

EXHIBIT 4

OPERATING EXPENSES

Festival Hydro INC.



2.4 Exhibit 4: Operating Expenses

Table of Contents

2.4 Exhibit 4: Operating Expenses	2
2.4.1 Overview	3
2.4.2 OM&A Summary and Cost Driver Tables	17
2.4.3 OM&A Variance Analysis	26
2.4.3.1 Workforce Planning and Employee Compensation	30
2.4.3.2 Shared Services and Corporate Cost Allocation	41
2.4.3.3 Purchases of Non-Affiliate Services	52
2.4.3.4 One-time Costs	53
2.4.3.5 Regulatory Costs	53
2.4.3.6 Low-income Energy Assistance Programs (LEAP)	55
2.4.3.7 Charitable and Political Donations	55
2.4.4 Conservation and Demand Management	56
2.4.4.1 Funding Options for Future Conservation and Demand Management Activities ...	56

1 **2.4.1 Overview**

2 In this Exhibit, the operating costs consist of the required expenditures necessary to
3 maintain and operate Festival Hydro Inc. (FHI)'s distribution system assets, the costs
4 associated with metering, billing, collecting from its customers, the costs associated with
5 ensuring all stakeholders' safety (public, employees, etc.) and costs to maintain the
6 distribution business service quality and reliability standards in compliance with the
7 Distribution System Code and other regulatory bodies (IESO, Ministry of Energy, Northern
8 Development and Mines, OEB, ESA, etc.). Overall, these are on-going costs associated
9 with providing distribution services in alignment with customers' expectations. This
10 Application was prepared using financial actuals for 2015 to 2023 as well as forecasted
11 budgets for 2024 and 2025. FHI is reporting under Modified International Financial
12 Reporting Standards (MIFRS) for all years in this Application.

13 FHI is proposing to recover through distribution rates for the 2025 Test Year a total of
14 \$12,620,190 for OM&A, depreciation and income taxes as detailed in Table 4-1. The
15 OM&A component totals \$9,430,261. This table below does not include interest.

16
17
18
19
20
21
22
23
24
25

1

Table 4-1 Summary of Operating Costs

Expenses	2015 Board Approved	2025 Test
Distribution Expenses - Operation	924,800	1,368,552
Distribution Expenses - Maintenance	1,217,983	2,146,761
Billing and Collecting	1,212,817	1,707,271
Community Relations	11,248	19,427
Administration and General Expenses	1,789,434	4,013,523
Subtotal OM&A	5,156,282	9,255,534
Property Tax	19,225	154,677
LEAP	13,000	20,050
Total Recoverable OM&A Expenses	5,188,507	9,430,261
PILs	142,100	220,759
Depreciation	2,082,559	2,969,170
Total	7,413,166	12,620,190

2

3 Depreciation is discussed more fully in Exhibit 2 Section 2.2.4 and Property Taxes and
4 PILs are discussed in Exhibit 6 Section 2.6.2.

5 While the overall change has increased by a notable amount, costs have substantially
6 increased in the recent period at a greater rate than the earlier years. This is due to many
7 of the factors that were discussed in the Business Plan included in Attachment 1-11 in
8 Exhibit 1. There have been several internal and external factors which have caused
9 significant increases in OM&A expenses over the past 10 years such as high costs of
10 labour, third party contractors, professional services, supply chain, gasoline, Software as
11 a Service (SaaS) models etc. In addition, since FHI last filed in 2015, many new initiatives
12 have been brought forward by the OEB such as changes to customer service rules and
13 billing changes and increased focus on cyber security.

14 Exhibit 4 contains detailed analysis of the drivers of costs at the practical level expected
15 by the Filing Guidelines, with those costs defined by FHI as the Cost Drivers affecting

1 rates, but this Exhibit also contains a detailed analysis at the Program Level as required
2 by the Filing Guidelines. As a service-oriented utility with the majority of work being
3 completed in-house where feasible and cost-effective, a large proportion of the OM&A
4 costs relate to employee costs. Also in this Exhibit, there will be a discussion of the
5 transactions completed between FHI's affiliate in Section 2.4.3.2 – Shared Services and
6 Corporate Cost Allocation.

7 FHI consistently monitors the total cost per customer and tracks this information against
8 its peers. While FHI is not the lowest cost provider, IT remains near the average of its
9 comparators or at a lower cost. FHI compares itself against Regional LDCs as well as
10 LDCs that have similar customer counts as shown in Table 4-2. These figures are
11 collected from the OEB's summary of distributor scorecards for 2022 (the most recent
12 data available). FHI balances the need for resources with budget constraints and is
13 focused on spending where it aligns with the organization's strategic directives and
14 maintaining acceptable corporate KPIs such as reliability and customer service.

15

16

17

18

19

20

21

22

23

24

25

Table 4-2 Total Cost per Customer Comparison

Utility	Total Cost Per Customer
Halton Hills Hydro	\$ 874
Niagara Peninsula Energy	\$ 812
Bluewater Power	\$ 779
North Bay Hydro	\$ 777
Milton Hydro	\$ 738
Burlington Hydro	\$ 731
ERTH Power	\$ 720
Enova Power	\$ 711
Newmarket Tay Power	\$ 705
Westario Power	\$ 691
Grandbridge Energy	\$ 676
Festival Hydro	\$ 674
Entegrus Powerlines	\$ 627
London Hydro	\$ 626
Essex Powerlines	\$ 625
Kingston Hydro	\$ 614

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

FHI’s OM&A costs have generally been increasing each year with a sharper incline in 2022 and onward due to substantial increases in regulatory and legislated requirements, third party services, human resources, staff training, cyber security and costs related to software maintenance. FHI attempts to manage and mitigate costs where possible and find alternative solutions through competitive processes. However, FHI also wants to ensure that it is providing strong customer service, a positive work environment for employees and progressing forward with efficient and effective technologies.

Throughout the past several years there have been increased cost pressures on all utilities related to regulatory and compliance as well as billing which requires more robust

1 software systems. It is also critical to protect these systems through cyber security and a
2 rigorous cyber defense strategy.

3 Customer count has grown however not at the same rate as the cost increases shown in
4 Table 4-3.

5 **Table 4-3 Summary of OM&A Increases – 2015 Board Approved to 2025 Test Year**

	2015 Board Approved	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual
Customer/ Connection Count	27,375	27,300	27,543	27,835	28,101	28,205
Distribution Expenses - Operation	924,800	881,642	878,957	871,897	1,092,823	930,948
Distribution Expenses - Maintenance	1,217,983	1,255,585	1,222,910	1,347,728	1,471,361	1,436,797
Billing and Collecting	1,212,817	1,251,776	1,295,739	1,272,765	1,188,727	1,259,373
Community Relations	11,248	11,632	9,900	13,400	9,745	7,413
Administrative and General Expenses	1,789,432	1,844,086	2,284,278	2,123,899	2,528,550	2,391,868
LEAP	13,000	13,000	13,200	13,410	13,510	13,650
Property Taxes	19,225	96,756	38,017	55,726	82,847	74,054
Total OM&A	5,188,505	5,354,477	5,743,002	5,698,824	6,387,564	6,114,102
OM&A per Customer	189.53	196.13	208.51	204.74	227.31	216.77
	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test
Customer/ Connection Count	28,277	28,558	28,920	29,167	29,426	29,687
Distribution Expenses - Operation	977,468	710,733	951,220	1,127,587	1,289,665	1,368,552
Distribution Expenses - Maintenance	1,495,382	1,646,168	1,865,684	1,817,110	1,959,517	2,146,761
Billing and Collecting	1,208,934	1,293,457	1,283,486	1,491,570	1,542,185	1,707,271
Community Relations	12,268	1,015	1,115	-	9,507	19,427
Administrative and General Expenses	2,334,067	2,336,495	2,638,687	3,068,586	3,408,810	4,013,523
LEAP	13,860	30,060	14,550	15,000	15,630	20,050
Property Taxes	135,993	126,934	126,868	151,482	143,937	154,677
Total OM&A	6,177,972	6,144,863	6,881,608	7,671,335	8,369,252	9,430,261
OM&A per Customer	218.48	215.17	237.95	263.01	284.42	317.66

6
7 Total operating costs will increase from \$5,188,505 as approved by the Board in 2015 to
8 \$9,430,261 in the 2025 Test Year. This is an increase of \$4,241,756 or 82%. These
9 balances include LEAP and property taxes.

10 **Inflation on Non-Labour Items**

11 FHI has calculated the Inflation on Non-Labour items based on the Board Approved
12 Inflation Factor for 2015 – 2025 as reflected in Table 4-4. For 2025, FHI used an inflation
13 rate of 3% where the expense increase could not be specifically identified for non-wage

1 related expenses, which is within the range of rates set out in Toronto Dominion Bank's
2 October 2023 quarterly economic forecast. Beyond baseline inflation, according to
3 Statistics Canada, the increase in full time labour between 2015 and 2023 rose by 33%
4 with large increases occurring between 2021 and 2023. Using the rates below in Table
5 4-4, CDP-IPI would only increase by 19% over the same time period. This does not only
6 impact internal labour but is built into all external costs, as supplier costs are increasing
7 due to rising labour costs as well.

8 **Table 4-4 Inflation Factors**

9	Year	OEB GDP- IPI/Estimate
10	2015	1.6%
11	2016	2.1%
12	2017	1.9%
13	2018	1.2%
14	2019	1.5%
15	2020	2.0%
16	2021	2.2%
	2022	3.3%
	2023	3.7%
	2024	4.8%
	2025	3.0%

17 **Cost Trends**

18 The OM&A costs in the 2025 Test Year reflect the resourcing mix and investments
19 required to meet customer and broader public policy requirements. Without the requested
20 resources and investments, FHI will struggle to meet 2025 and future workloads.

21 Please refer to Table 4-5 for details on changes to OM&A costs since FHI's last Board
22 Approved Cost of Service Application in 2015 and the 2025 Test Year. Table 4-5 is
23 intended to present significant changes only. Each of these items is discussed below.

24

1

Table 4-5 Cost Driver Table (2-JB)

	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test
<i>Reporting Basis</i>	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Opening Balance²	5,188,507	5,354,477	5,743,002	5,698,824	6,387,564	6,114,102	6,177,972	6,144,863	6,881,608	7,604,454	8,369,252
Billing, Collecting and Office Costs	38,016	66,027	53,589	67,403	56,820	(37,701)	84,059	(71,335)	(36,117)	35,053	82,913
Board of Directors	6,354	1,834	5,783	(8,739)	8,096	76,059	(18,990)	16,188	(11,990)	18,187	8,596
Labour & Burdens	37,705	(69,658)	(29,038)	357,788	174,627	(74,308)	(104,019)	180,072	472,443	508,175	595,295
Other Employee Costs (Training/Dev/Supplies)	19,285	(3,168)	(31,723)	76,487	13,464	(55,512)	(58,392)	115,621	55,437	19,037	39,120
Contract Labour / Services	24,303	152,977	73,153	172,254	(340,923)	(48,563)	99,973	290,736	129,243	57,162	55,578
Software, Support and Maintenance Costs	400	(1,999)	16,430	16,514	(9,593)	46,086	13,162	45,086	56,803	61,849	162,011
Property Maintenance	6,907	66,354	10,981	(55,288)	(23,506)	45,596	(3,036)	59,147	19,050	57,730	14,771
Third Party Services (Legal/Insur/Audit)	13,100	188,829	(185,340)	51,039	(97,599)	96,817	(2,570)	53,590	93,913	(43,128)	36,367
Operations Maintenance & Vehicles	19,900	(12,671)	41,987	11,280	(54,847)	15,396	(43,297)	47,639	(55,937)	50,732	66,359
Closing Balance	5,354,477	5,743,002	5,698,824	6,387,564	6,114,102	6,177,972	6,144,863	6,881,608	7,604,454	8,369,252	9,430,261

Summary of Changes	
2015 OEB Approved Balance	5,188,507
Billing, Collecting and Office Costs	338,728
Board of Directors	101,377
Labour & Burdens	2,049,084
Other Employee Costs (Training/Dev/Supplies)	189,657
Contract Labour / Services	665,893
Software, Support and Maintenance Costs	406,750
Property Maintenance	198,708
Third Party Services (Legal/Insur/Audit)	205,068
Operations Maintenance & Vehicles	86,540
2025 Test Year Balance	9,430,261

8 Billing, Collecting and Office Costs

9 Billing, collecting and office costs have increased by \$339K making up 8.0% of the
10 increase since 2015. Specifically for billing and collecting costs, while the cost of postage
11 has increased in 2024 by 19%, paper by 67% and envelopes by 45% since 2015, FHI
12 has been able to manage these costs by increasing paperless billing enrollment from
13 approximately 7% at the end of 2015 to 38% in 2024. While e-billing will likely not
14 decrease costs, it has assisted with offsetting increases. In 2024, FHI outsourced the bill
15 print process. While this increased costs, it eliminated the need for in house equipment
16 to be re-purchased since it was at end of life and freed up time for billing and customer
17 service staff to work on value added tasks. Office costs include a wide variety of corporate
18 expenses including office supplies, service charges, telephone and corporate
19 communications, regulatory costs, and corporate events. FHI has made an effort to
20 decrease costs in this area where possible, such as moving to a more paperless

1 environment. The main increase in costs relates to regulatory expenses included in 2025
2 for the COS filing. FHI has not filed a COS since 2015, therefore there were several years
3 where this expense was \$0 (2020-2024) and moved to \$100K in 2025. In 2016 the OEB
4 released its letter Re: Revisions to the Ontario Energy Board Cost Assessment Model.
5 This change in methodology and allocation caused an increase in OEB Fees for FHI. The
6 OEB established a new variance account to record material differences between OEB
7 cost assessments currently built into rates, and cost assessments that will result from the
8 application of the new cost assessment model effective April 1, 2016. This variance
9 account has been requested to be cleared in this Application. However, on a go-forward
10 basis, this increase in cost will be included in OM&A.

11 **Board of Directors**

12 Board of Director costs increased by \$101K since 2015 and make up 2.4% of the total
13 increase in OM&A. While this amount has not increased significantly since 2015, there
14 were years of larger fluctuations due to executive position searches (2020, 2021) and
15 strategic planning (2020, 2024).

16 **Labour and Burdens**

17 The cost of labour makes up approximately two-thirds of the total OM&A. The increase in
18 wages since the 2015 Board Approved rates is \$2.05M. This equates to approximately
19 48% of the total increase between 2015 and 2025. FHI is bound by the Collective
20 Agreement for wage increases for union employees which are driven more by industry
21 increases than IPI or inflation. Non-union and management wages are also compared to
22 industry peers. As business needs change, there have been increases in staffing in areas
23 of the business such as facilities, stations, corporate project management, executive
24 administration, and billing.

25 FHI's Collective Agreement expires on April 30, 2025, and FHI is planning to have a new
26 contract in place in the test year. FHI used an inflationary cost of living rate increase for
27 all labour related costs. There are several neighboring utilities currently progressing

1 through their union negotiations. As these results become public, FHI may update these
 2 rates in the process of this Application.

3 There were also significant changes to Executive Leadership which caused many
 4 fluctuations in cost. In Table 4-6 it will show for the four executive positions, where there
 5 were vacancies from 2020 to 2023. While the salary costs were down in those periods,
 6 the work was covered by other executive positions. These changes also occurred when
 7 the labour market was extremely competitive, i.e. the cost of new employees increased
 8 due to low market supply.

9

10

Table 4-6 Executive Position Vacancies

	Months Position Filled			
	2020	2021	2022	2023
CEO	6 of 12	9 of 12	12 of 12	12 of 12
CFO	12 of 12	9 of 12	12 of 12	12 of 12
VP of Engineering and Operations	12 of 12	9 of 12	12 of 12	12 of 12
VP of IT	12 of 12	6 of 12	4 of 12	5 of 12
Months Vacant	6	15	8	7

11

12 Further discussion on staffing processes is included below in section 2.4.3.1 Workforce
 13 Planning and Employee Compensation.

14 **Other Employee Costs**

15 Other employee costs increased by \$190K since 2015 or 4.5% of the total increase in
 16 OM&A. Other employee costs include expenses such as professional memberships, staff
 17 training and development, conferences, and other travel-related expenditures. This
 18 expense can fluctuate each year due to trades staff training requirements or one-time
 19 larger expenditures. During Covid, specifically in 2020, costs in this area significantly
 20 decreased. By 2022 costs returned to pre-pandemic levels. Due to challenges in the
 21 labour market in the latter years, FHI has, at times, hired more junior staff and committed

1 to investing in their development over trying to compete for tenured employees with high
2 compensation requirements.

3 **Contract Labour and Services**

4 Contract labour and services costs increased by \$666K since 2015 or 15.7% of the total
5 increase in OM&A. There are several components that caused this increase including the
6 following:

7 Load Dispatching: FHI uses a contractor to help maintain the SCADA system, test and
8 verify distribution automation devices, complete firmware updates, and maintain OT
9 security and communication network. The work in this area has increased since 2015.

10 Stations: Preventative maintenance in stations has doubled since 2015 as a result of the
11 new Transmission Station (TS) built in 2013. FHI also now does regular maintenance on
12 ancillary systems (e.g. batteries, facility, monitoring systems) and coordinates with Hydro
13 One to perform transmission testing and verifications (e.g. zone trip testing) as a
14 regulatory requirement for being transmission connected via the TS.

15 Metering: In 2015 FHI had nearly zero contracted meter reads for non-communicating
16 meters, by 2025 this cost is approximately \$30K/year. FHI also had internal metering
17 staff that is now contracted out solely to EARTH.

18 Vehicles: Increase is due to more maintenance as the fleet continues to age and the
19 contract cost is more expensive.

20 Tree trimming: Increase is due to increased tree trimming frequency and the cost of labour
21 is more expensive.

22 Operations: There is an increase as FHI completes infrared scans, transformer
23 recoating/painting as well as underground cable testing yearly. Additionally, hydro
24 excavation costs have gone up for maintenance work.

25 IT Costs: IT costs that are contracted out to Festival Hydro Services Inc. (FHSI) have
26 increased over the past several years with the increase to cyber security and defense,

1 new corporate IT systems and a heavier reliance on technology, especially in a hybrid
2 work environment. FHI previously had an in-house IT FTE to assist with the CIS and
3 billing, but this work has been moved to FHSI. There has also been a substantial amount
4 of third-party work required for regulatory upgrades to the CIS.

5 Regulatory: FHI has entered into an agreement with ERTH for a shared Regulatory
6 Resource to help manage regulatory filings, regulation and policy changes and engage
7 with industry groups. This individual is an FTE of ERTH but contract labour to FHI.

8 **Software Support and Maintenance Costs**

9 Software support and maintenance costs increased by \$407K since 2015 or 9.6% of the
10 total increase in OM&A. In 2015, there was an extremely small amount of expense in this
11 grouping of account (approximately \$30K). Included in this cost is the increases related
12 to cyber security as well as support and maintenance for core systems. Several software
13 vendors have moved away from on premise products and have moved to cloud-based
14 solutions such as Software as a Service (SAAS) models or hosted solutions. This has put
15 upward pressure on OM&A. In an effort to be more effective and efficient and keep up
16 with customer service requirements there is a heavier reliance on software systems. In
17 2017 the OEB released its Cyber Security Framework outlining risk profiles, achievement
18 levels and metrics and reporting requirements. The cost to provide continuous monitoring
19 and safeguards has increased significantly since 2015. However, this is a prudent cost
20 and the potential loss without strong measures could be vastly greater related to both
21 costs and reputation.

22 **Property Maintenance**

23 Property maintenance costs increased by \$199K since 2015 or 4.7% of the total increase
24 in OM&A. While no cost alone has materially increased, the increase in the group is
25 material. The costs related to garbage disposal, grass cutting, and snow removal have
26 increased by 141% to 297% since 2015 totaling \$42K. This is due to the increased cost
27 of external labour for these services. Natural gas costs have also increased by \$19K or
28 166% since 2015. The remaining increase relates to rental costs for IT server space.

1 Included in this grouping are property taxes. Property tax costs increased by \$58K since
2 2015 or 1.41% of the total increase in OM&A. Property tax costs have outpaced inflation
3 for several years with the proposed 2024 budget increase for the City of Stratford at 8%.

4 **Third Party Services**

5 Third party service costs increased by \$205K since 2015 or 4.8% of the total increase in
6 OM&A. The cost of insurance including property, vehicle, liability, and cyber security has
7 increased by \$138K or 136% since 2015. FHI has been seeing double digit increases to
8 this expense since 2021. Legal and audit fees have also increased significantly in this
9 time period by \$53K or 167%. This has increased both in the cost of a typical hour of
10 professional time but also in the use of these services as contracts and reviews have
11 become more complex and more numerous.

12 **Operations Maintenance and Vehicles**

13 Operations maintenance and vehicle costs increased by \$87K since 2015 or 2.0% of the
14 total increase in OM&A. While no individual component increased materially, the sum of
15 all of the expenses categorized together exceeds the materiality threshold. The majority
16 of items in this group are maintenance materials including small tools, wires, hardware,
17 arresters etc. The increase in cost of these items ranged from 20% to 170%, with there
18 being both an increase in usage and unit cost. In addition, vehicle parts increased by 29%
19 and the cost of fuel increased by 39% over the time period.

20 **Overhead Capitalization**

21 FHI adopted accounting changes in accordance with the Board's letter dated July 17,
22 2013, which specifically relates to depreciation rates and capitalization policies. FHI
23 adopted these changes effective 2013 and the result of these changes were dealt with in
24 FHI's 2015 COS Application. Therefore, no further adjustments for capitalization are
25 required in this Application. Overhead Capitalization is discussed in greater detail in
26 Exhibit 2 section 2.2.10. Historical capitalization amounts range from 11% to 15% with

1 the Test Year being 12%, similar to the last historical year (2023) and the Bridge Year.
2 The average of the 10-year period is 13%.

3 **OM&A Budgeting Process**

4 FHI begins to prepare its annual budget plan in the second and third quarters for the
5 following year and receives final approval from its Board of Directors (BOD) in October/
6 November.

7 Developing the budget is a key process as it identifies past successes as well as future
8 initiatives and projections for capital and operating costs. Care is taken to ensure that the
9 capital and operating budgets support FHI's core business objectives as well as being
10 prudent, financially sustainable and considering rate impacts to its customers.

11 FHI employs the following process:

12 1. The Executive Leadership Team (ELT) works collectively to look at higher level risks
13 and issues including changes in revenue, strategic initiatives either from within FHI or the
14 industry, cost pressure from specific areas or performance concerns that must be
15 considered by each Department. This step sets high level expectations for each
16 department on cost control and efficiency improvement. The ELT is mindful of the costs
17 of supplying services versus the rate impact to its customers.

18 2. Each department manager then develops capital and operating plans with these issues
19 or objectives in mind. The following directives are provided to each manager to assist
20 them with preparation:

21 • Expenses are built from the bottom up; each department is expected to examine every
22 line item to determine its annual needs.

23 • Significant variances in spending from prior years must be explained and documented.

24 • Review of department headcount based on requirement for staff and need for change.

25 • Each department works with Finance to prepare a labour budget using projected wage
26 and benefit costs. Overtime is based on projected needs and historical comparisons with

1 an expectation that it is closely managed to reduce costs where possible. Salaries,
2 overtime, and payroll burden are distributed over accounts based on historical and
3 forecasted allocations.

4 3. Vehicle and stores costs are forecasted based on historical spending. Costs are then
5 distributed to the department in operating, recoverable and capital accounts based on
6 historical actual allocations.

7 4. The Executive of each Department reviews the budgets developed by its managers,
8 discusses rationale and any applicable changes are made.

9 5. The Finance Department then completes an initial consolidation of all departments to
10 develop an initial budget. Finance works with each department to identify variances and
11 issues for consideration.

12 6. Each department presents its budget to the ELT. Discussions including variances,
13 rationale and need occur at these meetings. The ELT will review the initial budget and
14 make changes to balance cost control with achieving core objectives. In an effort to
15 contain costs and explore efficiencies and still provide an acceptable level of reliability
16 and customer service, the team looks in detail for discretionary costs and identifies cost
17 areas that can be delayed or addressed with alternative approaches. This process results
18 in OM&A costs with an adequate degree of assurance that FHI will be able to continue to
19 serve its customers in a safe and reliable way.

20 7. The ELT makes a detailed submission to the BOD on the proposed budget and formal
21 approval is requested at the October/ November BOD meeting.

22 The 2024 Bridge Year Forecast is based on estimates; no actual data is included. Both
23 the 2024 Bridge Year and 2025 Test Year Forecasts go through this rigorous process,
24 however the timeline for both 2024 and 2025 were shifted to accommodate the double
25 budgets and customer engagement requirements.

1

2 **2.4.2 OM&A Summary and Cost Driver Tables**

3

4 **Summary of Recoverable OM&A Expenses (2-JA)**

5 FHI follows the OEB's Accounting Procedures Handbook (the "APH") in distinguishing
6 work performed between operations and maintenance. A summary of FHI's OM&A
7 expenses, for the 2015 Board Approved, 2015-2023 Actual, 2024 Bridge Year and the
8 2025 Test Year, is provided in Table 4-7 Board Appendix 2-JA. FHI is proposing to
9 recover these costs through Distribution Rates for the 2025 Test Year.

10 FHI notes that it has included \$20,050 for LEAP expense in its 2025 Test Year. FHI will
11 adjust the amount to 0.12% of the final Service Revenue Requirement prior to the
12 issuance of the Board's decision for its Application.

13 **Table 4-7 Summary of Recoverable OM&A Expenses (2-JA)**

	2015 Last Rebasings Year OEB Approved	2015 Last Rebasings Year Actuals	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
<i>Reporting Basis</i>	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operations	\$ 924,800	\$ 881,642	\$ 878,957	\$ 871,897	\$ 1,092,823	\$ 930,948	\$ 977,468	\$ 710,733	\$ 951,220	\$ 1,127,215	\$ 1,289,665	\$ 1,368,552
Maintenance	\$ 1,217,983	\$ 1,255,585	\$ 1,222,910	\$ 1,347,728	\$ 1,471,361	\$ 1,436,797	\$ 1,495,382	\$ 1,646,168	\$ 1,865,684	\$ 1,817,483	\$ 1,959,517	\$ 2,146,761
SubTotal	\$ 2,142,783	\$ 2,137,227	\$ 2,101,868	\$ 2,219,625	\$ 2,564,184	\$ 2,367,745	\$ 2,472,850	\$ 2,356,901	\$ 2,816,904	\$ 2,944,697	\$ 3,249,182	\$ 3,515,313
%Change (year over year)		-0.3%	-1.7%	5.6%	22.0%	-7.7%	4.4%	-4.7%	19.5%	4.5%	10.3%	8.2%
%Change (Test Year vs Last Rebasings Year - Actual)												64.5%
Billing and Collecting	\$ 1,212,817	\$ 1,251,776	\$ 1,295,739	\$ 1,272,765	\$ 1,188,727	\$ 1,259,373	\$ 1,208,934	\$ 1,293,457	\$ 1,283,486	\$ 1,448,423	\$ 1,542,185	\$ 1,707,271
Community Relations	\$ 11,248	\$ 11,632	\$ 9,900	\$ 13,400	\$ 9,745	\$ 7,413	\$ 12,268	\$ 1,015	\$ 1,115	\$ -	\$ 9,507	\$ 19,427
Administrative and General	\$ 1,821,657	\$ 1,953,842	\$ 2,335,496	\$ 2,193,035	\$ 2,624,908	\$ 2,479,572	\$ 2,483,920	\$ 2,493,490	\$ 2,780,104	\$ 3,211,334	\$ 3,568,377	\$ 4,188,250
SubTotal	\$ 3,045,722	\$ 3,217,250	\$ 3,641,134	\$ 3,479,199	\$ 3,823,380	\$ 3,746,358	\$ 3,705,122	\$ 3,787,962	\$ 4,064,705	\$ 4,659,757	\$ 5,120,069	\$ 5,914,948
%Change (year over year)		5.6%	13.2%	-4.4%	5.0%	-2.0%	-1.1%	2.2%	7.3%	14.6%	9.9%	15.5%
%Change (Test Year vs Last Rebasings Year - Actual)												83.9%
Total	\$ 5,188,505	\$ 5,354,477	\$ 5,743,002	\$ 5,698,824	\$ 6,387,564	\$ 6,114,102	\$ 6,177,972	\$ 6,144,863	\$ 6,881,608	\$ 7,604,454	\$ 8,369,252	\$ 9,430,261
%Change (year over year)		3.2%	7.3%	-0.8%	11.2%	-4.3%	1.0%	-0.5%	12.0%	10.5%	10.1%	12.7%

	2015 Last Rebasings Year OEB Approved	2015 Last Rebasings Year Actuals	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
Operations ⁴	\$ 924,800	\$ 881,642	\$ 878,957	\$ 871,897	\$ 1,092,823	\$ 930,948	\$ 977,468	\$ 710,733	\$ 951,220	\$ 1,127,215	\$ 1,289,665	\$ 1,368,552
Maintenance ⁵	\$ 1,217,983	\$ 1,255,585	\$ 1,222,910	\$ 1,347,728	\$ 1,471,361	\$ 1,436,797	\$ 1,495,382	\$ 1,646,168	\$ 1,865,684	\$ 1,817,483	\$ 1,959,517	\$ 2,146,761
Billing and Collecting ⁶	\$ 1,212,817	\$ 1,251,776	\$ 1,295,739	\$ 1,272,765	\$ 1,188,727	\$ 1,259,373	\$ 1,208,934	\$ 1,293,457	\$ 1,283,486	\$ 1,448,423	\$ 1,542,185	\$ 1,707,271
Community Relations ⁷	\$ 11,248	\$ 11,632	\$ 9,900	\$ 13,400	\$ 9,745	\$ 7,413	\$ 12,268	\$ 1,015	\$ 1,115	\$ -	\$ 9,507	\$ 19,427
Administrative and General ⁸	\$ 1,821,657	\$ 1,953,842	\$ 2,335,496	\$ 2,193,035	\$ 2,624,908	\$ 2,479,572	\$ 2,483,920	\$ 2,493,490	\$ 2,780,104	\$ 3,211,334	\$ 3,568,377	\$ 4,188,250
Total	\$ 5,188,505	\$ 5,354,477	\$ 5,743,002	\$ 5,698,824	\$ 6,387,564	\$ 6,114,102	\$ 6,177,972	\$ 6,144,863	\$ 6,881,608	\$ 7,604,454	\$ 8,369,252	\$ 9,430,261
%Change (year over year)		3.2%	7.3%	-0.8%	12.1%	-4.3%	1.0%	-0.5%	12.0%	10.5%	10.1%	12.7%

14

1 For the purposes of 2-JA, LEAP and property taxes have been grouped in
2 Administrative and General expenses.

3 FHI notes that the percentage change since its last rebasing is 84.6% which while
4 significant, is explained through the cost trends noted earlier. Until 2022, FHI was able
5 to keep average OM&A increases at approximately 2.8%. OM&A inflationary increases
6 began earlier than 2022, however these cost increases were substantially offset by the
7 Executive position vacancies. In 2022, FHI began to see the full impact of inflationary
8 increases, labour market strains, supply chain issues, cyber security costs as well as a
9 planned move to cloud based solutions in IT.

10 **Recoverable OM&A Cost Drivers (2-JB)**

11 The primary drivers that have influenced the increase in FHI's OM&A expenditures since
12 2015 were discussed above in Cost Trends and shown in Table 4-5. The high-level
13 variances were discussed above however FHI has presented Table 4-8 which highlights
14 the material year over year variances and related comments on these variances are
15 provided below.

16 **Table 4-8 Cost Drivers with Year over Year Variances (2-JB)**

	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Opening Balance²	5,188,507	5,354,477	5,743,002	5,698,824	6,387,564	6,114,102	6,177,972	6,144,863	6,881,608	7,604,454	8,369,252
Billing, Collecting and Office Costs	38,016	66,027	53,589	67,403	56,820	(37,701)	84,059	(71,335)	(36,117)	35,053	82,913
Board of Directors	6,354	1,834	5,783	(8,739)	8,096	76,059	(18,990)	16,188	(11,990)	18,187	8,596
Labour & Burdens	37,705	(69,658)	(29,038)	357,788	174,627	(74,308)	(104,019)	180,072	472,443	508,175	595,295
Other Employee Costs (Training/Dev/Supplies)	19,285	(3,168)	(31,723)	76,487	13,464	(55,512)	(58,392)	115,621	55,437	19,037	39,120
Contract Labour / Services	24,303	152,977	73,153	172,254	(340,923)	(48,563)	99,973	290,736	129,243	57,162	55,578
Software, Support and Maintenance Costs	400	(1,999)	16,430	16,514	(9,593)	46,086	13,162	45,086	56,803	61,849	162,011
Property Maintenance	6,907	66,354	10,981	(55,288)	(23,506)	45,596	(3,036)	59,147	19,050	57,730	14,771
Third Party Services (Legal/Insur/Audit)	13,100	188,829	(185,340)	51,039	(97,599)	96,817	(2,570)	53,590	93,913	(43,128)	36,367
Operations Maintenance & Vehicles	19,900	(12,671)	41,987	11,280	(54,847)	15,396	(43,297)	47,639	(55,937)	50,732	66,359
Closing Balance	5,354,477	5,743,002	5,698,824	6,387,564	6,114,102	6,177,972	6,144,863	6,881,608	7,604,454	8,369,252	9,430,261

17

18 **Billing, Collecting and Office Costs**

19 **2021 - \$84,059** – The main cause of the increase to this cost driver was an increase in
20 bad debt by \$81K with one customer declaring bankruptcy of \$47K. The increase was

1 due to businesses closing during Covid. There was also an increase in software licenses
2 by \$14K and billing expenses by \$19K over the prior year including paper, postage, and
3 envelope costs.

4 **2025 - \$82,913** - Included in section are regulatory costs. In 2025, FHI will be recording
5 1/5th of the COS costs or \$100K. This is discussed further in section 2.4.3.5.

6 **Labour and Burdens**

7 **2018 - \$357,788** – There was an increase in 2018 of three employees (see 2-K) due to
8 filling vacancies. The increase includes labour costs for the new employees, step, and
9 inflationary increases for all employees as well as related burdens.

10 **2019 - \$174,627** - There was an increase in 2018 of one employee (see 2-K) due to filling
11 a vacancy. The increase includes labour costs for the new employee, step, and
12 inflationary increases for all employees as well as related burdens.

13 **2021 - \$(104,019)** – As noted above, in 2021 there were vacancies within the Executive
14 Team for portions of the year, this was offset by step and inflationary increases for all
15 employees as well as related burdens.

16 **2022 - \$180,072** – In 2022, the vacant Executive positions were filled for portions of the
17 year in addition to step and inflationary increases for all employees as well as related
18 burdens. Several of the new managers and executives were on the lower end of possible
19 bands when promoted or hired. They moved through progressions in 2022 and will
20 continue in future years. There was a larger increase to benefits costs compared to typical
21 years.

22 **2023 - \$472,443** – In 2023 there was nearly a full complement of staff (i.e. limited
23 vacancies) including two new positions discussed further below. The incentive plan was
24 also in effect for all eligible employees in 2023 in addition to step and inflationary
25 increases for all employees as well as related burdens. Again in 2023, there was a larger
26 increase to benefits costs compared to typical years.

1 **2024 - \$508,175** – 2024 budgeted for a full complement of staff (no vacancies) for the full
2 year in addition there is overlap planned for skilled trade retirements. An internal
3 compensation review for non-union staff and an external compensation review for
4 executive staff were completed and the impacts were incorporated into the budget. FHI
5 also projected similar increases levels to benefits as it had seen in 2022 and 2023.

6 **2025 - \$595,295** – FHI included a generic cost of living increase across all staff (union
7 and non-union) in 2025 as the union agreement will be negotiated for 2025 wage rates.
8 Rates may be adjusted through the process as more information becomes available.
9 There is a planned new position in billing as well as a full year of staff complement for the
10 remainder of the positions. There is also a larger increase to benefits compared to 2024
11 as this typically also increases in a negotiation year.

12 **Other Employee Costs**

13 **2022 – \$115,621**– There was a decrease in other employee costs including training,
14 conferences, hotels, and meals in 2020 and 2021. This returned to more typical levels in
15 2022. There was also somewhat of a ‘catch up’ in this area, where employees engaged
16 in more training and development than 2019 because of lacking in this area for two years.

17 **Contract Labour / Services**

18 **2016 - \$152,977** – Contract labour increased in 2016 due to this being the first year that
19 IT services were outsourced to FHSI.

20 **2018 - \$172,254** – There was \$100K spent in 2018 on property maintenance based on
21 independent recommendations which can fluctuate year over year. There was also an
22 additional \$30K spent at the TS for repairs and two surveys were completed,
23 compensation and an OEB required customer satisfaction totaling \$40K that was not
24 included in 2017.

25 **2019 - \$(340,923)** – There was a decrease in 2019 due to the fluctuating property
26 maintenance costs noted above for 2018. There was also a decrease in IT labour from
27 FHSI in 2019 in the amount \$110K.

1 **2021 - \$99,973** – There was an increase in 2021 due to required substation repairs,
2 property maintenance as well as recruitment costs for Executive positions.

3 **2022 - \$290,736** – There was increase in 2022 related to an increase in IT labour from
4 FHSI, additional cyber security costs and reviews, property maintenance and an update
5 to the Conditions of Service in preparation for the COS.

6 **2023 - \$129,243** – There was an increase in 2023 due to increased IT labour, third party
7 assistance for CIS upgrades for regulatory changes, substation repairs as well as
8 regulatory consultant costs to assist with a review of 1588/1589 balances.

9

10

11 **Software Support and Maintenance Costs**

12 **2025 - \$162,011**- This increase includes additional costs for cyber security related
13 software and SaaS costs related to the planned ERP software.

14 **Third Party Services**

15 **2016 – 188,829** – In 2016, there was an increase in related accounting, legal and
16 administrative services. This was a one-time cost.

17 **2017 - \$(185,340)** – There was a decrease due to the one-time costs noted above in 2016
18 that did not recur in 2017.

19 **2019 - \$(97,599)** – In 2019 FHI received a \$90K refund check from its insurance provider
20 due to a settlement agreement.

21 **2020 - \$96,817** – In 2020, insurance returned to normal levels from the 2019 settlement.

22 **2023 - \$93,913** – In 2023, third party financial services increased by \$80K to assist with
23 a Notice of Objection to the Minister of Finance.

24

1

2

3 **OM&A Programs Table (2-JC)**

4 The following cost drivers are summarized by program in Table 4-9 OM&A Programs
5 (Appendix 2-JC). The Programs have been established by using the OEB USoA accounts
6 along with the segregation of some accounts into more specific program level categories.
7 The accounts used for each program are identified in Table 4-10 below.

1

Table 4-9 OM&A Programs Table (2-JC)

Programs	2015 Board Approved	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operations							
Engineering and Metering	536,128	502,068	559,866	539,463	682,151	578,413	663,607
Vegetation Management	162,743	161,383	146,266	166,952	114,011	128,273	177,728
Sub-Total	698,871	663,452	706,132	706,415	796,163	706,686	841,335
Maintenance							
Building Maintenance	139,973	123,374	156,157	152,746	104,058	103,345	86,426
Customer Related O&M	893,803	926,768	924,029	1,012,369	1,090,836	1,185,690	1,045,951
Stations O&M	182,303	207,705	150,399	149,197	198,095	175,171	165,121
System O&M	367,807	339,302	321,307	351,644	479,090	300,197	420,443
Sub-Total	1,583,886	1,597,150	1,551,893	1,665,956	1,872,079	1,764,404	1,717,941
Billing and Collecting							
Bad Debt	90,564	75,000	73,502	99,501	49,527	104,032	39,720
Customer Service, Billing, Collecting and Software	1,122,253	1,176,776	1,223,668	1,174,239	1,140,176	1,156,331	1,170,230
Sub-Total	1,212,817	1,251,776	1,297,170	1,273,740	1,189,702	1,260,363	1,209,949
Community Relations							
Community Relations and Safety	21,188	22,114	20,980	23,647	19,099	16,853	21,971
LEAP	13,000	13,000	13,200	13,410	13,510	13,650	13,860
Sub-Total	34,188	35,114	34,180	37,057	32,609	30,503	35,831
Administrative and General							
Administration, Third Party, Software & Communications	1,374,058	1,465,972	1,818,347	1,698,002	2,070,149	1,928,280	1,921,037
Insurance, Benefits and Employee Future Benefits	145,257	105,369	131,279	150,037	208,151	179,087	194,461
Regulatory	120,203	138,889	165,982	111,891	135,864	170,726	121,425
Property Taxes	19,225	96,756	38,017	55,726	82,847	74,054	135,993
Sub-Total	1,658,743	1,806,986	2,153,626	2,015,656	2,497,011	2,352,147	2,372,916
Total	5,188,505	5,354,477	5,743,002	5,698,824	6,387,564	6,114,102	6,177,972

Programs	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test	Variance (Test Year vs 2023 Actuals)	Variance (Test Year vs Last Rebasing Year - 2015 OEB Approved)
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operation							
Engineering and Metering	377,901	570,379	638,510	751,821	754,095	115,585	217,967
Vegetation Management	169,432	192,003	181,928	177,195	211,179	29,251	48,436
Sub-Total	547,333	762,382	820,437	929,016	965,273	144,836	266,402
Maintenance							
Building Maintenance	89,206	109,058	105,100	162,735	166,625	61,525	26,652
Customer Related O&M	1,142,221	1,279,356	1,266,102	1,465,007	1,550,467	284,365	656,664
Stations O&M	237,171	293,525	454,826	384,561	508,052	53,226	325,749
System O&M	430,175	481,641	403,331	470,598	491,521	88,189	123,714
Sub-Total	1,898,774	2,163,580	2,229,360	2,482,901	2,716,665	487,305	1,132,779
Billing and Collecting							
Bad Debt	120,944	53,870	126,670	71,795	71,795	- 54,875	- 18,769
Customer Service, Billing, Collecting and Software	1,173,528	1,230,731	1,321,753	1,471,579	1,636,724	314,971	514,471
Sub-Total	1,294,472	1,284,601	1,448,423	1,543,373	1,708,519	260,096	495,702
Community Relations							
Community Relations and Safety	10,750	10,863	10,907	18,689	29,729	18,822	8,541
LEAP	30,060	14,550	15,000	15,630	20,050	5,050	7,050
Sub-Total	40,810	25,413	25,907	34,319	49,779	23,872	15,591
Administrative and General							
Administration, Third Party, Software & Communications	1,967,521	2,161,258	2,559,499	2,791,182	3,148,868	589,370	1,774,810
Insurance, Benefits and Employee Future Benefits	179,504	185,490	192,381	238,215	285,855	93,474	140,598
Regulatory	89,514	172,019	176,966	206,308	400,624	223,659	280,421
Property Taxes	126,934	126,868	151,482	143,937	154,677	3,195	135,452
Sub-Total	2,363,473	2,645,634	3,080,327	3,379,642	3,990,025	909,698	2,331,282
Total	6,144,863	6,881,608	7,604,454	8,369,252	9,430,261	1,825,807	4,241,756

1

Table 4-10 OM&A Programs USoA Breakdown

Programs	USoA
Operation	
Engineering and Metering	5005, 5065, 5175
Vegetation Management	5135
Maintenance	
Building Maintenance	5675
Customer Related O&M	5070, 5075, 5130,5155
Stations O&M	5010, 5012, 5014, 5015, 5016, 5110, 5112, 5114
System O&M	5020, 5025, 5035,5040, 5045, 5055, 5085, 5095, 5120, 5125, 5145, 5150,5160
Billing and Collecting	
Bad Debt	5335
Customer Service, Billing, Collecting and Software	5305,5310, 5315, 5320, 5330, 5340, 5405
Community Relations	
Community Relations and Safety	5410, 5420, 5660, 5680
LEAP	6205
Administrative and General	
Administration, Third Party, Software & Communications	5605, 5610, 5615, 5620, 5630, 5665
Insurance, Benefits and Employee Future Benefits	5635,5640, 5645
Regulatory	5655
Property Taxes	6105

2

3 OM&A Cost per Customer and Full-Time Equivalent (2-L)

4 Included in Table 4-11, Board Appendix 2-L is a summary of the OM&A Cost per
 5 Customer and per Full-Time Equivalent (FTE). The FTE numbers agree to those
 6 presented in Table 4-12, which is Appendix 2-K. The number of Customers is based on
 7 an annual average for each rate class. The number of FTEs is the average for each of
 8 the years.

9

10

11

12

13

14

1 **Table 4-11 Recoverable OM&A Cost per Customer and per Full Time Equivalent**
 2 **(Appendix 2-L)**

	2015 Board Approved	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test
<i>Reporting Basis</i>	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
OM&A Costs												
O&M	2,142,783	2,137,227	2,101,868	2,219,625	2,564,184	2,367,745	2,472,850	2,356,901	2,816,904	2,944,697	3,249,182	3,515,313
Admin Expenses	3,045,722	3,217,250	2,335,496	2,193,035	2,624,908	2,479,572	3,705,122	3,787,962	4,064,705	4,659,757	5,120,069	5,914,948
Total Recoverable OM&A from Appendix 2-JB	5,188,505	5,354,477	4,437,363	4,412,659	5,189,091	4,847,317	6,177,972	6,144,863	6,881,608	7,604,454	8,369,252	9,430,261
Average Number of Customers	27,375	27,298	27,542	27,833	28,101	28,205	28,277	28,558	28,919	29,267	29,547	29,832
Number of FTEs	45	43	40	38	41	42	42	41	42	44	44	45
Customers/FTEs	608	635	689	732	685	672	673	697	689	665	672	663
OM&A Cost per customer												
O&M per customer	\$ 78	\$ 78	\$ 76	\$ 80	\$ 91	\$ 84	\$ 87	\$ 83	\$ 97	\$ 101	\$ 110	\$ 118
Admin per customer	\$ 111	\$ 118	\$ 85	\$ 79	\$ 93	\$ 88	\$ 131	\$ 133	\$ 141	\$ 159	\$ 173	\$ 198
Total OM&A per customer	\$ 190	\$ 196	\$ 161	\$ 159	\$ 185	\$ 172	\$ 218	\$ 215	\$ 238	\$ 260	\$ 283	\$ 316
OM&A per FTE												
O&M per FTE	47,617	49,703	52,547	58,411	62,541	56,375	58,877	57,485	67,069	66,925	73,845	78,118
Admin per FTE	67,683	74,820	58,387	57,711	64,022	59,037	88,217	92,389	96,779	105,904	116,365	131,443
Total OM&A per FTE	115,300	124,523	110,934	116,123	126,563	115,412	147,095	149,875	163,848	172,828	190,210	209,561

3

4 Included in Table 4-11 is a comparison of OM&A Cost per Customer and per Full Time
 5 Equivalent (FTE). Customers/FTE remained relatively constant as neither variable
 6 changed drastically since 2015. OM&A per customer increased from \$190 to \$316 over
 7 this time period which is a 67% increase since 2015. The reasons for the large
 8 increases in OM&A have been discussed throughout this Exhibit. Total OM&A per FTE
 9 also increased significantly by 82% since 2015. As noted, headcount has not increased
 10 but the cost of employees has substantially increased over that time as well as non-
 11 labour costs discussed earlier.

12 **Capitalized OM&A**

13 A discussion on FHI's capitalized OM&A is presented in Exhibit 2, Section 2.2.10
 14 Capitalization of Overhead which also includes OEB Appendix 2-D 'Overhead Expense'.
 15 This appendix outlines the OM&A before capitalization, the amounts capitalized (labour,
 16 benefits, vehicle), and the resulting percentage of capitalized OM&A.

17

18

2.4.3 OM&A Variance Analysis

Program Descriptions

FHI has a variety of program activities and initiatives that are imperative to continue to provide reliable and affordable service to customers and ultimately to provide customer satisfaction. In Table 4-9 above, Board Appendix 2-JC, FHI has identified its programs and major functions on a comparative basis from 2015 Board Approved to the 2025 Test Year. These programs contribute to achieving the Renewed Regulatory Framework (RRFE) performance outcomes of Customer Focus, Operational Effectiveness and Public & Regulatory Responsiveness. FHI has provided program descriptions below and an analysis of all material variances that exceed the materiality threshold for the 2025 Test Year versus 2023 Actual and 2025 Test Year versus 2015 Board Approved. While decisions related to expenses are mostly within FHI's control, almost all expense increases are due to the cost pressures noted above and within the business plan.

Variance Test Year vs 2015 OEB Approved

Engineering and Metering - \$217,967 – There was a Metering Administrator position added to this category as well as ten years of wage increases for all employees included in this grouping. Contract labour also increased due to the need for meter repairs and maintenance due to aging smart meters.

Customer Related O&M - \$656,664 – This grouping makes up a lot of union outside worker costs which include annual step increases and inflationary increases over ten years totaling \$293K. These increases would be in accordance with the union contracts with the exception of 2025 which is based on a general cost of living increase applied to all labour. There were also increases to employee-related costs such as training and education up \$38K and boot and safety equipment costs up \$13K. Contract labour increased \$127K which mainly relates to mechanic and vehicle repair costs. Vehicle parts also increased \$25K over this time period. Property maintenance, utilities and insurance all increased in total by \$155K.

1 **Stations O&M - \$325,749** – Labour increased by \$135K partially due to a higher
2 allocation of employee time specific to stations work (TS was built in 2013). The remainder
3 is annual step and inflationary increases. Contract labour increased by \$121K from 2015
4 for SCADA, TS monitoring services and increases in TS maintenance and repairs. There
5 were also inflationary increases to insurance, property maintenance, snow removal and
6 communications totaling \$63K.

7 **System O&M – \$123,714** – All of the expenses in this account saw general inflationary
8 increases over ten years including labour increases of \$65K, hydro devices, safety
9 equipment and materials increase of \$46K and contract labour increases of \$16K.

10 **Customer Service, Billing, Collecting and Software - \$514,471** – Labour has
11 increased in this area due to a new billing position added in 2025 as well as ten years of
12 step and inflationary increases totaling \$170K. Contract labour has increased by \$170K
13 for the outsourcing of bill print, meter data management and settlement. Software has
14 increased by \$105K due to investing in hosted models versus on premise solutions. Other
15 costs such as postage, paper and supplies have increased by \$61K.

16 **Administration, Third Party, Software & Communications - \$1,774,810** – There have
17 been several changes to labour positions and costs within this grouping such as elevating
18 requirements for professional positions specifically within finance, HR and IT. FHI has
19 also included two new positions within this group, Director of Corporate Projects, and
20 Executive Assistant. In 2015 there was no incentive compensation which was added in
21 2022 and 2023 as discussed further below. Also included in this total are step and
22 inflationary increases. All wage related increases total \$1.2M. Contract labour and third-
23 party costs for legal and audit increased by \$200K since 2015. Software costs for the
24 ERP, board software and other cyber security related SaaS and service models have
25 increased by \$215K since 2015. Other costs such as training, education, travel,
26 communications and public relations, office supplies, corporate costs and events have all
27 increased since 2015 by \$130K.

1 **Insurance, Benefits and Employee Future Benefits - \$140,598** – Insurance is up \$54K
2 from 2015. A portion of this is an increase to cyber insurance. Benefits costs including
3 dental, extended health and life insurance have increased \$85K.

4 **Regulatory - \$280,421** – The majority of this increase occurred between 2023 and 2025
5 as noted above. Included in 2025 is \$100K for 1/5th of COS costs. It also includes the
6 shared regulatory resource with EARTH. There is also an increase in OEB fees as these
7 costs will no longer be held in a DVA. The remaining increases are general inflationary
8 increases where applicable.

9 **Property Taxes - \$135,452** – While property taxes have increased significantly over the
10 ten-year period, the 2015 OEB Approved balance did not include all of the property taxes
11 as they previously were allocated through several USoA accounts. In 2020 they were fully
12 transitioned to USoA 6105.

13 **Variance 2015 OEB Approved vs 2015 Actuals**

14 There was only one line item that exceeded the materiality threshold between 2015 OEB
15 Approved and 2015 Actuals.

16 **Administration, Third Party, Software & Communications - \$91,914** – The OEB
17 approved values did not include utility association costs totaling \$42K. This may have
18 been missed in the original budget for 2015. In addition, there were additional governance
19 and advisory services completed in 2015 that were not budgeted totaling \$20K.

20 **Variance Test Year vs 2023 Actuals**

21 **Engineering and Metering - \$115,585** – In 2023 there was a long-term vacancy in the
22 metering department, where one position filled two roles for the majority of the year. This
23 accounted for approximately \$75K of the variance and normalized in 2024. The remaining
24 variance relates to planned labour increases and inflationary changes.

25 **Customer Related O&M - \$284,365** – Operations and Maintenance labour and related
26 burdens are planned to increase \$155K due to planned step increases and inflationary
27 increases. 2023 costs were lower than typical because of more capital work completed

1 by internal labour and therefore lower operational costs. This was further decreased by
2 partial vacancies in this area. In 2023 there was a large credit for scrap metal (\$21K) that
3 is not typical and not planned for 2025. Other accounts that have inflationary based
4 increases include:

- 5 - other staffing expenses, including education and training - \$23K
- 6 - contract labour - \$26K
- 7 - vehicle parts - \$15K
- 8 - utilities - \$10K
- 9 - gas/diesel - \$10K

10 **System O&M – \$88,189** – There is an increase of \$33K in contract labour for the testing
11 and maintenance of underground conductors. There is also an increase of \$26K for labour
12 and related burdens based on planned step increases and inflation. There is also an
13 anticipated increase in safety equipment, materials and hydro devices totaling \$27K
14 based on recent annual increases.

15 **Customer Service, Billing, Collecting and Software - \$314,971** – In 2024, FHI
16 outsourced its billing function which increased contract labour. This was included in 2025
17 but not 2023. There is also an additional \$86K for CIS hosting whereas the previous
18 solution was on premise. There is an additional billing position added in 2025 which is
19 discussed further in section 2.4.3.1. The remaining variance relates to planned labour
20 step increases and inflationary changes.

21 **Administration, Third Party, Software & Communications - \$589,370** – In 2025 there
22 is a full staff complement included in this grouping. In 2023 there was a large portion of
23 the year where there were vacancies in four critical positions: VP of IT, Director of People
24 and Safety, Director of Corporate Projects, and Executive Assistant. An Executive
25 Compensation review was completed in 2023 for 2024. These results were built into 2025
26 estimates. Third party costs are seeing annual increases greater than 10% per year.
27 Software costs for board software (only partial year in 2023), increases in cyber security
28 and other corporate software services are higher than 2023 by \$47K.

1 **Insurance, Benefits and Employee Future Benefits - \$93,474** – Estimates included in
2 2025 are based on increases seen from 2022 to 2023 and 2023 to 2024. Insurance is
3 expected to increase by \$42K. Benefits including dental, extended health and life
4 insurance are expenses to increase \$51K.

5 **Regulatory - \$223,659** – Included in 2025 is \$100K for 1/5th of COS costs. It also includes
6 the shared regulatory resource with EARTH. A large portion of these costs in 2023 were
7 included in the COS consultant costs as this was the focus in 2023. There is also an
8 increase in OEB fees as these costs will no longer be held in a DVA.

9 **2.4.3.1 Workforce Planning and Employee Compensation**

10 **Compensation Philosophy**

11 **Overview**

12 FHI's overall compensation philosophy for all employees is designed to be competitive
13 and equitable in order to attract and retain qualified personnel in an industry that is facing
14 an aging workforce and is very competitive for skilled resources, especially when remote
15 work has broadened the strain on talent. The compensation package includes a base
16 wage and benefits package. FHI's workforce is comprised of both unionized, non-
17 unionized and management employees. This compensation philosophy has evolved
18 since FHI last filed and is monitored against market and labour trends.

19 **Unionized Employees**

20 The compensation for unionized employees is negotiated through the collective
21 bargaining process and includes trades workers. They are represented by the
22 International Brotherhood of Electrical Workers Local 636.

23 FHI's Collective Agreement with unionized staff provides for annual pay increases and
24 employee step progressions. Labour rates and benefits are adjusted annually based on
25 negotiated percentages as per the Collective Agreement. The current Collective
26 Agreement expires on April 30, 2025. A new contract has not been negotiated at the time
27 of the Application submission. For the purpose of this Application FHI used an inflationary

1 cost of living rate increase for all labour-related costs including union employees and may
2 update this number through the process if better information becomes available.

3 **Non-Union / Management Employees**

4 Annual pay increases for non-union and management employees are based on annual
5 comparisons to regional LDCs and the Mearie Survey where applicable. The Hay system
6 is also used to evaluate non-union and management positions. FHI attempts to be aligned
7 with the P50 for all non-union and management positions.

8 **Performance Pay**

9 FHI's pay for performance incentive program has been established to provide
10 performance incentives for the ELT, who, by virtue of their positions, have a significant
11 impact on the performance of the utility, and as a strategy to attract and retain talent. The
12 incentive program began as a trial in 2022 for the CEO position only, and in 2023 was
13 rolled out to all ELT. The ELT are directly responsible for managing key strategic functions
14 and materially contribute to achieving corporate objectives and managing the risks to the
15 organization. The ELT are compensated based upon overall company performance as
16 well as their own individual performance.

17 At the beginning of each fiscal year, the HR Committee works with the CEO to develop
18 the measures for each of the goals, and what success looks like to establish expectations
19 of what is to be achieved.

20 The Board approves performance targets for the CEO position. These targets are aligned
21 with FHI's Corporate Strategic Plan, its project plan, and its scorecard.

22 At the beginning of the new year, the HR Committee reviews year-end accomplishments
23 and results against the measures and makes appropriate recommendations for the CEO
24 to the Board for approval. The CEO reviews the performance of the other members of the
25 ELT. The percentage of performance incentives were reviewed against industry
26 benchmarks.

1 FHI's employee complement, compensation and benefits are set out in Table 4-12, Board
2 Appendix 2-K of the Chapter 2 Filing Requirements below. The table summarizes the
3 employee complement, compensation, and benefits for 2015 Board Approved, 2015-
4 2023 Actual and 2024 Bridge and 2025 Test Years. All compensation is included whether
5 expensed or capitalized. The number of employees is based on the computation of the
6 number of full-time equivalent (FTEs) positions throughout each of the fiscal years. A
7 position that was added in a particular calendar year is counted as a portion of an FTE in
8 that calendar year based on the start date of the position. FHI used an inflation rate of 3%
9 where the expense increase could not be specifically identified for non-wage related
10 expenses, which is within the range of rates set out in Toronto Dominion Bank's October
11 2023 quarterly economic forecast. These inflationary increases are built into the individual
12 line items.

13 The salaries and wages amounts include all salaries and wages paid, inclusive of
14 performance pay, overtime, vacations, holidays, sick leave, bereavement leave, union
15 meetings and other miscellaneous paid leave.

16 The benefits amount includes the employer's portion of statutory benefits (CPP, EI and
17 EHT), employer contributions to OMERS and WSIB and FHI's costs for providing
18 extended health care, dental, long-term disability, and life insurance for its employees.

19 **Employee Cost Variances**

20 Table 4-12 below shows the cost variances as per Appendix 2-K of the Filing
21 Requirements.

22

23

24

25

26

1

Table 4-12 Employee Costs (2-K)

	2015 Board Approved	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual
Average Number of Employees (FTEs including Part-Time)						
Management (including executive)	11	11	11	10	10	10
Non-Management (union and non-union)	34	32	29	28	31	32
Total	45	43	40	38	41	42
Total Salary and Wages including overtime and incentive pay						
Management (including executive)	1,135,863	1,065,631	1,128,790	1,116,746	1,166,624	1,287,655
Non-Management (union and non-union)	2,489,336	2,270,283	2,173,776	2,167,592	2,387,786	2,391,768
Total	3,625,199	3,335,914	3,302,566	3,284,338	3,554,410	3,679,423
Total Benefits (Current + Accrued)						
Management (including executive)	263,139	337,341	359,617	341,337	353,785	346,131
Non-Management (union and non-union)	599,136	816,218	745,305	750,589	826,365	885,518
Total	862,275	1,153,559	1,104,922	1,091,926	1,180,151	1,231,648
Total Compensation (Salary, Wages, & Benefits)						
Management (including executive)	1,399,002	1,402,972	1,488,407	1,458,083	1,520,410	1,633,786
Non-Management (union and non-union)	3,088,472	3,086,502	2,919,081	2,918,181	3,214,151	3,277,285
Total	4,487,474	4,489,474	4,407,488	4,376,264	4,734,561	4,911,071
Total Compensation Breakdown (Capital, OM&A)						
OM&A	3,895,712	3,921,315	3,895,960	3,812,902	4,132,887	4,392,346
Capital	591,762	568,158	511,528	563,362	601,674	518,726
Total	4,487,474	4,489,473	4,407,488	4,376,264	4,734,561	4,911,072
	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test
Average Number of Employees (FTEs including Part-Time)						
Management (including executive)	10	11	11	12	12	12
Non-Management (union and non-union)	32	30	31	32	32	33
Total	42	41	42	44	44	45
Total Salary and Wages including overtime and incentive pay						
Management (including executive)	1,298,176	1,314,153	1,428,590	1,608,077	1,944,130	2,053,406
Non-Management (union and non-union)	2,333,651	2,245,708	2,260,122	2,384,434	2,741,716	2,848,132
Total	3,631,827	3,559,861	3,688,712	3,992,511	4,685,846	4,901,538
Total Benefits (Current + Accrued)						
Management (including executive)	363,935	399,137	408,778	501,749	605,293	700,884
Non-Management (union and non-union)	829,269	771,777	821,733	898,329	837,845	966,742
Total	1,193,204	1,170,914	1,230,511	1,400,079	1,443,138	1,667,626
Total Compensation (Salary, Wages, & Benefits)						
Management (including executive)	1,662,111	1,713,290	1,837,368	2,109,826	2,549,423	2,754,290
Non-Management (union and non-union)	3,162,919	3,017,485	3,081,855	3,282,764	3,579,561	3,814,875
Total	4,825,030	4,730,775	4,919,223	5,392,590	6,128,984	6,569,164
Total Compensation Breakdown (Capital, OM&A)						
OM&A	4,452,016	4,184,652	4,408,314	4,850,715	5,573,887	6,069,904
Capital	373,015	546,123	510,909	541,874	555,097	499,260
Total	4,825,031	4,730,775	4,919,223	5,392,589	6,128,984	6,569,164

2

3

4

5

6

1 **Headcount Changes**

2 Headcount remained relatively stable since 2015 with the headcount projected for 2025
3 to be the same number as 2015 Board Approved. Some positions have changed during
4 that time period including the removal of the following positions that were included in
5 2015:

- 6 - Cashier / General Clerk – moved individual to Customer Service Representative
7 through attrition.
- 8 - Customer Service Secretary - moved individual to Customer Service
9 Representative through attrition.
- 10 - Information System Analyst – work outsourced.
- 11 - GIS Analyst – work outsourced.
- 12 - Chief Operating Officer – not required, eliminated after employee departure.

13 Over time and concluding in 2025, these headcounts have been changed to include the
14 following new positions:

- 15 - Director of Corporate Projects
- 16 - Metering Administrator
- 17 - Executive Assistant
- 18 - Facilities and Fleet Coordinator
- 19 - 2nd Billing Coordinator (added in 2025)

20 The new Billing Coordinator is included in 2025 to assist with the new CIS and also to
21 provide backup and minimize the risk of losing the current FTE who performs the main
22 billing function.

23 **Cost Variances**

24 Total salary and wage costs increased by 35% since 2015 Board Approved or 3.2% per
25 year. While this is slightly higher than inflation, this accounts for both annual step
26 increases and cost of living increases for employees. As noted earlier, the labour market

1 has become far more competitive, and it is difficult to attract and retain employees to
 2 wages that were comparable at the time of the last COS.

3 Benefit costs have increased over the same time period by 93% or 8.5% per year. The
 4 cost of benefits that was approved in the 2015 Application was \$862K but the actual cost
 5 of benefits in that year was 1.15M, a difference of \$291K or 34%. If the variance was
 6 taken between 2015 Actual and 2025 Test, the increase is 45% or 4% per year. FHI has
 7 seen large increases in the cost of benefits in recent years with the cost of dental,
 8 paramedical services and drugs rapidly increasing.

9 **Employee Benefits**

10 **Year over Year Analysis Benefits**

11 The following Table 4-13 summarizes the OMERS, CPP, EI and EHT contribution rates
 12 that have been used for the 2025 Test Year as well as a comparison to 2024 Actual rates.

13 **Table 4-13 Benefit Expense Rates**

Benefit Contribution Rates	Actual Maximum	2024 Rates	2025 Test Maximum	Test Year Rates
OMERS Tier 1 Up to CPP Max	68,500	9.00%	68,500	9.00%
OMERS Tier 2/3 Up to CPP Max	> 68,500	14.60%	> 68,500	14.60%
EHT		1.95%		1.95%
WSIB	112,500	0.87%	112,500	0.87%
CPP Employer Portion		5.95%		5.95%
EI Employer Portion		1.26%		1.26%

14
 15 A detailed summary of FHI's actual benefit program costs is presented in Table 4-14
 16 below.

1

Table 4-14 Benefit Expense

Benefits	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual
Statutory						
CPP	110,506	101,479	105,021	106,513	113,374	116,944
EI Employer Portion	54,581	49,994	44,184	45,012	45,910	44,273
EHT	58,395	71,842	66,695	73,675	73,837	64,472
WSIB	30,127	33,461	30,359	35,953	33,836	22,573
Total Statutory	253,609	256,776	246,259	261,153	266,957	248,262
Company						
OMERS	356,691	337,925	340,390	363,826	380,085	372,037
Health	119,586	118,851	115,887	137,552	150,215	165,008
LTD	36,704	34,406	36,917	43,512	40,474	40,926
Dental	42,927	44,655	54,400	64,957	73,612	73,762
Life Insurance	56,899	61,186	68,196	66,745	66,962	65,536
Total Company	612,807	597,023	615,790	676,592	711,348	717,269
Benefits Prior to EFB	866,416	853,800	862,048	937,745	978,306	965,531
Employee Future Benefits	81,774	106,305	139,674	(12,740)	309,959	156,173
Total Benefit Costs	948,190	960,105	1,001,722	925,005	1,288,265	1,121,704

2

Benefits	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test
Statutory					
CPP	123,838	133,930	154,204	161,427	166,988
EI Employer Portion	44,208	46,739	52,704	50,977	51,069
EHT	72,724	74,430	79,946	87,823	92,091
WSIB	22,982	10,515	27,052	35,579	37,309
Total Statutory	263,752	265,614	313,906	335,806	347,457
Company					
OMERS	353,752	365,116	404,465	511,325	545,359
Health	158,447	175,100	213,061	276,979	318,526
LTD	38,963	46,492	49,256	64,032	73,637
Dental	64,567	68,532	72,773	94,605	108,795
Life Insurance	62,747	63,556	62,224	80,891	93,024
Total Company	678,476	718,796	801,779	1,027,832	1,139,341
Benefits Prior to EFB	942,228	984,409	1,115,684	1,363,638	1,486,800
Employee Future Benefits	(4,252)	(228,047)	127,151	117,642	122,936
Total Benefit Costs	937,976	756,362	1,242,835	1,481,280	1,609,736

10

11 The following Table 4-15 summarizes the year over year variance analysis with respect
12 to benefit expenses. There are no variances that exceed FHI's materiality threshold of
13 \$80,000 except for Employee Future Benefits. This expense is driven by actuarial
14 valuations which occur every three years – the last being as of December 31, 2022. The
15 December 31, 2022, valuation is included in Attachment 4-2.

16

Table 4-15 Benefit Expense Variance

Benefits	2016 Actual vs 2015 Actual	2017 Actual vs 2016 Actual	2018 Actual vs 2017 Actual	2019 Actual vs 2018 Actual	2020 Actual vs 2019 Actual
Statutory					
CPP	(9,027)	3,542	1,492	6,860	3,571
EI Employer Portion	(4,587)	(5,810)	828	898	(1,638)
EHT	13,447	(5,147)	6,980	163	(9,366)
WSIB	3,334	(3,102)	5,594	(2,117)	(11,263)
Total Statutory	3,167	(10,517)	14,894	5,804	(18,696)
Company					
OMERS	(18,766)	2,465	23,436	16,260	(8,048)
Health	(735)	(2,964)	21,665	12,663	14,793
LTD	(2,297)	2,510	6,595	(3,038)	452
Dental	1,728	9,745	10,557	8,655	150
Life Insurance	4,287	7,010	(1,451)	218	(1,426)
Total Company	(15,783)	18,766	60,802	34,758	5,921
Benefits Prior to EFB	(12,616)	8,248	75,696	40,562	(12,776)
Employee Future Benefits	24,531	33,369	(152,414)	322,699	(153,786)
Total Benefit Costs	11,915	41,617	(76,718)	363,261	(166,562)
2021 vs 2020 vs 2023 vs 2024 vs 2025 Test vs 2024 Bridge					
Benefits	2021 Actual vs 2020 Actual	2022 Actual vs 2021 Actual	2023 Actual vs 2022 Actual	2024 Bridge vs 2023 Actual	2025 Test vs 2024 Bridge
Statutory					
CPP	6,894	10,092	20,274	7,223	5,561
EI Employer Portion	(65)	2,531	5,965	(1,727)	93
EHT	8,252	1,706	5,516	7,877	4,268
WSIB	410	(12,467)	16,537	8,527	1,729
Total Statutory	15,491	1,862	48,292	21,900	11,651
Company					
OMERS	(18,286)	11,364	39,348	106,860	34,035
Health	(6,561)	16,653	37,960	63,918	41,547
LTD	(1,963)	7,529	2,764	14,777	9,605
Dental	(9,195)	3,965	4,241	21,832	14,191
Life Insurance	(2,788)	808	(1,332)	18,667	12,134
Total Company	(38,793)	40,319	82,981	226,054	111,512
Benefits Prior to EFB	(23,303)	42,182	131,274	247,954	123,162
Employee Future Benefits	(160,425)	(223,795)	355,198	(9,509)	5,294
Total Benefit Costs	(183,728)	(181,613)	486,472	238,445	128,456

There was only one material variance year over year related to benefits which related to OMERS in 2024. This increase accounts for a full staff complement budgeted in the Bridge Year.

1 Employee Future Benefits are based on an annual actuarial report completed by a third
 2 party. Annual adjustments are made based on the results in their report.

3 **OMERS Pension Plan**

4 FHI employees are members of the Ontario Municipal Employees Retirement System
 5 (“OMERS”). OMERS is a multi-employer pension plan that most LDC’s participate in,
 6 therefore the pension benefit provided to FHI’s employees is consistent with that of other
 7 LDC’s. The plan is a contributory defined benefit pension plan which is financed by equal
 8 contributions from the employer and employee based on the employee’s contributory
 9 earnings. FHI’s pension premium information for 2015 - 2023 Actual, 2024 Bridge Year
 10 and 2025 Test Year is detailed in Table 4-16 below. For the 2024 Bridge and 2025 Test
 11 Year, FHI assumed OMERS rates of 9% on earnings up to CPP earning limits and 14.6%
 12 on earnings over CPP earnings limit as per OMER’s 2023 Annual Report.

13 **Table 4-16 OMERS Pension Expense**

Benefits	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual
OMERS Costs	356,691	337,925	340,390	363,826	380,085	372,037
Benefits	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test	2025 vs 2015 Actual
OMERS Costs	353,752	365,116	404,465	511,325	545,359	188,668

14
 15 The increases in OMERS premiums from 2015 through 2025 is 53% over the ten-year
 16 period and is explained by the increase in wages over the same period. 2024 saw a larger
 17 increase year over year because of several vacancies throughout the year. A full staff
 18 complement was budgeted for 2024.

19 **Post-Retirement Benefits**

20 FHI provides a post-employment benefit life insurance and health care plan to all active
 21 full-time employees under the age of 65 through a group defined benefit plan. For retirees
 22 hired prior to June 1, 2011, and retired on or after May 1, 2017, FHI pays Life, Health,
 23 and Dental benefits until age 65. At age 65, retirees continue with FHI paid Life, but the

1 health and dental benefits are terminated. Retirees hired on or after May 1, 2017, are no
2 longer paid life insurance upon retirement.

3 On September 14, 2017, the OEB released its Report of the Board: Regulatory Treatment
4 of Pension and Other Post-Employment Benefits (OPEBS) Costs (EB-2015-0040). The
5 result of this report allows for OPEBs to be accounted for on an accrual basis. FHI will
6 continue to follow its process for accrual.

7 Post-employment benefits will be recorded on an accrual basis. The accrued benefit
8 obligations and current service cost are calculated using the projected benefit method
9 prorated on service and based on assumptions that reflect Management's best estimates.
10 Under this method, the projected post-retirement benefit is deemed to be earned on a pro
11 rata basis over the years of service in the attribution period commencing at date of hire
12 and ending at the earliest age the employee could retire and qualify for benefits. The
13 current service cost for the period is equal to the actuarial present value of benefits
14 attributed to employees' services rendered in the period. Past service costs from the plan
15 amendments are amortized on a straight-line basis over the average remaining service
16 period of the employee's active at the date of amendment. For historical years 2015 –
17 2023 actuarial gains and losses are recognized in the year in which they are incurred
18 through the burden account which is then distributed between Capital, Recoverable and
19 OM&A.

20 RSM Canada Consulting LP completed an Actuarial Valuation Report on January 15,
21 2024, that detailed the benefit expense for fiscal 2023 and plan obligation under IFRS. At
22 December 31, 2023, the liability was valued at \$1,024,453. A loss on actuarial valuation
23 net of taxes of \$55,517 was recorded in Other Comprehensive Income in 2023. A copy
24 of the actuarial valuation report is provided in Attachment 4-2.

25 FHI used the estimate of the benefit expense and plan obligation on the basis of IFRS
26 IAS 19 as on December 31, 2023, and extrapolated the results for 2024 Bridge Year and
27 2025 Test Year.

1 FHI's post-retirement information for 2015 Actual – 2023 Actual, 2024 Bridge Year and
2 2025 Test Year are detailed in Table 4-17 below.

3 **Table 4-17 Post Retirement Liability**

Items	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual
Opening Balance						
Post-Retirement Benefits	1,357,109	1,379,334	1,401,539	1,422,778	1,287,745	1,472,268
Actuarial Expense						
Post-Retirement Benefits	81,774	83,332	71,852	69,618	72,000	76,274
Actuarial (Gains)/Losses	-	22,973	67,822	(82,358)	237,959	79,899
Premiums Paid	(59,549)	(84,100)	(118,435)	(122,293)	(125,436)	(135,524)
Closing Balance	1,379,334	1,401,539	1,422,778	1,287,745	1,472,268	1,492,917

Item	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test
Opening Balance					5
Post-Retirement Benefits	1,492,917	1,361,643	1,009,878	1,024,453	1,024,453
Actuarial Expense					6
Post-Retirement Benefits	76,354	75,211	71,634	74,858	78,226
Actuarial (Gains)/Losses	(80,606)	(303,258)	55,517	42,784	44,719
Premiums Paid	(127,022)	(123,718)	(112,576)	(117,642)	(122,936)
Closing Balance	1,361,643	1,009,878	1,024,453	1,024,453	1,024,453

9 **Table 4-18 Capital and Operating Split**

	2015 Board Approved	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test
Pension OM&A	321,459	311,550	298,706	296,571	317,590	339,939	343,276	312,915	327,195	363,822	465,015	503,911
Pension Capital	48,830	45,140	39,219	43,819	46,235	40,146	28,762	40,837	37,921	40,643	46,310	41,448
OPEB OM&A	45,000	46,860	52,397	62,312	55,641	57,144	55,463	52,730	52,401	50,465	55,579	66,695
OPEB Capital		-	-	-	-	-	-	-	-	-	-	-

*No OPEBs get allocated to capital as they relate to retirees

11 **Ongoing Efficiency Projects**

12 FHI recognizes that there is an increasing cost of labour and also a shortage of skilled
13 talent in the market. FHI has made concerted efforts to participate in Industry Groups
14 such as Utilities Standards Forum (USF) and the Electricity Distributors Association
15 (EDA) in order to share best practices and information to save time. FHI has also
16 prioritized working with other local LDCs to share services or resources. For example,
17 London Hydro runs FHI's website and provides control room monitoring for the

1 transformer station so that this does not need to be serviced in house. There are also
2 shared services with EARTH such as the shared regulatory resource and metering
3 services. FHI also has a reciprocal backup server arrangement with Enova Power. While
4 these items likely do not decrease costs, they help in offsetting increases.

5 **2.4.3.2 Shared Services and Corporate Cost Allocation**

6 FHI has a business relationship with Festival Hydro Services Inc. (FHSI) and The City of
7 Stratford (City), both are affiliated companies. The City is the parent of both FHI and FHSI.
8 These relationships are for either the purchase of or provision of products and services
9 and are in place to benefit from cost savings due to increased efficiencies and economies
10 of scale. A summary of the transactions and pricing methodology used to assign costs for
11 2015-2023 Actual and projections for the 2024 Bridge Year and 2025 Test Year, is
12 provided in the following Table 4-18 format of the OEB Appendices 2-N.

13 FHI, or any affiliate, are not considered a “virtual utility”.

14 **Shared Services and Corporate Cost Allocation**

15 Consistent with the Affiliate Relationships Code for Electricity Distributors and
16 Transmitters, the pricing methodology used for shared services and corporate cost
17 allocation is based on fully allocated costs with the exception of joint pole revenue which
18 is prescribed by the OEB and rental and lease agreements which were market based at
19 the inception of the agreements and are updated annually in accordance with Ontario
20 Rent Control Guidelines, and therefore are noted as market. The time devoted to
21 providing the services is based on an average estimated time spent by FHI staff on
22 providing the services to the City and FHSI. All amounts billed to the affiliates are
23 excluded from FHI’s OM&A.

24

25

26

1 **SERVICES PROVIDED BY FHI To Festival Hydro Services Inc. (FHSI) and To The**
2 **City of Stratford (City)**

3 **Management Services**

4 FHSI is a telecommunications company that is also owned 100% by the City of Stratford.
5 The former Stratford Public Utilities Commission owned the fibre assets currently included
6 in FHSI. When FHI was incorporated in 2000 and was mandated by the Ontario Energy
7 Board, it was required that the fibre assets be segregated from the assets of the electric
8 department. As such – FHSI was created, and a services agreement was established to
9 administer the relationship in compliance with the Affiliate Relationship Code (ARC). Staff
10 and resources are shared between FHI and FHSI under Cost Sharing Agreements. The
11 Executive, Finance, and Human Resource functions are performed by employees of FHI.
12 The service agreement was revised effective September 1, 2012, and is still in effect and
13 provided in Attachment 4-5. These costs are recovered on a fixed basis throughout the
14 year. At yearend the actual cost is reviewed against actual time spent and trued up at
15 yearend. The amount charged is the fully allocated cost per hour of each employee
16 providing services. IT Resource functions are provided by FHSI and a service agreement
17 was created in September 1, 2015 and is still in effect and provided in Attachment 4-5.
18 The hours worked are tracked in FHSI's time entry system and are billed to FHI monthly.
19 FHI shares employees with and provides services to FHSI in order for the utility to benefit
20 from Economies of Scale and thereby control the level of OM&A incurred by the utility to
21 provide services to its customers.

22 **Streetlight Maintenance Services**

23 FHI performs street lighting services for the City. FHI has been performing these services
24 as a continuation of services previously offered by the Stratford PUC. FHI charges the
25 City for the actual fully burdened costs incurred for street light maintenance and
26 replacements. Streetlight maintenance has been estimated for 2024 and 2025 based on
27 historical trends and planned work.

28

1 **Water and Sewage Billing and Collecting Services**

2 FHI performs water and sewage billing services for the City. This billing is a continuation
3 of services previously performed by the Stratford PUC. FHI has a services agreement
4 with the City which was renewed effective January 1, 2023. This agreement is included
5 in Attachment 4-6. Prior to the renewal, FHI engaged KPMG to review the cost allocation
6 against its internal costs and compliance with the ARC. The new contract aligns with the
7 results of KPMG's review. This agreement updated for 2024, includes a price of
8 \$3.65/invoice produced (versus \$3.52/invoice as was charged in the previous agreement
9 in 2023, and prior to the review by KPMG the amount was \$3.30). The agreement also
10 specifies that the monthly cost per invoice will be increased by the previous year's Ontario
11 Energy Board allowed increase which will be reviewed and agreed upon with the City
12 annually. The price per invoice was developed to cover costs to FHI including customer
13 service supervision, meter reading, customer billing, and collections. This is made up of
14 direct and indirect costs. Direct costs are allocated at 100% and indirect costs are based
15 on invoice-based cost driver methodologies (i.e. number of bills, tickets, and headcount).
16 Due to these amounts being tracked separately in the general ledger, allocation has been
17 noted at 100%. The costs are included in Appendix 2-N.

18 FHI considers the pricing methodology selected for both service agreements with the City
19 to be an accurate reflection of the cost involved for both contracts, with an appropriate
20 rate of return being considered and is in conformity with ARC.

21 **Building Rent**

22 The City's water department rents two bays within FHI's service center. An addendum to
23 the contract was completed September 1, 2023, to extend the lease for an additional
24 three years. An increase is applied annually based on the Ontario Rent Control
25 Guidelines.

26 FHSI rents a small portion of office space from FHI. An increase is applied each year
27 based on the Ontario Rent Control Guidelines.

1 Both original rental agreements were set up as market-based and are increased as noted
2 by the Ontario Rent Control Guidelines annually.

3 **Land Lease**

4 On January 1, 2020, a lease agreement was established for FHSI to lease a small portion
5 of land from FHI. This agreement lot is the location of a Data Centre owned by FHSI. The
6 amount that was originally agreed upon was market plus the cost of property taxes. Prior
7 to 2020 FHSI rented fibre room space from FHI for a monthly amount of \$3,500. Once
8 the Data Centre was built, the fibre room space was no longer required by FHSI which
9 demonstrates the decrease in revenue in 2020 and future years.

10 **Joint Pole**

11 As FHSI is a telecommunications provider and uses FHI poles for attachments it is subject
12 to the same joint pole fees as other telecommunication providers as prescribed by the
13 OEB.

14 Note that there are no Board of Director costs for affiliates included in FHI's costs.

15 A summary of Shared Services (2-N) is included in Table 4-19 below.

16

17

18

19

20

21

22

23

24

1

Table 4-19 Shared Services (2-N)

Year:

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$
FHI	Festival Hydro Services	Management Serv	Cost	\$53,964	\$53,964
FHI	Festival Hydro Services	Building & Land R	Market	\$53,738	\$53,738

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
<i>FHI</i>	<i>City of Stratford</i>	Street Light Mainte	Cost	100%	\$156,825
FHI	City of Stratford	Water/Sewage Bill	Cost	100%	\$474,860
FHI	City of Stratford	Building Rent	Market	100%	\$33,674

2

Year:

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$
FHI	Festival Hydro Services	Management Serv	Cost	\$63,960	\$63,960
FHI	Festival Hydro Services	Building & Land R	Market	\$49,355	\$49,355
FHI	Festival Hydro Services	Joint Pole	OEB fixed rate	\$36,140	

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
<i>FHI</i>	<i>City of Stratford</i>	Street Light Mainte	Cost	100%	\$94,822
FHI	City of Stratford	Water/Sewage Bill	Cost	100%	\$438,289
FHI	City of Stratford	Building Rent	Market	100%	\$34,213

3

Year:

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$
FHI	Festival Hydro Services	Management Serv	Cost	\$55,322	\$55,322
FHI	Festival Hydro Services	Building & Land R	Market	\$44,015	\$44,015
FHI	Festival Hydro Services	Joint Pole	OEB fixed rate	\$35,931	

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
<i>FHI</i>	<i>City of Stratford</i>	Street Light Mainte	Cost	100%	\$66,059
FHI	City of Stratford	Water/Sewage Bill	Cost	100%	\$479,848
FHI	City of Stratford	Building Rent	Market	100%	\$34,897

1

Year:

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$
FHI	Festival Hydro Services	Management Serv	Cost	\$52,251	\$52,251
FHI	Festival Hydro Services	Building & Land R	Market	\$43,798	\$43,798
FHI	Festival Hydro Services	Joint Pole	OEB fixed rate	\$35,721	

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
<i>FHI</i>	<i>City of Stratford</i>	Street Light Mainte	Cost	100%	\$88,951
FHI	City of Stratford	Water/Sewage Bill	Cost	100%	\$487,994
FHI	City of Stratford	Building Rent	Market	100%	\$35,420

2

Year:

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$
FHI	Festival Hydro Services	Management Serv	Cost	\$63,625	\$63,625
FHI	Festival Hydro Services	Building & Land R	Market	\$43,438	\$43,438
FHI	Festival Hydro Services	Joint Pole	OEB fixed rate	\$35,224	

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
<i>FHI</i>	<i>City of Stratford</i>	Street Light Maint	Cost	100%	\$141,637
FHI	City of Stratford	Water/Sewage Bill	Cost	100%	\$489,540
FHI	City of Stratford	Building Rent	Market	100%	\$36,058

1
2

Year:

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$
FHI	Festival Hydro Services	Management Serv	Cost	\$50,454	\$50,454
FHI	Festival Hydro Services	Building & Land R	Market	\$7,304	\$7,304
FHI	Festival Hydro Services	Joint Pole	OEB fixed rate	\$34,598	

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
<i>FHI</i>	<i>City of Stratford</i>	Street Light Maint	Cost	100%	\$139,364
FHI	City of Stratford	Water/Sewage Bill	Cost	100%	\$490,245
FHI	City of Stratford	Building Rent	Market	100%	\$29,942

3

Year:

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$
FHI	Festival Hydro Services	Management Serv	Cost	\$57,518	\$57,518
FHI	Festival Hydro Services	Building & Land R	Market	\$7,343	\$7,343
FHI	Festival Hydro Services	Joint Pole	OEB fixed rate	\$34,643	

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
<i>FHI</i>	<i>City of Stratford</i>	Street Light Mainte	Cost	100%	\$161,429
FHI	City of Stratford	Water/Sewage Bill	Cost	100%	\$494,093
FHI	City of Stratford	Building Rent	Market	100%	\$27,638

1

Year:

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$
FHI	Festival Hydro Services	Management Serv	Cost	\$64,850	\$64,850
FHI	Festival Hydro Services	Building & Land R	Market	\$7,360	\$7,360
FHI	Festival Hydro Services	Joint Pole	OEB fixed rate	\$34,643	

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
<i>FHI</i>	<i>City of Stratford</i>	Street Light Mainte	Cost	100%	\$125,418
FHI	City of Stratford	Water/Sewage Bill	Cost	100%	\$527,062
FHI	City of Stratford	Building Rent	Market	100%	\$31,477

2

Year:

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$
FHI	Festival Hydro Services	Management Serv	Cost	\$60,982	\$60,982
FHI	Festival Hydro Services	Building & Land R	Market	\$7,380	\$7,380
FHI	Festival Hydro Services	Joint Pole	OEB fixed rate	\$34,643	

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
FHI	City of Stratford	Street Light Maint	Cost	100%	\$149,367
FHI	City of Stratford	Water/Sewage Bill	Cost	100%	\$549,376
FHI	City of Stratford	Building Rent	Market	100%	\$36,851

1
2

Year:

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$
FHI	Festival Hydro Services	Management Serv	Cost	\$61,068	\$61,068
FHI	Festival Hydro Services	Building & Land R	Market	\$7,492	\$7,492
FHI	Festival Hydro Services	Joint Pole	OEB fixed rate	\$34,643	

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
FHI	City of Stratford	Street Light Maint	Cost	100%	\$156,088
FHI	City of Stratford	Water/Sewage Bill	Cost	100%	\$536,124
FHI	City of Stratford	Building Rent	Market	100%	\$37,404

3

Year:

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$
FHI	Festival Hydro Services	Management Services	Cost	\$60,982	\$60,982
FHI	Festival Hydro Services	Building & Land Rent	Market	\$7,531	\$7,531
FHI	Festival Hydro Services	Joint Pole	OEB fixed rate	\$34,643	

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
<i>FHI</i>	<i>City of Stratford</i>	Street Light Maintenance	Cost	100%	\$163,123
FHI	City of Stratford	Water/Sewage Billing	Cost	100%	\$539,532
FHI	City of Stratford	Building Rent	Market	100%	\$38,339

1

2 Under Shared Services, Management Services and Building and Land Rent are provided
 3 at the same price and cost for service. For cost based, the fully allocated cost has been
 4 included in both columns. For market based, there are limited additional and ongoing
 5 costs related to the spaces that are rented by FHSI and therefore the cost is fully
 6 recovered. Pre-2020 when FHSI rented the server building, the full cost including
 7 additional utilities that were required were covered by the rental charge. The joint pole
 8 revenue is based on the OEB fixed rate and there are minimal ongoing maintenance costs
 9 attributed to these revenues. The recovery covers a portion of the capital cost incurred.

10 Under Corporate Cost Allocation, the amounts recovered through streetlight maintenance
 11 and water/sewer billing and collecting are recovering the fully allocated costs attributed
 12 to this work. Streetlight maintenance is tracked through timesheets and material work
 13 orders and is marked up to ensure the cost is fully allocated. Water and sewer billing and
 14 collecting is allocating the full cost of the effort for billing, collecting and meter reading,
 15 and was supported by the third-party analysis. These costs are separated in the
 16 accounting general ledger to ensure that they are separate from utility operations.

1 Building rent is based on square footage of the allocated space and therefore is fully
 2 recovered within the cost of the market rent.

3

4 **Variance Analysis**

5 Table 4-20 below highlights the variance analysis between the 2015 Board approved
 6 figures and the most recent actual figures, 2023, compared to the 2025 Test Year for the
 7 shared services discussed above.

8 **Table 4-20 Shared Service Variances**

Item	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Services to FHSI	107,701	149,455	135,269	131,770	142,287	92,356	99,503	106,853	103,004	103,203	103,156
Services to City of Stratford	665,359	567,323	580,803	612,365	667,234	659,550	683,160	683,956	735,595	729,616	740,994
	773,060	716,778	716,072	744,135	809,521	751,906	782,663	790,809	838,599	832,819	844,150
Affiliation Portion 4210 from Other Revenue	87,411	119,708	114,843	114,939	114,720	71,843	69,623	73,480	78,874	79,539	80,513
Affiliation Portion 4375 from Other Revenue	685,649	597,071	601,229	629,196	694,801	680,062	713,039	717,330	759,725	753,280	763,637
	773,060	716,779	716,072	744,135	809,521	751,906	782,663	790,809	838,599	832,819	844,150

9

Item	2025 Test vs 2023 Actual	2025 Test vs 2015 Actual
Services to FHSI	152	(4,545)
Services to City of Stratford	5,399	71,635
	5,551	71,090

12 **2025 Test Year vs 2023 Actual**

13 There were no material variances between 2025 and 2023. The changes relate to
 14 expected inflationary increases.

15 **2025 Test Year vs 2015 Actual**

16 There were no material variances between 2025 and 2015 however the largest change
 17 related to Water and Sewer Billing to the City in the amount of \$65K due to cost per meter
 18 increasing after renegotiation, as well as, to a smaller degree, increases in customer
 19 count.

1 Considerable effort is made by FHI to ensure affiliates are charged properly and do not
2 any benefits as a result of their affiliation.

3 Table 4-19 includes the affiliate revenues provided in 2-N and compares it to the Other
4 Revenue included in Table 6-19 in Exhibit 6. The affiliate revenues are included in USoA
5 4375 and 4210. There are other, non-affiliate revenues included in those USoA accounts
6 which makes up the difference which are also detailed in Table 6-19.

7 **2.4.3.3 Purchases of Non-Affiliate Services**

8 FHI purchases supplies and services from third parties in order to distribute electricity to
9 its customers.

10 FHI's purchasing policy is provided in Attachment 4-4. FHI purchases equipment,
11 materials, and services in a cost-effective manner with full consideration given to price as
12 well as product quality, the ability to deliver on time, reliability, compliance with
13 engineering specifications and quality of services. Vendors are screened to ensure
14 knowledge, reputation, and the capability to meet FHI's needs. The procurement of goods
15 and services for FHI is carried out with the highest of ethical standards and consideration
16 to the public nature of the expenditures.

17 FHI's purchasing policy includes the following requirements:

- 18 • Purchases greater than \$50,000 must go out for tender.
- 19 • Purchases between \$2,500 and \$50,000 must receive a quote.
- 20 • Purchases between \$125 and \$2,500 must have a standard purchase order.
- 21 • Purchases less than \$125 must have a manager's approval.
- 22 • Sole or Single Source Procurement- There are specific or exceptional
23 circumstances whereby only one supplier or contractor is able or capable of providing
24 goods and services, or in emergency situations, where the competitive bidding
25 process cannot be followed. A Manager requesting sole or single source procurement
26 must justify following this exception by completion of a Sole or Single Procurement
27 Approval Form at time of the tender/quotation or annually as part of the annual

1 Purchase Order approval process. Failure to adequately plan work and resources
2 does not permit the acceptance of sole sourcing.

3 FHI confirms that it is fully compliant with its purchasing policy.

4 For 2024 and 2025, FHI anticipates that many of the same vendors will be used as in
5 prior years although it will continually search for new suppliers and materials to stay as
6 cost efficient as possible to ultimately benefit its customers.

7 **2.4.3.4 One-time Costs**

8

9 **Cost of Service Application**

10 FHI estimates that the total incremental costs associated with the COS Application will be
11 \$500,000, details are described in the Regulatory section of this Exhibit, Table 4-22, and
12 Appendix 2-M. One fifth of this amount has been included in the 2025 Test Year.

13

14

Table 4-22 One-Time Costs

One-Time Cost	Total Cost	2025 Test
Cost of Service Application	500,000	100,000

15

16 **2.4.3.5 Regulatory Costs**

17 Employees within the Finance department as well as the Regulatory Consultant shared
18 with ERTH are primarily responsible for preparing Regulatory Filings and Rate
19 Applications, completing audits, ensuring regulatory and legislative compliance, and
20 providing input to the various regulatory agencies. These employees also perform all
21 accounting functions with regard to any Regulatory accounts and budget preparation and
22 analysis.

23 FHI's other regulatory expenses include annual assessment fees paid to the OEB, cost
24 awards for hearings and proceedings and other matters before the regulatory body.

1 These costs have increased dramatically from the 2015 Board Approved amount of \$60K
 2 in FHI's last COS Application (EB-2014-0073). Since the increase to the Cost
 3 Assessment Model was announced in 2016, the excess fees have been included in a
 4 deferral account as permitted by the OEB. In 2025, the OEB Cost Assessment fee is now
 5 included in OM&A and budgeted to be \$116K.

6 The ongoing regulatory costs are no longer included in the OEB Appendix 2-M as of the
 7 2025 Appendices update.

8 **Table 4-23 Regulatory Costs (2-M)**

Regulatory Cost (One-Time)	Last Rebasing (2015 OEB Approved)	Last Rebasing (2015 Actual)	Sum Of Historical Years (2016- 2023)	2024 Bridge Year	2025 Test Year
	(A)	(B)	(C)	(D)	(E)
Expert Witness Costs			\$ -	\$ -	\$ -
Legal Costs	75,000	45,000	1,715	98,285	\$ -
Consultants' Costs	58,250	95,400	136,460	138,540	\$ -
Intervenor Costs	50,000	100,000	-	100,000	\$ -
OEB Section 30 Costs (application- related)				20,000	
Incremental operating expenses associated with staff and other resources	12,750	41,600	56	4,944	\$ -
Sub-Total One-Time Costs	196,000	282,000	138,231	361,769	-

9

Application-Related One-Time Costs	Total
Total One-Time Costs Related to Application to be Amortized over IRM Period	500,000
1/5 of Total One-Time Costs	100,000

12

13 FHI will incur significant costs for preparing processing and approval of this Application.
 14 The costs include consulting and legal fees, incremental expenses related to preparing
 15 the Application, and Intervenor/OEB Cost Awards as identified in Table 4-23, Board
 16 Appendix 2-M. The total cost for this Application is forecasted to be \$500,000. FHI
 17 forecasted \$100K for Legal Costs, \$275K for consultants, which includes the costs of
 18 Regulatory and Engineering Consulting as well as Customer Engagement assistance.
 19 FHI has included Incremental Costs in the preparation of this Application of \$5K. OEB
 20 and Intervenor expenses have been forecasted at \$20K and \$100K respectively. FHI

1 requests approval of these costs to be recovered over a five-year period. Therefore, in
 2 the 2025 Test Year, FHI has included \$100,000 in OM&A. Depending on the number of
 3 Intervenors, questions asked and outcomes of settlement FHI may update these costs
 4 prior to final settlement.

5 **2.4.3.6 Low-income Energy Assistance Programs (LEAP)**

6 FHI acknowledges that Account 6205 Donations are generally non-recoverable. FHI has
 7 included LEAP donations in a sub account of 6205. In 2015, FHI provided \$13,000 to the
 8 City of Stratford Social Services for LEAP funding. This amount has been increased
 9 annually by the IRM inflationary increase as shown below in Table 4-24. FHI has included
 10 \$15,630 in its 2024 Bridge Year and \$20,050 in the 2025 Test Year for LEAP funding and
 11 has included it as an OM&A recoverable expense.

12

13

Table 4-24 LEAP

Item	2015 Board Approved	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test
LEAP	\$ 13,000	\$ 13,000	\$ 13,200	\$ 13,410	\$ 13,510	\$ 13,650	\$ 13,860	\$ 30,060	\$ 14,550	\$ 15,000	\$ 15,630	\$ 20,050

14 FHI will continue to provide low-income customers with emergency financial assistance
 15 in the future. FHI included an estimate of \$20,050 in the 2025 Test Year, which is slightly
 16 lower than 0.12% of the 2025 Test Year Service Revenue Requirement. FHI understands
 17 that this amount will be adjusted based on the Final Service Revenue Requirement prior
 18 to the issuance of the Decision for this Application. For the purposes of this Rate
 19 Application, this amount has been included in USoA Account 6205 Donations, to ensure
 20 that it is captured appropriately in the Revenue Requirement.

21 **2.4.3.7 Charitable and Political Donations**

22 **Charitable and Political Donations**

23 FHI confirms that it has not included the recovery of charitable donations for the purpose
 24 of setting rates, apart from the LEAP program noted above. FHI has not historically made

1 political donations and therefore confirms that no political donations are included for
2 recovery.

3 **2.4.4 Conservation and Demand Management**

4 **2.4.4.1 Funding Options for Future Conservation and** 5 **Demand Management Activities**

6 FHI confirms that there are no costs related to CDM activities included in the revenue
7 requirement.

8

9

10

11

12

13

14

15



Attachment 4 - 1

Required OEB Appendices

Appendix 2-JB
Recoverable OM&A Cost Driver Table^{1,3}

OM&A	Last Rebasng Year (2015 Actuals)	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Opening Balance ²	\$ 5,188,507	\$ 5,354,477	\$ 5,743,002	\$ 5,698,824	\$ 6,387,564	\$ 6,114,102	\$ 6,177,972	\$ 6,144,863	\$ 6,881,608	\$ 7,604,454	\$ 8,369,252
Billing, Collecting and Office Costs	\$ 38,016	\$ 66,027	\$ 53,589	\$ 67,403	\$ 56,820	-\$ 37,701	\$ 84,059	-\$ 71,335	\$ 36,117	\$ 35,053	\$ 82,913
Board of Directors	\$ 6,354	\$ 1,834	\$ 5,783	-\$ 8,739	\$ 8,096	\$ 76,059	-\$ 18,990	\$ 16,188	-\$ 11,990	\$ 18,187	\$ 8,596
Labour & Burdens	\$ 37,705	-\$ 69,658	-\$ 29,038	\$ 357,788	\$ 174,627	-\$ 74,308	-\$ 104,019	\$ 180,072	\$ 472,443	\$ 508,175	\$ 595,295
Other Employee Costs (Training/Dev/Sup)	\$ 19,285	-\$ 3,168	-\$ 31,723	\$ 76,487	\$ 13,464	-\$ 55,512	-\$ 58,392	\$ 115,621	\$ 55,437	\$ 19,037	\$ 39,120
Contract Labour / Services	\$ 24,303	\$ 152,977	\$ 73,153	\$ 172,254	-\$ 340,923	-\$ 48,563	\$ 99,973	\$ 290,736	\$ 129,243	\$ 57,162	\$ 55,578
Software, Support and Maintenance Costs	\$ 400	-\$ 1,999	\$ 16,430	\$ 16,514	-\$ 9,593	\$ 46,086	\$ 13,162	\$ 45,086	\$ 56,803	\$ 61,849	\$ 162,011
Property Maintenance	\$ 6,907	\$ 66,354	\$ 10,981	-\$ 55,288	-\$ 23,506	\$ 45,596	-\$ 3,036	\$ 59,147	\$ 19,050	\$ 57,730	\$ 14,771
Third Party Services (Legal/Insur/Audit)	\$ 13,100	\$ 188,829	-\$ 185,340	\$ 51,039	-\$ 97,599	\$ 96,817	-\$ 2,570	\$ 53,590	\$ 93,913	-\$ 43,128	\$ 36,367
Operations Maintenance & Vehicles	\$ 19,900	-\$ 12,671	\$ 41,987	\$ 11,280	-\$ 54,847	\$ 15,396	-\$ 43,297	\$ 47,639	-\$ 55,937	\$ 50,732	\$ 66,359
Closing Balance ²	\$ 5,354,477	\$ 5,743,002	\$ 5,698,824	\$ 6,387,564	\$ 6,114,102	\$ 6,177,972	\$ 6,144,863	\$ 6,881,608	\$ 7,604,454	\$ 8,369,252	\$ 9,430,261

Notes:

- 1 For each year, a detailed explanation for each cost driver and associated amount is required in Exhibit 4.
- 2 Opening Balance for "Last Rebasng Year" (cell B15) should be equal to the OEB-Approved amount. For purposes of assessing incremental cost drivers, the closing balance for each year becomes the opening balance for the next year.
- 3 If it has been more than four years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than four years ago, a minimum of three years of actual information is required.

**Appendix 2-JC
 OM&A Programs Table**

Programs	Last Rebasin Year (2015 OEB- Approved)	Last Rebasin Year (2015 Actuals)	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year	Variance (Test Year vs. 2023 Actuals)	Variance (Test Year vs. Last Rebasin Year (2015 OEB- Approved))
	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Reporting Basis														
Operation														
Engineering and Metering	536,128	502,068	559,866	539,463	682,151	578,413	663,607	377,901	570,379	638,510	751,821	754,095	115,585	217,967
Vegetation Management	162,743	161,383	146,266	166,952	114,011	128,273	177,728	169,432	192,003	181,928	177,195	211,179	29,251	48,436
													0	0
													0	0
Sub-Total	698,871	663,452	706,132	706,415	796,163	706,686	841,335	547,333	762,382	820,437	929,016	965,273	144,836	266,402
Maintenance														
Building Maintenance	139,973	123,374	156,157	152,746	104,058	103,345	86,426	89,206	109,058	105,100	162,735	166,625	61,525	26,652
Customer Related O&M	893,803	926,768	924,029	1,012,369	1,090,836	1,185,690	1,045,951	1,142,221	1,279,356	1,266,102	1,465,007	1,550,467	284,365	656,664
Stations O&M	182,303	207,705	150,399	149,197	198,095	175,171	165,121	237,171	293,525	454,826	384,561	508,052	53,226	325,749
System O&M	367,807	339,302	321,307	351,644	479,090	300,197	420,443	430,175	481,641	403,331	470,598	491,521	88,189	123,714
													0	0
Sub-Total	1,583,886	1,597,150	1,551,893	1,665,956	1,872,079	1,764,404	1,717,941	1,898,774	2,163,580	2,229,360	2,482,901	2,716,665	487,305	1,132,779
Billing and Collecting														
Bad Debt	90,564	75,000	73,502	99,501	49,527	104,032	39,720	120,944	53,870	126,670	71,795	71,795	-54,875	-18,769
Customer Service, Billing, Collectin	1,122,253	1,176,776	1,223,668	1,174,239	1,140,176	1,156,331	1,170,230	1,173,528	1,230,731	1,321,753	1,471,579	1,636,724	314,971	514,471
													0	0
													0	0
Sub-Total	1,212,817	1,251,776	1,297,170	1,273,740	1,189,702	1,260,363	1,209,949	1,294,472	1,284,601	1,448,423	1,543,373	1,708,519	260,096	495,702
Community Relations														
Community Relations and Safety	21,188	22,114	20,980	23,647	19,099	16,853	21,971	10,750	10,863	10,907	18,689	29,729	18,822	8,541
LEAP	13,000	13,000	13,200	13,410	13,510	13,650	13,860	30,060	14,550	15,000	15,630	20,050	5,050	7,050
													0	0
													0	0
Sub-Total	34,188	35,114	34,180	37,057	32,609	30,503	35,831	40,810	25,413	25,907	34,319	49,779	23,872	15,591
Administrative and General														
Administration, Third Party, Softwa	1,374,058	1,465,972	1,818,347	1,698,002	2,070,149	1,928,280	1,921,037	1,967,521	2,161,258	2,559,499	2,791,182	3,148,868	589,370	1,774,810
Insurance, Benefits and Employee	145,257	105,369	131,279	150,037	208,151	179,087	194,461	179,504	185,490	192,381	238,215	285,855	93,474	140,598
Regulatory	120,203	138,889	165,982	111,891	135,864	170,726	121,425	89,514	172,019	176,966	206,308	400,624	223,659	280,421
Property Taxes	19,225	96,756	38,017	55,726	82,847	74,054	135,993	126,934	126,868	151,482	143,937	154,677	3,195	135,452
													0	0
Sub-Total	1,658,743	1,806,986	2,153,626	2,015,656	2,497,011	2,352,147	2,372,916	2,363,473	2,645,634	3,080,327	3,379,642	3,990,025	909,698	2,331,282
Miscellaneous													0	0
Total	5,188,505	5,354,477	5,743,002	5,698,824	6,387,564	6,114,102	6,177,972	6,144,863	6,881,608	7,604,454	8,369,252	9,430,261	1,825,807	4,241,756

Notes:

- Please provide a breakdown of the major components of each OM&A Program undertaken in each year. Please ensure that all programs below the materiality threshold are included in the miscellaneous line. Add more Programs as required.
- The applicant should group projects appropriately and avoid presentations that result in classification of significant components of the OM&A budget in the miscellaneous category

File Number: EB-2024-0023
 Exhibit: 4
 Tab:
 Schedule:
 Page:
 Date:

Appendix 2-JD
 OM&A Programs Table

USoA Account Name	Last Rebasings Year (2015 OEB- Approved)	Last Rebasings Year (2015 Actuals)	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year	Variance (Test Year vs. 2023 Actuals)	Variance (Test Year vs. Last Rebasings Year (2015 OEB- Approved))
	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Reporting Basis														
Operation Supervision and Engineering	153,572	153,779	199,214	110,235	275,950	187,083	272,542	66,001	126,028	243,931	291,276	260,586	16,655	107,014
Load Dispatching	28,681	49,168	54,777	54,943	60,698	52,572	73,209	109,891	108,536	88,599	94,024	129,388	40,789	100,707
Station Buildings and Fixtures Expense	11,557	11,602	11,618	10,019	8,885	19,378	30,693	23,960	26,360	32,971	33,329	45,701	12,730	34,144
Transformer Station Equipment - Operation Labour		7,387	603	4,103	2,611	7,082	2,056	8,030	57,109	168,855	150,479	157,012	-11,843	157,012
Transformer Station Equipment - Operation Supplies and Expense	140,000	133,931	73,875	79,084	102,597	63,908	46,162	52,853	58,275	59,304	64,181	66,758	7,454	-73,242
Distribution Station Equipment - Operation Labour		0	83	0	0	0	0	0	0	0			0	0
Distribution Station Equipment - Operation Supplies and Expenses		0	0	0	0	0	0	0	0	0			0	0
Overhead Distribution Lines and Feeders - Operation Labour	22,620	19,541	11,929	12,191	12,563	20,422	42,352	23,661	19,565	17,279	27,441	27,001	9,722	4,381
Overhead Distribution Lines and Feeders - Operation Supplies and	23,211	22,268	41,620	23,985	35,176	26,078	38,835	32,709	43,708	35,141	47,091	54,123	18,982	30,912
Overhead Subtransmission Feeders - Operation		0	0	0	0	0	0	0	0	0			0	0
Overhead Distribution Transformers - Operation	10,018	6,894	5,640	8,900	13,743	7,314	2,769	4,828	2,481	4,659	6,680	6,571	1,912	-3,447
Underground Distribution Lines and Feeders - Operation Labour	2,704	1,007	3,732	7,475	6,323	5,572	2,379	3,547	2,575	4,037	3,368	3,314	-723	610
Underground Distribution Lines and Feeders - Operation Supplies	281	283	223	213	324	319	306	311	457	408	456	479	71	198
Underground Subtransmission Feeders - Operation		0	0	0	0	0	0	0	0	0			0	0
Underground Distribution Transformers - Operation	22,943	3,008	6,516	9,603	16,978	14,578	9,820	8,515	13,072	7,347	15,605	16,353	9,006	-6,590
Street Lighting and Signal System Expense		0	0	0	0	0	0	0	0	0			0	0
Meter Expense	318,595	271,870	264,761	343,672	322,899	299,986	282,484	167,207	263,742	233,530	286,988	314,841	81,311	-3,754
Customer Premises - Operation Labour	179,800	186,536	182,949	179,092	217,496	196,834	148,766	188,676	199,902	197,019	243,006	250,840	53,821	71,040
Customer Premises - Materials and Expenses	1,497	6,704	7,058	7,572	5,689	8,230	4,951	6,192	6,928	19,514	9,142	17,589	-1,915	16,102
Miscellaneous Distribution Expense	1,980	2,099	6,373	6,646	6,326	10,504	6,601	8,031	13,720	5,302	6,396	7,416	-2,114	5,436
Underground Distribution Lines and Feeders - Rental Paid		0	0	0	0	0	0	0	0	0			0	0
Overhead Distribution Lines and Feeders - Rental Paid	7,341	5,564	7,989	14,262	4,564	11,087	13,543	6,322	8,763	9,318	10,202	10,568	1,250	3,227
Other Rent		0	0	0	0	0	0	0	0	0			0	0
Distribution Expenses - Maintenance														
Maintenance Supervision and Engineering														
Maintenance of Structures	2,065	4,947	8,741	1,048	8,170	11,534	3,922	13,440	16,934	24,543	32,548	16,092	-8,451	14,027
Maintenance of Transformer Station Equipment		0	0	0	0	20,897	8,150	28,998	26,184	77,605	10,000	91,100	13,495	91,100
Maint Dist Stn Equip		671	703	0	15,133	0	930	0	127	2,950	0	2,000	-950	2,000
Maintenance of Poles, Towers and Fixtures	62,760	64,493	11,218	55,740	34,228	58,910	54,334	71,949	113,835	77,875	70,619	70,712	-7,163	7,952
Maintenance of Overhead Conductors and Devices	92,148	79,683	97,042	95,605	113,475	96,232	109,766	86,424	111,440	104,263	124,259	123,648	19,385	31,500
Maintenance of Overhead Services	638,014	673,941	679,353	741,450	772,052	870,841	814,964	806,693	907,488	897,069	1,063,171	1,133,279	236,209	495,265
Overhead Distribution Lines and Feeders - Right of Way	162,743	161,383	146,266	166,952	114,011	128,273	177,728	169,432	192,003	181,928	177,195	211,179	29,251	48,436
Maintenance of Underground Conduit	17,477	23,298	11,088	16,245	32,379	25,404	39,214	42,290	35,270	34,373	33,892	33,840	-533	16,363
Maintenance of Underground Conductors and Devices	77,124	94,793	99,792	86,916	125,343	67,614	78,332	99,653	86,327	78,777	94,943	107,649	28,872	30,525
Maintenance of Underground Services	74,492	59,586	54,670	84,254	95,599	109,786	77,270	140,661	165,037	152,500	149,688	148,750	-3,750	74,258
Maintenance of Line Transformers	27,200	16,370	18,147	13,963	77,668	-43,837	22,191	41,935	30,428	24,553	29,645	29,848	5,294	2,648
Maintenance of Street Lighting and Signal Systems		0	0	0	0	0	0	0	0	0			0	0
Sentinel Lights - Labour		0	0	0	0	0	0	0	0	0			0	0
Sentinel Lights - Materials and Expenses		0	0	0	0	0	0	0	0	0			0	0
Maintenance of Meters	63,961	76,419	95,891	85,555	83,302	91,344	108,581	144,693	180,609	161,048	173,557	178,667	17,619	114,706
Customer Installations Expenses - Leased Property		0	0	0	0	0	0	0	0	0			0	0
Maintenance of Other Installations on Customer Premises		0	0	0	0	0	0	0	0	0			0	0
Other Expenses														
Purchase of Transmission and System Services														
Transmission Charges														
Transmission Charges Recovered														
Billing and Collecting														
Supervision	29,167	31,280	27,535	26,680	29,730	51,419	83,485	50,148	67,148	77,354	81,188	85,594	8,240	56,427
Meter Reading Expense	251,400	236,772	234,863	250,860	220,672	223,862	224,735	225,984	229,305	232,638	224,240	265,211	32,573	13,811
Customer Billing	555,021	561,371	623,205	577,068	568,056	598,949	595,825	639,161	671,770	708,003	841,420	938,614	230,612	383,593
Collecting	176,104	191,797	182,156	154,725	145,154	132,895	120,191	113,433	129,295	149,071	159,862	171,583	22,512	-4,521
Collecting - Cash Over and Short		0	0	0	0	0	0	0	0	0			0	0
Collection Charges	-51,365	0	0	0	0	0	0	0	0	0			0	51,365
Bad Debt Expense	90,564	75,000	73,502	99,501	49,527	104,032	39,720	120,944	53,870	126,670	71,795	71,795	-54,875	-18,769
Miscellaneous Customer Accounts Expenses	161,926	155,555	154,477	163,931	175,589	148,216	144,978	143,787	132,098	154,688	163,680	174,474	19,787	12,548
Community Relations													0	0
Supervision			1,432	975	975	990	1,015	1,015	1,115		1,188	1,248	1,248	1,248

Community Relations - Sundry	774			0	0									0	-774
Energy Conservation				0	0									0	0
Community Safety Program	10,475	11,632	8,468	12,425	8,770	6,423	11,253				7,689	18,179	18,179	7,704	7,704
Miscellaneous Customer Service and Informational Expenses					0									0	0
Sales Expenses														0	0
Supervision														0	0
Demonstrating and Selling Expense														0	0
Advertising Expense														0	0
Miscellaneous Sales Expense														0	0
Administrative and General Expenses														0	0
Executive Salaries and Expenses	280,476	632,673	686,040	750,264	870,444	953,207	983,543	926,808	1,063,300	1,474,378	1,783,566	2,032,174	557,796	1,751,698	1,751,698
Management Salaries and Expenses	418,549	0	0	0	0	0	0	0	0	0	0	0	0	0	-418,549
General Administrative Salaries and Expenses	398,460	452,914	445,575	508,696	498,216	481,847	511,467	544,383	578,681	509,064	437,145	457,694	-51,370	59,234	59,234
Office Supplies and Expenses	173,865	177,408	197,717	188,081	182,176	183,262	173,797	193,537	209,718	228,595	261,138	292,347	63,752	118,482	118,482
Administrative Expense Transferred-Credit		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Outside Services Employed	69,375	93,678	371,172	101,581	363,438	177,818	103,693	148,308	156,165	197,067	182,000	221,100	24,033	151,725	151,725
Property Insurance	30,224	0	0	0	0	0	0	0	0	0	0	0	0	0	-30,224
Injuries and Damages	53,563	34,543	47,180	45,844	85,858	51,252	55,757	47,939	54,708	61,866	86,876	104,251	42,385	50,688	50,688
Employee Pensions and Benefits	61,470	70,826	84,100	104,194	122,293	127,835	138,704	131,565	130,782	130,515	151,340	181,604	51,089	120,134	120,134
OPEB	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Franchise Requirements		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Regulatory Expenses	120,203	138,889	165,982	111,891	135,864	170,726	121,425	89,514	172,019	176,966	206,308	400,624	223,659	280,421	280,421
General Advertising Expenses		0	2,028	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous Expenses	33,333	109,298	117,843	149,380	155,874	132,146	148,537	154,485	153,393	150,395	127,333	145,554	-4,841	112,221	112,221
Rent	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Maintenance of General Plant	139,973	123,374	156,157	152,746	104,058	103,345	86,426	89,206	109,058	105,100	162,735	166,625	61,525	26,652	26,652
Electrical Safety Authority Fees	9,939	10,482	10,484	11,222	10,329	10,430	10,718	10,750	10,863	10,907	11,000	11,550	643	1,611	1,611
Independent Market Operator Fees and Penalties		0	0	0	0	0	0	0	0	0	0	0	0	0	0
OM&A Contra Account		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Taxes														0	0
Taxes other Than Income Taxes	19,225	96,756	38,017	55,726	82,847	74,054	135,993	126,934	126,868	151,482	143,937	154,677	3,195	135,452	135,452
Other Deductions														0	0
Donations - LEAP	13,000	13,000	13,200	13,410	13,510	13,650	13,860	30,060	14,550	15,000	15,630	20,050	5,050	7,050	7,050
Miscellaneous														0	0
Total	5,188,505	5,354,477	5,743,002	5,698,824	6,387,564	6,114,102	6,177,972	6,144,863	6,881,608	7,604,454	8,369,252	9,430,261	1,825,807	4,241,756	4,241,756

Notes:

- 1 Please provide a breakdown of the major components of each OM&A Program undertaken in each year. Please ensure that all programs below the materiality threshold are included in the miscellaneous line. Add more Programs as required.
- 2 The applicant should group projects appropriately and avoid presentations that result in classification of significant components of the OM&A budget in the miscellaneous category

TO BE UPDATED AT THE DRAFT RATE ORDER STAGE

Appendix 2-K
 Employee Costs

	Last Rebasings Year 2015 - OEB Approved	Last Rebasings Year (2015 Actuals)	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
Number of Employees (FTEs including Part-Time)¹												
Management (including executive)	11	11	11	10	10	10	10	11	11	12	12	12
Non-Management (union and non-union)	34	32	29	28	31	32	32	30	31	32	32	33
Total	45	43	40	38	41	42	42	41	42	44	44	45
Total Salary and Wages including overtime and incentive pay												
Management (including executive)	\$ 1,135,863	\$ 1,136,769	\$ 1,219,051	\$ 1,208,555	\$ 1,266,679	\$ 1,287,655	\$ 1,298,176	\$ 1,314,153	\$ 1,428,590	\$ 1,608,077	\$ 1,944,130	\$ 2,053,406
Non-Management (union and non-union)	\$ 2,489,336	\$ 2,199,145	\$ 2,083,515	\$ 2,075,783	\$ 2,287,731	\$ 2,391,768	\$ 2,333,651	\$ 2,245,708	\$ 2,260,122	\$ 2,384,434	\$ 2,741,716	\$ 2,848,132
Total	\$ 3,625,199	\$ 3,335,914	\$ 3,302,566	\$ 3,284,338	\$ 3,554,410	\$ 3,679,423	\$ 3,631,827	\$ 3,559,861	\$ 3,688,712	\$ 3,992,511	\$ 4,685,846	\$ 4,901,538
Total Benefits (Current + Accrued)												
Management (including executive)	\$ 263,139	\$ 345,455	\$ 369,657	\$ 351,638	\$ 365,185	\$ 346,131	\$ 363,935	\$ 399,137	\$ 408,778	\$ 501,749	\$ 605,293	\$ 700,884
Non-Management (union and non-union)	\$ 599,136	\$ 808,104	\$ 735,265	\$ 740,288	\$ 814,966	\$ 885,518	\$ 829,269	\$ 771,777	\$ 821,733	\$ 898,329	\$ 837,845	\$ 966,742
Total	\$ 862,275	\$ 1,153,559	\$ 1,104,922	\$ 1,091,926	\$ 1,180,151	\$ 1,231,649	\$ 1,193,204	\$ 1,170,914	\$ 1,230,511	\$ 1,400,078	\$ 1,443,138	\$ 1,667,626
Total Compensation (Salary, Wages, & Benefits)												
Management (including executive)	\$ 1,399,002	\$ 1,482,224	\$ 1,588,708	\$ 1,560,193	\$ 1,631,864	\$ 1,633,786	\$ 1,662,111	\$ 1,713,290	\$ 1,837,368	\$ 2,109,826	\$ 2,549,423	\$ 2,754,290
Non-Management (union and non-union)	\$ 3,088,472	\$ 3,007,249	\$ 2,818,780	\$ 2,816,071	\$ 3,102,697	\$ 3,277,286	\$ 3,162,920	\$ 3,017,485	\$ 3,081,855	\$ 3,282,763	\$ 3,579,561	\$ 3,814,874
Total	\$ 4,487,474	\$ 4,489,473	\$ 4,407,488	\$ 4,376,264	\$ 4,734,561	\$ 4,911,072	\$ 4,825,031	\$ 4,730,775	\$ 4,919,223	\$ 5,392,589	\$ 6,128,984	\$ 6,569,164
Total Compensation Breakdown (Capital, OM&A)												
OM&A	\$ 3,895,712	\$ 3,921,315	\$ 3,895,960	\$ 3,812,902	\$ 4,132,887	\$ 4,392,346	\$ 4,452,016	\$ 4,184,652	\$ 4,408,314	\$ 4,850,715	\$ 5,573,887	\$ 6,069,904
Capital	\$ 591,762	\$ 568,158	\$ 511,528	\$ 563,362	\$ 601,674	\$ 518,726	\$ 373,015	\$ 546,123	\$ 510,909	\$ 541,874	\$ 555,097	\$ 499,260
Total	\$ 4,487,474	\$ 4,489,473	\$ 4,407,488	\$ 4,376,264	\$ 4,734,561	\$ 4,911,072	\$ 4,825,031	\$ 4,730,775	\$ 4,919,223	\$ 5,392,589	\$ 6,128,984	\$ 6,569,164

Note:

1. If an applicant wishes to use headcount, it must also file the same schedule on an FTE basis.

**Appendix 2-L
 Recoverable OM&A Cost per Customer and per FTE ¹**

	Last Rebasing Year 2015 - OEB Approved	Last Rebasing Year (2015 Actuals)	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
Reporting Basis												
OM&A Costs												
O&M	\$ 2,142,783	\$ 2,137,227	\$ 2,101,868	\$ 2,219,625	\$ 2,564,184	\$ 2,367,745	\$ 2,472,850	\$ 2,356,901	\$ 2,816,904	\$ 2,944,697	\$ 3,249,182	\$ 3,515,313
Admin Expenses ⁶	\$ 3,045,722	\$ 3,217,250	\$ 3,641,134	\$ 3,479,199	\$ 3,823,380	\$ 3,746,358	\$ 3,705,122	\$ 3,787,962	\$ 4,064,705	\$ 4,659,757	\$ 5,120,069	\$ 5,914,948
Total Recoverable OM&A from Appendix 2-JB ⁵	\$ 5,188,505	\$ 5,354,477	\$ 5,743,002	\$ 5,698,824	\$ 6,387,564	\$ 6,114,102	\$ 6,177,972	\$ 6,144,863	\$ 6,881,608	\$ 7,604,454	\$ 8,369,252	\$ 9,430,261
Number of Customers ^{2,4}	27,375	27,298	27,542	27,833	28,101	28,205	28,277	28,558	28,919	29,267	29,547	29,832
Number of FTEs ^{3,4}	45	43	40	38	41	42	42	41	42	44	44	45
Customers/FTEs	608	635	689	732	685	672	673	697	689	665	672	663
OM&A cost per customer												
O&M per customer	\$78	\$78	\$76	\$80	\$91	\$84	\$87	\$83	\$97	\$101	\$110	\$118
Admin per customer	\$111	\$118	\$132	\$125	\$136	\$133	\$131	\$133	\$141	\$159	\$173	\$198
Total OM&A per customer	\$190	\$196	\$209	\$205	\$227	\$217	\$218	\$215	\$238	\$260	\$283	\$316
OM&A cost per FTE												
O&M per FTE	\$47,617	\$49,703	\$52,547	\$58,411	\$62,541	\$56,375	\$58,877	\$57,485	\$67,069	\$66,925	\$73,845	\$78,118
Admin per FTE	\$67,683	\$74,820	\$91,028	\$91,558	\$93,253	\$89,199	\$88,217	\$92,389	\$96,779	\$105,904	\$116,365	\$131,443
Total OM&A per FTE	\$115,300	\$124,523	\$143,575	\$149,969	\$155,794	\$145,574	\$147,095	\$149,875	\$163,848	\$172,828	\$190,210	\$209,561

Notes:

- 1 If it has been more than four years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than four years ago, a minimum of three years of actual information is required.
- 2 The method of calculating the number of customers must be identified. Should correspond with data provided in Appendix 2-IB.
- 3 The method of calculating the number of FTEs must be identified. See also Appendix 2-K.
- 4 The number of customers and the number of FTEs should correspond to mid-year or average of January 1 and December 31 figures.
- 5 For the test year, the applicant should take into account the system O&M (line 24 of Appendix 2-AB) in developing its forecasted OM&A.

TO BE UPDATED AT THE DRAFT RATE ORDER STAGE

File Number: EB-2024-0023
 Exhibit: 4
 Tab:
 Schedule: Table 4-22
 Page: 52
 Date: 26-Apr-24

**Appendix 2-M
 Regulatory Cost Schedule**

Regulatory Costs (One-Time)		Last Rebasing (2015 OEB Approved)	Last Rebasing (2015 Actual)	Sum Of Historical Years (2016-2023)	2024 Bridge Year	2025 Test Year
		(A)	(B)	(C)	(D)	(E)
1	Expert Witness costs					
2	Legal costs	75,000	45,000	1,715	98,285	
3	Consultants' costs	58,250	95,400	136,460	138,540	
4	Intervenor costs	50,000	100,000	0	100,000	
5	OEB Section 30 Costs (application-related)				20,000	
6	Incremental operating expenses associated with s	12,750	41,600	56	4,944	
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28	Sub-total - One-time Costs	\$ 196,000	\$ 282,000	\$ 138,231	\$ 361,769	\$ -

Application-Related One-Time Costs	Total (F =C+D+E)
Total One-Time Costs Related to Application to be Amortized over IRM Period	\$ 500,000
1/5 of Total One-Time Costs	\$ 100,000

Notes:

- ¹ For incremental operating expenses with staff/other resources allocated to this application use one of the other categories to record the cost

File Number:	EB-2024-0023
Exhibit:	
Tab:	
Schedule:	Table 4-18
Page:	43-48
Date:	26-Apr-24

Appendix 2-N

Shared Services and Corporate Cost Allocation ¹

Note:

1 This appendix must be completed in relation to each service provided or received for the Historical (actuals), Bridge and Test years. The required information includes:

· ***Type of Service:***

Services such as billing, accounting, payroll, etc. The applicant must identify any costs related to the Board of Directors of the parent company that are allocated to the applicant.

· ***Pricing Methodology:***

Pricing Methodology includes approaches such as cost-base, market-base, tendering, etc. The applicant must provide evidence demonstrating the pricing methodology used. The applicant must also provide a description of why that pricing methodology was chosen, whether or not it is in conformity with ARC, and why it is appropriate.

· ***% Allocation:***

The applicant must provide the percentage of the costs allocated to the entity for the service being offered. The Applicant must also provide a description of the allocator and why it is an appropriate allocator.

Year:

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$
FHI	Festival Hydro Services	Management Servi	Cost	\$53,964	\$53,964
FHI	Festival Hydro Services	Building & Land Re	Market	\$53,738	\$53,738

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
<i>FHI</i>	<i>City of Stratford</i>	Street Light Mainte	Cost	100%	\$156,825
FHI	City of Stratford	Water/Sewage Billi	Cost	100%	\$474,860
FHI	City of Stratford	Building Rent	Market	100%	\$33,674



Attachment 4 - 2

2022 Full & 2023 Updated AFE

Actuarial Consulting Report

ACTUARIAL CERTIFICATION

An actuarial valuation has been performed on the post-retirement non-pension benefit plans sponsored by Festival Hydro Inc. (the "Corporation") as at December 31, 2022, for the purposes described in this report.

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

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

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

The latest date on which the next actuarial valuation should be performed is December 31, 2025. If any supplemental advice or explanation is required, please advise the undersigned.

Respectfully submitted,

RSM CANADA CONSULTING LP



Stanley Caravaggio, FSA, FCIA
Director

Toronto, Ontario

January 26, 2023



1/26/2023

Festival Hydro Inc.
Estimated Benefit Expense (IAS 19)
Consolidated

	Actuals CY 2022 *	Projected ** CY 2023	Projected ** CY 2024	Projected ** CY 2025
Discount Rate at January 1	3.00%	5.05%	5.05%	5.05%
Discount Rate at December 31	5.05%	5.05%	5.05%	5.05%
Health Benefit Cost Trend Rate at December 31	4.70%	4.90%	5.10%	5.30%
Dental Benefit Cost Trend Rate at December 31	4.90%	5.10%	5.40%	5.60%
Long Term Health and Dental Benefit Cost Trend Rate	4.00%	4.00%	4.00%	4.00%
First Year Of Long Term Health and Dental Benefit Cost Trend Rate	2040	2040	2040	2040
Assumed Increase in Employer Contributions	Actual	Expected ***	Expected ***	Expected ***

A. Change in the Net Defined Benefit Liability/(Asset) Recognized in Balance Sheet

Net Defined Benefit Liability/(Asset) as at January 1	1,361,643	1,009,878	974,248	961,452
Defined Benefit Cost Recognized in Income Statement	75,211	71,634	71,708	69,353
Defined Benefit Cost Recognized in Other Comprehensive Income	(303,258)	-	-	-
Benefits Paid by the Employer	(123,718)	(107,264)	(84,504)	(77,353)
Net Defined Benefit Liability/(Asset) as at December 31	1,009,878	974,248	961,452	953,452

B. Determination of Defined Benefit Cost

B1. Determination of Defined Benefit Cost Recognized in Income Statement

Current Service Cost	36,217	23,310	24,617	22,729
Interest Cost	38,994	48,324	47,091	46,624
Defined Benefit Cost Recognized in Income Statement	75,211	71,634	71,708	69,353

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

Net Actuarial Loss/(Gain) arising from Changes in Financial Assumptions	(245,639)	-	-	-
Net Actuarial Loss/(Gain) arising from Changes in Demographic Assumptions	(2,949)	-	-	-
Net Actuarial Loss/(Gain) arising from Experience Adjustments	(54,670)	-	-	-
Return on Plan Assets (Excluding Amounts Included in Net Interest Cost)	-	-	-	-
Change in Effect of Asset Ceiling	-	-	-	-
Defined Benefit Cost Recognized in Other Comprehensive Income	(303,258)	-	-	-
Total Defined Benefit Cost	(228,047)	71,634	71,708	69,353

C. Change in the Present Value of Defined Benefit Obligation

Present Value of Defined Benefit Obligation as at January 1	1,361,643	1,009,878	974,248	961,452
Current Service Cost	36,217	23,310	24,617	22,729
Interest Cost	38,994	48,324	47,091	46,624
Benefits Paid	(123,718)	(107,264)	(84,504)	(77,353)
Net Actuarial Loss/(Gain)	(303,258)	-	-	-
Present Value of Defined Benefit Obligation as at December 31	1,009,878	974,248	961,452	953,452

* The expected December 31, 2022 PV DBO and CY 2022 defined benefit cost are calculated based on membership data as at December 31, 2019 and management's best estimate assumptions at December 31, 2021.

** Projected CY 2023, 2024 and 2025 results are provided for informational purposes only. Significant changes such as re-negotiated benefits, increased benefit costs, or significant swings in demographics may require revised projections or a full actuarial review.

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



Festival Hydro Inc.
Estimated Benefit Expense (IAS 19)
Consolidated

	Actuals CY 2022 *	Projected ** CY 2023	Projected ** CY 2024	Projected ** CY 2025
Discount Rate at January 1	3.00%	5.05%	5.05%	5.05%
Discount Rate at December 31	5.05%	5.05%	5.05%	5.05%
Health Benefit Cost Trend Rate at December 31	4.70%	4.90%	5.10%	5.30%
Dental Benefit Cost Trend Rate at December 31	4.90%	5.10%	5.40%	5.60%
Long Term Health and Dental Benefit Cost Trend Rate	4.00%	4.00%	4.00%	4.00%
First Year Of Long Term Health and Dental Benefit Cost Trend Rate	2040	2040	2040	2040
Assumed Increase In Employer Contributions	Actual	Expected ***	Expected ***	Expected ***

D. Calculation of Component Items

Interest Cost

Present Value of Defined Benefit Obligation as at January 1	1,361,643	1,009,878	974,248	961,452
Benefits Paid	(61,859)	(53,632)	(42,252)	(38,677)
Accrued Benefits	1,299,784	956,246	931,996	922,776
Interest Cost	38,994	48,324	47,091	46,624

Expected Present Value of Defined Benefit Obligation as at December 31

Present Value of Defined Benefit Obligation as at January 1	1,361,643	1,009,878	974,248	961,452
Current Service Cost	36,217	23,310	24,617	22,729
Benefits Paid	(123,718)	(107,264)	(84,504)	(77,353)
Interest Cost	38,994	48,324	47,091	46,624
Expected Present Value of Defined Benefit Obligation as at December 31	1,313,136	974,248	961,452	953,452

E. Net Actuarial Loss/(Gain)

Net Actuarial Loss/(Gain) as at December 31

Expected Present Value of Defined Benefit Obligation	1,313,136	974,248	961,452	953,452
Actual Present Value of Defined Benefit Obligation	1,009,878	974,248	961,452	953,452
Net Actuarial Loss/(Gain) as at December 31	(303,258)	-	-	-

* The expected December 31, 2022 PV DBO and CY 2022 defined benefit cost are calculated based on membership data as at December 31, 2019 and management's best estimate assumptions at December 31, 2021.

** Projected CY 2023, 2024 and 2025 results are provided for informational purposes only. Significant changes such as re-negotiated benefits, increased benefit costs, or significant swings in demographics may require revised projections or a full actuarial review.

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



RSM Canada Consulting LP

11 King St W
Suite 700, Box 27
Toronto, ON M5H 4C7

T +1 416 480 0160
F +1 416 480 2646

www.rsmcanada.com

January 15, 2024

DELIVERED BY E-MAIL: jiles@festivalhydro.com

Mr. Jake Iles, CPA, CA
Finance and Regulatory Manager
Festival Hydro Inc.
187 Erie St
Stratford, ON N5A 2M6

Dear Mr. Iles:

**Re: Festival Hydro Inc. (“the Corporation”) –
Actuarial Extrapolation as at December 31, 2023: Post-Retirement Non-Pension
Benefit Plan**

RSM Canada Consulting LP has been engaged by the Corporation to provide an update to the accounting extrapolations regarding the Corporation’s post-retirement non-pension benefits for fiscal year ending December 31, 2023. Attached are accounting exhibits providing the results of the roll-forward of the Corporation’s liabilities of post-retirement non-pension benefits for fiscal year 2023. Also included in the exhibits, for illustrative purposes only, are extrapolations for fiscal years 2024 and 2025.

The most recent full actuarial valuation performed for the Corporation was at December 31, 2022 with our final report dated January 26, 2023 provided to the Corporation.

The intended users of this letter and attachments include the Corporation and its auditors for financial reporting in compliance with the accounting guidelines in respect of its post-retirement non-pension benefit plan for FY 2023. The calculations were performed in accordance with the International Financial Reporting Standards (IFRS) guidelines, specifically International Accounting Standards 19 (IAS 19) Employee Benefits.

Our calculations are based on the same benefit plan provisions, data, assumptions, and methodology as summarized in our actuarial valuation report at December 31, 2022, with the exception of the discount rate assumption chosen by management. The discount rate was changed from 5.05% per annum at December 31, 2022 to 4.60% per annum at December 31, 2023. The discount rate assumption is based on the projected benefit cash flows for the post-retirement non-pension benefits of the Corporation and the Fiera Capital yield curve for December 31, 2023.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

We note that the extrapolations for fiscal year 2023 incorporate actual payments made by the Corporation in respect of retiree benefits, including post-retirement non-pension health, dental and life benefits of **\$112,576**. The amount was provided by the Corporation. The difference between the actual benefit payment and expected benefit payment results in an increase in the liability of **\$5,311**.

In addition to the attached accounting exhibits which contain the detailed extrapolation, we have also provided sensitivity analysis at December 31, 2023 below. The sensitivity analysis shows the change in the present value of the defined benefit obligation at December 31, 2023 by increasing or decreasing the discount rate and claim cost trend rates by 1% increments. The sensitivity is done separately for each assumption, while keeping other assumptions the same.

	Base	Discount Rate +1%	Discount Rate -1%	Trend +1%	Trend -1%
PV DBO @ Dec. 31, 2023	1,024,500	919,000	1,155,400	1,057,800	994,600
% Difference		-10%	13%	3%	-3%

We are not aware of any subsequent events that would have a significant impact on the results of our calculations contained herein.

If you have any questions regarding the above or the attached exhibits, please do not hesitate to give us a call.

Yours truly,

A handwritten signature in black ink that reads "Stanley Caravaggio".

Stanley Caravaggio, FSA, FCIA
Director, Actuarial Services
[Telephone: 416.408.5306]
[E-mail: stanley.caravaggio@rsmcanada.com]

SC:ecs

Copy: Jamie Wong, Erica Zhao, Cecilia Cao (RSM Canada)

Festival Hydro Inc.
Estimated Benefit Expense (IAS 19)
Consolidated

	Actuals CY 2023 *	Projected ** CY 2024	Projected ** CY 2025
Discount Rate at January 1	5.05%	4.60%	4.60%
Discount Rate at December 31	4.60%	4.60%	4.60%
Health Benefit Cost Trend Rate at December 31	4.90%	5.10%	5.30%
Dental Benefit Cost Trend Rate at December 31	5.10%	5.40%	5.60%
Long Term Health and Dental Benefit Cost Trend Rate	4.00%	4.00%	4.00%
First Year Of Long Term Health and Dental Benefit Cost Trend Rate	2040	2040	2040
Assumed Increase in Employer Contributions	Actual	Expected ***	Expected ***

A. Change in the Net Defined Benefit Liability/(Asset) Recognized in Balance Sheet

Net Defined Benefit Liability/(Asset) as at January 1	1,009,878	1,024,453	1,011,876
Defined Benefit Cost Recognized in Income Statement	71,634	71,927	69,614
Defined Benefit Cost Recognized in Other Comprehensive Income	55,517	-	-
Benefits Paid by the Employer	(112,576)	(84,504)	(77,353)
Net Defined Benefit Liability/(Asset) as at December 31	<u>1,024,453</u>	<u>1,011,876</u>	<u>1,004,137</u>

B. Determination of Defined Benefit Cost

B1. Determination of Defined Benefit Cost Recognized in Income Statement

Current Service Cost	23,310	26,723	24,827
Interest Cost	48,324	45,204	44,787
Defined Benefit Cost Recognized in Income Statement	<u>71,634</u>	<u>71,927</u>	<u>69,614</u>

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

Net Actuarial Loss/(Gain) arising from Changes in Financial Assumptions	50,206	-	-
Net Actuarial Loss/(Gain) arising from Changes in Demographic Assumptions	-	-	-
Net Actuarial Loss/(Gain) arising from Experience Adjustments	5,311	-	-
Return on Plan Assets (Excluding Amounts Included in Net Interest Cost)	-	-	-
Change in Effect of Asset Ceiling	-	-	-
Defined Benefit Cost Recognized in Other Comprehensive Income	<u>55,517</u>	<u>-</u>	<u>-</u>
Total Defined Benefit Cost	<u>127,151</u>	<u>71,927</u>	<u>69,614</u>

C. Change in the Present Value of Defined Benefit Obligation

Present Value of Defined Benefit Obligation as at January 1	1,009,878	1,024,453	1,011,876
Current Service Cost	23,310	26,723	24,827
Interest Cost	48,324	45,204	44,787
Benefits Paid	(112,576)	(84,504)	(77,353)
Net Actuarial Loss/(Gain)	55,517	-	-
Present Value of Defined Benefit Obligation as at December 31	<u>1,024,453</u>	<u>1,011,876</u>	<u>1,004,137</u>

* The expected December 31, 2023 PV DBO and CY 2023 defined benefit cost are calculated based on membership data and management's best estimate assumptions at December 31, 2022.

** Projected CY 2024 and 2025 results are provided for informational purposes only. Significant changes such as re-negotiated benefits, increased benefit costs, or significant swings in demographics may require revised projections or a full actuarial review.

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

Festival Hydro Inc.
Estimated Benefit Expense (IAS 19)
Consolidated

	Actuals CY 2023 *	Projected ** CY 2024	Projected ** CY 2025
Discount Rate at January 1	5.05%	4.60%	4.60%
Discount Rate at December 31	4.60%	4.60%	4.60%
Health Benefit Cost Trend Rate at December 31	4.90%	5.10%	5.30%
Dental Benefit Cost Trend Rate at December 31	5.10%	5.40%	5.60%
Long Term Health and Dental Benefit Cost Trend Rate	4.00%	4.00%	4.00%
First Year Of Long Term Health and Dental Benefit Cost Trend Rate	2040	2040	2040
Assumed Increase in Employer Contributions	Actual	Expected ***	Expected ***

D. Calculation of Component Items

Interest Cost

Present Value of Defined Benefit Obligation as at January 1	1,009,878	1,024,453	1,011,876
Benefits Paid	<u>(56,288)</u>	<u>(42,252)</u>	<u>(38,677)</u>
Accrued Benefits	953,590	982,201	973,200
Interest Cost	48,324	45,204	44,787

Expected Present Value of Defined Benefit Obligation as at December 31

Present Value of Defined Benefit Obligation as at January 1	1,009,878	1,024,453	1,011,876
Current Service Cost	23,310	26,723	24,827
Benefits Paid	(112,576)	(84,504)	(77,353)
Interest Cost	48,324	45,204	44,787
Expected Present Value of Defined Benefit Obligation as at December 31	<u>968,936</u>	<u>1,011,876</u>	<u>1,004,137</u>

E. Net Actuarial Loss/(Gain)

Net Actuarial Loss/(Gain) as at December 31

Expected Present Value of Defined Benefit Obligation	968,936	1,011,876	1,004,137
Actual Present Value of Defined Benefit Obligation	<u>1,024,453</u>	<u>1,011,876</u>	<u>1,004,137</u>
Net Actuarial Loss/(Gain) as at December 31	55,517	-	-

* The expected December 31, 2023 PV DBO and CY 2023 defined benefit cost are calculated based on membership data and management's best estimate assumptions at December 31, 2022.

** Projected CY 2024 and 2025 results are provided for informational purposes only. Significant changes such as re-negotiated benefits, increased benefit costs, or significant swings in demographics may require revised projections or a full actuarial review.

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



Attachment 4 - 3

Employee Benefit Program



The MEARIE Group Employee Benefit Program

Employee Benefit Booklet

**Festival Hydro Inc.
All Other Employees**

Prepared: October 2023

Notice of Disclaimer

This handbook has been prepared to help you better understand the coverage provided under your employee benefit program. This handbook is not an agreement and it does not create nor confer any contractual or other rights.

The terms and conditions governing your benefit plans are set out in the official contracts between the insurers, your employer and MEARIE Management Inc.

Every effort has been made to ensure that the information in this handbook is accurate. However, if any question should arise, a decision will be made by reference to the official plan contracts and texts.

Please keep this handbook in a safe place. If changes are made to your benefits, replacement pages will be provided to you for insertion in this handbook.

Any questions you have about your benefit program should be referred to your Plan Administrator.

Table Of Contents	Page No.
Benefit Summary	1
General Information	8
Life Insurance	11
Long-Term Disability	19
Extended Health	23
Dental Care	37
Group Home & Automobile Insurance Program	44

Benefit Summary

This is a summary of the coverage your plan provides. You should read it together with the information in the rest of this booklet. Please see the related sections of this booklet for more information, including exclusions, limitations and other conditions that apply to your plan.

Employer Name	Festival Hydro
MEARIE Division	0124
Life & Disability Insurer	Canada Life Policy 179767 – 179769 (inclusive)
Health & Dental Insurer	Canada Life Policy 331139
Benefit Classification	Classes 2, 6, 14 All Other Active Employees

Basic Term Life Insurance

	Basic Term Insurance	Additional Term Insurance
Option 1	150% of annual earnings	Nil
Option 2	175% of annual earnings	25% of annual earnings
Option 3	175% of annual earnings	75% of annual earnings
Option 4	175% of annual earnings	125% of annual earnings

All amounts of Life Insurance are rounded upwards to the nearest \$1,000

Maximum	\$600,000 (combined for all Life Insurance)
Cost Sharing	Basic Term Insurance: 100% employer-paid Additional Term Insurance: 100% employee-paid
Waiting Period	6 months
Termination	Last day of the month in which you reach age 65 or earlier retirement – whichever occurs earlier

Benefit Summary

Spouse Optional Life Insurance

Benefit	Units of \$10,000*
Maximum	\$250,000
Cost Sharing	100% employee-paid
Waiting Period	6 months
Termination	Age 65 of Member or Spouse, death of the Member, or earlier retirement

*Provided you apply for this coverage within the first 31 days following your eligibility date, only coverage amounts in excess of \$10,000 are subject to medical evidence — proof that your spouse is insurable — satisfactory to the insurer. If you apply after the 31-day deadline, **all** coverage applied for will be subject to satisfactory medical evidence.

Long-Term Disability (LTD) Insurance

Benefit	70% of monthly earnings
Overall Maximum	\$6,030
Non-Evidence Maximum	\$6,030
Benefit Elimination Period	182 calendar days
Cost Sharing	100% employer-paid (benefit is taxable)
Waiting Period	6 months
Termination	Age 65 or earlier retirement

Benefit Summary

Extended Healthcare

Covered expenses will not exceed reasonable and customary charges

Deductible (not applicable to drugs or Out-of-Country coverage) Single Coverage \$20 per year
Family Coverage \$40 per year

Reimbursement Level 100%

Lifetime Healthcare Maximum Unlimited

Medical Services and Supplies:

Hospital	Semi-Private room
Convalescent Hospital	\$20 per day, to 120 days per confinement
Private Duty Nursing	\$5,000 per year
Hearing Aids	\$400 every 5 years
Custom-made Orthopaedic Shoes	\$200 per calendar year
Foot Orthotics	\$100 per calendar year
Surgical Brassieres	2 per calendar year
Compression Hose or Support Stockings	\$100 per calendar year
Wigs for Cancer Patients	\$500 lifetime
Artificial Eyes	\$1,000 per calendar year
Artificial Limbs	\$1,000 per calendar year
Diabetic Monitoring and Administration Equipment	\$1,000 lifetime
Electric Wheelchair	\$3,000 lifetime
Non-Electric Wheelchair	\$1,000 lifetime
Transcutaneous Nerve Stimulator	\$1,500 lifetime
Sphygmomanometers	\$100 lifetime
Viscosupplementation	2 sets of 3 injections per knee, to a maximum of \$600 lifetime per knee
Other Medical Services/Supplies	Subject to Reasonable and Customary Limits

Benefit Summary

Prescription Drugs

Plan Type	Direct Payment Plan Enhanced Generic Substitution
Dispensing Fee Cap	\$8.50 per prescription
Fertility Drugs	\$4,000 lifetime
Smoking Cessation Drugs	\$300 lifetime

Paramedical Practitioners

Acupuncture	\$450 per calendar year*
Chiropractor	\$450 per calendar year*
Massage Therapist	\$450 per calendar year (referral required)*
Naturopath	\$450 per calendar year*
Osteopath	\$450 per calendar year*
Physiotherapist or Occupational Therapist	\$600 per calendar year
Podiatrist	\$450 per calendar year*
Psychologist, Psychotherapist or Social Worker	\$450 per calendar year*
Speech Therapist	\$450 per calendar year*

***Effective May 1, 2024, the maximum will increase to \$500 per calendar year**

Vision Care

Glasses, contact lenses, laser vision correction	\$500 every 24 months
Eye Examinations	
Dependent Children under 18	Once per 12 months, up to \$120
All Others	Once per 24 months, up to \$120

Cost Sharing 100% employer-paid

Waiting Period 6 months

Termination Age 65

Benefit Summary

Retirement Benefits

Coverage for you and your dependents will stop on the date you retire.

However, if you retire prior to your 65th birthday, but on or after your 55th birthday, with a minimum of 20 years of service, you are eligible for retiree benefits according to the schedule below:

- **If you were hired prior to June 1, 2011, you will receive extended health and dental benefits until you reach age 65. You will receive retirement life insurance until death. All other benefits will cease at retirement.**
- **If you were hired between June 1, 2011 and April 30, 2017, you will receive extended health, dental and retirement life insurance benefits until you reach age 65. All other benefits will cease at retirement.**
- **If you were hired on or after May 1, 2017, you will receive extended health and dental until you reach age 65. All other benefits will cease at retirement.**

Benefit Summary

Retirement Life Insurance (Available only to Employees hired before May 1, 2017)

Benefits Available	Amount of Insurance
If you retire with less than 10 years of service in this Plan	\$2,000
If you retiree with more than 10 years of service in this Plan	50% of final annual earnings, reducing by 2.5% of final annual earnings on the anniversary of the retirement date each year for the following 10 years, to a minimum of 25.0% of final annual earnings
Cost Sharing	100% employer-paid
Waiting Period	Nil
Termination	
Hired prior to June 1, 2011	No termination age
Hired between June 1, 2011 and April 30, 2017	65

Notes

All amounts of retirement life insurance are rounded upward to the nearest \$1.00. Years of Service means your service in this Plan with your current employer you retire from, together with service credited to you in this Plan by reason of your prior service with any other employer participating in this Plan, where the transfer occurs without intervening employment.

General Information

Enrolling In The Benefit Program

Who Can Enroll

If you are an active permanent full-time employee under the age of 65, you are first eligible to enroll in the benefit program on the satisfactory completion of the waiting period as outlined in the Benefit Summary.

Your dependents, as defined below, are also eligible for coverage under the extended health and dental care plans. Eligible dependents include your:

Spouse

- the person who you are legally married to, or
- a person who continuously resides with you for at least (12) months in a role like that of a marriage partner.

Dependent Children

Dependent children include your natural or legally adopted children, or step-children who:

- are unmarried,
- are not employed on a full-time basis,
- are not eligible for insurance as an employee under this plan or any other group plan, and
- are under 22 years of age, or, if in full-time attendance at an accredited school, college or university, are under 26 years of age.

A child insured under this plan, who is incapacitated due to a mental or physical handicap on the date he reaches the age when he would otherwise no longer be eligible for coverage, will continue to be an eligible dependent subject to written proof of the dependent's condition. A child is considered incapacitated if he is incapable of engaging in any substantially gainful activity and is dependent on you for support, maintenance and care, due to a mental or physical handicap.

A stepchild must be living with you to be an eligible dependent.

General Information

When Coverage Starts

Coverage for you and your eligible dependents commences on the date you first become eligible to enroll. If you are not actively at work on the date your coverage would normally begin, your coverage will not start until you return to active full-time work.

Changing Your Coverage

There are times when you may need to change your coverage under the extended health care and/or dental care plans, either reducing or adding coverage as appropriate. This may be necessary if:

- you acquire a new spouse or dependent child,
- you separate or divorce,
- your spouse or dependent child dies,
- your child no longer qualifies as an eligible dependent, or
- you acquire or lose similar benefits through your spouse's plan.

In all cases, contact your Plan Administrator who will help you make the necessary changes to your coverage.

General Information

When Coverage Terminates

Coverage for you and your dependents will end on:

- the date your employment ends,
- the date you or your dependents cease to qualify for coverage based on the plan's eligibility requirements,
- the date you enter an armed service on full-time duty,
- the date your employer receives a written request from you to terminate the insurance, where permitted,
- the date you fail to make any required premium contribution,
- the date you attain age the ages noted in the Benefit Summary, or
- the date the group plan is cancelled.

If you are not actively at work due to **Maternity or Parental Leave of Absence**, coverage may be continued for the period of leave to which you are entitled by legislation provided premiums continue to be paid on your behalf. If you do not intend to continue your coverage during this period, where permitted by law, you must inform your employer in writing on or before the date your leave begins. In this case, coverage for you and your dependents will not be reinstated until you return to active full-time work.

Coverage for you and your dependents will cease on the date you are not actively at work due to **lay-off, leave of absence (other than maternity or parental leave), strike or lock-out**.

If you are not actively at work due to **illness or injury**:

- your life and disability coverage will continue in accordance with the "Waiver of Premium" provisions described in the applicable sections of this handbook, and
- extended health care and dental care coverage for you and your dependents will continue until your employer terminates such coverage, provided premiums continue to be paid on your behalf and this plan remains in force.

Life Insurance

Your life insurance plan provides you with a basic benefit and allows you to purchase additional coverage for yourself and/or your spouse. In the event of your death, the plan pays a benefit to your beneficiary.

The benefit is payable to you in the event of the death of your covered spouse.

How The Plan Works

If you should die while insured, your plan will pay the amount of your life insurance to the last nominated beneficiary as filed. In the absence of a beneficiary nomination, payment will be made to your estate.

You may name anyone you choose to receive benefits payable under the plan in the event of your death. However, if you name a minor, a trustee must also be appointed. You may change your beneficiary designation at any time, subject to the laws governing such changes, by contacting your Plan Administrator.

If your spouse is insured for life insurance coverage under the spouse's optional life plan, benefits are payable to *you* in the event of the death of your covered spouse.

Life Insurance

Benefits Provided

Employee Life Insurance

Your life insurance plan provides basic and optional coverage, depending on the Option you apply for. You may select coverage under one of the following four Options available under the plan as outlined in the Benefit Summary.

Your life insurance coverage begins on the date you complete the eligibility waiting period, provided you make written application for coverage within 31 days of becoming eligible.

If you do not apply within the 31-day deadline, you will automatically be enrolled in the Basic Term Insurance plan only, for a benefit equal to 150% of your annual earnings (Option 1). To enroll in any of the plan Options available which include Additional Term Insurance (Options 2, 3 and 4), you must provide medical evidence — proof that you are insurable — satisfactory to the insurer.

Spouse's Optional Life Insurance

The purchase of life insurance coverage for your spouse is completely voluntary; you decide whether or not to participate. A **spouse** is the person you are legally married to, or a person who has continuously resided with you in a role like that of a marriage partner for at least one year.

Spouse's optional life insurance coverage is available as outlined in the Benefit Summary. Provided you apply for this coverage within the first 31 days following your eligibility date, only coverage amounts in excess of \$10,000 are subject to medical evidence — proof that your spouse is insurable — satisfactory to the insurer. If you apply after the 31-day deadline, **all** coverage applied for will be subject to satisfactory medical evidence.

If you are not actively at work on the date coverage would normally begin, coverage will not begin until you return to active work. If your spouse is hospitalized, coverage will not begin before your spouse is discharged and resumes normal activities.

Life Insurance

Changing Your Coverage

There are times when you may need to change your coverage under the employee's and/or spouse's life insurance plan, either reducing or increasing the coverage, as appropriate. (**Note:** For employee life insurance, it may be important to review the Retirement Life Insurance coverage applicable to you before deciding to change your coverage Option.)

You may re-select your Option under the employee's life insurance plan and/or change the amount of your spouse's life insurance benefit, at any time. Your Plan Administrator will provide you with the necessary forms to request a change.

Any request to increase the coverage amount, is subject to medical proof of insurability, satisfactory to the insurer, and will be effective on the date the insurer approves the application, provided you are actively at work (or in the case of your spouse, s/he is not hospitalized).

Any request to reduce or cancel optional life insurance for yourself and/or your spouse, will be effective on the later of the date you request or the first day of the month following the date your request is received. (**Note:** If you subsequently apply to add or increase coverage for yourself and/or your spouse that was previously cancelled or reduced, evidence of insurability, satisfactory to the insurer, will be required.)

Life Insurance

Cost Of The Life Insurance Plan

Your employer pays the entire cost of your Employee Basic Term Life Insurance coverage. All life insurance premiums paid by your employer are a taxable benefit to you.

If you elect Additional Term Life Insurance coverage for yourself and/or Optional Life Insurance coverage for your Spouse, the cost to you will be paid through payroll deduction.

For **Employee Additional Term Life Insurance**, the rates vary by age, gender and smoking status, and are adjusted according to your age on the 1st of January each year, with any required adjustment taking effect at that time. Monthly costs are provided in the chart below.

Employee's Attained Age (as at January 1st)	Male		Female	
	Smoker Monthly Rate (per \$1,000)	Non-Smoker Monthly Rate (per \$1,000)	Smoker Monthly Rate (per \$1,000)	Non-Smoker Monthly Rate (per \$1,000)
Under 35	\$0.044	\$0.022	\$0.022	\$0.020
35 - 39	\$0.060	\$0.039	\$0.033	\$0.028
40 - 44	\$0.163	\$0.080	\$0.099	\$0.062
45 - 49	\$0.285	\$0.142	\$0.169	\$0.098
50 - 54	\$0.445	\$0.231	\$0.240	\$0.151
55 - 59	\$0.757	\$0.383	\$0.395	\$0.231
60 - 64	\$0.890	\$0.480	\$0.480	\$0.300

Note: Monthly costs shown above reflect those in effect as of January 1st, 2023.
 The monthly cost schedule is subject to change by the insurer; your employer will notify you prior to any changes taking effect.
 Monthly costs shown above are subject to applicable taxes.

For **Spouse's Optional Life Insurance**, the rates vary based on your spouse's age, gender and smoking status, and are adjusted according to your spouse's age on the 1st of January each year, with any required adjustment taking effect at that time. Monthly costs are provided in the chart below.

Life Insurance

Spouse's Attained Age (as at January 1st)	Male		Female	
	Smoker Monthly Rate (per \$1,000)	Non-Smoker Monthly Rate (per \$1,000)	Smoker Monthly Rate (per \$1,000)	Non-Smoker Monthly Rate (per \$1,000)
Under 30	\$0.042	\$0.032	\$0.042	\$0.026
30 - 39	\$0.069	\$0.035	\$0.054	\$0.032
40 - 49	\$0.187	\$0.094	\$0.113	\$0.069
50 - 59	\$0.615	\$0.307	\$0.312	\$0.187
60 – 64	\$1.200	\$0.599	\$0.653	\$0.390

Note: *Monthly costs shown above reflect those in effect as of January 1st, 2023.
The monthly cost schedule is subject to change by the insurer; your employer will notify you prior to any changes taking effect.
Monthly costs shown above are subject to applicable taxes.*

When Coverage Ends

Employee Life Insurance (Basic Term and Additional Term) and Spousal Optional Life coverage ceases as outlined in the Benefit Summary.

Life Insurance

Waiver Of Premium

If you become totally disabled while insured and before your 65th birthday or earlier retirement, your life insurance coverage under the Basic Term, Additional Term and Spouse's Optional Life plan will be continued without further payment of premiums. Your coverage will continue until you are no longer disabled, retire or reach age 65, whichever occurs first. (Your spouse's life insurance coverage will continue until you are no longer disabled, die, retire or reach age 65, or your spouse reaches age 65 — whichever occurs first.)

Proof that you are totally disabled must be submitted to Canada Life within 12 months from the onset of the disability, and periodically as requested by Canada Life thereafter.

Totally Disabled means that you are prevented from performing any work for compensation or profit or from following any gainful occupation. (However, if you are insured for Long Term Disability benefits by Canada Life under this same master policy, the definition of total disability used to determine your eligibility for disability benefits, as described in this booklet, shall also apply when assessing your life insurance waiver of premium benefit.)

Conversion Privilege

If **your** life insurance coverage ceases or reduces as a result of termination of employment, retirement or attainment of age 65, you may apply to convert your cancelled or reduced insurance to an individual policy — *without* having to provide medical evidence. You must make written application for the individual policy to Canada Life accompanied by payment of the first premium within 31 days of the date your life insurance terminates or reduces. If you should die during the 31-day conversion period, a death benefit equal to the amount of life insurance eligible for conversion will be paid, regardless of whether application for conversion has been made.

Life Insurance

You may choose an individual policy plan which provides coverage comparable to the coverage for which you were insured under this Plan, but without disability benefits, or you may choose any other individual policy which Canada Life is willing to offer, but without disability benefits. The amount of the individual policy will not exceed the lesser of \$200,000 (\$400,000 for employees residing in Quebec¹) or the excess of the amount of your life insurance in force under this Plan immediately prior to the termination or reduction over the amount of life insurance provided by any group policy of your employer or any other employer for which you are eligible on the effective date of the individual policy. The premium rate will be based on your age and gender, and the type of policy plan you select.

¹For a Quebec plan Member to convert, his or her convertible amount must be at least \$10,000 or 25 percent of group coverage (whichever is greater).

Your **spouse's** life insurance coverage ceases on the date your employment terminates. You may, however, apply to convert your spouse's insurance, on or before your spouse's 65th birthday, to an individual policy — *without* having to provide medical evidence. You must make written application for the individual policy to Canada Life accompanied by payment of the first premium within 31 days of the date your employment ends. If your spouse should die during the 31-day conversion period, a death benefit equal to the amount of insurance eligible for conversion will be paid, regardless of whether application for conversion has been made.

Retirement Life Insurance

On the last day of the month in which you retire on pension under a Normal Retirement, Early Retirement or Total Disability Retirement, your life insurance coverage under the Option you selected will cease. However, you may continue to be insured for a reduced Retirement Life Insurance benefit based on your years of service in this plan and your date of hire. Please refer to the Benefit Summary for additional information.

How To Claim Death Benefits

Your Plan Administrator will furnish all the required claim forms to your beneficiary in the event of your death. In the event of the death of your covered spouse, the required claim forms will be furnished to you. Claims for death benefits must be submitted no later than 12 months after the date of death.

Life Insurance

What's Not Covered

No amount will be paid for that part of your spouse's optional life insurance benefit that has been in force for less than 2 years, if loss of life results directly or indirectly, while sane or insane, from suicide, attempted suicide or purposely self-inflicted injury. However, Canada Life will refund all applicable premiums paid.

Long Term Disability

Your long term disability plan has been developed to protect you against the financial impact of lost income, if a lengthy illness or injury keeps you from coming to work.

How The Plan Works

Benefits are payable under the long term disability plan after you have been totally and continuously disabled for a period as outlined in the Benefit Summary.

Benefits Provided

If you are totally disabled you will receive a monthly income benefit as outlined in the Benefit Summary. To qualify for long term disability benefits you must be "totally disabled". During the first 24 months that you receive long term disability benefits, this means that you are unable to do the essential duties of your normal job and are not otherwise employed. After this 24-month period, you will continue to qualify for long term disability benefits only if you are unable to work at any job for which you are reasonably suited by virtue of your education, training and experience.

Any benefits you receive from the long term disability plan are taxable if your employer contributes, in whole or in part, towards the cost of providing the plan.

Benefits from the long term disability plan will stop if you:

- recover,
- attain age 65,
- are unable to provide written proof of your disability,
- are no longer under a physician's care,
- fail to undergo an examination by an independent doctor of the Insurance Company's choice, or
- travel outside of Canada or the United States unless approved by the insurer, or
- in the event of your death.

Long Term Disability

Coordination With Other Disability Benefits

Long term disability benefits are reduced by the amount of income you receive or are entitled to receive as a result of the same disability from:

- Workers' Compensation or similar legislation (excluding any future cost of living adjustments),
- the Canada Pension Plan (excluding any future cost of living adjustments or dependent benefits payable to you),
- any other federal, provincial or municipal government plan, excluding any disability benefits available to you through the Ontario Municipal Employees' Retirement System, but not filed on your behalf, and
- any other group insurance plan, or any retirement or pension plan of the employer, excluding any disability benefits available to you through the Ontario Municipal Employees' Retirement System.

The benefit you receive will be further reduced, if necessary, so that the total disability income you receive from this plan and any other source (other than income from a private source) does not exceed 85% of your pre-disability net earnings (if benefits are non-taxable) or gross earnings (if benefits are taxable).

Rehabilitation Benefit

The rehabilitation benefit is designed to help you through an adjustment period of up to 24 months while working part-time, in a reduced capacity or involved in a retraining program approved by the Insurance Company.

While you are participating in an approved rehabilitation program, your long term disability benefit will not be discontinued. However, your monthly long term disability benefit will be reduced by 50% of the compensation you receive from rehabilitative employment.

Long Term Disability

When Disability Recurs

If you recover from total disability, only to become disabled again, the second period of disability will be treated as a continuation of the first unless the second disability is unrelated to the first, or is separated from the first by more than six months.

Waiver of Premium

Premium payments are waived during any period in which you receive benefits from this plan. Long term disability benefits will continue in accordance with the terms of the policy regardless of whether or not this plan remains in effect or your other benefit coverages are subsequently terminated, provided your disability begins while your coverage under this plan is in force.

How To Claim Long Term Disability Benefits

Claim forms are available from your Plan Administrator. Early filing of claims is recommended. Forms should be completed and returned to your Plan Administrator after you have been disabled at least 30 days and do not expect to return to work before the *Elimination Period* expires. Long term disability claims must be submitted no later than 90 days after the date you are eligible for benefits to begin.

Long Term Disability

What's Not Covered

Your long term disability plan does not cover:

- intentionally self-inflicted injury or illness,
- disability resulting from war, or act of war, or while engaged in the armed services,
- any period of disability during which you are not under the regular care and attendance of a legally qualified physician,
- any period of disability which commences while you are not insured under this plan,
- participation in a criminal act, or
- disability, loss or expense which commences or occurs during any period of statutory maternity or parental leave of absence except to the extent:
 1. the continuance of insurance coverage during such period of statutory maternity or parental leave of absence is required by legislation or by written agreement between you and your employer; and
 2. you do not receive or are not entitled to receive any payment, benefit, indemnity or other amount from any source, including any policy, plan or fund provided by any employer, insurer or government (including basic and supplementary unemployment insurance maternity/parental leave benefits).

Extended Health Care

Under the extended health care plan, you and your family receive financial protection against major medical expenses which are not covered under your provincial health plan.

How The Plan Works

Your extended health care plan reimburses the cost of medical services and supplies that are covered under the plan.

What Is Covered

The following medical services and supplies are covered provided they are:

- medically necessary in the treatment of an illness or injury,
- recommended by a physician,
- incurred for the care of a person while insured under this benefit,
- reasonable taking all factors into account,
- not covered under the provincial health plan or any other government-sponsored program, and
- they can legally be insured.

Payment for any covered expenses which may be purchased in large quantities will be limited to the purchase of up to a 3 months' supply at any one time, except for covered Drug expenses.

Hospital Care

Daily charges up to **semi-private** hospital confinement (incurred in Canada) in excess of the charges for standard Ward accommodation, provided:

1. the insured person was confined to hospital on an in-patient basis; and
2. the accommodation was specifically elected in writing by the insured person.

Note: *The plan does not cover charges for any portion of the cost of Ward accommodation, utilization or co-payment fees (or similar charges).*

Daily charges for accommodation in a Convalescent Hospital, as outlined in the Benefit Summary. **Note:** *Convalescent care while in an acute care hospital is not eligible for this daily charge.*

Extended Health Care

Prescription Drugs & Medicines — Direct Payment Plan

- drugs or medicines that are dispensed by a licensed pharmacist and which by law or convention require the written prescription of a physician or dentist,
- life-sustaining drugs,
- injectible medications,
- oral contraceptives,
- preventive vaccines and medicines (oral or injected), and
- standard syringes, needles and diagnostic aids, if required for treating diabetes (cotton swabs, rubbing alcohol, automatic jet injectors and similar equipment are not covered).

The maximum amount for any covered expense is the price of the lowest cost generic equivalent product that can legally be used to fill the prescription, as listed in the Provincial Drug Benefit Formulary. **Unless a plan member submits a Request for Brand Name Drug Coverage Form (indicating why a prescribed drug cannot be substituted) which is subsequently approved by the insurer, benefits will be based on the cost of the lowest priced interchangeable drug that has the same medicinal ingredient.** A plan member can still choose to purchase the prescribed drug and pay the cost difference. If there is no generic equivalent product for the prescribed drug or medicine, the amount covered is the cost of the prescribed product.

Benefits will be paid directly to the dispensing pharmacist, provided the pharmacist is enrolled in the pay-direct drug plan — simply present your drug card to the pharmacist. You will be required to pay any deductible, where applicable.

Note: *The maximum quantity of Drugs or medicines that will be payable for each prescription will be limited to the lesser of the quantity prescribed by the Physician or Dentist; or, a 34-day supply for non-maintenance drugs or a 100-day supply for maintenance drugs. The plan does not cover expenses for the administration of serums, vaccines, or injectible Drugs; or Drugs, biologicals and related preparations which are intended to be administered in Hospital on an in-patient or out-patient basis and are not intended for a patient's use at home.*

Extended Health Care

Professional Services

Services of a licensed chiropractor, osteopath, podiatrist, naturopath, speech therapist, acupuncturist, clinical psychologist or social worker, licensed massage therapist, licensed physiotherapist or occupational therapist.

Vision Care

The following vision care services are covered when prescribed by an ophthalmologist, optometrist, or oculist:

- eye examinations, including refractions and retina scans.
- purchase and fitting of prescription glasses or elective contact lenses and **laser eye surgery**.

Medical Services & Supplies

For all medical equipment and supplies covered under this plan under the following provisions, eligible covered expenses will be limited to the cost of the device or item that adequately meets the patient's fundamental medical needs.

Private Duty Nursing

Private duty nursing services (other than for custodial care, homemaking services and supervision — deemed to be within the practice of nursing) provided in the patient's home by a Registered Nurse (R.N.), Registered Nursing Assistant (R.N.A.), Certified Nursing Assistant (C.N.A.) or Licensed Practical Nurse (L.P.N.) who is not a relative, friend or member of the patient's household.

Note: *A detailed treatment plan must be submitted before private duty nursing services begin. The Insurance Company will then advise you of any benefits that are payable under the plan.*

Extended Health Care

Medical Supplies and Appliances

Rent, purchase or lend (at the Insurance Company's option) of the following:

- splints excluding dental splints
- apnea monitors for respiratory dysrhythmias
- canes and walkers, crutches or casts
- orthotic appliances, including podiatric appliances for shoe insertion
- jobst burn garments
- jobst sleeves for lymphoedema following mastectomy
- support hose and compression stockings with at least a compression factor of 20mmhg
- braces with rigid supports
- orthopaedic shoes individually designed and constructed to medical specifications, or adjustments only made to stock shoes for orthopaedic purposes
- artificial eyes, including repair and replacement
- artificial limbs, including repair and replacement, but excluding myoelectric limbs
- stump socks
- shoulder harnesses
- head halter
- traction apparatus
- cervical collar
- colostomy apparatus and supplies
- ileostomy apparatus and supplies
- urethral catheters
- one external breast prostheses, and up to two surgical brassieres per calendar year when required as a result of mastectomy;
- diabetic monitoring and administration equipment
- standard wheelchairs, or where medically necessary, electrical wheelchairs
- standard hospital beds, excluding electric hospital beds
- bed rail
- trapeze bars
- transcutaneous nerve stimulator
- intermittent positive pressure breathing machines

Extended Health Care

- aerosol equipment, mist tents and nebulizers for cystic fibrosis, acute emphysema, chronic obstructive bronchitis or chronic asthma
- oxygen and oxygen supplies, but not oxygen concentrators
- sphygmomanometers
- Viscosupplementation prescribed by a Physician
- wigs following chemotherapy or radiation treatment for cancer
- purchase and repairs of hearing aids (excluding charges for batteries or routine maintenance)

Diagnostic Procedures

Microscopic and other similar diagnostic tests and services.

Ambulance

Licensed ambulance service provided in the insured person's province of residence, including air ambulance, to and from the nearest hospital where adequate treatment is available.

Accidental Dental Treatment

Services of a dentist for the treatment of damage to natural teeth or the jaw resulting from an external, accidental blow to the mouth which occurs while insured under this plan. The treatment must be received and approved for payment within 12 months of the accident. Injuries due to biting or chewing are *not* covered.

Extended Health Care

Out-Of-Country Care

Emergency care outside Canada is covered if it is required as a result of a medical emergency arising while you or your dependent is temporarily outside Canada for vacation, business or education purposes. To qualify for benefits, you must be covered by the government health plan in your home province. A medical emergency is either a sudden, unexpected injury, or a sudden, unexpected illness or acute episode of disease that could not have been reasonably anticipated based on the patient's prior medical condition. Emergency care is covered medical treatment that is provided as a result of and immediately following a medical emergency.

If the patient's condition permits a return to Canada, benefits are limited to the lesser of:

- the amount payable under this plan for continued treatment outside Canada, and
- the amount payable under this plan for comparable treatment in Canada plus the cost of return transportation.

No benefits are paid for:

- any further medical care related to a medical emergency after the initial acute phase of treatment. This includes non-emergency continued management of the condition originally treated as an emergency
- any subsequent and related episodes during the same absence from Canada
- expenses related to pregnancy and delivery, including infant care:
- after the 34th week of pregnancy, or
- at any time during the pregnancy if the patient's medical history indicates a higher than normal risk of an early delivery or complications.

Non-emergency care outside Canada is covered for you and your dependents if:

- it is required as a result of a referral from your usual Canadian physician
- it is not available in any Canadian province and must be obtained elsewhere for reasons other than waiting lists or scheduling difficulties
- you are covered by the government health plan in your home province for a portion of the cost, and
- a pre-authorization of benefits is approved by Canada Life before you leave Canada for treatment.

Extended Health Care

No benefits will be paid for:

- investigational or experimental treatment
- transportation or accommodation charges.

The plan covers the following services and supplies when related to out-of-country care:

- treatment by a physician
- diagnostic x-ray and laboratory services
- hospital accommodation in a standard or semi-private ward or intensive care unit, if the confinement begins while you or your dependent is covered
- medical supplies provided during a covered hospital confinement
- paramedical services provided during a covered hospital confinement
- hospital out-patient services and supplies
- medical supplies provided out-of-hospital if they would have been covered in Canada
- drugs
- out-of-hospital services of a professional nurse
- for emergency care only, ambulance services by a licensed ambulance company to the nearest centre where essential treatment is available

Extended Health Care

Global Medical Assistance Program

This program provides medical assistance through a worldwide communications network which operates 24 hours a day. The network locates medical services and obtains Canada Life's approval of covered services, when required as a result of a medical emergency arising while you or your dependent is travelling for vacation, business or education.

Coverage for travel within Canada is limited to emergencies arising more than 500 kilometres from home. You must be covered by the government health plan in your home province to be eligible for global medical assistance benefits.

The following services are covered, subject to Canada Life's prior approval:

- On-site hospital payment when required for admission, to a maximum of \$1,000,
- If suitable local care is not available, medical evacuation to the nearest suitable hospital while travelling in Canada. If travel is outside Canada, transportation will be provided to a hospital in Canada or to the nearest hospital outside Canada equipped to provide treatment. When services are covered under this provision, they are not covered under other provisions described in this booklet,
- Transportation and lodging for one family member joining a patient hospitalized for more than 7 days while travelling alone. Benefits will be paid for moderate quality lodgings up to \$1,500 and for a round trip economy class ticket,
- If you or a dependent is hospitalized while travelling with a companion, extra costs for moderate quality lodgings for the companion when the return trip is delayed due to your or your dependent's medical condition, to a maximum of \$1,500,
- The cost of comparable return transportation home for you or a dependent and one travelling companion if prearranged, prepaid return transportation is missed because you or your dependent is hospitalized. Coverage is provided only when the return fare is not refundable. A rental vehicle is not considered prearranged, prepaid return transportation,
- In case of death, preparation and transportation of the deceased home,

Extended Health Care

- Return transportation home for minor children travelling with you or a dependent who are left unaccompanied because of your or your dependent's hospitalization or death. Return or round-trip transportation for an escort for the children is also covered when considered necessary, and
- Costs of returning your or your dependent's vehicle home or to the nearest rental agency when illness or injury prevents you or your dependent from driving, to a maximum of \$1,000. Benefits will not be paid for vehicle return if transportation reimbursement benefits are paid for the cost of comparable return transportation home

Benefits payable for moderate quality accommodation include telephone expenses as well as taxicab and car rental charges. Meal expenses are not covered.

How To Access Global Medical Assistance — Your Global Assistance Card

Your Global Medical Assistance card lists the toll free numbers to call in case of an emergency while outside your province. The toll free number will put you in touch with the international travel assistance organization.

Your Global Medical Assistance card also lists your I.D. number (your certificate number) and your group policy number, which the travel assistance organization needs to confirm that you are covered under the plan.

How to Claim Out-of-Country Benefits

Out-of-Country Claims (including those for Global Medical Assistance expenses) should be submitted to Canada Life as soon as possible after the expense is incurred. It is very important that you send your claims to the Canada Life Out-of-Country Claims Department immediately as your Provincial or Territorial Medical Plan has very strict time limitations.

Access GroupNet for Plan Members to obtain a personalized claim form or obtain the Statement of Claim Out-of-Country Expenses form from your employer. You must also obtain the Government Assignment form, and residents of British Columbia, Quebec and Newfoundland & Labrador must also obtain the Special Government Claim form. The Canada Life Out-of-Country Claims Department will forward the appropriate government forms to your attention when required.

You should complete all applicable forms, making sure all required information is included. Attach all original receipts and forward the claim to the Canada Life Out-of-Country Claims Department. Be sure to keep a copy for your own records.

Extended Health Care

The plan will pay all eligible claims including your Provincial or Territorial Medical Plan portion. Your Provincial or Territorial Medical Plan will then reimburse the plan for the government's share of the expenses.

Out-of-country claims must be submitted within a certain time period that varies by province or territory. For the claims submission period applicable in your province or territory or for any other questions or for assistance in completing any of the forms, please contact Canada Life's Out-of-Country Claims Department at 1-800-957-9777.

Coordinating Benefits

If both you and your spouse are covered by employer benefit plans, your coverage may overlap; medical services and supplies covered by your plan may also be covered by your spouse's plan. "Coordination of Benefits" lets you take advantage of this overlap to recover up to 100% of your eligible expenses.

To coordinate benefits, the person who received the service or supply makes the claim first — to their employer's plan. (If your child receives medical care, the parent whose birthday falls earliest in the year submits the claim first — to his or her plan). A cheque and explanation of what is being paid comes back from the Insurance Company, and then, if not all of the expense is covered, a second claim is filed with the spouse's plan.

By reviewing your and your spouse's plan to find out when you can receive reimbursement from both plans, you may be able to coordinate benefits and get back as much as 100% of your eligible expenses!

Extended Health Care

How To Claim Extended Health Care Benefits

To claim benefits for medical services and supplies, *other than* drugs or medicines:

With GroupNet for Plan Members, you can:

- **Submit many of your claims online**, through Member eClaims.
- Sign up for direct **deposit claim** payments and claim payment notification by email, or by text message on your mobile phone.
- View **claim status** and Explanation of Benefits statements for the past 24 months.
- Access **personalized coverage information**.
- Check **vision care coverage** balances and find out when you can next purchase prescription eyeglasses or contacts.
- Complete and print **personalized forms and cards** (e.g. ID, Drug, Global Medical Assistance)
- Browse the **Health & Wellness Site** and the **Canada Life Centre for Mental Health in the Workplace** website for extensive healthcare information and tools.

Your plan design determines which online services are available to you.

Go to www.canadalife.com to register.

OR

1. Save all your receipts for medical services and supplies, and any bills or receipts received for hospital care. Receipts and bills should show:
 - the patient's name,
 - the date the treatment or supply was provided,
 - the nature of the service or supply, and
 - an item-by-item list of the charges.
2. Pick up a claim form from your Plan Administrator or visit www.canadalife.com to get printed claim forms with your plan information already filled in.

Extended Health Care

3. Fill out the sections of the claim form that ask for information about you (the employee) and the patient (you or your eligible dependent). To ensure prompt processing of your claim, be sure to indicate the name of your employer, your policy number, your class code and certificate number, in the appropriate boxes provided on the claim form.
4. Return your completed claim form, with original receipts attached, for processing to Canada Life at the address shown on the claim form.
5. The Insurance Company will review your claim and determine what portion is eligible for reimbursement. You should receive your refund cheque, along with an explanation of the benefits being paid, within 2-3 weeks.

Note: *Extended health care claims must be submitted no later than 12 months from the date the expense is incurred. If your insurance under this plan terminates, benefits are payable only if your claim is submitted within 90 days of the date your insurance terminates.*

To claim benefits for drugs or medicines:

1. Present your drug card to the pharmacist when filling your prescription.
2. Provided the pharmacist is enrolled in the pay-direct drug plan, payment will be made directly to the pharmacist — you do not need to complete any claim forms or wait for the reimbursement.
3. You will be required to pay the deductible, where applicable, to the pharmacist.

Note: *If the prescription is not obtained through the use of your drug card, be sure to get a receipt from the pharmacist. To receive reimbursement of benefits payable, a claim form must be completed and sent to Canada Life at the address shown on the claim form, along with your original receipts.*

Extended Health Care

What's Not Covered

Your extended health care plan does not cover any expense which is directly or indirectly related to:

- any illness or injury arising out of or in the course of employment when the person is covered by or is eligible for coverage by Workers' Compensation,
- any illness or injury for which benefits are payable under any government plan or legally mandated program,
- self-inflicted injuries or illnesses, while sane or insane, war, insurrection, the hostile action of any armed forces, or participation in a riot or civil commotion,
- the committing of or the attempt to commit an assault or criminal offense,
- charges for periodic check-ups, broken appointments, third party examinations, travel for health purposes or completion of claim forms,
- charges for services or supplies for which there would have been no charge at all or which would have been reimbursed under a government-sponsored plan in the absence of insurance, or which are received from a medical or dental department maintained by an employer, association or trade union,
- charges for services or supplies which are required for recreation or sports, but which are not medically necessary for regular activities,
- charges which would have been payable by the provincial health plan had proper application been made,
- charges for services or supplies which are performed or provided by an Immediate Family Member or a person who lives with the insured person, or which are provided while confined in a Hospital on an in-patient basis, or
- medical treatment which is not usual and customary, or which is experimental or investigational in nature.

Extended Health Care

Extended Benefit For Surviving Dependents

If you should die while insured under this plan, extended health care coverage will be continued for your dependents who are insured under this plan at the time of your death for a period of up to 5 years, at your surviving spouse's/dependent's cost, or earlier if:

1. your dependent would otherwise cease to qualify as an eligible dependent,
2. your surviving spouse remarries,
3. similar coverage is obtained elsewhere,
4. your surviving spouse turns age 65, or
5. this plan terminates.

Dental Care

Your dental care plan has been developed to help you and your family maintain good dental health.

How The Plan Works

Reimbursement of eligible dental services and supplies is based on the fees as outlined in the Benefit Summary.

What Is Covered

Routine Basic Services

- complete oral examinations (once in any 24-month period),
- full mouth x-rays (once in any 24-month period),
- recall examinations (once in any 9-month period or any 6 month period for dependent children under age 19),
- bitewing x-rays (once in any 9-month period or any 6 month period, for dependent children under age 19),
- routine diagnostic and laboratory procedures,
- two units of light scaling and one unit of polishing, once in any 9-month period, or any 6 month period for dependent children under age 19
- oral hygiene instruction (once in any 9-month period or any 6 month period for dependent children under age 19),
- fillings (amalgam, silicate, acrylic, and composite), retentive pins, and pit and fissure sealants (for dependent children under age 15)
- space maintainers for dependent children under age 19
- stainless steel and plastic crowns on primary teeth,
- surgical services (excluding implant surgery),
- consultation, anaesthesia, and conscious sedation,
- injection of antibiotic drugs, when administered by a dentist in conjunction with dental surgery, and
- denture repairs, reclines and rebases.

Dental Care

Enhanced Basic Services

- periodontal services for treatment of gum diseases and other supporting tissues of the teeth, including:
 1. scaling in excess of two units, and root planning up to a combined maximum of 8 units per calendar year;
 2. provisional splinting; and
 3. occlusal equilibration, up to a maximum of 8 units per calendar year, and
- endodontic services which include root canal therapy, root amputation, apexifications, and periapical services.

Major Restorative Services

- crowns, onlays and inlays (only when function is impaired due to cuspal or incisal angle damage caused by trauma or decay), including gold foil restorations (only when approved by the Insurance Company), metal transfers, telescoping and splinting

Orthodontic Services

- space maintainers,
- correction of malocclusion of the teeth,
- observation and adjustment,
- appliances for tooth guidance and uncomplicated tooth movement,
- appliances to control harmful habits
- retention appliances, and
- fixed or cemented, unilateral and bilateral appliances.

Dental Care

Pre-Treatment Estimate

Whenever the total cost of proposed dental treatment is expected to exceed \$500, a treatment plan should be submitted to the Insurance Company in advance to determine how much of your proposed treatment will be covered by the plan. A treatment plan provides a written description of your dental needs, including x-rays; the proposed treatment necessary in the professional judgement of the dentist; and, the cost of the proposed treatment.

***Note:** If, for any given dental condition, there are two or more courses of treatment covered under this plan which will produce professionally adequate results, the Insurance Company will pay benefits as if the least expensive course of treatment was used. The Insurance Company retains a professional dental consultant to determine the adequacy of the various courses of treatment available.*

Coordinating Benefits

If both you and your spouse are covered by employer benefit plans, your coverage may overlap; dental services covered by your plan may also be covered by your spouse's plan. "Coordination of Benefits" lets you take advantage of this overlap to recover up to 100% of your eligible expenses.

To coordinate benefits, the person who received the dental treatment makes the claim first — to their employer's plan. (If your child receives dental care, the parent whose birthday falls earliest in the year submits the claim first — to his or her plan). A cheque and explanation of what is being paid comes back from the Insurance Company, and then, if not all of the expense is covered, a second claim is filed with the spouse's plan.

By reviewing your and your spouse's plan to find out when you can receive reimbursement from both plans, you may be able to coordinate benefits and get back as much as 100% of your eligible expenses!

Dental Care

How To Claim Dental Benefits

With GroupNet for Plan Members, you can:

- **submit many of your claims online**, through Member eClaims.
- Sign up for direct **deposit claim** payments and claim payment notification by email, or by text message on your mobile phone.
- View **claim status** and Explanation of Benefits statements for the past 24 months.
- Access **personalized coverage information**.
- Check **dental care coverage** balances and find out when you are next covered for a dental checkup.
- Complete and print **personalized forms and cards**.
- Browse the **Health & Wellness Site** and the **Canada Life Centre for Mental Health in the Workplace** website for extensive healthcare information and tools.

Your plan design determines which online services are available to you. Go to www.canadalife.com to register. Contact your Plan Administrator for details.

OR

1. Pick up a claim form from your Plan Administrator before you go to the dentist, or visit www.canadalife.com to get printed claim forms with your plan information already filled in.
2. Take the claim form with you to your appointment and ask the dentist to complete the dentist's portion of the claim form. If your dentist agrees to accept payment from the plan instead of directly from you, be sure the claim form shows that the refund should be made payable to the dentist.
3. Fill out the sections of the claim form that ask for information about you (the employee) and the patient (you or your eligible dependent). To ensure prompt processing of your claim, be sure to indicate the name of your employer, your policy account number, your class code and certificate number, in the appropriate boxes provided on the claim form.

Dental Care

4. Return your completed claim form for processing to Canada Life, at the address shown on the claim form.
5. The Insurance Company will review your claim and determine what portion is eligible for reimbursement. You should receive your refund cheque, along with an explanation of the benefits being paid, within 2-3 weeks. If you assign payment of the claim to your dentist, you will receive only a copy of the benefits being paid and the refund cheque will be sent directly to your dentist.

OR

Your dental office may file your claim electronically with Canada Life. In order to process your claim, the information transmitted by the dental office must be complete, and include the same information required for a paper claim (i.e., your employer's name, your policy number, your class code and certificate number).

Note: *Dental claims must be submitted no later than 12 months from the date the expense is incurred. If your insurance terminates, benefits are payable only if your claim is submitted within 90 days of the date your insurance terminates.*

Dental Care

What's Not Covered

Your dental care plan does not cover:

- services or treatment that are covered under any other plan, government plan or legally mandated program,
- dental care resulting from self-inflicted injuries or illnesses, while sane or insane, war, insurrection, the hostile action of any armed forces, or participation in a riot or civil commotion,
- dental care required as a result of committing or attempting to commit an assault or criminal offense,
- charges for broken appointments, third party examinations, travel to and from appointments, or completion of claim forms,
- charges for services or supplies for which there would have been no charge at all in the absence of insurance, or which are received from a medical or dental department maintained by an employer, association or trade union,
- charges for services or supplies which are performed or provided by an Immediate Family Member or a person who lives with the insured person,
- treatment rendered for a full mouth reconstruction, for a vertical dimension, or for a correction of temporomandibular joint dysfunction,
- cosmetic treatment, unless required due to an accidental injury which occurs while you or your dependent is insured under this plan,
- implants, or any services rendered in conjunction with implants,
- anti-snoring or sleep apnea devices,
- treatment which is not generally recognized by the dental profession as an effective, appropriate and essential form of treatment for the dental condition,
- replacement of removable appliances which are lost, mislaid or stolen, or
- laboratory fees which exceed the reasonable and customary charges, as determined by the Insurance Company.

Dental Care

Extended Benefit For Surviving Dependents

If you should die while insured under this plan, dental coverage will be continued for your dependents who are insured under this plan at the time of your death for a period of up to 5 years, at your surviving spouse's/dependent's cost, or earlier if:

1. your dependent would otherwise cease to qualify as an eligible dependent,
2. your surviving spouse remarries,
3. similar coverage is obtained elsewhere,
4. your surviving spouse turns age 65, or
5. this plan terminates.

Group Home & Automobile Insurance Program

The group home and automobile insurance program is a voluntary, employee-paid plan, that gives you access to preferred group home & automobile insurance rates.

How the Plan Works

To enhance your overall benefits package, your employer has endorsed MEARIE Management Inc's Group Home & Automobile Insurance Program. This Program is available to you on a completely voluntary basis, with all associated premiums being paid by you. The Program, sponsored by MEARIE Management Inc, accesses a number of different insurance companies, ensuring you are able to receive the right coverage, with the right insurer, at the right price. We will work with you to find the best option for your needs.

All our partner insurance companies have been providing group home and automobile insurance to groups and associations for many years, and have the financial strength and stability to ensure their claims-paying ability is second-to-none in the Canadian insurance marketplace.

Products Available Residential

Homeowners
Condominium Owners
Seasonal/Secondary/Rented Residences
Personal Articles

Personal Automobiles

Automobiles
Campers/Motor Homes
Motorcycles
Snowmobiles/Recreational Vehicles
Trailers

Payment Options

Multi-pay plans, or, monthly payment plan with no interest or service fees.

How to Obtain a Quote

To obtain a no-obligation quote or to get more information on your home and auto insurance needs, call MEARIE Management Inc's toll-free number 1-877-4MEARIE (1-877-463-2743), or visit our website at www.mearie.ca and click the link Personal Insurance – Home and Auto to access our special pricing offers.




3700 Steeles Avenue West, Suite 1100
Vaughan, Ontario L4L 8K8
905.265.5300
1.800.668.9979
www.mearie.ca
Fax: 905.265.5301 Email: mearie@mearie.ca



Attachment 4 - 4

FHI Purchasing Policy

		Purchasing Policy	
Issue Date: October 2004		Revision Date: April 12, 2024	
Procedure #2000080		Reviewed by:	

PURPOSE

Purchasing controls are required to ensure that all hazardous materials, potentially dangerous equipment, and critical services are properly managed to minimize the risk of injury or loss. While purchasing procedures should always consider cost effective sources and the best possible return on investment, they must also address the potential harm to people, property, and Festival Hydro assets, and ensure that selected vendors and suppliers are in compliance with applicable laws and statutes.


GUIDELINES

1. All materials, products, services, machinery, equipment, and chemical substances which require written specifications to control health and safety problems will be identified before time of purchase.
2. Individual specifications including legislative, and health and safety requirements, should be developed for each item which is identified.
3. All new equipment that has been purchased will have a pre-start/pre-use inspection completed. Members of the JHSC, management, and applicable operations staff will ensure a health and safety review is conducted prior to the equipment being used the first time by workers. Safe work procedures will be created as necessary.
 - a. Training will be provided to affected staff when work procedures are created or revised based on the health and safety review that has been completed. Records of training will be kept as outlined in the Festival Hydro Training Policy.
4. Section 6.0 of Regulation 22/04 (Electrical Distribution Safety) “requires that equipment to be used for construction of new or the repair and extension of existing distribution systems after February 11, 2005 be approved equipment”.
5. All vendors, suppliers and subcontractors have acknowledged compliance with applicable Federal Labour Standards.

The purchasing of goods and services fall into one of four categories:

Tenders or Request for Proposal/Information/Quotation (RFX) – are used for non-stock items or service contracts valued at \$50,000 or more¹. A Tender/RFX can only be issued by the CEO, Vice President, or CFO. Tender/RFX packages will typically be sent directly to at least three (3) vendors known to specialize in the item or service, however, a Request for Tender/RFX may be advertised if there are an insufficient number of known vendors. A period of at least two (2) weeks is required for the vendors to review the tender/RFX package and respond. Receipt of tenders must be in sealed envelopes clearly marked as to the contents. Tenders will be opened at the time of closing by the CEO, Vice-President, CFO, or designate. Unless otherwise specified by the Board of Directors, bidders are not permitted to attend the tender opening. The tenders will be evaluated by one or more suitable employees, and a recommendation prepared for approval by the Board of Directors. The contract will not necessarily go to the lowest bidder. For specialized goods or services, it is permitted to have the tenders/RFX evaluated by an external third party such as an engineering consultant. Following award of the tender by the Board of Directors, the successful bidder will be immediately notified by the appropriate manager, and a purchase order initiated via a material requisition. The remaining bidders will be notified that the Tender/RFX has been awarded.

¹ Exceptions to the Tender category are payments relating to Income Tax, Employment Insurance and Employee Deductions, OMERS, HST, IESO (monthly invoices), OEFC (debt retirement), Hydro One (Transmission Charges), Energy Retailers, City of Stratford.

		Purchasing Policy	
Issue Date: October 2004		Revision Date: April 12, 2024	Rev# 2
Procedure #2000080		Reviewed by:	

² Exceptions to the Quotation category include charges such as utility bills, postage, training, accommodations, company meals, specialized services such as engineers, corporate lawyers and accountants (other than audit engagement), customer requests for contractor of choice, contractor on site as part of a related contract or quotation, transformer repairs, scrap transformers, and situations of dire emergency (i.e. storm trouble) when time is of essence.

Quotations – are used for purchases above \$2,500 that do not fit the tender category².


Quotations may be issued by any Manager. The Request for Quotation package will typically be sent to at least three (3) vendors known to specialize in the item or service; however, there are some items and services with fewer than three (3) vendors. A period of two (2) weeks for evaluation and response is recommended for items that are usually made to order, or for service contracts such as line construction. Shorter periods are acceptable for “off the shelf” items or routine services. Quotations are normally accepted in hardcopy, fax, or email format but their contents must be kept confidential until the closing date. The quotations will be reviewed by the appropriate employee(s) after the closing date, and a recommendation made to the appropriate manager.

Signing Authority Purchase Limits		
CEO	Up to \$100,000*	Stock ³ , Non-stock or service
Vice President, CFO	Up to \$75,000*	Stock
Vice President, CFO	Up to \$50,000*	Non-stock or service
Managers	Up to \$20,000*	Stock
Managers	Up to \$10,000*	Non-stock or service

*Note that values in the table above do not include HST

Once approval has been obtained, the successful bidder will be immediately notified by the appropriate manager, and a purchase order initiated via a material requisition. The remaining bidders will be notified that their submitted bid was unsuccessful. For routine purchases of items or services such as office supplies, computer support, low value stock items, safety equipment, cleaning supplies, lawn restoration, vacuum excavation, vehicle supplies and vehicle servicing, it is acceptable to request pricing once, then use the same low bidder(s) for a fixed period of time, generally not exceeding two (2) years. For routine purchases of higher value stock items, formal supplier alliances may be formed with the approval of the CEO/Vice-President.

- **Standard Purchases** – are purchases between \$125 and \$2500, and are accomplished by issuing a purchase order via a material requisition with approval by Manager.
- **Local Purchase Orders** – are used for purchases under \$125. These may be issued by any employee but require the approval of a Manager.
- **Sole or Single Source Procurement**- There are specific or exceptional circumstances whereby only one supplier or contractor is able or capable of providing goods and services, or in emergency situations, where the competitive bidding process cannot be followed. A Manager requesting sole or single source procurement must justify following this exception by completion of a Sole or Single Procurement Approval Form at time of the tender/quotation or annually as part of the annual Purchase Order approval process. Failure to adequately plan work and resources does not permit the acceptance of sole sourcing.

		Purchasing Policy	
Issue Date: October 2004		Revision Date: April 12, 2024	
Procedure #2000080		Reviewed by:	

*The Sole or Single Procurement Approval Form can be found on Compliance Science in the Form section under "Purchasing" - Procedure #2000205.

Signing Authority may be delegated if necessary to avoid delays in the purchasing process. This delegation should be documented in a memo or email to the affected parties.

Employees will have the authority to bind the Corporation to contracts within their signing authority.

This policy is intended to not allow unnecessary exposure of the organization, its Board, or staff to claims of liability.

³ Exception: Stock purchases approved through the annual budget process approved by the Board of Directors.

Revision History		
Rev#	Date	Changes
	October 2004	Creation of Policy.
1	July 31, 2017	Last known revision.
2	April 17, 2019	Fillable form separated from policy and form reference added. Revision history and printing clause added; updated in Compliance Science.
3	April 12, 2024	Guidelines and Signing Authority Purchase Limits updated



Attachment 4 - 5

Shared Services Agreements

ADMINISTRATIVE SERVICES AGREEMENT

THIS AGREEMENT for administrative and other services described herein dated this 1st day of September, 2012 (the “**Effective Date**”)

BETWEEN:

Festival Hydro Inc of 187 Erie Street, Stratford, Ontario, N5A 6T5
(the “**Service Provider**”)

- AND -

Festival Hydro Services Inc of 187 Erie Street, Stratford, Ontario, N5A 6T5
(the “**Customer**”)

(each a “**Party**” and collectively the “**Parties**”)

BACKGROUND:

- A. The Customer is of the opinion that the Service Provider has the necessary qualifications, experience and abilities to provide administrative and other services to the Customer.
- B. The Service Provider is agreeable to providing such services to the Customer on the terms and conditions set out in this Agreement.
- C. The Parties acknowledge the Service Provider is regulated by the Ontario Energy Board and this document is to be interpreted in a manner that is consistent with the ARC.

IN CONSIDERATION OF the matters described above and of the mutual benefits and obligations set forth in this Agreement, the receipt and sufficiency of which consideration is hereby acknowledged, the parties to this Term Sheet agree in principle to pursue an agreement (this “**Agreement**”) with terms as follows:

Definitions

1. Definitions: Unless the context requires otherwise, the following terms shall, for the purpose of this Agreement, mean:
 - a. **Account** means an account of a customer of the Customer’s;
 - b. **Agreement** means this agreement for administrative services and any amendments thereto;
 - c. **ARC** means the *Affiliate Relationships Code for Electricity Distributors and Transmitters* or any similar document published by the Ontario Energy Board applicable to the subject matter of this Agreement;

- d. **Ontario Energy Board** means the Ontario Energy Board or any successor organization thereto;

Services Provided

2. The Customer hereby agrees to procure from the Service Provider and the Service Provider agrees to provide to the Customer, during the Term of this Agreement, the following services (the “**Services**”) using the Service Provider’s employees (the “**Personnel**”) and equipment (the “**Equipment**”):
- a. on an ongoing basis:
 - 1. Account service, Account information management, Account billing, cash collection, human resources and information technology; and
 - 2. Executive and management and finance; and
 - b. on an “as required” basis, all labour, equipment, materials, and vehicle usage for the installation of:
 - 1. new sentinel lights and the maintenance and/or replacement of existing lights (“**Sentinel Lighting Services**”);
 - 2. new fibre optics systems and the maintenance and/or replacement of existing systems (“**Fibre Optic Services**”); and
 - 3. new Wi-Fi systems and the maintenance and/or replacement of existing systems (“**Wi-Fi Services**”).

Term of Agreement

3. The term of this Agreement will commence at 00:00:02 on the Effective Date and will remain in full force and effect until 00:00:01 on the fifth (5th) anniversary of the Effective Date, subject to earlier termination as provided in this Agreement,.
4. In the event that either Party wishes to terminate this Agreement, that Party will be required to provide written notice of termination not less than 1 year in advance.
5. Except as otherwise provided in this Agreement, the obligations of the Service Provider will terminate upon the termination of this Agreement by the Customer or the Service Provider.

Performance

6. The Parties agree to do everything necessary to ensure that the terms of this Agreement take effect.
7. All work in connection with the Services shall be carried out by qualified personnel in a timely manner, in accordance with applicable permits and using quality materials.

8. Service Provider shall ensure that Customer's financial records are maintained and held separately from those of Service Provider.

Compensation & Payment

9. For the Services described in Section 2.a(1), the Customer will pay to the Service Provider \$3.07 per Account billing invoice, payable in 12 monthly installments on the first Business Day of each calendar month. Annual increases to this charge will be equivalent to the Ontario Energy Board approved "Gross Domestic Product minus Industrial Price Index less the productivity factor ("GDP – IPI less productivity index").
10. Service Provider shall invoice Customer for the Services described in Section 2a(2) and 2.b as follows:
 - a. for Personnel, actual hours worked on the specific task at the actual hourly rate of the employee performing the task at the fully allocated cost of such work; plus
 - b. vehicles and other Equipment used by the Personnel will be charged for each hour utilized by staff while working on the specific task at a fully allocated cost

Incentive payments that are compliant with the ARC may be made under this Agreement if proposed by Service Provider and payment is approved by Customer.

11. For the purpose of this Agreement, "fully allocated cost" will, in the absence of evidence to the contrary, mean the cost the Service Provider would charge to a third party for the specified service.
12. For any outside agencies or third parties supplying goods or services to Customer such costs will be charged directly to the appropriate Account.

Confidentiality

13. Unless required by law or otherwise directed by the Ontario Energy Board, no information deemed to be confidential shall be disclosed to individuals, retailers, competitors, or others. In particular, any information pertaining to customers of Service Provider shall not be used by Customer for the marketing or sale of services or products. Information deemed to be confidential normally includes (but is not limited to) customer name, address, phone number, consumption history, payment history, and banking information.
14. The Service Provider agrees that during the term of this Agreement, the Service Provider will not in any way directly or indirectly solicit, entice, or hire away any employee or other service provider of the Customer.

Return of Property

15. Upon the expiry or termination of this Agreement, the Service Provider will return to the Customer any property, documentation, records, or confidential information which is the property of the Customer.

Assignment

16. The Service Provider will not voluntarily or by operation of law assign or otherwise transfer its obligations under this Agreement without the prior written consent of the Customer.

Capacity/Independent Contractor

17. Service Provider and the Customer acknowledge and agree that this Agreement does not create a partnership or joint venture between them, and is exclusively a contract for service. Service Provider does not share employees with Customer, but contracts to provide services to Customer.

Modification of Agreement

18. Any amendment or modification of this Agreement or additional obligation assumed by either Party in connection with this Agreement will only be binding if evidenced in writing signed by each Party or its authorized representative.

Notice

19. All notices, requests, demands or other communications required or permitted by the terms of this Agreement will be given in writing by a Party and delivered to the other Party as follows:

- a. If to Festival Hydro Inc.
187 Erie Street, Stratford, Ontario, N5A 6T5
- b. If to Festival Hydro Services Inc.
187 Erie Street, Stratford, Ontario, N5A 6T5

or to such other address as to which either Party may from time to time notify the other.

Costs and Legal Expenses

20. In the event that legal action is brought to enforce or interpret any term of the Agreement, the prevailing party will be entitled to recover, in addition to any other damages or award, all reasonable legal costs and fees associated with the action.

Time of the Essence

21. Time is of the essence in this Agreement. No extension or variation of this Agreement will operate as a waiver of this provision.

Entire Agreement

22. It is agreed that there is no representation, warranty, collateral agreement or condition affecting this Agreement except as expressly provided in this Agreement.

Liability & Indemnification

23. Service Provider shall, at all times during the term of this Agreement and any renewals thereof, maintain and pay for:

- a. an insurance policy covering all of its undertaking and in particular, comprehensive general liability insurance and property damage liability insurance coverage in an amount not less than Five Million Dollars (\$5,000,000), for each occurrence involving:
 1. bodily injury liability;
 2. broad form property damage liability;
 3. personal injury liability;
 4. products and completed operations;
 5. blanket contractual liability;
 6. contingent employer's liability;
 7. non-owned automobile, including additional insured under S.P.F. No. 6 (non-owned auto) and S.E.F. No. 96 (contractual liability endorsement under the S.P.F. No. 6 (non-owned auto));
 8. owners' or contractors' protective liability;
 9. firefighting expense; and
 10. legal liability for damage to hired automobiles endorsement;
 - b. owned automobile insurance with a limit of not less than Two Million Dollars (\$2,000,000) for liability including accident benefits, death and bodily injury; and
 - c. all risk property damage insurance for all of its equipment and property of Festival Hydro Inc.
24. Each insurance policy referred to herein shall contain, as appropriate, a severability of interests and a cross liability clause.
25. The Parties agree to use the same insurance carrier and co-ordinate coverage and claims to minimize cost. Customer shall be a named insured on the policy held by Service Provider.
26. It is understood and agreed that the Service Provider will have no liability to the Customer or any third party for any loss or damage (whether direct, indirect, or consequential) which may arise from the provision of the Services in excess of the compensation payable by the Service Provider's insurance company in respect of such loss or damage. The Service Provider will indemnify and hold the Customer harmless

from any claims against the Customer by any other party, arising directly or indirectly out of the provision of the Services by the Service Provider.

- a) The Customer shall indemnify, defend and hold harmless the Service Provider, its officers, directors, and employees (each an “**FHI Indemnitee**”) from and against any and all claims, demands, suits, losses, liabilities, damages, obligations, payments, costs and expenses and accrued interest thereon (including the costs and expenses of, and accrued interest in respect of, any and all actions, suits, proceedings, assessments, judgments, awards, settlements and compromises relating thereto and reasonable lawyers’ fees and reasonable disbursements in connection therewith) (each an “**Indemnifiable Loss**”), asserted against or suffered from or arising out of the provision of the Services, use of the Equipment by the Customer and/or the possession or occupation by the Customer of any property or assets of the Service Provider.
- b) Service Provider shall be deemed to hold the provisions of Section 24(a) that are for the benefit of FHI Indemnitees that are not party to this Agreement in trust for such persons as third party beneficiaries under this Agreement.
- c) Should Service Provider be held liable by a court of law for any reason outside of the Indemnity under Section 24(a), Customer agrees that Service Provider’s liability to Customer or any third party in connection with or arising under this Agreement, including without limitation, any liability arising from any act or omission of Service Provider in the provision of the Personnel and/or Equipment, whether arising in contract, tort, equity or otherwise, shall be limited to actions or liabilities resulting solely from the fraud or willful misconduct of Service Provider in the provision of the Personnel and/or Equipment and shall not exceed an amount equal to the total amount paid by Customer to Service Provider under this Agreement for Personnel and Equipment over the twelve-month period immediately preceding the date that the cause of action or claim giving rise to the liability first arose.
- d) Service Provider shall not be liable for any damages caused by delay in delivering or furnishing any Personnel or Equipment referred to in this Agreement.

Fines, etc.

27. Notwithstanding anything else to the contrary in this Agreement, the Parties agree that Service Provider shall not be responsible for any sanctions, fines, penalties, or similar obligations imposed on Customer, and Customer agrees to indemnify and hold harmless Service Provider from any such sanctions, fines, penalties or similar obligations.

Enurement

28. The Agreement will enure to the benefit of and be binding on the Parties and their respective heirs, executors, administrators, successors and permitted assigns.

Currency

29. Except as otherwise provided in the Agreement, all monetary amounts referred to in the Agreement are in Canadian dollars.

Governing Law

30. It is the intention of the Parties that this Agreement and the performance of each Party's obligations under this Agreement, and all suits and special proceedings under this Agreement, be construed in accordance with and governed, to the exclusion of the law of any other forum, by the laws in force the Province of Ontario, without regard to the jurisdiction in which any action or special proceeding may be instituted.

Severability

31. In the event that any of the provisions of this Agreement are held to be invalid or unenforceable in whole or in part, all other provisions will nevertheless continue to be valid and enforceable with the invalid or unenforceable parts severed from the remainder of this Agreement.

Waiver

32. The waiver by either Party of a breach, default, delay or omission of any of the provisions of Agreement by the other Party will not be construed as a waiver of any subsequent breach of the same or other provisions.

Dispute Resolution Process

33. In the event of a dispute between the Parties which cannot be resolved by good faith negotiation between the Parties, either Party shall be entitled to refer the matter for arbitration in accordance with the *Arbitration Act* of Ontario.

[the remainder of this page is intentionally left blank and the signature page follows]

IN WITNESS WHEREOF the Parties have duly executed this Agreement as of the date first written above.

FESTIVAL HYDRO SERVICES INC.

FESTIVAL HYDRO SERVICES INC.

Per: _____ (Corp seal)

Name: _____

Title: **W.G. Zehr, President**

gm 27/13

FESTIVAL HYDRO INC.

FESTIVAL HYDRO INC.

Per: _____ (Corp seal)

Name: _____

Title: **W.G. Zehr, President**

gm 27/13

Witness *Kelley McCann*

ADMINISTRATIVE SERVICES AGREEMENT

THIS agreement for administrative and other services described herein dated this first day of September 2015 -

BETWEEN:

Festival HydroServices Inc of 187 Erie Street, Stratford, Ontario, N5A 6T5
(the "**Service Provider**")

- AND -

Festival Hydro Inc of 187 Erie Street, Stratford, Ontario, N5A 6T5
(the "**Customer**")

(each a "**Party**" and collectively the "**Parties**")

BACKGROUND:

- A. The Customer is of the opinion that the Service Provider has the necessary qualifications, experience and abilities to provide services to the Customer.
- B. The Service Provider is agreeable to providing such services to the Customer on the terms and conditions set out in this Agreement.
- C. The Parties agree the annual cost of Services provided hereunder is expected to be less than \$100,000.00.
- D. The Parties acknowledge the Customer is regulated by the Ontario Energy Board and this document is to be interpreted in a manner that is consistent with the ARC.

IN CONSIDERATION OF the matters described above and of the mutual benefits and obligations set forth in this Agreement, the receipt and sufficiency of which consideration is hereby acknowledged, the parties to this Term Sheet agree in principle to pursue an agreement (the "**Agreement**") with terms as follows:

Definitions

Definitions: Unless the context requires otherwise, the following terms shall, for the purpose of this Agreement, mean:

- 1. Account means an account of a customer of the Customer's

a. Agreement means this agreement for information technology services and any amendments thereto;

b. ARC means the *Affiliate Relationships Code for Electricity Distributors and Transmitters* or any similar document published by the Ontario Energy Board applicable to the subject matter of this Agreement;

c. Ontario Energy Board means the Ontario Energy Board or any successor organization thereto;

Services Provided

d. The Customer hereby agrees to procure from the Service Provider and the Service Provider agrees to provide to the Customer, during the Term of this Agreement, the following services (the "**Services**"):using the Service Provider's employees(the Personnel)

a. on an ongoing basis:

i. information technology services

all Term of Agreement

e. The term of the Agreement will commence at 00:00:02 on the Effective Date and will remain in full force and effect until 00:00:01 on the fifth (5th) anniversary of the Effective Date, subject to earlier termination as provided in the Agreement,.

f. In the event that either party wishes to terminate the Agreement, that party will be required to provide written notice of termination not less than 1 year in advance

g. Except as otherwise provided in the Agreement, the obligations of the Service Provider will terminate upon the termination of the Agreement by the Customer or the Service Provider.

Performance

h. The Parties agree to do everything necessary to ensure that the terms of the Agreement take effect.

i. All work in connection with the Services shall be carried out by qualified personnel in a timely manner,in accordance with applicable permits and using quality materials.

Compensation & Payment

j. For the Services provided by Service Provider to Customer, described in Section d.a, the Customer will pay to the Service Provider \$50.00 per hour

a. for personnel, actual hours worked on the specific task

- k. For any outside agencies or third parties supplying goods or services to Customer such costs will be charged directly to the appropriate account number within Customer.

Confidentiality

- l. Unless required by law or otherwise directed by the Ontario Energy Board, no information deemed to be confidential shall be disclosed to individuals, retailers, competitors, or others. In particular, any information pertaining to customers of Service Provider shall not be used by Customer for the marketing or sale of services or products. Information deemed to be confidential normally includes (but is not limited to) customer name, address, phone number, consumption history, payment history, and banking information.

Non-Solicitation

- m. Any attempt on the part of the Service Provider to induce to leave the Customer's employ, or any effort by the Service Provider to interfere with the Customer's relationship with its employees or other service providers would be harmful and damaging to the Customer.
 - a. The Service Provider agrees that during the term of the Agreement, the Service Provider will not in any way directly or indirectly solicit, entice, or hire away any employee or other service provider of the Customer.

Assignment

- n. The Service Provider will not voluntarily or by operation of law assign or otherwise transfer its obligations under the Agreement without the prior written consent of the Customer.

Capacity/Independent Contractor

Service provider and the Customer acknowledge and agree that this Agreement does not create a partnership or joint venture between them, and is exclusively a contract for service. Service provider does not share employees with Customer, but contracts to provide services to Customer.

Modification of Agreement

- o. Any amendment or modification of the Agreement or additional obligation assumed by either party in connection with the Agreement will only be binding if evidenced in writing signed by each party or an authorized representative

Notice

- p. All notices, requests, demands or other communications required or permitted by the terms of the Agreement will be given in writing by a party and delivered to the other party as follows. -

- a. Festival Hydro Inc
187 Erie Street, Stratford, Ontario, N5A 6T5
- b. Festival Hydro Services Inc
187 Erie Street, Stratford, Ontario, N5A 6T5

or to such other address as to which any Party may from time to time notify the other.

Costs and Legal Expenses

- q. In the event that legal action is brought to enforce or interpret any term of the Agreement, the prevailing party will be entitled to recover, in addition to any other damages or award, all reasonable legal costs and fees associated with the action.

Time of the Essence

- r. Time is of the essence in the Agreement. No extension or variation of the Agreement will operate as a waiver of this provision.

Entire Agreement

- s. It is agreed that there is no representation, warranty, collateral agreement or condition affecting the Agreement except as expressly provided in the Agreement.

Liability & Indemnification

- t. Service Provider shall at all times during the term of the Agreement and any renewals thereof maintain and pay for an insurance policy covering all of its undertaking and in particular, comprehensive general liability insurance and property damage liability insurance coverage in an amount not less than Five Million Dollars (\$5,000,000), for each occurrence involving:
 - a. Bodily Injury Liability;
 - b. Broad Form Property Damage Liability;
 - c. Personal Injury Liability;
 - d. Products and Completed Operations;
 - e. Blanket Contractual Liability;
 - f. Contingent Employer's Liability;
 - i. Non-Owned Automobile, including:
 - ii. Additional Insured under S.P.F. No. 6 (Non-Owned Auto) and S.E.F. No. 96 (Contractual Liability Endorsement under the S.P.F. No. 6 (Non-Owned Auto));

- g. Owners' or Contractors' Protective Liability;
 - h. Fire Fighting Expense; and
 - i. Legal Liability for Damage to Hired Automobiles Endorsement.
 - j. Owned automobile insurance with a limit of not less than two million dollars(\$2,0000,000)
- u. Each insurance policy referred to herein shall contain, as appropriate, a severability of interests and a cross liability clause.
 - v. The Supplier shall maintain at all times during the term of the agreement Owned Automobile Insurance for a limit of not less than Two Million Dollars (\$2,0000,000) for liability including accident benefits, death and bodily injury.
 - w. The Supplier shall maintain at all times during the term of the Agreement, all Risk property damage insurance for the equipment and property of Festival Hydro Inc.
 - x. Customer shall at all times during the term of the Agreement and any renewals thereof maintain and pay for an insurance policy covering all of its undertaking and in particular, comprehensive general liability insurance and property damage liability insurance coverage in an amount not less than Five Million Dollars (\$5,000,000), for each occurrence involving:
 - a. Bodily Injury Liability;
 - b. Broad Form Property Damage Liability;
 - c. Personal Injury Liability;
 - d. Products and Completed Operations;
 - e. Blanket Contractual Liability;
 - f. Contingent Employer's Liability;
 - g. Non-Owned Automobile, including:
 - i. Additional Insured under S.P.F. No. 6 (Non-Owned Auto) and S.E.F. No. 96 (Contractual Liability Endorsement under the S.P.F. No. 6 (Non-Owned Auto)
 - h. Owners' or Contractors' Protective Liability;
 - i. Fire Fighting Expense; and

- j. Legal Liability for Damage to Hired Automobiles Endorsement.
- y. Each insurance policy referred to herein shall contain, as appropriate, a severability of interests and a cross liability clause.
- z. The Parties agree to use the same insurance carrier and co-ordinate coverage and claims to minimize cost. Customer shall be a named insured on the policy held by Service Provider.
 - aa. It is understood and agreed that the Service Provider will have no liability to the Customer or any other party for any loss or damage (whether direct, indirect, or consequential) which may arise from the provision of the Services.
 - bb. The Service Provider will indemnify and hold the Customer harmless from any claims against the Customer by any other party, arising directly or indirectly out of the provision of the Services by the Service Provider.

Enurement

- cc. The Agreement will enure to the benefit of and be binding on the parties and their respective heirs, executors, administrators, successors and permitted assigns.

Currency

dd. Except as otherwise provided in the Agreement, all monetary amounts referred to in the Agreement are in Canadian dollars.

Governing Law

ee. It is the intention of the Parties to the Agreement and the performance of each Party's obligations under this Agreement, and all suits and special proceedings under the Agreement, be construed in accordance with and governed, to the exclusion of the law of any other forum, by the laws of the Province of Ontario, without regard to the jurisdiction in which any action or special proceeding may be instituted.

Severability

ff. In the event that any of the provisions of the Agreement are held to be invalid or unenforceable in whole or in part, all other provisions will nevertheless continue to be valid and enforceable with the invalid or unenforceable parts severed from the remainder of the Agreement.

Waiver

gg. The waiver by either party of a breach, default, delay or omission of any of the provisions of the Agreement by the other party will not be construed as a waiver of any subsequent breach of the same or other provisions.

DISPUTE RESOLUTION PROCESS

hh. In the event of a dispute between the Parties which cannot be resolved by good faith negotiation between the Parties, either party shall be entitled to refer the matter for arbitration in accordance with the *Arbitration Act* of Ontario.

IN WITNESS WHEREOF the parties have duly executed this Agreement.


SIGNED, SEALED AND DELIVERED

in the presence of



Witness

Festival Hydro Services Inc

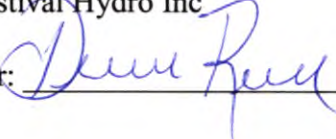
Per:  (Corp seal)





Witness

Festival Hydro Inc

Per:  (Corp seal)



Attachment 4 - 6

City of Stratford Water & Sewage

Billing Service Agreement

WATER AND SEWAGE BILLING SERVICES AGREEMENT BETWEEN

THE CORPORATION OF THE CITY OF STRATFORD

(referred to as the "City")

AND

FESTIVAL HYDRO INC.

(referred to as "Festival")

SERVICES AND RESOURCES

The following services and resources will be provided by Festival on an "ongoing basis":

- The processing of monthly water and sewage invoices to the residents of the City of Stratford.
- Maintain an accurate customer information system of the current customer names and addresses including but not limited to residential, commercial, industrial and general service homeowners and tenants.
- Calculating the invoice using an actual meter read each month. The quantity from the meter read is used to calculate both the water and the sewage portion of the bill.
- Upon collection, ensure the payment reduces the water and sewage accounts receivable balance.
- For outstanding accounts not paid on due date, including amount as part of the collection process, external collection procedures will also be performed as deemed necessary.
- Accessing the City's computer information system for water and sewage information by permitted water employees at Festival Hydro, 82 Erie Street and Wellington Street locations.
- Allowing access to the City's computer information system for the purposes of meter history and service order processing.
- Responding and answering service and enquiry calls to answer customer service enquiries and initiate service orders for any calls relating to the water division.
- Completing all work by qualified personnel in a timely manner.
- Providing necessary system maintenance support including but not limited to rate changes.

COST FOR BILLING AND COLLECTION SERVICES

The services provided to the City shall be supplied at a cost-based price reflecting the costs of producing the service including a return no less than Festival's approved weighted average cost of capital.

For the calendar year 2023, this price is \$3.52 per invoice produced.

For the years starting January 1, 2024, ending December 31, 2027, the monthly cost per invoice may be increased by the previous year's Ontario Energy Board permitted increase. The increased will be reviewed and agreed upon by the Parties on an annual basis and shall be agreed upon by the Parties before December 31 of the preceding year.

Festival Hydro Inc. will remit an amount to the City of Stratford for the water and sewage amounts billed by the end of the month following the billing, less the billing and collection costs which is agreed on annually.

The cost may be renegotiated during the term of the contract due to a large change in scope of work if agreed to by both parties.

CONFIDENTIALITY

Unless required by law or otherwise directed by the Ontario Energy Board, no information considered to be confidential by a Party shall be disclosed to individuals, retailers, competitors, or others. In particular, any information pertaining to hydro customers of Festival or water customers of the City shall not be used by either Party for the marketing or sale of services or products at any time. Information deemed to be confidential includes but is not limited to customer name, address, phone number, any personal identifiable information of a customer, consumption history, payment history, banking information. Festival shall require confidentiality sign offs by city employees on an annual basis.

Any confidential information shared by the Parties shall remain the property of and the proprietary and confidential information of the other Party. Neither Party shall use any of the information for any purpose other than performing the terms and conditions of this Agreement. Both Parties shall make all reasonable, necessary, and appropriate efforts to safeguard the confidential information from disclosure to anyone other than as permitted at all times.

APPORTIONMENT OF RISKS

As the Supplier, the Festival shall at all times during the term of the Agreement and any renewals thereof, maintain and pay for insurance policies covering all of its undertakings and in particular;

1) Commercial general liability insurance naming the City as an Additional Insured in an amount not less than Five Million Dollars (\$5,000,000) per occurrence involving, such policy shall include:

- a. Bodily Injury Liability
- b. Broad Form Property Damage Liability
- c. Personal Injury Liability
- d. Products and Completed Operations
- e. Blanket Contractual Liability
- f. Contingent Employer's Liability

- g. Non-Owned Automobile, including:
- h. S.P.F. No. 6 (Non-Owned Auto) and S.E.F. No. 96 (Contractual Liability Endorsement under the S.P.F. No. 6 (Non-Owned Auto))
- i. Cross Liability/Severability of interest

Festival Hydro agrees to provide to the City, a Certificate of Insurance in compliance with the above during the term of this contract. All Insurers shall be licensed to carry on business in the Province of Ontario and shall be acceptable to the City.

2) Cyber Liability Insurance in an amount of not less than \$2 million including:

- a. Security and Privacy Liability
- b. Breach Response including:
 - i. Privacy breach notification
 - ii. Cyber Extortion

INDEMNIFICATION

Save and except where such injury or damage were incurred as a result of an act or omission of the City, the City shall not be liable or responsible in any way for any injury or damages of any kind whatsoever that may be suffered or sustained by the Festival, or any employee, agent or contractor of Festival.

Festival shall indemnify the City against all claims by any person arising from its provision of services under this Agreement whether arising from any breach or default or from any negligence by Festival, its agents, contractors, employees, invitees or licensees, or from any accident, injury or damage or any other cause whatsoever, and such indemnity shall extend to all costs, legal fees, expenses and liabilities which the City may incur with respect to any such claim.

Festival covenants with the City to indemnify the City against all actions, suits, orders, judgments, demands, applications, claims, damages, costs, and liability arising out of any breach, violation or non-performance of any of Festival's covenant, term or condition as set out in this Agreement and from all costs, legal fees, expenses, and liabilities incurred as a result of any such claim or any action or proceeding brought thereon.

The City covenants with Festival to indemnify Festival against all actions, suits, claims, damages, costs, and liability arising out of a breach, violation, or non-performance of any of the City's covenant, term, or condition as set out in this Agreement and from all costs, legal fees, expenses, and liabilities incurred as a result of any such claim or any action or proceeding brought thereon.

Compliance with Applicable Law

At all times during the provision of services under this Agreement, the Festival shall comply with all of the City's applicable by-laws, rules, policies, rules and guidelines in addition to any applicable Provincial or Federal laws, regulations, policies, guidelines and directions that in any manner relate to or affect the provision of services as set out in this Agreement.

Notice

Any notice to be given pursuant to this Agreement shall be sufficiently given if served personally upon the party or an officer of the party for whom it is intended, or mailed, or sent by email in the case of:

The City: The Corporation of the City of Stratford
 PO Box 874
 Stratford ON N5A 6W3
 Attention: Johnny Bowes
 E-mail: jbowes@stratford.ca

Festival Hydro: Festival Hydro Inc.
 187 Erie St.
 Stratford ON N5A 2M6
 Attention: Alyson Conrad
 E-Mail: aconrad@festivalhydro.com

or at another address that the party has specified by notice in writing to the other party. Where notice is given by mail, it is deemed to have been received by the person to whom it is addressed, on the fifth (5) business day following the next business day after which the notice, sent by prepaid first-class mail, was deposited in a post office or letter box in Ontario. Where notice is personally delivered or sent by e-mail or facsimile it shall be deemed to have been received by the person to whom it is addressed on the date of delivery provided such notice is received during normal business hours. Any notice sent after 4:00 pm shall be deemed to have been received on the following business day. In the event of postal disruption, the parties agree that service shall be made by personal delivery or e-mail only.

DISPUTE RESOLUTION PROCESS

In the event of a dispute between Festival and the City that the Parties are not able to be resolve through a mutual agreement, either Party may refer the matter for arbitration in accordance with the *Arbitration Act, 1991*, S.O. 1991, c.17 as may be amended or replaced from time to time.

TRANSFER AND ASSIGNMENT

Festival Hydro Inc., cannot at any time, assign this agreement in whole or in part, to any person, with the exception of Festival Hydro Services Inc., without obtaining the prior written consent of the City.

TERM

This agreement is effective January 1, 2023, for a period to extend for three years from the effective date and may be extended for a Party for two one-year periods upon written notification to the other Party.

The terms of this Agreement shall be extended for such further term as the Parties hereto may agree to in writing.

TERMINATION

This agreement can be terminated by either party with the notice period being the longer of eight (8) months or the end of the current calendar year.

ENTIRE AGREEMENT

This Agreement constitutes the entire Agreement between the parties hereto with respect to the subject matter of this Agreement and supersedes all prior agreements, representations, warranties, negotiations, discussions and understandings, whether oral or written, express or implied, with respect to the subject matter of this Agreement. Time is and shall continue to be of the essence.

SEVERABILITY

The invalidity of any provision of this Agreement or any covenant herein contained on the part of any party shall not affect the validity of any other provisions or covenant hereof or herein contained.

APPLICABLE LAW

This Agreement shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated, in all respects, as an Ontario contract. The Parties hereto irrevocably attorn to the exclusive jurisdiction of courts located in Stratford, Ontario, Canada.

BINDING

This Agreement shall ensure to the benefit of and shall be binding upon each of the Parties hereto and their respective heirs, executors, administrators, estate trustees, successors, and assigns.

LIMITATIONS

Notwithstanding anything contained in this Agreement, neither party shall be liable to any other party for any lost profits, lost revenues or, failure to realize expected savings even if informed of the possibility thereof in advance.

FURTHER ASSURANCES

Each of the Parties hereto shall from time to time hereafter and upon any reasonable request of the other, execute and deliver, make or cause to be made all such further acts, deeds, assurances and things as may be required or necessary to implement and carry out the true intent and meaning of this Agreement.

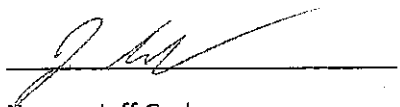
COUNTERPARTS

This Agreement may be executed in counterparts and delivered by facsimile transmission or e-mail, and when each party has executed and delivered a counterpart, each such counterpart shall be deemed to be an original and all such counterparts when take together shall constitute one and the same Agreement.

Signed on this 15 day of December, 2022

FESTIVAL HYDRO INC.

**THE CORPORATION OF THE CITY OF
STRATFORD**



Name: Jeff Graham

Title: CEO



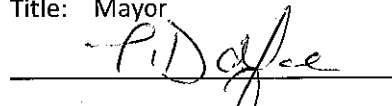
Name: Alyson Conrad

Title: CFO



Name: Martin Ritsma

Title: Mayor



Name: Tatiana Dafoe

Title: Clerk

I/We have authority to bind the Corporation

I/We have the authority to bind the City



Attachment 4 - 7

City of Stratford Commercial
Lease Agreement Addendum

COMMERCIAL LEASE AGREEMENT ADDENDUM

Made as of the 20th day of June, 2023.

This document is an addendum to the commercial lease Agreement between **The Corporation of the City of Stratford** and **Festival Hydro Inc.** effective September 1, 2013 and renewed by Addendum for the period of September 1, 2018-August 31, 2023 for the premises known municipally as **153/161 Wellington Street, Stratford** for the two end bays (5,127 square feet). As such, any term or condition not specified below will be in line with the terms and conditions of that agreement.

This addendum is the result of the tenant choosing to renew the lease for one (1) further Term of three (3) years effective September 1, 2023-August 31, 2026.

As noted in section 3(2) of the original contract, the tenancy shall remain subject to all terms and conditions of this Lease except for Rent, which shall be mutually agreed upon in writing by the Landlord and the Tenant on or before August 1, 2023.

RENT

- 1) The Tenant covenants to pay the landlord, during the Term of this extension rent as follows:
 - a. During the three years of this extension, the sum of **\$3185.49** per month, payable monthly in advance on the 1st day of each and every month commencing on the first day of the extension period. Effective January 1, 2024, the Rent Control Guidelines for the prior year will be used to increase the annual rental amount.
 - b. Upon any such instance that fuel is used from Festival Hydro Inc. pumps, a mark up of 9.3% (or latest OEB approved rate) will be added as a fuel surcharge.
- 2) All other terms pertaining to rent are as per section (2) of the original agreement.

– Signature Page Follows –

IN WITNESS WHEREOF THE FOREGOING COVENANTS, the Landlord and the Tenant have executed this Lease.

Signed on behalf of:

Dated: 08/21/2023

FESTIVAL HYDRO INC

Alyson Conrad
CFO: Alyson Conrad

I have authority to bind the corporation

Dated: August 18, 2023

THE CORPORATION OF THE CITY OF STRATFORD

M. Ritsma
Mayor: Martin Ritsma

T. Dafoe
Clerk: Tatiana Dafoe

We have authority to bind the corporation