEARIE Salary Survey (Management) and provide results to the CEO to ensure competitiveness in salary.	Awaiting the release of the 2022 survey.	Perform annual review of the MEARIE Salary Survey (Management) and provide results to the CEO to ensure competitiveness in salary.

Human Resources Strategic Initiative

Initiative	Purpose	2022 Measures	Results to Date	2023-24 Measures
Recruitment, Engagement and Retention	To position SN as a place to work and a place where employees will want to stay.	Employee survey conducted in Q4 every year with a goal of 75% of staff indicating positive satisfaction and engagement.	Survey to be completed November 29 & 30 results are pending.	Employee survey conducted in Q4 every year with a goal of 75% of staff indicating positive satisfaction and engagement.
		Communicate previous years' survey to staff in Q2 of the following year.	Completed	Communicate previous years' survey to staff in Q2 of the following year.
		Develop a plan to address areas of concern by Q4. Promote and track participation in SNCs Rewards & Recognition Program (volunteer recognition, committee participation, etc.)	Completed Creation of a “Connections” Committee. Special attention paid to lower ratings on pay and benefits, we are hopeful that the accepted collective agreement has at least partially addressed this option	Develop a plan to address areas of concern by Q4. Promote and track participation in SNC’s Reward & Recognition Program (volunteer recognition, committee participation, etc.)

Human Resources Strategic Initiative				
Initiative	**Purpose**	**2022 Measures**	**Results to Date**	**2023-24 Measures**
Staffing and Development	To ensure succession plans exist for critical positions.	Employee orientations are complete within three months of hire.	Completed	Employee orientations are complete within three months of hire.
		Professional Development for Management is offered annually.	Completed	Professional Development for Management is offered annually.
		Education Reimbursement Plan is being utilized as appropriate (promote and monitor uptake).	Completed- uptake has been successful	Education Reimbursement Plan is being utilized as appropriate (promote and monitor uptake).
		Complete the second stage of the Harvard Mentor Management program with Management staff by 2022.	Completed – program was well received and is solidly in place	Complete the third stage of the Harvard Mentor Management program with Management staff by 2023.
		Review formal succession plans in place for high-risk positions annually.	VPs to have formal plans in place by end of 2022- which will be reviewed on an on-going basis.	Review formal succession plans in place for high-risk positions annually.

Human Resources Strategic Initiative				
Initiative	**Purpose**	**2022 Measures**	**Results to Date**	**2023-24 Measures**
Employee Wellness	To provide options to staff to address potential wellness issues to assist them and their families to lead healthy lives; which allow them to come to work and be productive and safe.	Staff wellness survey and communications delivered as per plan.	Additions to Wellness Portfolio to the EPAP Committee in 2023 – TBD at December 2022 meeting.	Staff wellness survey and communications delivered as per plan.
		Track usage annually to determine uptake by staff and in what areas to determine if specific programs can/ should be developed.	Pending, to be reviewed at the EFAP Committee's Q4 meeting.	Track usage annually to determine uptake by staff and in what areas to determine if specific programs can/ should be developed.
		Conduct a Wellness Survey annually.	Completed will help frame options for 2023 Wellness Fair.	Conduct a Wellness Survey annually.
		Annual participation in "Bell Let's Talk Day"	Completed • 9 staff (4-Mgmt/ 5-Union) • 50/50 draw and communication and support of program initiatives. • Committee members also posted videos of themselves promotion the Bell initiative.	Annual participation in "Bell Let's Talk Day"

2022-2024 Business Plan Updates November 2022

Human Resources Strategic Initiative				
Initiative	**Purpose**	**2022 Measures**	**Results to Date**	**2023-24 Measures**
Employee Wellness	To provide options to staff to address potential wellness issues to assist them and their families to lead healthy lives; which allow them to come to work and be productive and safe.	Support our EFAP Committee initiatives.	In addition to the "Bell Let's Talk Day" initiative, the committee focused on promotion services provided by our own EFAP Provider; the Thunder Bay Counselling Centre; PACE – People Advocating Change- Thunder Bay; and Kenora counselling services. Promotion & Tracking of our Healthy Lifestyles Program; utilization in 2022 at approximately 90% Other topics highlighted by the EFAP committee in 2021 and presented at 2022 SIM meetings include: • Mental Health • Healthy Eating	Support our EFAP Committee initiatives.

2022-2024 Business Plan Updates November 2022

Safety Strategic Initiative				
Initiative	**Purpose**	**2022 Measures**	**Results to Date**	**2023-24 Measures**
Zero Loss Time Incidents	To maintain safety at the forefront of everything we do and for the protection of our staff and the customers we serve	Zero incidents.	One LTI as a result of an incident that occurred in 2020, but due to surgery, the LTI did get attributed until 2022.	Zero incidents.
		All annual/cyclical mandatory training is completed within regulatory standards.	18 courses Completed	All annual/cyclical mandatory training is completed within regulatory standards.
		All incidents are investigated and addressed as applicable within two months of receipt.	12 incidents Completed (to date). All incidents addressed as appropriate on schedule	All incidents are investigated and addressed as applicable within two months of receipt.
		Continue with "Committed to Safety" initiatives as developed annually, which are intended to keep the program fresh.	CTS Rebranding is complete. Focus on creation of videos to include public safety, Mission, Visions & Values and a corporate video.	Continue with "Committed to Safety" initiatives as developed annually, which are intended to keep the program fresh.

Safety Strategic Initiative				
Initiative	**Purpose**	**2022 Measures**	**Results to Date**	**2023-24 Measures**
Safety & Training	To meet legislative and competency requirements and to ensure that Safety is at the forefront of everything we do for the protection of our staff and the customers we serve.	Fair representation on Committee.	Completed. All safety related committees and workgroups represented by a minimum of 50% staff vs mgmt.	Fair representation on Committee across divisions.
		Response to all safety concerns and incidents within 14 days.	Completed, no concerns received to date.	Response to all safety concerns and incidents within 14 days.
		Annual ongoing training plans as submitted to HR.	Completed	Annual ongoing training plans as submitted to HR.
		Any succession training plans developed as needed.	Completed/On-going	Any succession training plans developed as needed.
		On-boarding training for all new hires.	Completed	On-boarding training for all new hires.
		Required training is successfully coordinated and delivered annually.	Completed	Required training is successfully coordinated and delivered annually.
		Continue to deliver, where recommended, and report on "best practice" training initiatives.	Completed	Continue to deliver, where recommended, and report on "best practice" training initiatives.

Safety Strategic Initiative				
Initiative	**Purpose**	**2022 Measures**	**Results to Date**	**2023-24 Measures**
Public Safety	To deliver safety awareness to external stakeholders.		Completed – with an overall improvement in results over the 2020 survey.	Public Safety Survey completion 2023/ 2024.
	To gauge / improve community safety and awareness	Review results and develop an action plan and communications to address areas needing improvement.	On-going – Public Safety Video has been created to educate the public that safe diggings is more than just a call or click. The video is complete and will be revealed internally November 14th at the CTS Event. Media campaign will take place ahead of construction season in the Spring of 2023.	Review results and develop an action plan and communications to address areas needing improvement.
		Develop a formal Public Safety Strategy with the end goal of improving our overall outreach and to create a model Synergy North can put forth for the EDA's 2023 (awarded in 2024)	Completed and as above.	Develop a formal Public Safety Strategy with the end goal of improving our overall outreach and to create a model Synergy North can put forth for the EDA's 2023 (awarded in 2024)
			Hi-Line Hazard program revamped – to be expanded post-COVID.	Develop new, relevant and engaging electrical safety sessions for school-aged children in our communities 2023.

2022-2024 Business Plan Updates November 2022

Asset Planning & Management Strategic Initiative				
Initiative	**Purpose**	**2022 Measures**	**Results to Date**	**2023-24 Measures**
Asset Management Plan	To mitigate risk, ensure efficient use of assets and drive cost effective decision making with respect to Capital and OM&A plans. To minimize asset failure risk and improve efficiencies by ensuring a prioritized approach to maintenance work.	Prepare all DSP components including scheduling and cost for the following; 4 kV Conversion Program, which decommissions the following station transformers 2022: Donald F2	Proposed DSP prepared and reviewed with Synergy North Cost of Service Team. Expenditures proposed are being included in Phase 1 and 2 of customer engagement. 4kV Conversion Program 2022: Donald F2 will be offline by the end of the year	Submit all DSP components for the Cost-of-Service Application by August 2023 deadline. 4 kV Conversion Program, decommission the following station transformers and stations 2023: Windermere F1, High F1 2024: Windermere F6, Camelot F4, Vickers F4 and Vickers Substation 2025: Camelot F3, High F2, MacDonell F2, Windermere F4
		Underground Cable Renewal Program 2022: km	Renewed 1km of underground cable	Underground Cable Renewal Program 2023: 2km 2024: 3km 2025: 3km

2022-2024 Business Plan Updates November 2022

Asset Planning & Management Strategic Initiative				
Initiative	**Purpose**	**2022 Measures**	**Results to Date**	**2023-24 Measures**
Asset Management Plan	To alight the fleet with the DSP and ESG goals to better meet operational needs and contain costs.	Development of a plan to convert fleet to EV. Plan complete in 2022 using current risk assessment methodologies, and incorporated into the DSP and Capital expenditures over the next 5-10 years.	Fleet Plan created for use in the DSP	Implement fleet plan with conversion to EV for light duty vehicles. 2023: 1 light vehicle + charger at Operations Center 2024: 1 truck / light duty vehicle 2025: 1 truck / light duty vehicle
		Develop Climate Adaptation Strategy & Program to be submitted with the DSP in 2023.	Climate Adaptation scoring to be included with the project prioritization matrix when selecting projects.	Climate change scoring factor included in project prioritization matrix 2023.
	To reduce tool cost through an improved inventory tracking system.	Implement Vegetation Management Program 2022: 50% of vegetation within 1m	On track for 50% of vegetation within 1m of overhead lines to be removed	Implement Vegetation Management Program 2023: 100% of vegetation within 1m 2024: 20% of vegetation 1-3m 2025: 40% of vegetation 1-3m
		Develop a tracking system for all large tools to optimize tool utilization.	Tracking system for tools implemented.	

Asset Planning & Management Strategic Initiative				
Initiative	**Purpose**	**2022 Measures**	**Results to Date**	**2023-24 Measures**
Develop a FINO Strategy	To manage the risk of reliability issues resulting from customer adoption of new behind the meter technologies and to ensure the utility is able to accommodate customer energy choices.	Develop a framework for a FINO 5 year strategy with costs for 23-24 budget for 2022.	Framework for FINO strategy created and being presented to Board at November mtg. with 2023-2026 costing and milestones. The CDM guideline has been incorporated into the strategy.	Implement components of the FINO strategy.
		Research best practices and engage with other utilities regarding innovative strategies 2022.	Research into industry best practices and regulatory guidelines report provided by Power Advisory Group.	2023 Proactive transformer monitoring and customer surveys, Begin coordination with IESO on LIP, Website development
		Ascertain penetration and impact mitigation of EV's 2022.	Impact of EV's on distribution system included in FINO strategy.	Continue to engage with other utilities, IESO and OEB funding options regarding innovative Non-Wires Alternatives 2023.
		Review Battery Storage and grid dispatching options 2022.	Battery storage options included in FINO strategy.	2024 Continue coordination with IESO on LIP, Website implementation, staff training
		Monitor OMS ROI, against business case of 14% reduction to SAIDI.	OMS troubleshooting continued in 2022, with all telemetry updated in Thunder Bay, and crews using mobile app.	2025 RFI on Energy Capacity, EV products and services
		Automate South Core - V1 switchgear 2022.	South Core Switchgear to be installed and operational by end of year.	Monitor OMS ROI, against business case of 14% reduction to SAIDI.

2022-2024 Business Plan Updates November 2022

Asset Planning & Management Strategic Initiative				
Initiative	**Purpose**	**2022 Measures**	**Results to Date**	**2023-24 Measures**
Electrification Strategy	Acquire knowledge and information to ensure corporation is prepared to manage electrification	Participation in the project with Blue-Wave AI /COTB Bus Pilot.	Approval by NRCAN for funding of transit electrification project. Hydro One Aux preliminary discussions	Participation in the NRCAN project with Blue-Wave AI /COTB Bus Pilot.
		Prepare EV engagement plan in conjunction with Customer Service 2022.	EV Engagement Plan completed by Customer service. Engineering providing support as needed on technical aspects.	Implement EV engagement plan in conjunction with Customer Service 2023.
		Prepare resourcing strategy and training needed for staff 2022.	Resourcing and training not needed in 2022 and will follow the FINO strategy.	
		Annually review business case / OEB availability of ownership of EV charging.	Utility owned EV charging is still not available or a beneficial business case.	Annually complete a sector scan and review business case / OEB availability of ownership of EV charging.

2022-2024 Business Plan Updates November 2022

Business Continuity Strategic Initiative				
Initiative	**Purpose**	**2022 Measures**	**Results to Date**	**2023-24 Measures**
Business Continuity	To mitigate risk by planning for the maintaining of critical business functions despite interruptions or disasters.	Lead HR and Lines & Operations business units through BCP by the end of 2022.	HR and Lines & Operations completed.	Lead Finance and Customer Service & IS business units through BCP by the end of 2023.
		Planning Includes completing each template for identified risk areas, and critical functions together with workflow tracking and testing the final Plan(s).	Templates completed	Planning Includes completing each template for identified risk areas, and critical functions together with workflow tracking and testing the final Plan(s).

2022-2024 Business Plan Updates November 2022

Financial Strategic Initiative				
Initiative	**Purpose**	**2022 Measures**	**Results to Date**	**2023-24 Measures**
Cost of Service	To obtain a Decision and Order supports Shareholder direction and customer needs by providing the company with the required monies to operate.	Prepare Engineering elements of COS plan 2022.	Prepare Engineering elements of COS plan 2022	Final Customer Survey recommendations in 2023.
		Initial Customer Surveying completed in 2022.	Initial Customer Surveying completed in 2022	Completed elements in COS plan 2023
				Application Submitted On Time 2023.
Financing Plan	To provide sufficient funding of operations and capital	Cash Flow requirements are met.	Continue to engage Audit Committee of impacts of shareholder debt impacts on cash and NI	Cash Flow requirements are met.
			To date no issues with cash flow management	
		Review costing and feasibility of contractors 2022.	Contractor Review completed in 2022. Tasked is moved to a yearly process.	Approved Financing Plan by Audit Committee and Board 2023.

2022-2024 Business Plan Updates November 2022

Stakeholder and Partnership Initiative				
Initiative	**Purpose**	**2022 Measures**	**Results to Date**	**2023-24 Measures**
Industry and Stakeholder Involvement	To improve the staff level of knowledge and expertise on distribution systems and to ensure strong relationships with key stakeholders and partnership organizations.	Work with three different relevant organizational working groups (EDA, IESO, SME, USF, AEUSP)	Synergy North participates in 40 Industry Groups or Organizations. New notable groups include: Thunder Bay Tesla Support Group The EV Society Electric Vehicle Association of Northern Ontario	Work with three different relevant organizational working groups (EDA, IESO, SME, USF, AEUSP)
Growth	To pursue additional customer base through mergers, acquisitions, and partnerships.	Renewed conversations with decision makers of potential partners.	On hold until post municipal election.	Renewed conversations with decision makers of potential merger partners 2023.
Local Partnerships	To position the company is attracting and retaining customer base in the distribution territory	Formal Partnership with CEDC or equivalent in Kenora and Thunder Bay	Participation with Northern electricity roundtable, Northwestern Ontario Energy Task Force. Met with CEDC CEO and participated directly in CEDC strategic planning. Meeting with mining coordinator and lithium processing company this November	Pursue tighter relationship with CEDC or equivalent in Kenora and Thunder Bay

Technical Strategic Initiative				
Initiative	**Purpose**	**2022 Measures**	**Results to Date**	**2023-24 Measures**
Digitization	To realize efficiencies through the automation of business processes.	Digitize four major individual Processes in 2023, 2024 and 2025.	Two Processes have begun a digitization process.	Establish Continuous Improvement framework to push digitization efforts 2023. Digitize four major individual Processes in 2023, 2024 and 2025.
System Planning and Health	To optimize asset utilization and efficient use of system.	Reduce the data gap in Wood Poles and Underground Cables by performing testing of 1200 poles and 200 cables on an annual basis.	Completed testing of 1200 poles and 200 underground cables.	Reduce the data gap in Wood Poles and Underground Cables by performing testing of 1200 poles and 200 cables on an annual basis.
		Testing of the entire population of wood poles is anticipated to be completed by 2029. Poles and underground cable that are being submitted for replacement in the DSP will have testing results to support the decision. Lower the Data Gap for the asset categories of wood poles from Medium-High to Low and for Underground Cables from High to Medium-Low by 2024.	Wood Poles data gap improved to Low-Medium and Underground Cables to Medium Low after testing results.	Testing of the entire population of wood poles is anticipated to be completed by 2029. Poles and underground cable that are being submitted for replacement in the DSP will have testing results to support the decision. Lower the Data Gap for the asset categories of wood poles from Medium-High to Low and for Underground Cables from High to Medium-Low by 2024.
Cyber Security	To Identify, Protect against, Detect, Respond, and Recover from cyber incidents.	Continued Yearly increase of CIS CSAT risk posture score	CSAT Scores Continue to Increase. 3.09/5	Continued Yearly increase of CIS CSAT risk posture score Fully implement all sections of OEB RRR Cyber Security metrics 2023. Microsoft Secure Score >95% 2024.

VICE PRESIDENT'S REPORT
to the President

Report No.: 2022 FIN-23

Preparation Date:	**October 26, 2022**
Board Meeting Date:	**November 14, 2022**
Subject:	**SYNERGY NORTH CORPORATION 2023 BUDGET**

Purpose of Report

To seek Board of Director approval of the Synergy North Corporation 2023 Budget.

Comments

The information contained in the budget package is based on assumptions regarding future events and actual results and may vary from the information presented. The variations may be material.

The following are some highlights that I wish to bring to your attention:

Forestry

In April 2022, the Board of Directors approved an additional $1.35M in tree trimming budget for 2022. The 2022 budget data in the 2023 budget package has been updated to account for this spending, increasing overhead and underground spending from $6.5M to $7.8M.

General

Overall, 2022 net income before PILs is projected to be $91K under the 2022 budget. 2023 budgeted net income before PILs is $2.3M, which is $139K lower than the 2022 budget. The main drivers of the variances are discussed in the following paragraphs.

Revenues

Distribution Revenues

Distribution revenue for 2022 is expected to be $41K or .15% which is lower than budgeted. Actual Fixed Distribution and volumetric distribution revenues were higher than budgeted in 2022. However, these increases were offset by an under-accrual in the customer-owned transformer credit. The under-recording has been corrected for 2023.

The 2023 Distribution Rates are based on IRM rate increases of 3.4% and 3.1% for Thunder Bay district and Kenora district, respectively (2022 budgets figures were 3% and 2.7%, respectively), plus .2% for customer growth and expected volumetric increases (.1% in 2021). Over the last two years, Management included a COVID related volume reduction in its budget, which was removed for 2023. To properly budget volumes, Management used 2019 usage per customer as its starting base, removing the impacts of 2020 and 2021 from the calculation. However, Management continues to use current customer counts in its analysis. As a result of these decisions, distribution revenue will increase by $971K or 3.6%, over the 2022 budget.

Other Operating Income

Sundry Earnings for 2022 are projected to be $786K higher than the 2022 budget as a result of increased customer-driven recoverable work. This increased revenue partially offsets the increase in Recoverable expenses.

Removing this impact of recoverable work in Sundry would result in a Sundry budgeted line loss of $43K in 2022 vs the actual projected loss of $20K in 2022. The remaining items in Sundry revenue include, disposal of assets (scrap steel, transformers, meters, and other infrastructure), interest revenue and Joint Use fees. However, the 2022 projection figures related to increases in interest income of $80K, offset by a reduction in real property sales of $70K (no sales in the year) and the impact of scrap material sales/disposals.

The Recoverable increase was driven by work performed by SNC on behalf of the City of Thunder Bay on Balmoral Street. These amounts, upon audit, may be reclassified as capital at year-end, with the income being reclassified as capital contributions.

The remaining amounts relate to work performed for Tbaytel, Bell and Shaw for Joint Use projects.

2023 budgeted Sundry revenues, excluding recoverable, are $224K more than 2022 projections. This increase is driven by a projected increase in interest income, up $330K from the 2022 budget as interest rates continue to increase rapidly. SNC is not expecting any property sales for 2023, a reduction of $70K. The remaining amounts are due to increased losses on asset disposals.

Expenses

The 2023 OM&A budget, including Recoverable, is up $783K, an increase of 3.75% from the 2022 budget. Excluding Recoverables and including the impact of C&DM costs, this increase is $697K or 3.38%. Significant drivers of the increase include:

1) Wages, overtime, and benefits;
2) Increased Overheads;
3) Increased Information System costs;
4) Increase reliance on contractors

Wages

SNC concluded labour negotiations in 2022, resulting in more security in its wage rates for 2023 and 2024. These negotiated rates built the base of union wages and overtime. Despite these increases, total regular wages came in at a 1.5% increase as Management reevaluated its labour plan.

Total regular and overtime wage allocation between Capital and OM&A was 14% and 86%, respectively.

The non-wage items that are affecting the budget are as follows:

Overheads

1. Overheads include engineering costs, Material O/H, Trucking, Operation Centre, Downtime, and supervisory costs.

2. Total overheads increased by $582K (6%) vs the 2022 Budget. The allocation between O&M and Capital remained consistent with the 2022 budget at 56% OM&A and 44% Capital. As a note to the board, overhead allocation is driven by PLE labour allocations.

3. Engineering and trucking drove overhead cost increases costs up 11% and 13%, respectively, over the prior year. Engineering overhead increase relates to increased cable and pole testing costs, ESRI Service software and new asset management software. Trucking cost increases are driven entirely by budgeted Gas and Diesel costs.

- Operations & Maintenance Expenses (O&M): Increase of $474K from 2022 Budget (4%). O&M increases are driven by increased labour allocation and overhead charges. This accounted for an additional $480K. The largest decrease related to safety equipment, as SNC provides safety clothing every other year.

- Customer-related Administration Expenses (CAE): CAE expenses, excluding recoverable, decreased by $1K. Budgeted bad debt expenses are down in 2023 vs 2022. Prior year budget balances (2021-2022) included an additional provision relating to the COVID pandemic. Management no longer believes these will materialize. The remaining allocation is consistent across all categories.

- General Administration Expenses (GA): The 2023 GA budget increased $254K or 6% over the 2022 budget. These increases are driven by Corporate costs (up 14%) and the President's office (up 18%), representing $201K of the increase. The major components of the Corporate increase are insurance (up $46K), interest on customer deposits ($45K) and OEB fees ($23K). President office increases are driven by increased estimated wages and travel and lodging expenses.

Amortization

The most significant increase over the 2022 budget is in depreciation costs. Projections show an overspend of $237K over the 2022 budget, which is the result of how the budgeted calculation was done in 2021. 2021 had a considerable value of Work in Progress (WIP) which artificially lowered the monthly depreciation in 2021 which was used to do the calculation. A large portion of the WIP was put into service at the end of 2021, however not reflected in the budgeted numbers. This error was corrected in 2022 for the 2023 budget; however, it resulted in a 9% increase in the budget line.

We have put the projection and budget through a review to ensure that our stretch factor grouping is unaffected by the budgeted increases, staying in group 3

Capital Expenditures

The 2023 Capital Expenditure plan was built based on a continuation of the 2017 Distribution System Plan. Based on this plan, Management originally built a 2023 capital plan that would have resulted in a gross capital budget of $16.8M, an increase of approximately $1.9M (13%). This increase was mainly the result of inflation, but also the impact of the complexity of the projects. It was determined that this increase was not supportable, and thus, adjustments were made to the plan. The result of these adjustments is a net capital budget increase of $632K (4.7%).

System Access projections are forecasted to be $927K above budget. The largest part of this increase relates to the Balmoral Street project, completed in the summer of 2022 and additional Tbaytel fibre projects. These projects are customer or regulatory-driven and are funded in part by contribution. As a result of this relationship, the projected contribution has correspondingly increased by $760K over the same period. Management expects system access work to subside as Tbaytel completes its fibre installations.

The System renewal projects are projected to be $441K under budget. The three biggest deviations from the budget were as follows:

1. Small pole replacement spending was deferred due to the costs associated with the Balmoral Street project. However, SNC was required to complete the unscheduled project. The customer only funded us for 50% of the labour and trucking.

2. Transformer and Switch Replacements will be less than expected as investigations revealed fewer required replacements.

3. Underground Install is up ($687K) as SNC adjusted its capital schedule to align with the City of Thunder Bay's River St. project. SNC sees significant efficiencies in doing the underground installation while construction work is occurring.

SNC is budgeting a $1.5M increase in System Renewals over the 2022 budget. The increase is necessary to continue the 4kv conversion project and is driven by inflationary increases and the complexity of the work.

The general plant is projected to come in at 103.5% of the budget. SNC rearranged its spending for 2022 to accommodate the delay in office relocation until 2023 and to accommodate the availability of rolling stock.

The 2023 budget is a return to historical part C levels, a reduction of $511K.

Financing

SNC received a new multi-year financing term sheet from Infrastructure Ontario (IO) for $16M financing of 2020-2022 capital projects. The first advance of $4.95M was delayed until May 2022. The second withdrawal was budgeted to be done earlier in the year but will now be completed in December of 2022. For the 2023 budget, SNC is budgeting a final draw on this agreement in late December 2023. SNC has budgeted for one month's interest on the City of Thunder Bay Debt. The interest rate used at the time of budgeting was 4.5%

Cost of Service (COS)

Cost related to the filing of the Cost of Service (COS) application are funded through rates over the five years as outlined by the COS period. In prior periods, SNC expensed these costs when they occurred and recorded the revenue when it was received. SNC discussed this treatment with our consultant and with other LDCs and discovered two alternative treatments for these costs.

1) To treat them as prepaid and to expense them over the five years
2) Set up the revenue and a receivable when the expense occurs, as that is when the income is earned. This receivable will then be offset by a portion of the funds collected through rates over the 2024-2029 period.

Management will be using one of these methods for this COS cycle and as such, the expenses associated with the filing are not included in the 2023 budget or 2022 projections.

Total anticipated costs for 2023 are $352,500 which covers legal and consulting fees, review of the DSP and customer survey costs.

Total projected fees from 2022 for the COS were $145,780 the majority of which are projected to be spent on consulting services.

Attachments

1. 2023 Capital and Operations Budget
2. 2023 Budget PPT

Recommendations

THAT, the Board of Directors approve the 2023 Budget for SYNERGY NORTH Corporation, as presented.

Respectfully Submitted: Aaron Blazina CPA, CA
VP, Finance

Signature:

SYNERGY NORTH

THE POWER OF THE NORTH

2023 Budget Presentation

November 14, 2022

EXECUTIVE SUMMARY

- CPI at the time of writing was 6.9%
- OEB has approved a 3.7% inflation
- Overall ask for 3.39% in OM&A including CDM, excluding recoverable
  - 3.75% including recoverable
- Overall ask for 4.7% Capital Budget increase
- Increase with the 2023 Budget is within Cost-of-Service Financial model
- 2023 Budget continues to build on the 2021 Distribution System Plan
- 2023 Budget passes sensitivity analysis

OUTLINE

- Background
- Key Assumptions
- Sensitivity Analysis
- 2022 Year End Projections
- 2023 Revenue Budget Analysis
- 2023 Expenditures Budget Analysis

BACKGROUND

BOARD DECISIONS INFLUENCING BUDGET

- 2023 Budget fully reflects achieved merger results, annual savings of ~$800K
- Budget includes $1.35M in tree trimming as approved in 2022 from Forestry Strategy
- Board discussions and decisions from previous years reflected in the 2017 COS application/decision and in the Strategic Plan finalized in January 2022
- Board decisions from previous years include FINO, ESG and Forestry

2023 BUDGET -PART OF A REGULATED LONG TERM PLAN

- OEB Cost of Service Rate Cycle = 5 years (7 years as a result of merger)
- Internal multi-year financial model developed
  - Includes all components of financial performance, debt, capex, etc.
  - Conservative planning assumptions
- Reset of plan reflects 2017 TBH COS decision + Kenora Hydro costs + merger impacts
- 2022 projections and 2023 Budget compared against model to measure performance to plan

2023 BUDGET
-PART OF A REGULATED LONG TERM PLAN

- Model predicts NI, cash flow, debt financing requirements and adherence to financing covenants
- We have historically been better than the plan – the merger has further improved performance
  - Allowed deferred borrowing – decreased interest expense
  - Has allowed important expenditures, some discretionary
- Longer-term model indicators are all acceptable
- Financial performance is important for entering the next Cost-of-Service cycle

Projections excluding, Interest on City Debt, Forestry and Debt Repayment

Calculation-Infrastructure Ontario Definition										loan payout			
Covenant: Interest Coverage >1.2, >1.4 after 2027													
000s omitted	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Actuals												
EBT	$1,611	$4,840	$4,681	$5,056	$5,288	$3,625	$3,699	$4,668	$5,739	$5,401	$4,978	$4,511	$5,752
Plus:													
Amor F5, Row 51&52	$4,245	$4,329	$5,087	$5,345	$5,573	$5,821	$5,657	$5,652	$5,951	$6,116	$6,293	$6,514	$6,718
Interest F15, Row 81	$1,010	$1,119	$1,466	$1,364	$1,406	$1,518	$1,872	$2,278	$2,714	$3,084	$3,503	$3,949	$4,400
Subtotal (EBITDA)	$6,866	$10,287	$11,234	$11,766	$12,267	$10,964	$11,228	$12,598	$14,404	$14,601	$14,774	$14,974	$16,870
Cash Taxes F4, Row 87	$45	$0	$0	$288	$401	$0	$0	$0	$0	$0	$0	$0	$0
Unfinanced CAPEX F5, Row 66*40%	$4,017	$4,165	$4,717	$3,918	$4,890	$5,250	$5,309	$6,266	$6,391	$6,519			
Total cashflow (a)	$2,804	$6,121	$6,517	$7,560	$6,976	$5,713	$5,919	$6,333	$8,013	$8,083	$14,774	$14,974	$16,870
Mandatory Principal Payments F15- Row 83	$1,025	$1,180	$1,456	$1,527	$1,722	$2,358	$2,585	$2,647	$2,394	$2,596	$3,770	$2,336	$2,573
Cash Interest Expense (b) F15 Row 81	$1,010	$1,119	$1,466	$1,364	$1,406	$1,518	$1,872	$2,278	$2,714	$3,084	$3,503	$3,949	$4,400
Total Debt Service (b)	$2,035	$2,299	$2,922	$2,891	$3,128	$3,876	$4,457	$4,925	$5,108	$5,680	$7,273	$6,285	$6,973
DSC (a/b)	1.38	2.66	2.23	2.61	2.23	1.47	1.33	1.29	1.57	1.42	2.03	2.38	2.42
	Okay	Okay	Okay	Okay	Okay	Okay	Okay	Okay	Okay	Okay	Okay	Okay	Okay
Net Income F3, Row 34	*$1,611*	*$4,737*	*$4,695*	*$4,865*	*$4,795*	*$3,625*	*$3,645*	*$4,668*	*$5,739*	*$5,401*	*$4,978*	*$4,511*	*$5,810*
PILs F5, Sum D30-app Year	*$0*	*$102*	*(14)*	*$191*	*$493*	*$0*	*$54*	*$0*	*$0*	*$0*	*$0*	*$0*	*(58)*
Earnings Before Tax (EBT)	*$1,611*	*$4,840*	*$4,681*	*$5,056*	*$5,288*	*$3,625*	*$3,699*	*$4,668*	*$5,739*	*$5,401*	*$4,978*	*$4,511*	*$5,752*

Actual model updated for current budgeted figures

Projections including Forestry, Interest on City Debt without City Debt Repayment

Covenant: Interest Coverage >1.2, >1.4 after 2027													
000s omitted	2017 Actuals	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
EBT	$1,611	$4,840	$4,681	$5,056	$5,288	$2,275	$2,228	$3,708	$5,740	$5,416	$5,006	$4,553	$5,222
Plus:													
Amor F5, Row 51&52	$4,245	$4,329	$5,087	$5,345	$5,573	$5,821	$5,657	$5,652	$5,951	$6,116	$6,293	$6,514	$6,718
Interest F15, Row 81	$1,010	$1,119	$1,466	$1,364	$1,406	$1,518	$2,148	$3,785	$4,210	$4,568	$4,975	$5,408	$5,846
Subtotal (EBITDA)	$6,866	$10,287	$11,234	$11,766	$12,267	$9,614	$10,032	$13,145	$15,901	$16,101	$16,275	$16,476	$17,786
Cash Taxes F4, Row 87	$45	$0	$0	$288	$401	$0	$0	$0	$0	$0	$0	$0	$0
Unfinanced CAPEX F5, Row 66*40%	$4,017	$4,165	$4,717	$3,918	$4,890	$5,250	$5,309	$6,266	$6,391	$6,519			
Total cashflow (a)	$2,804	$6,121	$6,517	$7,560	$6,976	$4,363	$4,723	$6,880	$9,510	$9,582	$16,275	$16,476	$17,786
Mandatory Principal Payments F15- Row 83	$1,025	$1,180	$1,456	$1,527	$1,722	$2,358	$2,585	$2,647	$2,394	$2,596	$3,770	$2,336	$2,573
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Total Debt Service (b)	$2,035	$2,299	$2,922	$2,891	$3,128	$3,876	$4,732	$6,432	$6,604	$7,164	$8,746	$7,745	$8,419
DSC (a/b)	1.38	2.66	2.23	2.61	2.23	1.13	1.00	1.07	1.44	1.34	1.86	2.13	2.11
	Okay	Okay	Okay	Okay	Okay	Warning	Warning	Warning	Okay	Okay	Okay	Okay	Okay
Net Income F3, Row 34	*$1,611*	*$4,737*	*$4,695*	*$4,865*	*$4,795*	*$2,275*	*$2,174*	*$3,708*	*$5,740*	*$5,416*	*$5,006*	*$4,553*	*$5,280*
PILs F5, Sum D30-app Year	*$0*	*$102*	*(14)*	*$191*	*$493*	*$0*	*$54*	*$0*	*$0*	*$0*	*$0*	*$0*	*(58)*
Earnings Before Tax (EBT)	*$1,611*	*$4,840*	*$4,681*	*$5,056*	*$5,288*	*$2,275*	*$2,228*	*$3,708*	*$5,740*	*$5,416*	*$5,006*	*$4,553*	*$5,222*

Actual model updated for current budgeted figures

Projections including Forestry, Interest on City Debt with Debt Repayment

Covenant: Interest Coverage >1.2, >1.4 after 2027

000s omitted	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Actuals												
EBT	$1,611	$4,840	$4,681	$5,056	$5,288	$2,275	$2,228	$3,708	$5,740	$5,416	$5,006	$4,553	$5,222
Plus:													
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Cash Taxes F4, Row 87	$45	$0	$0	$288	$401	$0	$0	$0	$0	$0	$0	$0	$0
Unfinanced CAPEX F5, Row 66*40%	$4,017	$4,165	$4,717	$3,918	$4,890	$5,250	$5,309	$6,266	$6,391	$6,519			
Total cashflow (a)	$2,804	$6,121	$6,517	$7,560	$6,976	$4,363	$4,723	$6,880	$9,510	$9,582	$16,275	$16,476	$17,786
Mandatory Principal Payments F15- Row 83	$1,025	$1,180	$1,456	$1,527	$1,722	$2,358	$12,585	$2,647	$2,394	$2,596	$3,770	$2,336	$2,573
Cash Interest Expense (b) F15 Row 81	$1,010	$1,119	$1,466	$1,364	$1,406	$1,518	$2,148	$3,785	$4,210	$4,568	$4,975	$5,408	$5,846
Total Debt Service (b)	$2,035	$2,299	$2,922	$2,891	$3,128	$3,876	$14,732	$6,432	$6,604	$7,164	$8,746	$7,745	$8,419
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PILs F5, Sum D30-app Year	*$0*	*$102*	*(14)*	*$191*	*$493*	*$0*	*$54*	*$0*	*$0*	*$0*	*$0*	*$0*	*(58)*
Earnings Before Tax (EBT)	*$1,611*	*$4,840*	*$4,681*	*$5,056*	*$5,288*	*$2,275*	*$2,228*	*$3,708*	*$5,740*	*$5,416*	*$5,006*	*$4,553*	*$5,222*

Actual model updated for current budgeted figures

KEY ASSUMPTIONS

KEY ASSUMPTIONS OM&A

- OEB has approved a 3.7% increase. This rate will be effective for SNC on May 1, 2022
  - SNC Thunder Bay remains in group 3 (-.3%) 3.4%
  - SNC Kenora remains in group 5 (-.6%) 3.1
  - Growth of an additional .2%

- Budgeted regular wage increase of 1.5% over 2022.
  - Actual wage % increase is below negotiated wage % increases due to the continued reevaluation of labour resources
  - Total labour allocation 2023: 16% Capital, 84% OM&A
  - Total labour allocation 2022: 16% Capital, 84% OM&A

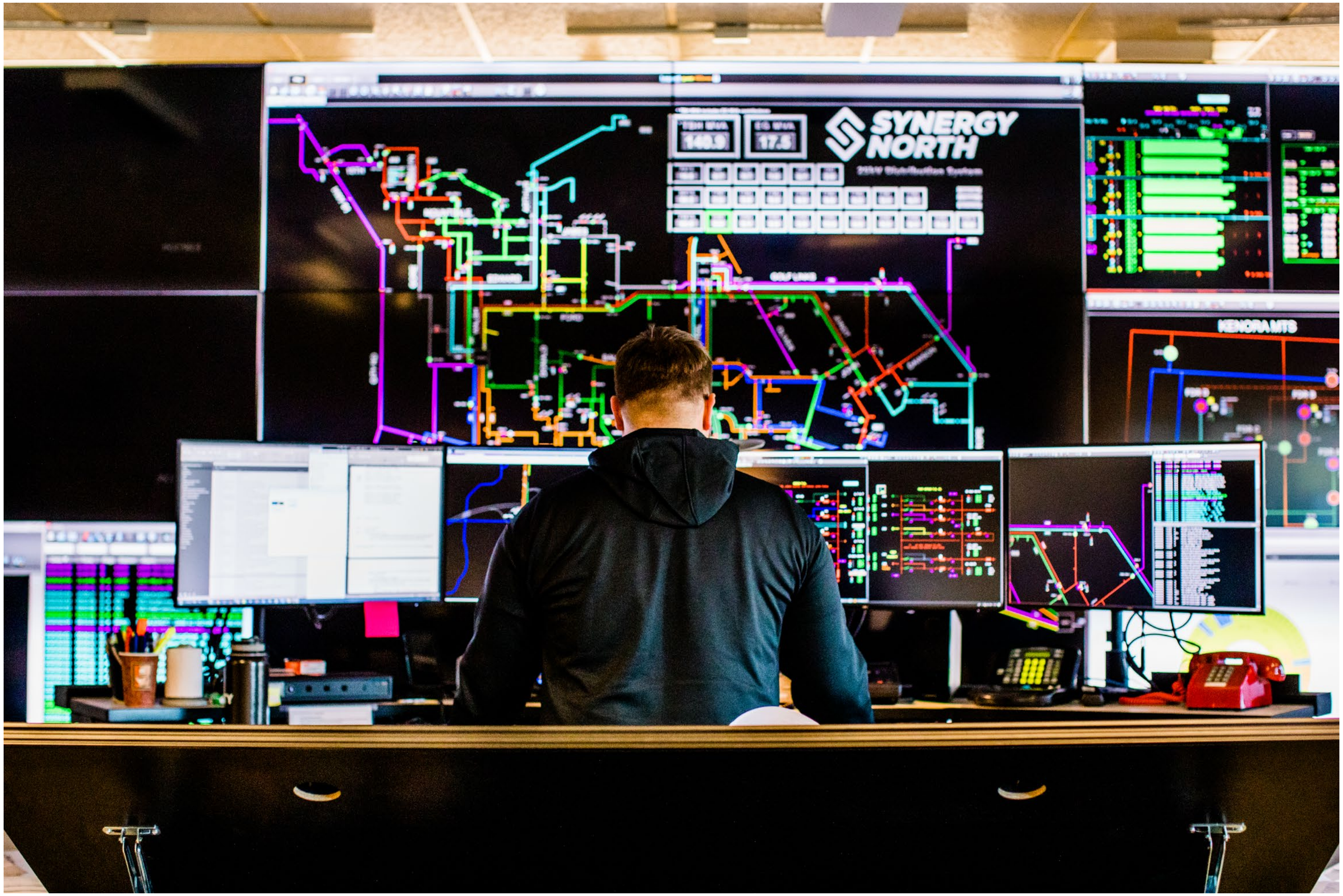
KEY ASSUMPTIONS CAPITAL

- Due to pricing increases, management adjusted its capital plan to stay within expected spending.

- Pricing is based on the average cost of items in inventory and new components on order.
  (old inventory purchased at lower costs gets utilized first, so the full effect of higher prices will only partially be seen this year).

- Most of the major components necessary to complete the 2023 capital plan are already in inventory or are starting to be delivered.

SENSITIVITY ANALYSIS



SENSITIVITY ANALYSIS

Stretch Factor Grouping

- Analysed comparing 2023 figures against the latest data available from the OEB
- Based on the proposed budget, SNC will remain in the 3rd grouping (-.3%)

Ratio

- Key Financial Ratios continue to remain onside

FINANCIAL RATE MODEL

- Management models predict Debt Service Coverage Ratio and Debt Capitalization Ratio until 2051. However, we focus our attention through the next two Cost of Service reviews

	2023*	2024	2025	2026	2027**	2028**	2029**
Debt Service Coverage >1.2:1 ** formula changes in 2027	1.00	1.07	1.44	1.34	1.86	2.13	2.11
Debt Capitalization Ratio <.6:1	.40	.47	.45	.45	.45	.45	.45

Assuming a $10M City Repayment in December 2023, Debt Service Coverage would be .32 and Debt Capitalization would be .40
The model is conservative, however, DSC risk in 2023 and 2024, is driven by the Board's decision to mitigate the forestry risk.

2022 YEAR END PROJECTIONS

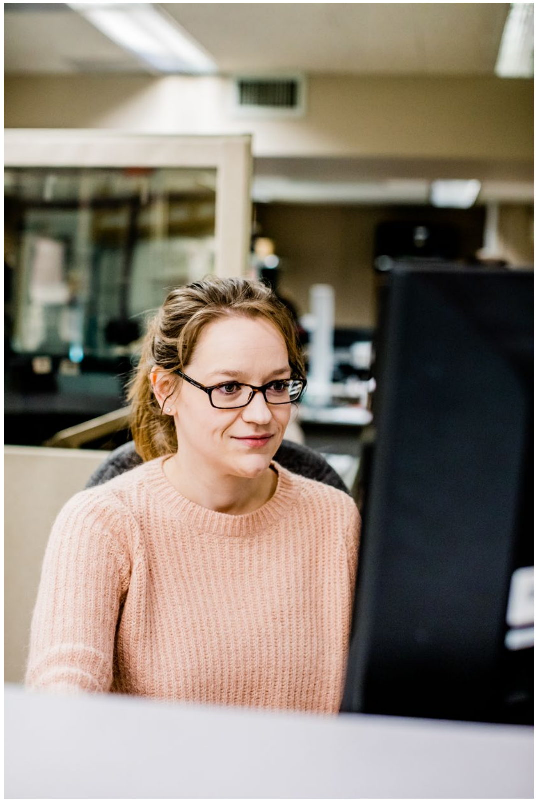
PROJECTED TOTAL CONTROLLABLE 2022 SPENDING vs. BUDGET

	Budget	Projected	Difference
O&M	$11,636,726	$11,851,945	$215,219
General and Admin	$8,645,434	$8,333,532	-$311,902
Capital - Net	$13,364,256	$13,183,426	-$180,830
Difference	**$33,646,416**	**$33,368,903**	**-$277,513**

Expenses adjusted: recoverable and inter-company removed.
Budget and projection numbers include additional forestry spending.

Disclaimer: projections were completed in early September and have not been subject to significant updates since that time.

2023 REVENUE BUDGET ANALYSIS



DISTRIBUTION REVENUE REMINDERS

- Total revenues available to the LDC is the total of the following 5 items in the COS year:
  - Return on Equity
  - Return on Debt
  - OM&A
  - Amortization
  - PILS (income tax)

- Distribution Revenue is the total of the 5 items above, less any other revenue generated

- Return on Debt and Return on Equity based on SNC rate base

DISTRIBUTION REVENUE REMINDERS cont.

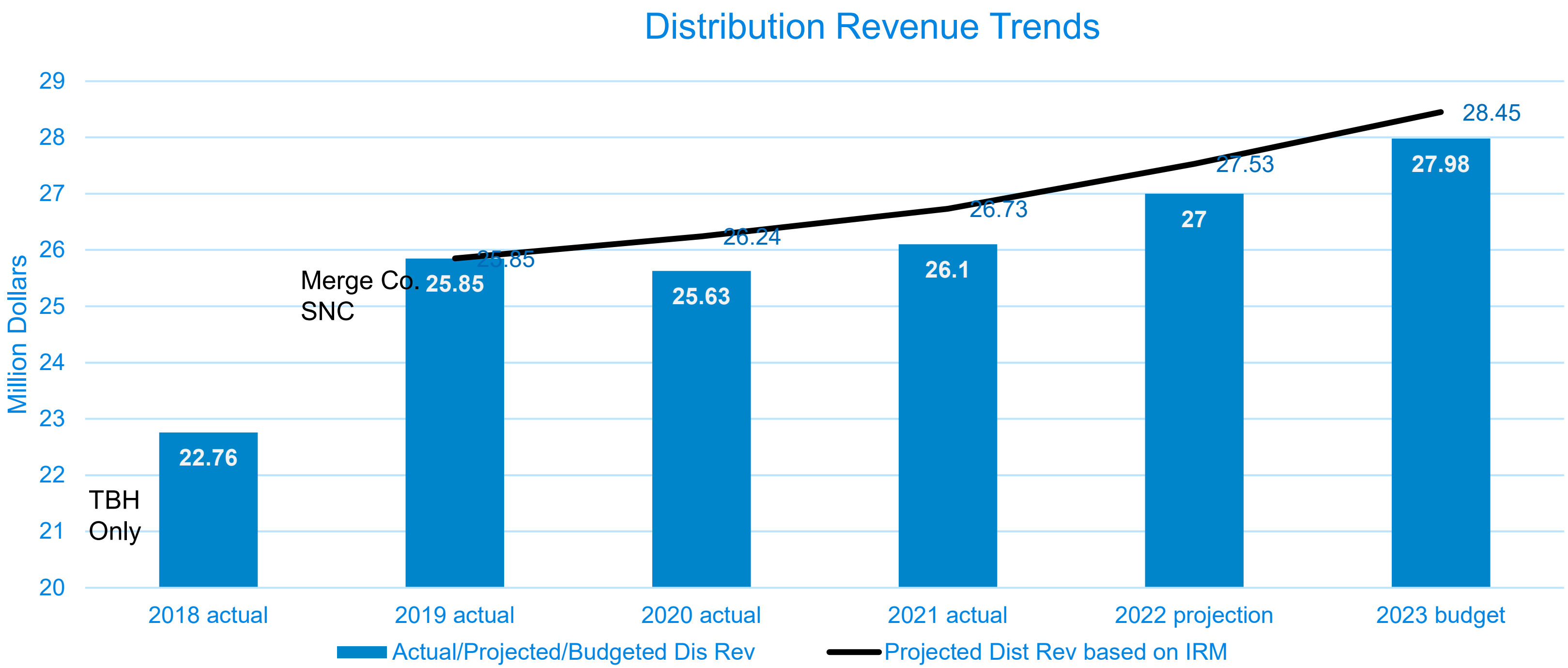
- Rate base is net capital assets + net working capital allowance
  - Net working Capital is 7.5% of the total cost of power + OM&A amount

- Amounts adjusted by IRM in Years 1-4

- Amounts are reset at COS usually in Year 5. As a result of the merger, this was extended to 7 years

DISTRIBUTION AND OTHER REVENUE IMPACTS

- Budgeted Distribution Revenue based on a ‘Zero Based’ approach + Known Rate
- Adjust Distribution Revenue by 3.6%, 2022 board-approved inflation – stretch factor + growth rate
- Based on the 2022 residential customer count and average volumetric usage and 2019 for commercial customer usage
- ‘Other Operating Income’ based on projections of activity



- 2023's budget does not include any Pandemic specific deductions
- Decision was made to use 2019 volumes per customer because of the impact of Covid, specifically in the years 2020 and 2021
- Had the pandemic not occurred, we are still below projections

2023 EXPENDITURES BUDGET ANALYSIS

EXPENDITURES GUIDING PRINCIPLES

- Budget as ‘normal’, re-evaluate as the situation warrants
- Base OM&A and Capital Expenditures consistent with the 2017 COS Rate Decision, plus inflation and merger savings
- Expenditures outside of IRM inflation decision include:
  - New HRIS software for Safety and Training
  - Higher than usual wage increases
  - Increase in conference and seminar costs, as a result of a return to a normal industry group and training calendar

EXPENDITURES GUIDING PRINCIPLES cont.

- 3.4% actual inflationary allowance on normal OM&A, based on 2023 IRM effective May 1st, 2023 based on OEB rate approval
- Total increase in OM&A excluding recoverable was 3.38%
- Budget includes $1.35M in tree trimming as approved in 2022 from Forestry Strategy.

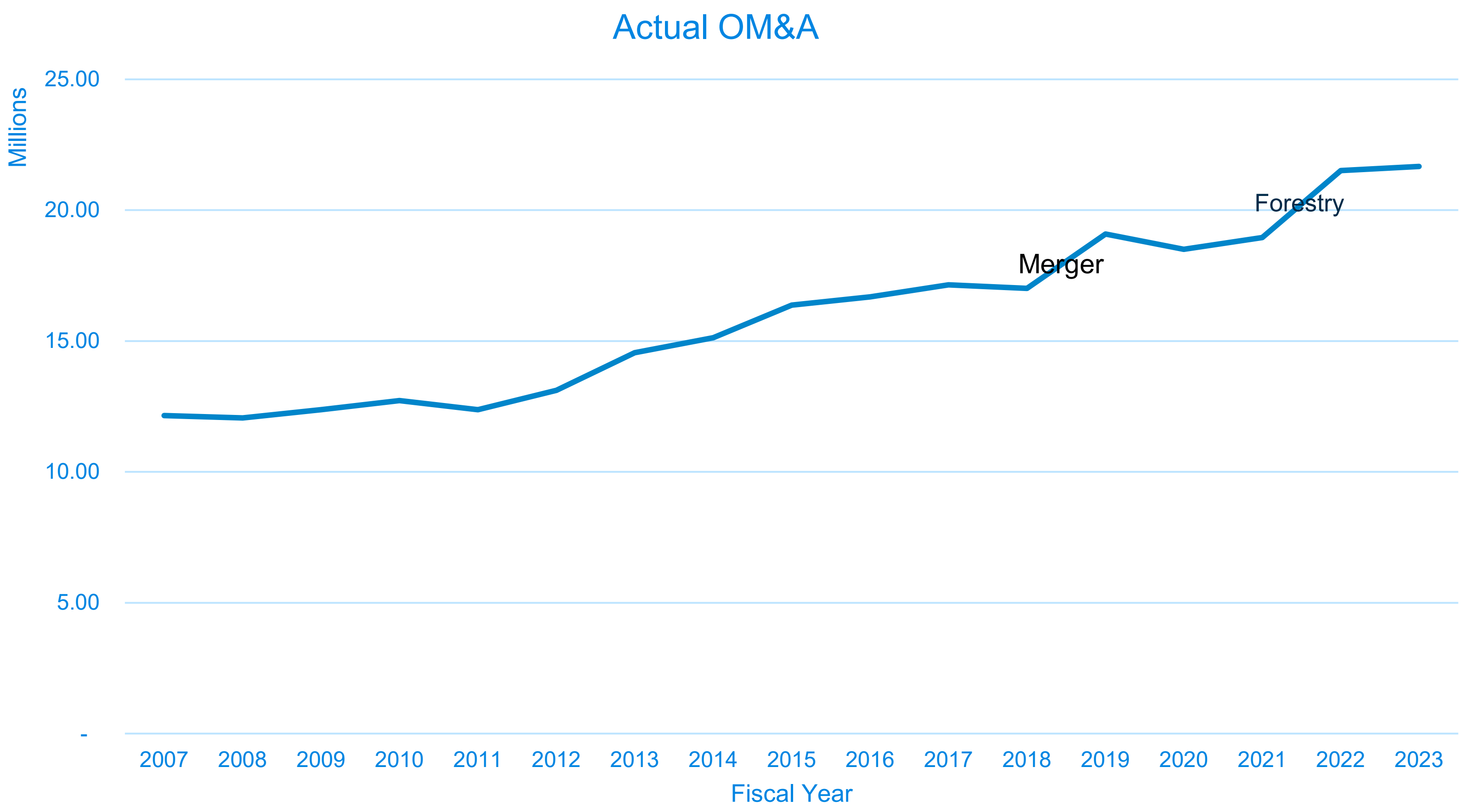
EXPENDITURE NOTABLES - OPERATING

- Not budgeting for potential COVID cost recovery
  - Significant regulatory uncertainty
- Bad Debt expense -$37K vs 2022 budget, lower than expected COVID impacted
  - Offset slightly by the actual Covid impact from 2020 and 2021
  - Actual write-offs in 2020 based on 2018 revenues which were .2267% and in 2021 based on 2019 revenues which were .1995%
  - The prior two years were .1470% and .1373% respectively

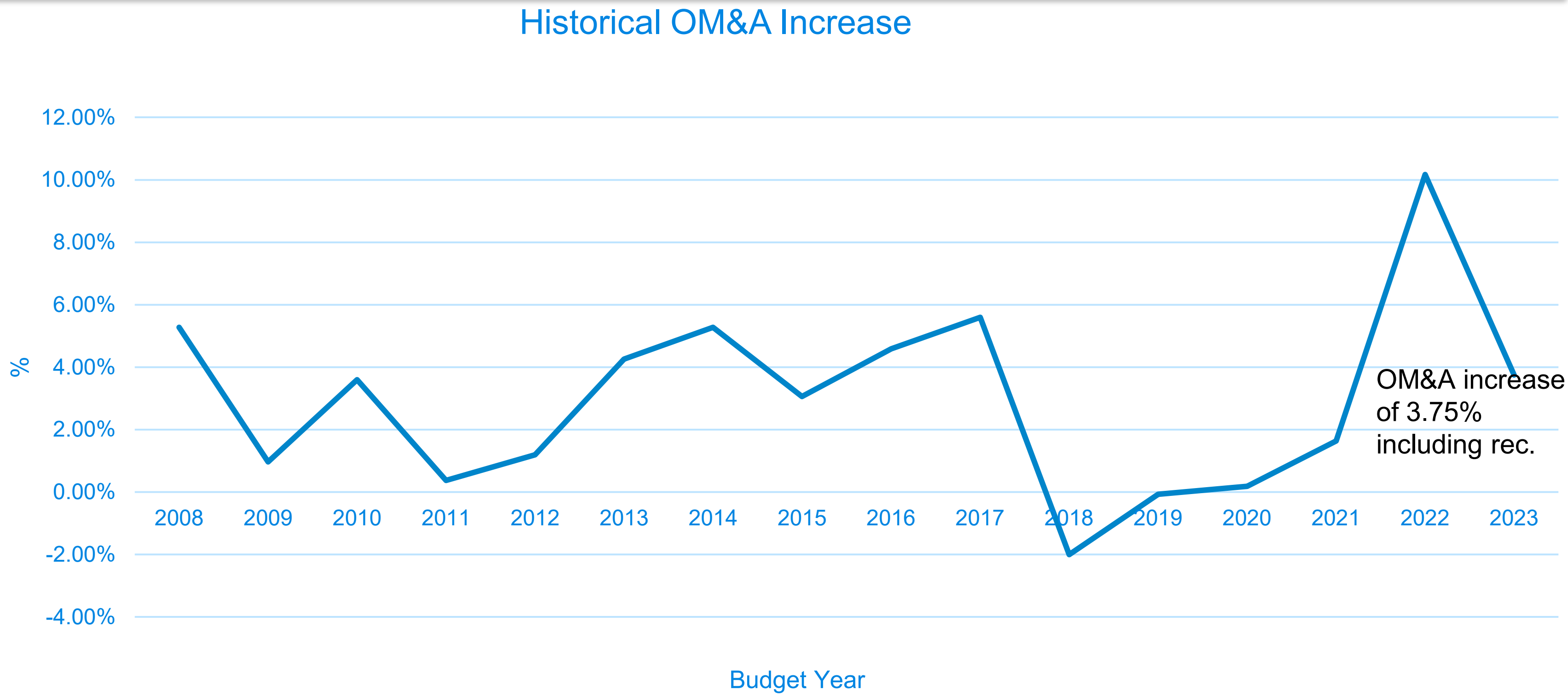
EXPENDITURE NOTABLES - OPERATING

- Continue to monitor the rate of inflation
- Increased L/T debt drives interest expense
  - Based on completing a second draw on the current debt package by the end of 2022 @ 5%
  - With the final draw of $6.1M being completed at the end of 2023
  - An additional $500K being repaid to the City of Kenora by June 30th, 2023
  - Budgeted based on 5% for external debt and 4.5% for internal debt, including City of Thunder Bay requirements

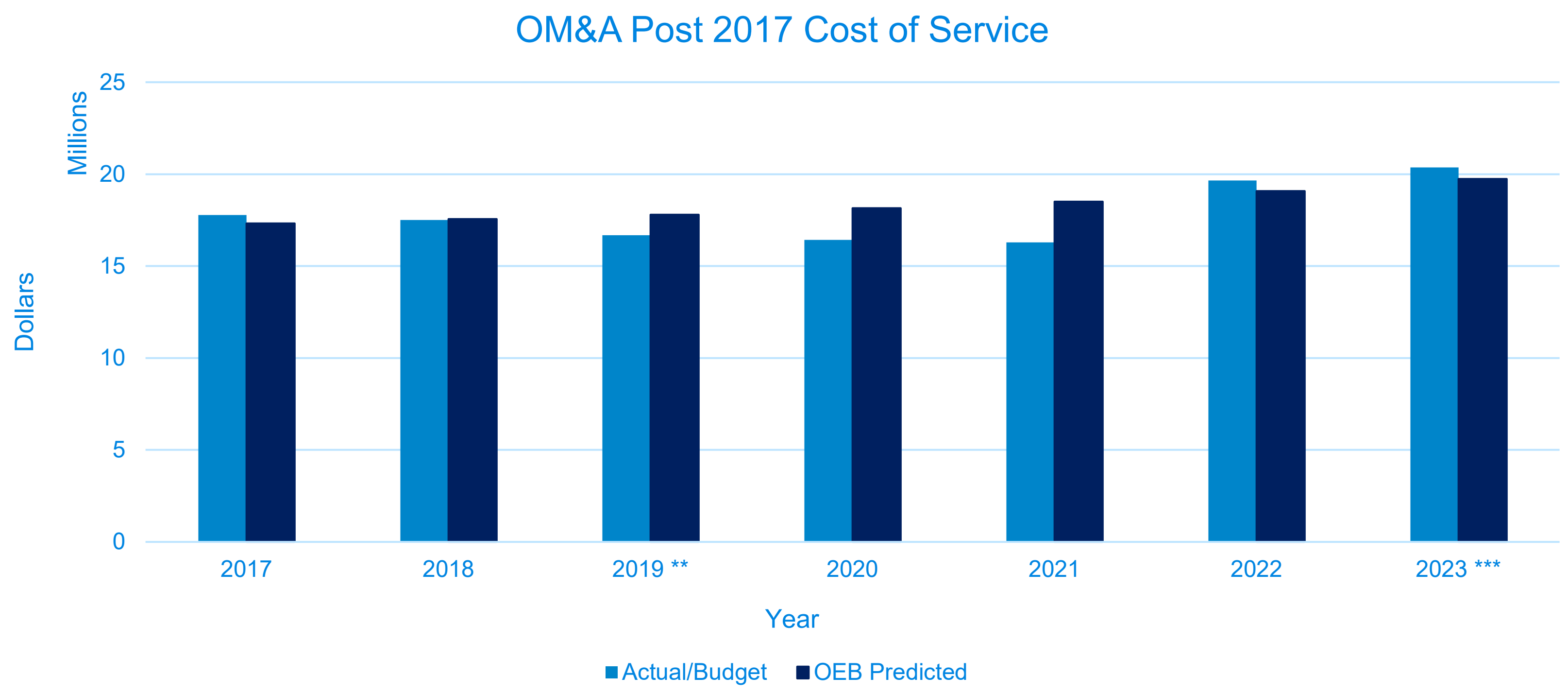
ACTUAL OM&A SPENDING



HISTORICAL OM&A BUDGET INCREASE



- ❖ 2022 figure includes $1.35M in forestry, 3.05% excluding this amount
- ❖ 2019 figure represents the change from TBHEDI + Kenora Hydro to SNC



** 2017 and 2018 include both TB and KN as separate entities, 2019 represents the combined entity.
*** OEB Inflation adjusted to 3.7% for 2023 analysis

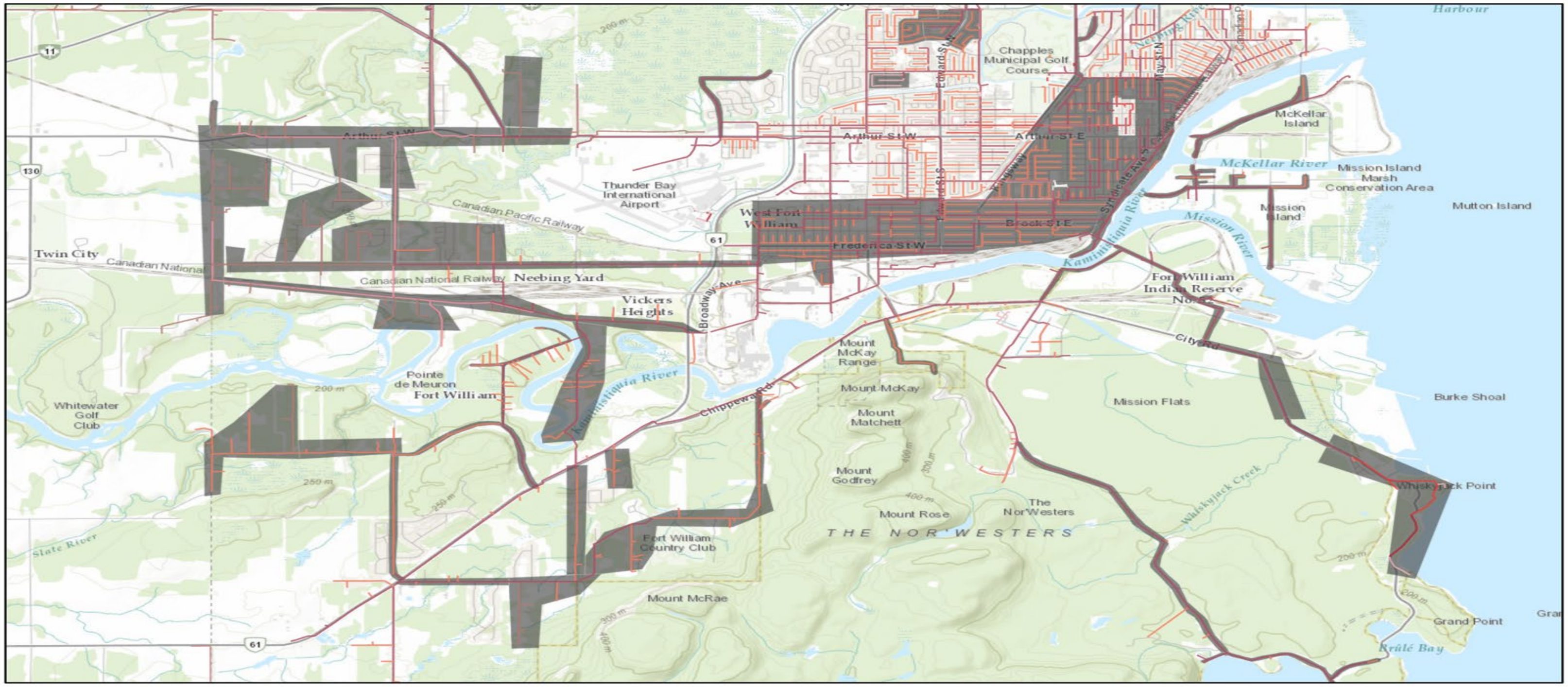
Combined Favorable Variance of $3.4M between 2017-2023, including $2.7M in extra forestry spending, the merger savings.

FORESTRY STRATEGY

- As at October 25th, 2022, 42% of the area has been cleared to 1M
- On track to have 100% completed by the end of 2023
- As at September 30th, 2022 $1,079,321 of the $1,836,980 tree trimming budget has been spent.

FORESTRY- SOUTH SIDE THUNDER BAY

Vegetation Management 1m Completed by 2022/10/31 - South Thunder Bay



10/31/2022

1:103,040

0 0.5 1 2 mi

0 0.75 1.5 3 km

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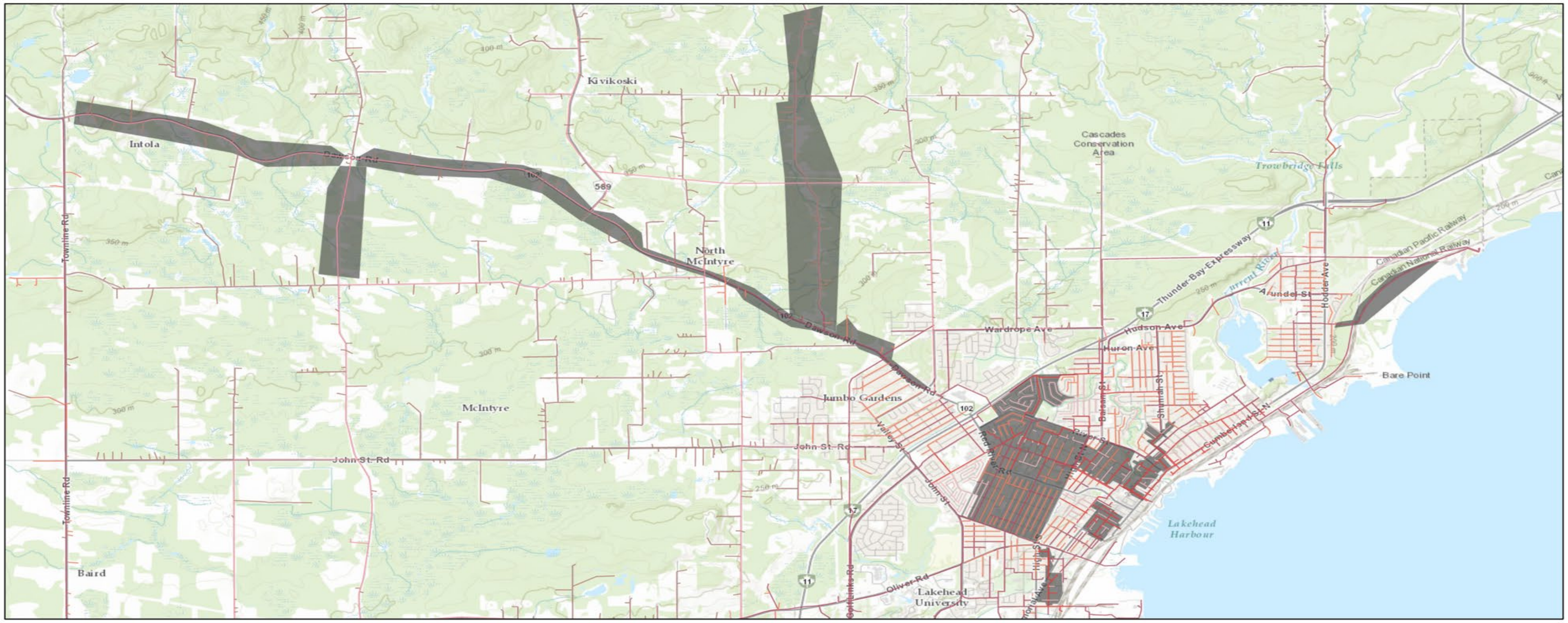
FORESTRY – NORTH SIDE THUNDER BAY

Vegetation Management 1m Completed by 2022/10/31 - North Thunder Bay



10/31/2022

1:83,020

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0 1 2 4 km

City of Thunder Bay, Ontario Base Map, Province of Ontario, Esri Canada, Esri, © OpenStreetMap contributors, HERE, Garmin, USGS, NGA, EPA, USDA, NPS, AAFC, NRCan

FINO STRATEGY

- Total FINO spending included in the 2023 budget is $45K.
- $10K for EV support, services, and educational tools for customers to see how EVs impact their bills.
- $35K relating to activities associated with grid capacity. For 2023 this includes,
    - Predictions for electrification
    - Transformer proactive monitoring
    - Coordination with IESO on Local Initiatives Program (LIP)

ESG STRATEGY

- The 2023 budget includes an office relocation from the 1st, 2nd and 8th floor of the Cumberland building to the 4th and 8th floor. A reduction of 7.6K sqft.

- Estimated environmental impact is 13,394 kg eCO2 annually a 40% reduction.

- A potential financial saving of $96K annually.

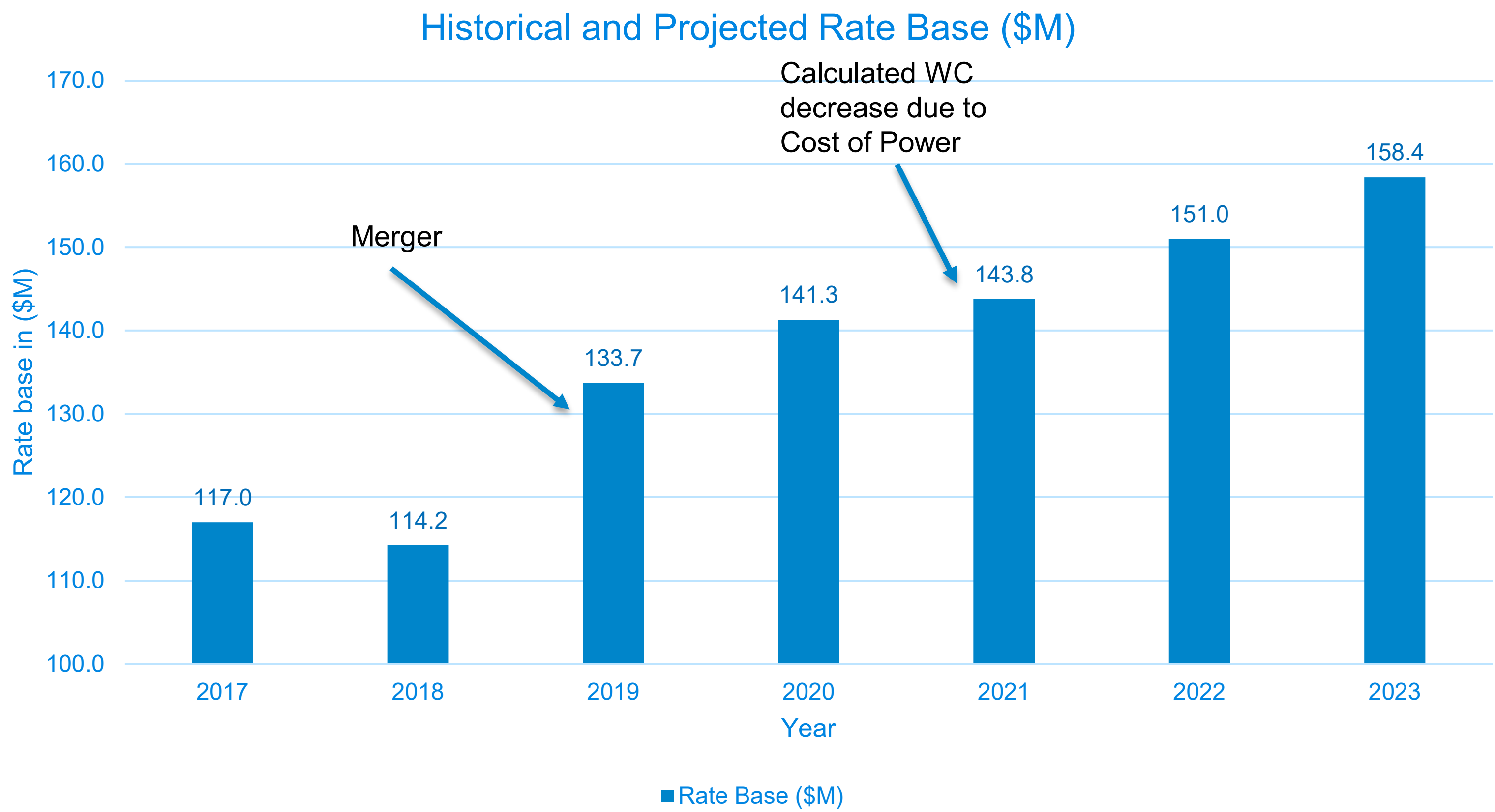
OM&A PROFIT & LOSS VIEW

	2022 Projected	2022 Budget	2023 Budget
Distribution Revenue	$ 26,970,711	$27,011,311	$27,982,500
Other Revenue	$3,173,391	$2,502,950	$2,813,221
OM&A Expenses	$ 21,512,720	$20,882,642	$21,665,843
Other Expenses	$6,292,526	$6,201,586	$6,838,501
Pre-Tax Income	$ 2,338,856	$2,430,033	$2,291,377

Other revenue includes pole line rentals, income from affiliates, reconnection charges, late payment charges, interest income, government conservation initiatives, recoverable work and amortization of contributed capital.

2023 CAPITAL SPENDING BUDGET ANALYSIS

CAPITAL INVESTMENT DRIVING RATE BASE GROWTH



HOW DO WE FUND CAPITAL INVESTMENTS?

- After Tax Net Income from Operations
- Depreciation – non-cash expense
- Capitalized Depreciation
- Excess Working Capital
- Contributed Capital from Developers and Customers
- External Debt Financing – funded at 60% of our rate base (56% LTD, 4% STD)
- For informational purposes, 2023 published cost of capital rates are ROE 9.36%, LTD 4.88% STD 4.79%

EXPENDITURE NOTABLES - CAPITAL

- Original proposed budget resulted in $16.8M largely impacted by inflation

- Plan was adjusted to mitigate some of these costs

  - Total Capex of $15.4M ($13.9M net)

  - Total System Access, Service & Renewal = $14.2M

  - General Plant = $1.2M

CAPITAL – ORIGINAL PLAN

Project	Work Type	Project / Category Cost ($)
Court Elgin	Framing & Stringing / UG	$ 1,907,743
Edward Ironwood	Framing & Stringing / UG	$ 632,836
University Sherbrooke	Complete	$ 932,180
Court Wilson	Pole Setting	$ 1,081,904
2M2/2M3 UG Tie In	UG 1000 kcmil	$ 962,853
College Tupper	Framing & Stringing / UG	$ 1,636,208
21F1 PH2	Framing & Stringing / UG	$ 651,333
21F6 PH1	Pole Setting	$ 822, 537
Donald Vickers	Pole Setting	$ 709,172
A16	Small Unplanned Replacements	$ 652,665
A17	Lines Safety Reports	$ 1,091,414
A18	Transformers	$ 795,269
Forestry	Tree Trimming Capital	$ 700,000
Unplanned Capital (Pole / 4kV Removal)	Remove 4kV / Old Poles	$ 122,140
Design	Design for Capital	$ 86,965
Total Combined Cost (Part A/B)		**$12,785,219**

PROJECT SUMMARIES – PROPOSED DEFERRALS (Part A/B) - 2023

Project	Work Type	Project / Category Cost ($)
Court Elgin	Framing & Stringing / UG	$ 1,907,743
Edward Ironwood	Framing & Stringing / UG	$ 632,836
University Sherbrooke	Complete	$ 932,180
Court Wilson	Pole Setting	$ 1,081,904
2M2/2M3 UG Tie In	UG 1000 kcmil	$ 962,853
College Tupper	Framing & Stringing / UG	$ 1,636,208
21F1 PH2	Framing & Stringing / UG	$ 651,333
21F6 PH1	Pole Setting	$ 822, 537
[illegible]	Pole Setting	$ 709,172
[illegible]	Small Unplanned Replacements	$ 652,665
[illegible]	Lines Safety Reports	$ 1,091,414
[illegible]	Transformers	$ 795,269
Forestry	Tree Trimming Capital	$ 700,000
Unplanned Capital (Pole / 4kV Removal)	Remove 4kV / Old Poles	$ 122,140
Design	Design for Capital	$ 86,965
Total Combined Cost (Part A/B)		**$12,785,219**

Proposed deferrals

$ 1,907,743 + $ 962,853 = $ 2,870,596

Total Combined Cost (Part A/B)	**$9,914,623**

PROJECT SUMMARIES – BRING FORWARD (Part A/B) - 2023

Project	Work Type	Project / Category Cost ($)
Valley - Skyline	Framing & Stringing / UG	$ 1,000,000
Edward Ironwood	Framing & Stringing / UG	$ 632,836
University Sherbrooke	Complete	$ 932,180
Court Wilson	Pole Setting	$ 1,081,904
College Tupper	Framing & Stringing / UG	$ 1,636,208
21F1 PH2	Framing & Stringing / UG	$ 651,333
21F6 PH1	Pole Setting	$ 822, 537
	Pole Setting	$ 709,172
	Small Unplanned Replacements	$ 652,665
	Lines Safety Reports	$ 1,091,414
	Transformers	$ 795,269
Forestry	Tree Trimming Capital	$ 700,000
Unplanned Capital (Pole / 4kV Removal)	Remove 4kV / Old Poles	$ 122,140
Design	Design for Capital	$ 86,965
Total Combined Cost (Part A/B)		**$10,914,623**

Proposed Bring Forward (Valley-Skyline)

$ 1,000,000

CAPITAL INVESTMENTS

College Tupper
4kV Conversion Project

Estimated Total Project Cost: $1.68 million

Anticipated Completion: December 2023

Investment Description:
The area is bounded by River St. on the North, Algoma St. N. on the East, High St. on the West, and by Van Norman St. to the South.

This project was identified as the distribution assets that serve this area are generally in poor condition. Expected replacement of 144 poles and 5 pad mount transformers, removal of #6 restricted conductors and rebuilding the area to 25kV from the existing 4kV.

CAPITAL INVESTMENTS

Valley Skyline
25kV Conversion Project

Estimated Total Project Cost: $1.02 million

Anticipated Completion: July 2023

Investment Description:
Encompasses the area South of Skyline Ave, North of Masters St. East of Dawson Rd. and West of Valley St.

The Valley-Skyline Pole line rebuild does not contribute to the decommissioning of substation assets. The distribution assets in the area have generally been found to be in poor to fair condition and require renewal.

CAPITAL INVESTMENTS

Court Wilson
4kV Conversion Project

Estimated Total Project Cost: $1.1 million

Anticipated Completion: September 2024

Investment Description:
Replacement of 89 poles and conductors in the area between Red River Rd. and Cornwall St. and between Water St. and Secord St which have reached the end of life.

All conductors, poles, and transformation in the area between Stephens St. an Elgin St. and between Marina Park and Cumberland St, will be replaced Transfer of this load will happen from 12F4 to 2M2.

CAPITAL INVESTMENTS

Court Elgin (Deferred)
4kV Conversion Project

Estimated Total Project Cost: $1.9 million

Anticipated Completion: Original date of End of 2023 but new date planned for 2025 as part of deferal.

Investment Description:
Project execution still lies within the Distribution System Plan for the replacement of all assets in the project area. 113 poles were identified to be replaced.

FINO CAPITAL

- Total capital budget of $292K for grid modernization.
- Majority of the amount is for additional Reclosures to improve reliability.

ESG CAPITAL

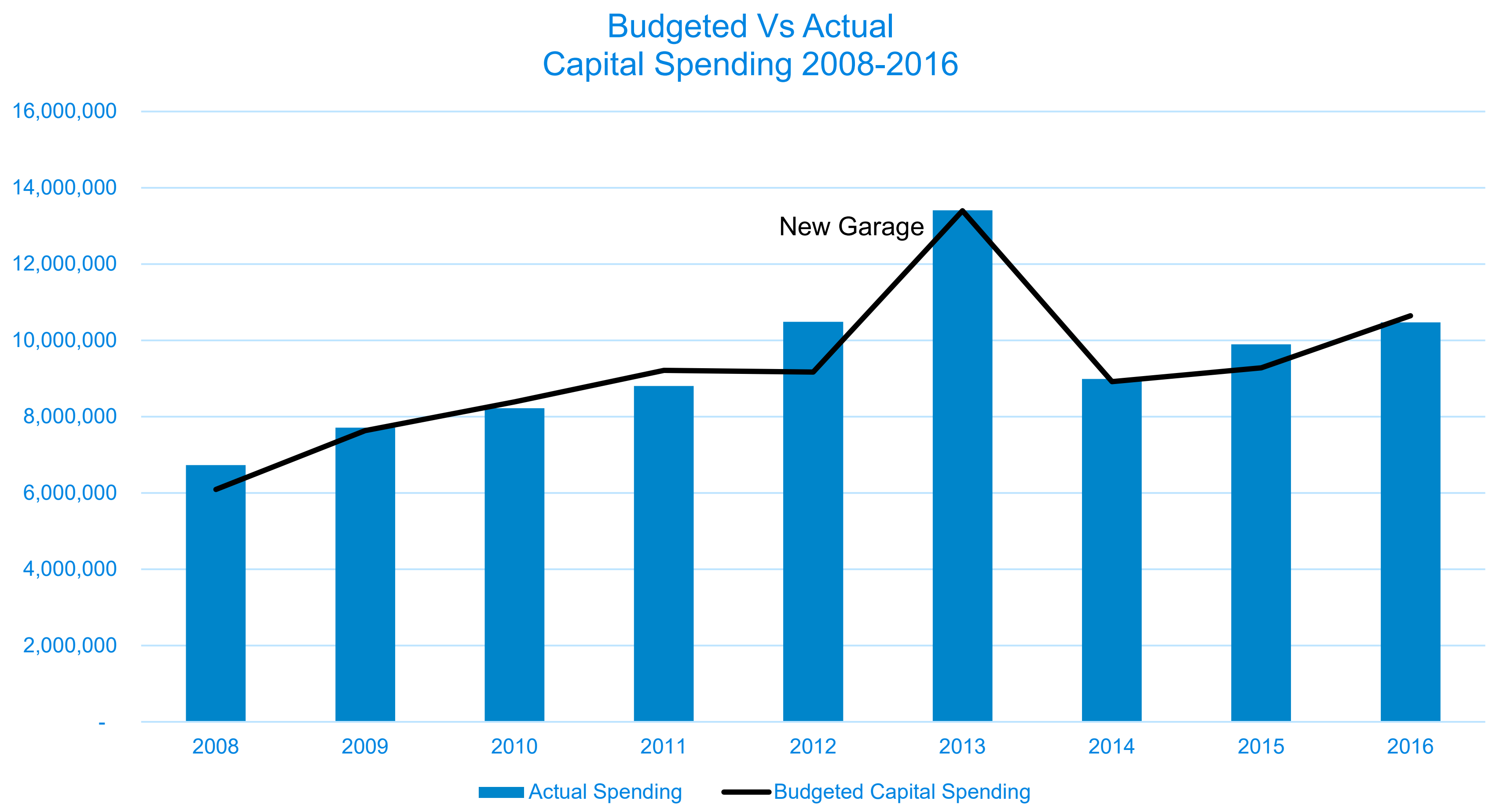
- SNC has budgeted to purchase a new F150 Lightning in 2023 as part of its ESG strategy $97K.

- As a result of this purchase we will be installing a EV charger at the operations centre. ($10K)

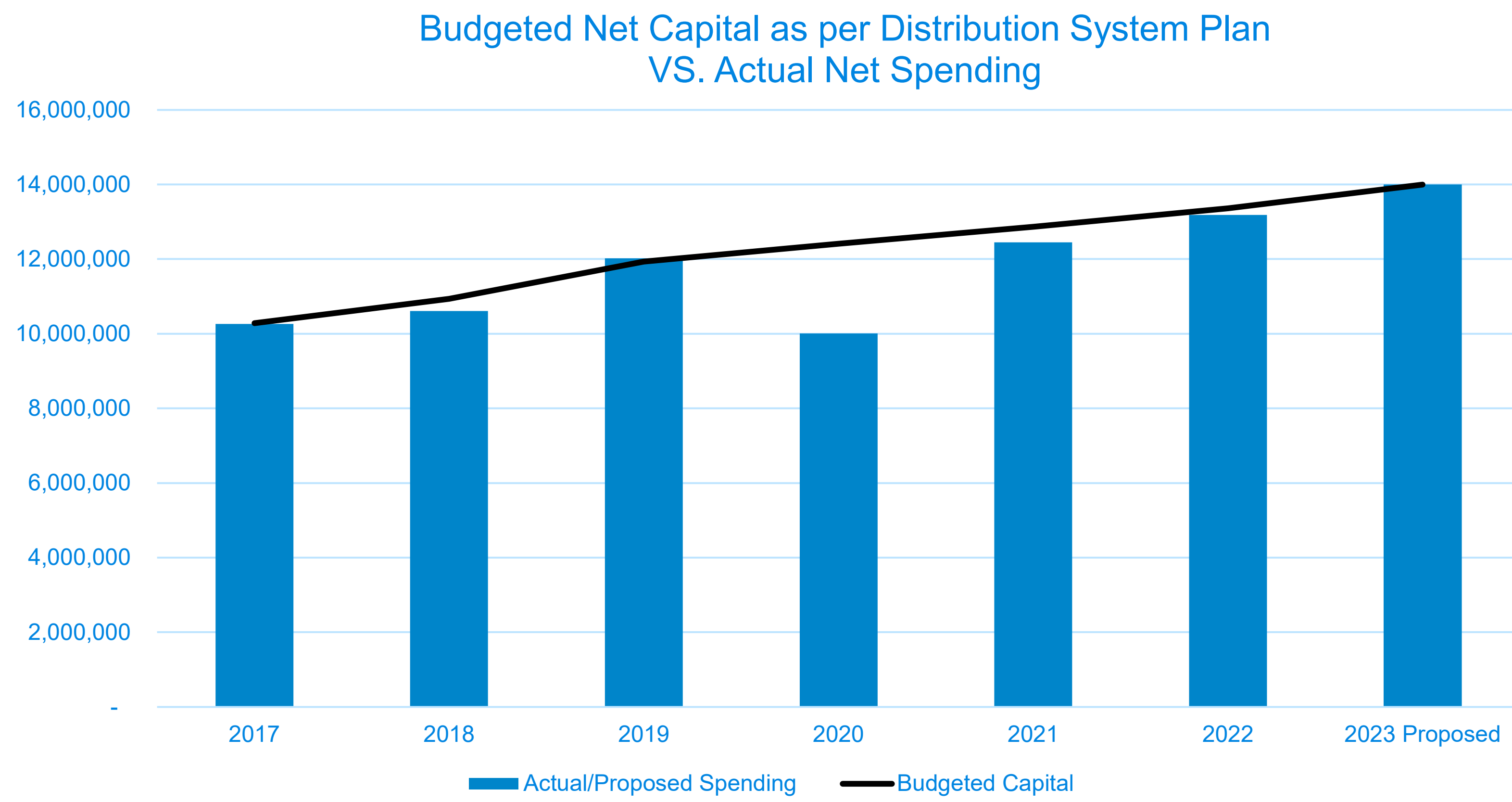
EXPENDITURE NOTABLES - CAPITAL

- This capital plan aligns with the DSP filed in 2017 and amended in 2021

HISTORICAL CAPITAL SPENDING



HISTORICAL NET CAPITAL SPENDING



COST OF SERVICE (COS) RELATED SPENDING

- In prior years, SNC expensed COS-related expenses in the year they occurred

- Utilities are reimbursed for these fees from customers over the anticipated 5 year COS period

- Through discussions with other LDCs, they set up these fees as prepaid or by recording a revenue receivable

- As such, SNC removed these costs from the budget as they will end up on the balance sheet or be recorded as a corresponding offsetting revenue

COST OF SERVICE (COS) RELATED SPENDING

- COS related Budget items
  - $317,500 in consultant and legal costs
    - $107,500 in known fees to Elenchus
    - $210,000 in legal review and intervenor response aid

- $10,000 for a second customer survey

- $25,000 for Subcontractor reports and review of the DSP
- COS related Projection items

  - $120,000 in consultant and legal costs
    - $107,500 in known fees to Elenchus

  - $25,780 for Customer Survey costs, Engagement Platform and Software

SOLAR PV

	2023 Budget	2023 Business Plan	2022 Budget	2022 Business Plan
Generation	$565,503	$566,384	$569,777	$570,958
Interest	$67,500	$0	$12,000	$0
Total Revenue	$633,003	$566,384	$581,777	$570,958
Pre-tax Income	$309,088	$160,177	$233,115	$159,916

SUMMARY

- Budget is consistent with 2017 Ontario Energy Board Cost of Service decision, Kenora Hydro costs, plus inflation and Merger Impacts
- Budget supports Synergy North Board-approved strategic initiatives

QUESTIONS - DISCUSSION

SYNERGY NORTH

THE POWER OF THE NORTH

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THUNDER BAY, ON
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(807) 343-1111
1-833-428-1451

synergynorth.ca

ATTACHMENT 4-4:

Tree Trimming Presentation

SYNERGY NORTH

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LAC Meeting – Vegetation Management

March 2022

Vegetation Management

WHAT

Managing vegetation (trees and plants) along our power lines for the safety of customers and utility workers while achieving a balance to protect ecosystems is essential. It is something we plan with careful consideration.

It's a coordinated effort of different professionals to achieve this. Our maintenance teams regularly remove vegetation that is growing too close to the lines.

Why

With over one thousand kilometers of powerline and thousands of trees growing along it, managing vegetation is incredibly important to us. If managed well, we can reduce the risk from fallen trees and branches to the safe operation of our network and minimize outages.

Vegetation Management

Where

We regularly clear vegetation from the area nearby power lines to meet the industry safety standards. (CSA 22.3 No.1:20 4.17). We remove trees that are, or could be dangerous, or negatively affect the reliability of service that thousands of customers rely on daily.

As well as maintenance of our system, there are times when we need to clear areas of vegetation to help our teams examine or repair assets and structures as part other work programs, such as pad-mount equipment inspections.

Vegetation Management

How

We use a combination of remote survey methods such as aerial surveys and lidar, as well as our historical data records to create our inventory of trees and vegetation.

We use this information to assist our vegetation management professional to undertake inspections of the system to carry out site specific risk assessments.

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

Our team reaches out and provides information to our neighbors and stakeholder (City of Thunder Bay) prior to work taking place.

Vegetation Management

Methods

We use a wide range of handheld and mechanical equipment to manage vegetation so that is clear of safe zones to prevent contact with our power lines. This work can occur from the ground and overhead from aerial lift devices such as boom trucks and other offroad equipment.

Our teams will leave the area tidy. They will remove logs and branches or rake up leaves and other clippings.

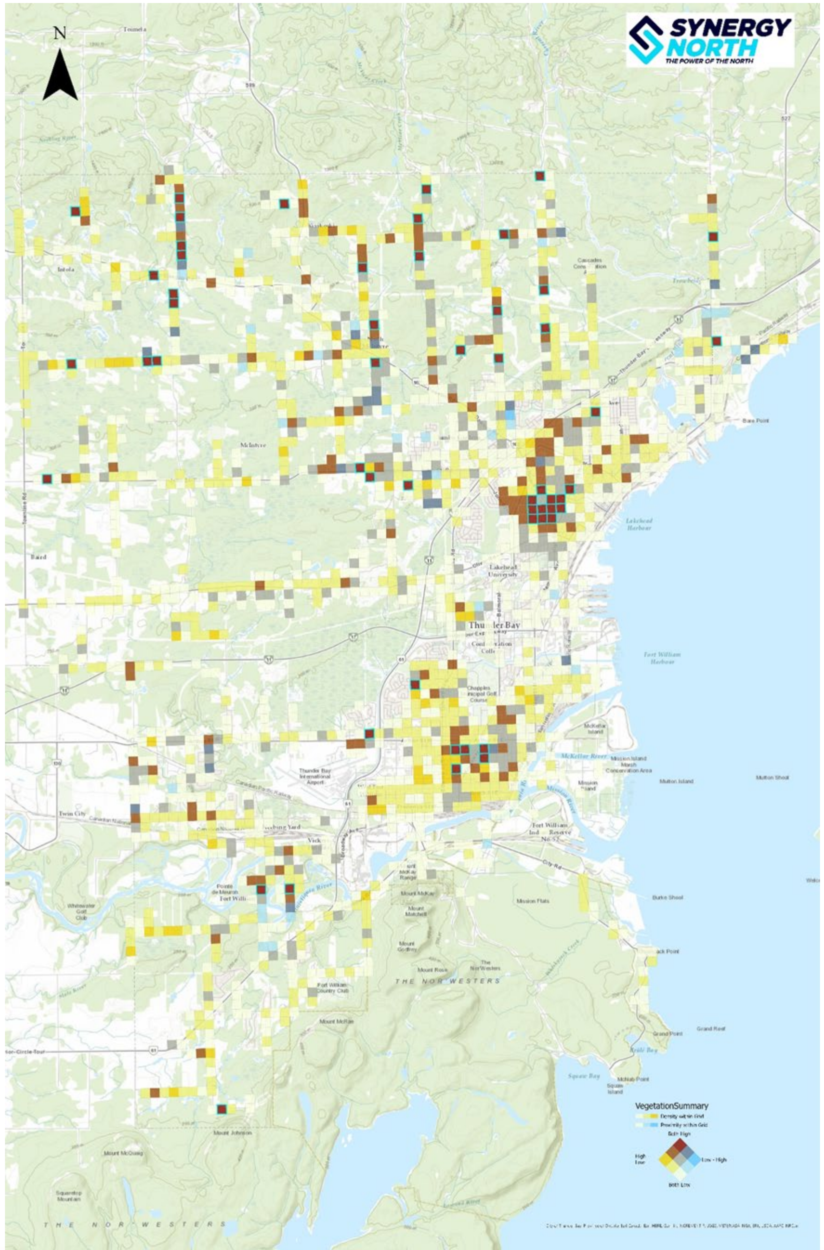
Vegetation Management

Creating a Program

Figure 2 (on next page) summarizes the results of our most recent vegetation survey conducted in conjunction with some of our partners (data is from 2019).

This was performed using an aerial survey (lidar) and advanced geoprocessing tools to measure both: how close the vegetation is to our overhead powerlines (proximity); and how tall the nearby vegetation is to our overhead powerlines (height).

These values are combined and are combined spatially with a grid overlay of the City of Thunder Bay using 250mX250m squares.


SYNERGY NORTH
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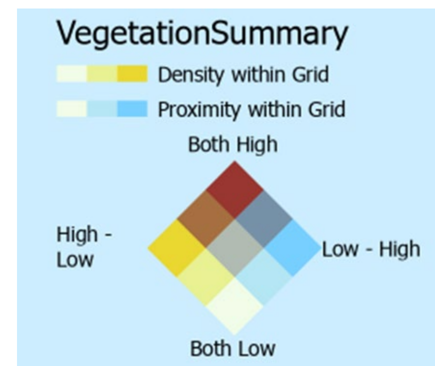
N
Lakehead University
Lakehead Harbour
Fort William Harbour
Thunder Bay International Airport
THE NOR'WESTERS
VegetationSummary


VegetationSummary
Density within Grid
Proximity within Grid
Both High
High - Low
Low - High
Both Low

Vegetation Management

Results

The results described the vegetation within a 10m corridor of the primary overhead line and summarized its geographic distribution. Additionally, the results provide insight into the potential threat that vegetation may have in reliably delivering power to customers.

In total there is 119.07ha of vegetation within managed corridors. The below chart indicates the amount of vegetation and its proximity to overhead lines.

Proximity to Wire	Area (ha)
>1m	5.36
1-3m	43.32
>3-5m	70.3

Vegetation Management - Strategy

Based on the above-identified areas, Synergy North has defined 4 key objectives of its Vegetation Management Plan:

1. Eliminate Immediate Hazard – Remove any vegetation within 1m of overhead primary lines
2. Vegetation Register – Update tree inventory and assessment tools to gain a better understanding of future needs and proactively manage encroachments.
3. Meeting Industry Standards – The levels of work, resources, and budget that are required to get us to a safe state (meeting the minimum industry standards of vegetation cleared to 3m of overhead primary wires).
4. Moving Forward – The levels of work, resources, and budget that are required to maintain our levels of service and continue to operate in a safe state.

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