Welland Hydro
ELECTRIC SYSTEM CORP.
POWERING WELLAND'S FUTURE

EXHIBIT 4
OPERATING EXPENSES

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4 Operating Expenses

4.1 Overview

In this Exhibit, the operating costs consist of the required expenditures necessary to maintain and operate WHESC's distribution system assets, the costs associated with metering, billing, collecting from its customers, the costs associated with ensuring all stakeholders safety (public, employees, etc.) and costs to maintain the distribution business service quality and reliability standards in compliance with the Distribution System Code and other regulatory bodies (IESO, Ministry of Energy, ESA, etc.). Overall, these are on-going costs associated with providing distribution services in alignment with customer's expectations. WHESC's 2025 Test Year OM&A costs are $8,823,658 as summarized in Table 4-1 below.

Table 4-1: Summary of OM&A Increases – 2017 Board Approved to 2025 Test Year

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year
Distribution Expenses - Operation	1,498,740	1,492,815	1,311,161	1,330,026	1,529,537	1,738,879	1,659,436	1,815,317	1,649,749	2,035,874
Distribution Expenses - Maintenance	1,815,576	1,885,768	2,086,551	2,270,810	1,990,642	1,922,813	2,107,765	2,010,190	2,525,383	2,669,176
Total Operation & Maintenance	**3,314,316**	**3,378,583**	**3,397,713**	**3,600,837**	**3,520,179**	**3,661,692**	**3,767,201**	**3,825,507**	**4,175,132**	**4,705,050**
Billing and Collecting	1,467,344	1,428,794	1,399,519	1,320,953	1,500,139	1,393,265	1,491,435	1,474,496	1,640,375	1,765,877
Community Relations	144,123	149,386	169,206	153,684	60,039	37,440	48,883	53,068	60,367	62,438
Administrative and General Expenses	1,861,960	1,797,550	1,816,145	1,846,895	1,710,166	1,666,601	1,761,942	1,872,043	2,189,905	2,264,544
Total Administrative & Customer Service	**3,473,427**	**3,375,730**	**3,384,870**	**3,321,533**	**3,270,344**	**3,097,306**	**3,302,260**	**3,399,607**	**3,890,647**	**4,092,858**
Total OM&A Excluding Donations	**6,787,743**	**6,754,313**	**6,782,583**	**6,922,370**	**6,790,523**	**6,758,998**	**7,069,461**	**7,225,114**	**8,065,780**	**8,797,908**
Donations - Leap	12,257	12,000	13,500	13,500	29,311	25,454	14,035	13,156	25,000	25,750
Total OM&A	**6,800,000**	**6,766,313**	**6,796,083**	**6,935,870**	**6,819,834**	**6,784,453**	**7,083,496**	**7,238,270**	**8,090,780**	**8,823,658**

4.1.1 2025 Test Year OM&A Summary

WHESC's 2025 Test Year OM&A costs are $8,823,658 as summarized in below in Table 4-2. These costs are inclusive of the Low-Income Energy Assistance Program ("LEAP") expenditures. WHESC proposes to recover total OM&A expenses in distribution rates. In this Exhibit, information is provided on key initiatives, trends, and material annual variances. Details on staffing, compensation costs, and shared services are also provided.

Table 4-2: Test Year OM&A Summary

Expenses	2025 Test Year
Distribution Expenses - Operation	2,035,874
Distribution Expenses - Maintenance	2,669,176
Total Operation & Maintenance	**4,705,050**
Billing and Collecting	1,765,877
Community Relations	62,438
Administrative and General Expenses	2,290,294
Total Administrative & Customer Service	**4,118,608**
Total OM&A	**8,823,658**

4.1.2 OM&A Budgeting Process

WHESC finalizes its annual budget plan in the fourth quarter for the following year and receives final approval from its Board of Directors prior to year-end of the current year. Developing the budget is a key process as it identifies past successes as well as future initiatives and projections for capital and operating costs. Care is taken to ensure that the capital and operating budgets support WHESC's core business objectives as well as being prudent and financially sustainable with due consideration given to rate impacts on its customers.

The budgeting process is as follows:

a) The Management Team works collectively to observe higher level issues including changes in revenue (such as loss of a large use customer), strategic objectives either from within WHESC or the industry, cost pressure from specific areas or performance concerns that must be considered by each Department. This step sets high level expectations for each department on cost control and efficiency improvements. Senior Management is always mindful of the costs of supplying services versus the rate impact on its customers.

b) Each Department Director then develops capital and operating plans with these issues or objectives in mind. The following directives are provided to each director to assist them with preparation:

- External expenses (non-wage related) for all department budgets are produced using two to three previous year actuals and current year forecast/budget as the base with the addition of any new items which may arise;
- Significant variances in spending from prior years must be explained and documented;
- Review of department headcount based on requirement for staff and need for change;
- Finance prepares a labor budget using projected wage and benefit costs. Overtime is based on projected need and historical comparisons with an expectation that it is closely managed to reduce costs where possible. Labor amounts charged to capital and third parties are set based on comparisons to previous years actuals with any significant changes being explained and documented.

c) Once WHESC has finalized all budgeted costs, the Stores, Engineering, Vehicle, and Service Centre departments along with Payroll Burdens are reviewed and an overhead rate determined to ensure costs are properly allocated within OM&A, capital and other recoverable accounts. The Stores department costs are allocated out based on expected material issues to operations & maintenance related accounts and third party billings (no charges to capital expenditures). Vehicle related costs are allocated out based on expected truck time (no charges to capital expenditures)

to all departments and third party billings. Engineering related costs are allocated based on labor charges to operations & maintenance and third party billings (no charge to capital expenditures). Service Centre expenses are allocated to Operations & Maintenance, Billing and Collecting, Customer Relations, and Administrative accounts based estimated percentages such as square footage. Payroll burdens are allocated based on wages and are allocated to all expense accounts, capital expenditures, and all third party & associate company billings.

d) The Finance department then completes an initial consolidation of all departments to develop an initial budget. Finance works with each department to identify variances and issues for consideration.

e) The Management Team will review the initial budget and make changes to balance cost control with achieving core objectives. In an effort to contain costs, explore efficiencies and still provide an acceptable level of reliability and customer service, the team looks in detail for discretionary costs and identifies cost areas that can be delayed or are candidates for alternative approaches. This process results in OM&A costs with an adequate degree of assurance that WHESC will be able to continue to serve its customers in a safe and reliable way.

f) Members of the Senior Management Team make a detailed submission to the Audit and Finance Committee of the Board on the proposed budget and formal approval is requested of WHESC's full board of directors at the next scheduled meeting.

WHESC's Distribution System Plan (DSP) is also used to determine the necessary distribution system operations and maintenance expenditures required to ensure continued safe and reliable service delivery. This information is provided in Exhibit 2, Appendix 2-E (DSP).

For the purposes of this application, the 2024 Bridge Year forecast is based on the 2024 plan with a review of 2023 full year's actuals. No actual data for 2024 is used for the 2024 Bridge Year forecast. A full review of the 2025 Test Year Revenues, OM&A, and Capital Expenditures along with bill impacts by rate class are presented to WHESC's Board prior to submission of the rate application to the OEB.

4.1.3 Associated Cost Drivers and Significant Changes

WHESC's OM&A Plan has been developed to ensure that it can continue to distribute electricity to its customers in a safe and reliable manner. The plan was formed with consideration of a number of factors including operational needs, legislative requirements, regulatory obligations, alignment with corporate goals, and ongoing engagement with our customers.

Table 4-3 summarizes changes to OM&A costs since WHESC's last Board approved Cost of Service Application in 2017 and the 2025 Test Year. As shown in this table, WHESC's increase in OM&A spending

from the 2017 OEB Approved amount to the 2025 Test Year is $2,023,658. Over the eight-year period, this amounts to a compound annual growth rate ("CAGR") of 3.3%.

Table 4-3: 2025 Test Year vs. 2017 OEB Approved

Expenses	2017 Board Approved	2025 Test Year	Variance
Distribution Expenses - Operation	1,498,740	2,035,874	537,134
Distribution Expenses - Maintenance	1,815,576	2,669,176	853,600
Total Operation & Maintenance	**3,314,316**	**4,705,050**	**1,390,734**
Billing and Collecting	1,467,344	1,765,877	298,533
Community Relations	144,123	62,438	-81,685
Administrative and General Expenses	1,874,217	2,290,294	416,077
Total Administrative & Customer Service	**3,485,684**	**4,118,608**	**632,924**
Total OM&A	**6,800,000**	**8,823,658**	**2,023,658**
Compound Annual Growth Rate			**3.3%**

The OM&A costs in the 2025 Test Year reflect the resourcing mix and investments required to meet customer and broader public policy requirements for the duration of the 4th Generation IRM plan term. Without this level of resourcing and investments, WHESC will struggle to meet workload requirements, customer expectations, growth accommodation, and broader public policy requirements in 2025 and beyond.

A detailed review of the increase from 2017 to 2025 and explanations of material year-over-year increases in OM&A are provided in Section 4.3.

4.1.4 Overall Trends

WHESC monitors its total cost per customer, benchmarked against regional LDCs. WHESC remains the LDC with the lowest total cost per customer for the period 2018 through to 2022. These figures are collected from the OEB's summary of distributor scorecards for 2022 (the most recent data available).

Table 4-4: Total Cost per Customer Comparison

LDC	Total Cost per Customer ($)				
	2018	2019	2020	2021	2022
Welland Hydro-Electric System Corp.	501	512	494	494	518
Grimsby Power Incorporated	584	594	598	602	660
Alectra Utilities Corporation	681	716	686	691	753
Niagara-on-the-Lake Hydro Inc.	761	758	750	768	804
Niagara Peninsula Energy Inc.	755	786	758	750	812
Canadian Niagara Power Inc.	867	893	868	905	968
Hydro One Networks Inc.	1,017	1,044	1,018	1,033	1,172

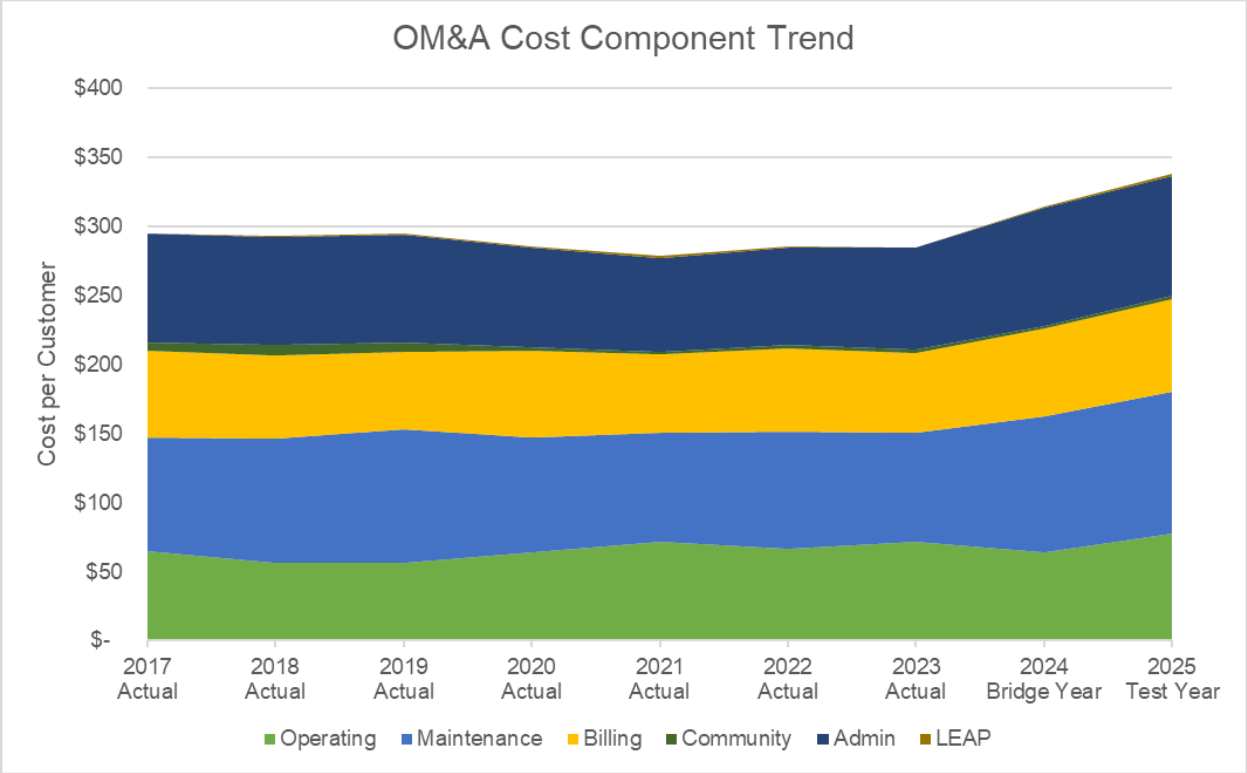
WHESC's OM&A costs per customer are shown in Table 4-5. The table includes specific costs for the components that contribute to OM&A for the period from the 2017 Board Approved to 2025 Test Year.

Table 4-5: OM&A Cost Components per Customer

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge Year	2025 Test Year
Number of Customers	$ 22,956	$ 22,937	$ 23,204	$ 23,543	$ 23,876	$ 24,373	$ 24,826	$ 25,397	$ 25,758	$ 26,125
Distribution Expenses - Operation	$1,498,740	$1,492,815	$1,311,161	$1,330,026	$1,529,537	$1,738,879	$1,659,436	$1,815,317	$1,649,749	$2,035,874
Distribution Expenses - Maintenance	$1,815,576	$1,885,768	$2,086,551	$2,270,810	$1,990,642	$1,922,813	$2,107,765	$2,010,190	$2,525,383	$2,669,176
Billing and Collecting	$1,467,344	$1,428,794	$1,399,519	$1,320,953	$1,500,139	$1,393,265	$1,491,435	$1,474,496	$1,640,375	$1,765,877
Community Relations	$ 144,123	$ 149,386	$ 169,206	$ 153,684	$ 60,039	$ 37,440	$ 48,883	$ 53,068	$ 60,367	$ 62,438
Administrative and General Expenses	$1,861,960	$1,797,550	$1,816,145	$1,846,895	$1,710,166	$1,666,601	$1,761,942	$1,872,043	$2,189,905	$2,264,544
Donations - Leap	$ 12,257	$ 12,000	$ 13,500	$ 13,500	$ 29,311	$ 25,454	$ 14,035	$ 13,156	$ 25,000	$ 25,750
Total OM&A	**$6,800,000**	**$6,766,313**	**$6,796,083**	**$6,935,870**	**$6,819,834**	**$6,784,453**	**$7,083,496**	**$7,238,270**	**$8,090,780**	**$8,823,658**
% Change		-0.5%	0.4%	2.1%	-1.7%	-0.5%	4.4%	2.2%	11.8%	9.1%
OM&A Cost Per Customer	$ 296	$ 295	$ 293	$ 295	$ 286	$ 278	$ 285	$ 285	$ 314	$ 338
Operating Cost Per Customer	$ 65	$ 65	$ 57	$ 56	$ 64	$ 71	$ 67	$ 71	$ 64	$ 78
Maintenance Cost Per Customer	$ 79	$ 82	$ 90	$ 96	$ 83	$ 79	$ 85	$ 79	$ 98	$ 102
Billing & Collecting Cost Per Customer	$ 64	$ 62	$ 60	$ 56	$ 63	$ 57	$ 60	$ 58	$ 64	$ 68
Community Relations Cost per Customer	$ 6	$ 7	$ 7	$ 7	$ 3	$ 2	$ 2	$ 2	$ 2	$ 2
Admin. and General Cost Per Customer	$ 81	$ 78	$ 78	$ 78	$ 72	$ 68	$ 71	$ 74	$ 85	$ 87
LEAP Cost per Customer	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1

The figure shown in Table 4-6 graphically depicts the OM&A cost components year over year. The balance of this section discusses trends in cost components that are material in the Test Year.

Table 4-6: OM&A Cost Component Trend



Operating Costs

WHESC's operating cost per customer has increased from $65 in 2017 OEB Approved to $78 in the 2025 Test Year. This represents a CAGR of 2.3%. Section 4.3 summarizes the major contributors to operating cost changes over the period.

Increases in utility locate contract service costs are a primary cost driver as discussed in Section 4.2. Meter operation costs are a contributor to the increase based on increases in labour and materials associated with meter verification and installation work. System control labour costs have increased due to the implementation of a 24 x 7 system control model and labour rate adjustments through the period due to inflation. These costs are managed through a shared cost model as described in Section 4.3. Labour rate increases have affected distribution system operating costs through the period.

Maintenance Costs

WHESC's maintenance cost per customer has increased from $79 in 2017 OEB Approved to $102 in the 2025 Test Year. This represents a CAGR of 3.2% with major contributors to maintenance costs discussed in Section 4.3.

Tree trimming is a primary cost driver included in overhead system maintenance costs. Overhead system maintenance costs contribute approximately 55% to the overall increase. Table 4-31 and the 2025 Test Year to 2017 OEB Approved variance analysis that follows, provides a summary of the factors related to Overhead Maintenance Program cost increases.

Maintenance Supervision and Engineering, Distribution Station Maintenance, and Transformer Maintenance costs are also discussed in the variance analysis associated with Table 4-28, Table 4-29, and Table 4-33 respectively.

Billing and Collecting

WHESC's billing and collecting cost per customer has increased from $64 in 2017 OEB Approved to $68 in the 2025 Test Year. This represents a CAGR of 0.8%. Costs associated with Billing and Collecting remained relatively flat throughout the period. While WHESC did move to third party bill processing in the period, which has been identified as a primary cost driver, reduction in labour costs offset this. Additional details regarding Billing and Collecting cost variances can be found in Table 4-34, Table 4-35, and Table 4-36.

Administrative and General Costs

Administrative and general costs per customer have increased from $81 in 2017 OEB Approved to $87 in the 2025 Test Year. This represents a CAGR of 0.9%. Costs associated with administrative requirements have been managed well below inflation throughout the period. Table 4-40 and the variance analysis that follows discusses contributors to cost increases over the period. Information Systems related expenditures are a primary cost driver that is also the largest contributor to the change in WHESC's administrative expenses.

4.1.5 Inflation Rate Used

The OEB released its 2025 Inflation Parameters in its letter dated June 20th, 2024. In that letter, the published 2025 inflation factor for electricity distributors was 3.6%.

WHESC is using a different rate for general OM&A expenditures. In preparing its COS application, WHESC used a conservative inflation of 3% for general OM&A expenses unless specific contractual costs were known at the time. WHESC's general OM&A expenses were forecasted before the recent inflation factor was published. WHESC believes that it is prudent to continue based on its forecast assumption due to anticipated policy-based changes driving inflation reduction.

4.1.6 Business Environment Changes

COVID-19 Pandemic

The COVID-19 pandemic led to additional challenges and cost pressures that impact both the historical and forecast period. WHESC has experienced significant increases in material and equipment costs, a strained labor market, and supply chain disruptions. This has affected WHESC's procurement costs, resource availability, and the ability to execute projects within planned timelines. While supply chain issues have started to ease, material costs and in some cases lead times, remain high. WHESC has factored these cost pressures into its budgeting process.

Global Inflation

Inflationary increases since 2021 have caused significant cost pressures on materials and third-party services related to WHESC's capital and operating costs. Some examples of cost increases between 2017 and 2023 include, but are not limited to:

- 40% average increase in the cost of distribution transformers
- 91% average increase in the cost of wood poles

- 126% average increase in the cost of cable
- 36% increase in the cost of diesel fuel

WHESC continues to navigate these cost pressures by making prudent decisions related to the procurement of goods and services. Some examples of these evident in the application are methods to economize on third-party service work such as tree trimming, and extending the service life of distribution equipment such as power transformers where the reliability of the distribution system is not compromised.

Climate Change

In 2023, the OEB released a Report to the Minister of Energy titled "Improving Distribution Sector Resilience, Responsiveness, and Cost Efficiency. The report was in response to the Minister's Letter of Direction in 2022, requesting advice and proposals from the OEB to improve distribution sector resiliency, responsiveness and cost efficiency in relation to major weather events.

Major weather events impacting Ontario LDCs have increased in frequency in recent years as the impacts of climate change intensify. The items proposed in the report that WHESC has focused on are:

- Promote the greater sharing of services amongst distributors
- Integrating resilience into system planning
- Engage in regular data-driven assessments of vulnerabilities in the distribution system and operations in the event of severe weather
- Prioritize value for customers when investing in system enhancement for resilience purposes
- Measure and report on restoration of service
- Satisfy minimum targets for customer communication related to interruptions and restoration of service

WHESC plans to continue investment in grid modernization with technology deployments that benefit grid visibility. To maximize the benefit of technology deployments, WHESC has implemented a 24 x 7 system control operation. This allows WHESC to operationally position itself to manage high impact events. The system control operation has been implemented using a shared cost model with another LDC in alignment with the same resiliency and grid visibility objectives. WHESC believes that this, along with its asset management based decisions prioritizes the value for customers in improving our resiliency posture. Customer engagement in support of this application confirmed that there is a desire to ready our distribution system in advance of significant weather events.

Acceleration of Residential Housing Development

The City of Welland has become increasingly proactive in economic development initiatives aimed at increasing housing starts since 2017. With recent participation by the municipality in the Ontario Government's Building Faster Fund, it is likely that recently experienced residential growth rates will continue. This will continue to have an impact on both capital and on-going O&M as WHESC facilitates new connections to its distribution system.

Energy Transition/Electrification

The energy transition of transportation and heating sources will have a significant impact on LDCs given their role in meeting the associated electricity demands. WHESC in partnership with GridSmart City member LDCs, procured an Electrification Strategy Study. This study provides insight on potential EV adoption rates and heating fuel source switching along with recommendations on system preparedness. WHESC considered the potential adoption rates in producing its current business plan. Recommendations on system preparedness that will affect this planning period have also informed the plan.

The transition requires LDC's to have greater real time visibility into the distribution system to understand asset utilization, operational and asset risk associated with load increase, and the impact of changes to power flow. WHESC uses its Advanced Distribution Management System, SmartMap, as a tool to identify portions of its distribution system where Level 2 or higher EV charging is deployed. This tool is also used to identify impacts of EV related load additions to the distribution system, informing planning decisions. WHESC is proactive in monitoring data analytics along with changing customer requirements to inform expenditure decisions.

Customer Preferences

In support of WHESC's distribution plan and this application, WHESC engaged customers to provide high level detail on planned capital and operating expenditures. The invaluable feedback gleaned from that engagement was used to inform and confirm expenditure decisions in this COS application. The survey provided validation and confirmation of WHESC's assumptions regarding adoption of electric vehicles and heating fuel switching.

Customers have confirmed a desire for accelerated investment in the distribution system to improve readiness for significant events. Affordability is still a priority for WHESC customers in concert with a desire for improved system reliability. Our customers have indicated a desire for WHESC to enhance the customer experience through the deployment of improved customer facing technologies.

WHESC continues to monitor customer preferences and industry trends to ensure customer affordability is balanced with distribution system performance.

4.2 Summary and Cost Drivers

4.2.1 Summary of Recoverable OM&A Expenses

WHESC follows the OEB's Accounting Procedures Handbook (APH) in distinguishing work performed between operations and maintenance. A summary of WHESC's recoverable OM&A expenses by year, for the 2017 Board Approved, 2017 to 2023 Actual, 2024 Bridge Year and 2025 Test Year is provided in Table 4-7, OEB Appendix 2-JA. The OEB Appendix 2-JA is also included as Appendix 4-A of this document. WHESC is proposing to recover $8,823,658 in OM&A related expenses in its 2025 distribution rates.

Table 4-7: OEB Appendix 2-JA, Summary of Recoverable OM&A

	2017 Last Rebasing Year OEB Approved	2017 Last Rebasing Year Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
Reporting Basis										
Operations	$ 1,498,740	$ 1,492,815	$ 1,311,161	$ 1,330,026	$ 1,529,537	$ 1,729,778	$ 1,659,436	$ 1,815,317	$ 1,649,749	$ 2,035,874
Maintenance	$ 1,815,576	$ 1,885,768	$ 2,086,551	$ 2,270,810	$ 1,990,642	$ 1,931,915	$ 2,107,765	$ 2,010,190	$ 2,525,383	$ 2,669,176
SubTotal	**$ 3,314,316**	**$ 3,378,583**	**$ 3,397,713**	**$ 3,600,837**	**$ 3,520,179**	**$ 3,661,692**	**$ 3,767,201**	**$ 3,825,507**	**$ 4,175,132**	**$ 4,705,050**
%Change (year over year)		1.9%	0.6%	6.0%	-2.2%	4.0%	2.9%	1.5%	9.1%	12.7%
%Change (Test Year vs Last Rebasing Year - Actual)										39.3%
Billing and Collecting	$ 1,467,344	$ 1,428,794	$ 1,399,519	$ 1,320,953	$ 1,500,139	$ 1,393,265	$ 1,491,435	$ 1,474,496	$ 1,640,375	$ 1,765,877
Community Relations	$ 144,123	$ 136,007	$ 164,682	$ 153,684	$ 60,039	$ 37,440	$ 48,883	$ 53,068	$ 60,367	$ 62,438
Administrative and General	$ 1,874,217	$ 1,822,928	$ 1,834,169	$ 1,860,395	$ 1,739,477	$ 1,692,055	$ 1,775,977	$ 1,885,199	$ 2,214,905	$ 2,290,294
SubTotal	**$ 3,485,684**	**$ 3,387,730**	**$ 3,398,370**	**$ 3,335,032**	**$ 3,299,655**	**$ 3,122,760**	**$ 3,316,295**	**$ 3,412,764**	**$ 3,915,647**	**$ 4,118,608**
%Change (year over year)		-2.8%	0.3%	-1.9%	-1.1%	-5.4%	6.2%	2.9%	14.7%	5.2%
%Change (Test Year vs Last Rebasing Year - Actual)										21.6%
Total	**$ 6,800,000**	**$ 6,766,313**	**$ 6,796,083**	**$ 6,935,869**	**$ 6,819,834**	**$ 6,784,453**	**$ 7,083,496**	**$ 7,238,271**	**$ 8,090,780**	**$ 8,823,658**
%Change (year over year)		-0.5%	0.4%	2.1%	-1.7%	-0.5%	4.4%	2.2%	11.8%	9.1%

	2017 Last Rebasing Year OEB Approved	2017 Last Rebasing Year Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
Operations[4]	$ 1,498,740	$ 1,492,815	$ 1,311,161	$ 1,330,026	$ 1,529,537	$ 1,729,778	$ 1,659,436	$ 1,815,317	$ 1,649,749	$ 2,035,874
Maintenance[5]	$ 1,815,576	$ 1,885,768	$ 2,086,551	$ 2,270,810	$ 1,990,642	$ 1,931,915	$ 2,107,765	$ 2,010,190	$ 2,525,383	$ 2,669,176
Billing and Collecting[6]	$ 1,467,344	$ 1,428,794	$ 1,399,519	$ 1,320,953	$ 1,500,139	$ 1,393,265	$ 1,491,435	$ 1,474,496	$ 1,640,375	$ 1,765,877
Community Relations[7]	$ 144,123	$ 136,007	$ 164,682	$ 153,684	$ 60,039	$ 37,440	$ 48,883	$ 53,068	$ 60,367	$ 62,438
Administrative and General[8]	$ 1,874,217	$ 1,822,928	$ 1,834,169	$ 1,860,395	$ 1,739,477	$ 1,692,055	$ 1,775,977	$ 1,885,199	$ 2,214,905	$ 2,290,294
Total	**$ 6,800,000**	**$ 6,766,313**	**$ 6,796,083**	**$ 6,935,869**	**$ 6,819,834**	**$ 6,784,453**	**$ 7,083,496**	**$ 7,238,271**	**$ 8,090,780**	**$ 8,823,658**
%Change (year over year)		-0.5%	0.4%	2.1%	-1.7%	-0.5%	4.4%	2.2%	11.8%	9.1%

4.2.2 Cost Driver Tables

The following is a description of the primary drivers that have influenced the increase in WHESC's OM&A expenditures since the 2017 COS up to and including the 2025 Test Year. Each driver is summarized by its net change year-over-year. WHESC has provided comments on those variances greater than its materiality level of $68,000 or for items less than the materiality threshold if deemed relevant.

Table 4-8, OEB Appendix 2-JB (included in this document as Appendix 4-B) provides a list of the cost drivers that affected OM&A year-over-year spending based on a materiality threshold, or where the cost driver

represents common or recurring expenditures that have impacted multiple years. The OM&A opening balance for the last Rebasing Year of $6,800,000 is equal to the 2017 OEB Approved amount.

Table 4-8: OEB Appendix 2-JB, Recoverable OM&A Cost Driver Table

OM&A	Last Rebasing Year (2017 Actuals)	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
Reporting Basis									
OM&A Wages & Benefits	$ 3,948,803	$ 3,579,881	$ 3,581,016	$ 3,671,620	$ 3,526,185	$ 3,685,259	$ 3,354,218	$ 3,370,286	$ 3,883,878
OM&A Expenses	$ 2,851,197	$ 3,186,432	$ 3,215,067	$ 3,264,249	$ 3,293,649	$ 3,099,193	$ 3,729,278	$ 3,867,985	$ 4,206,902
OM&A Opening Balance	$ 6,800,000	$ 6,766,313	$ 6,796,083	$ 6,935,869	$ 6,819,834	$ 6,784,453	$ 7,083,496	$ 7,238,271	$ 8,090,780
Salaries, Wages and Benefits	-$ 368,922	$ 1,135	$ 90,604	-$ 145,435	$ 159,075	-$ 331,042	$ 16,068	$ 513,592	$ 582,732
Billing Contract Services	$ 2,663	$ 4,736	-$ 152	$ 3,304	$ 803	$ 3,769	$ 58,151	$ 89,458	$ 5,616
Information Systems and Support	$ 48,161	-$ 59,685	$ 100,164	-$ 86,978	-$ 93,430	$ 11,818	$ 55,377	$ 57,273	$ 123,298
Locates	$ 5,960	$ 15,112	$ 11,574	$ 5,709	-$ 1,152	$ 5,128	$ 13,789	$ 53,645	$ 35,272
Stores Material	$ 65,134	$ 13,278	$ 42,055	-$ 17,091	-$ 39,059	$ 99,507	-$ 60,054	$ 8,593	$ 10,041
Postage	$ 60,818	$ 4,006	$ 7,182	$ 3,841	$ 3,835	$ 16,454	-$ 6,661	$ 4,039	$ 7,105
ADMS Software	$ -	$ -	$ -	$ 38,981	$ 43,046	$ 3,067	$ 2,528	$ 3,067	$ 3,174
Tree Trimming	$ 8,806	-$ 16,085	$ 32,169	-$ 22,335	-$ 51,232	$ 79,850	$ 34,511	$ 44,719	-$ 30,330
Cyber Security Services	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 65,000
General Subcontracting	$ 15,864	$ 1,880	-$ 14,835	-$ 3,194	$ 8,747	$ 78,091	-$ 73,608	$ 47,354	$ 3,023
Lines Supplies	$ 16,499	$ 8,703	$ 21,404	-$ 3,729	-$ 6,434	$ 7,160	-$ 11,749	$ 18,315	$ 2,338
General Supplies	$ 583	$ 85,790	-$ 99,606	$ 111,701	-$ 76,072	-$ 59,337	$ 4,249	$ 42,367	$ 42,063
Pole Testing	$ 35,624	-$ 36,338	$ 30,944	-$ 24,028	$ 47,031	-$ 30,180	$ 27,167	-$ 5,934	$ 1,350
Building Repairs	$ 7,087	$ 27,073	-$ 973	-$ 8,957	-$ 782	$ 29,774	$ 29,889	-$ 27,876	-$ 10,390
Insurance	$ 14,288	-$ 23,360	-$ 12,298	$ 7,688	$ 5,818	$ 9,721	$ 30,327	$ 9,328	$ 6,277
Regulatory expense	$ 54,878	-$ 88,241	-$ 11,691	$ 11,789	-$ 13,765	$ 22,459	$ 12,310	$ 208,036	-$ 208,376
Bad Debt Expense	-$ 7,524	-$ 8,323	$ 10,186	$ 97,614	-$ 176,704	$ 139,706	-$ 36,493	$ 3,411	$ 3,513
Garage Supplies	-$ 188	$ 26,791	-$ 11,858	-$ 2,563	$ 45,404	-$ 6,520	-$ 8,595	-$ 13,095	$ 9,188
Health & Safety	$ 2,134	$ 1,606	$ 3,704	-$ 4,148	-$ 10,414	$ 3,480	$ 1,155	$ 19,485	$ 6,162
Meter Supplies	$ 214	-$ 1,957	$ 6,290	$ 5,670	$ 18,978	-$ 632	-$ 5,420	$ 1,071	$ 998
AMI System Expense	$ 18,591	$ 1,031	-$ 499	$ 6,198	$ 4,265	-$ 1,703	$ 8,442	$ 3,806	$ 3,920
Settlement Services	-$ 10,802	$ 29,131	-$ 11,215	$ 1,648	$ 1,681	$ 2,572	$ 4,415	$ 2,781	$ 19,973
Control Room Contract Services	$ 9,041	$ 4,182	-$ 23,601	-$ 4,623	$ 114,583	$ 175,698	$ 1,439	-$ 291,720	$ -
General Inflation & Other	-$ 12,596	$ 39,305	-$ 29,761	-$ 87,099	-$ 19,602	$ 40,204	$ 57,537	$ 60,794	$ 50,934
OM&A Wages & Benefits	$ 3,579,881	$ 3,581,016	$ 3,671,620	$ 3,526,185	$ 3,685,259	$ 3,354,218	$ 3,370,286	$ 3,883,878	$ 4,466,610
OM&A Expenses	$ 3,186,432	$ 3,215,067	$ 3,264,249	$ 3,293,649	$ 3,099,193	$ 3,729,278	$ 3,867,985	$ 4,206,902	$ 4,357,049
Closing Balance[2]	$ 6,766,313	$ 6,796,083	$ 6,935,869	$ 6,819,834	$ 6,784,453	$ 7,083,496	$ 7,238,271	$ 8,090,780	$ 8,823,658

The following describes the material changes in the 2025 Test Year as compared to the 2017 OEB Approved levels by cost driver. Table 4-6 lists the primary cost drivers that exceed the materiality threshold.

Table 4-9: Primary Cost Drivers 2017 – 2025

Primary Cost Drivers 2017-2025	Total
Salaries, Wages and Benefits	$ 517,807
Billing Contract Services	$ 168,348
Information Systems	$ 155,998
Locates	$ 145,037
Stores Material	$ 122,403
Postage	$ 100,618
ADMS Software	$ 93,863
Tree Trimming	$ 80,073
Total	**$ 1,384,147**

4.2.2.1 Wages and Benefits Cost Driver

Wages and Benefits charged to OM&A have increased by $517,807 or 13.1% over the eight years from the 2017 COS to the 2025 Test Year. Inflationary increases from 2018 through 2025, based on OEB approved inflation factors, total 24.5% (compounded). There is some variation in year-over-year variances due to

retirements, resignations, and hires for succession planning. There were also progressions in union wages throughout the period. Cumulatively, the increase in cost is well below inflation.

WHESC's approach to managing the impact of Wages & Benefits is as follows:

a) Reduction in FTE's

WHESC has reduced its total FTE count from 41 in the 2017 COS to 37.3 in the 2025 test year. The total FTE count of 37.3 is after FTE costs are allocated to the shared services recipient for system control services as shown in Table 4-45. WHESC believes that these FTE reductions are both prudent and sustainable.

b) Increased Efficiency by Sharing Services

WHESC has leveraged a shared services model to manage FTE related costs for its 24x7 System Control operation. The fully loaded costs for 1.4 FTE's are allocated to the LDC recipient, providing increased value of the operation to customers.

c) Increased Efficiency in Utilization of Operations Staff

Table 4-10 shows that wages & benefits charged to capital, third-party, and associate companies have risen by 63% from $797,363 in the 2017 OEB Approved amounts to $1,303,006 in the 2025 Test Year. Increases in amounts billed to third parties which were previously in OM&A, produce cost efficiencies. The majority of the efficiencies relate to the increased use of line staff on capital projects without impacting maintenance programs.

Table 4-10: Labour allocated to non-OM&A

	Last Rebasing Year 2017 - OEB Approved	Last Rebasing Year (2017 Actuals)	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
Capitalized Wages & Benefits	-$ 518,650	-$ 545,454	-$ 600,040	-$ 623,568	-$ 690,699	-$ 787,171	-$ 702,547	-$ 747,471	-$ 776,670	-$ 800,212
CDM Billings/Adjustments	-$ 64,664	$ 7,839	$ 27,837	-$ 80,561	$ -	$ -	$ -	$ -		
Third Party Billings Wages & Benefits	-$ 159,132	-$ 108,192	-$ 184,769	-$ 211,387	-$ 245,414	-$ 177,719	-$ 226,956	-$ 261,374	-$ 245,873	-$ 255,656
Associate Billings Wages & Benefits	-$ 54,917	-$ 66,344	-$ 61,811	-$ 42,965	-$ 27,853	-$ 23,968	-$ 24,943	-$ 27,021	-$ 28,003	-$ 29,182
Control Room Billings Wages & Benefits									-$ 203,095	-$ 217,956
Total Compensation non-OM&A	-$ 797,363	-$ 712,151	-$ 818,783	-$ 958,481	-$ 963,966	-$ 988,858	-$ 954,446	-$ 1,035,866	-$ 1,253,641	-$ 1,303,006

As shown in Table 4-41, there is an increase in total compensation from the 2024 Bridge Year to the 2025 Test Year in the amount of $582,732. This is a movement from $3,883,878 in the Bridge Year to $4,466,610 in the Test Year. Approximately $157,000 of this increase is due to inflation based on negotiated collective agreement rates for 2025, as well as progressions in union wages. The balance of the increase is attributed to the addition of three full-time positions as WHESC manages growth and succession. The new positions include a Distribution System Engineer, Engineering and Operations Assistant, and Health and Safety

Officer. Descriptions of these positions and their importance to the continuity of WHESC's operations and corporate objectives are described in Section 4.3.1.5 below.

4.2.2.2 Billing Contract Services

WHESC has migrated to third-party bill processing in order to manage associated operating expenditures. This change in approach also provides WHESC with resource depth and redundancy without increasing FTEs. Migration to third party services occurred in August of 2023 and continued through 2024 forming the basis of the cost increase. This cost increase of $168,348 is offset by the reduction of 1.5 FTEs representing a cost reduction of $201,743 based on 2025 wage and benefit data.

4.2.2.3 Information Systems and Support

Information Systems and Support operating costs have increased by $155,998 since the 2017 OEB Approved amounts. WHESC managed costs through the period by making strategic decisions to mitigate fully hosted solution costs by bringing critical systems on premise. Additionally, WHESC changed third-party IT MSP's throughout the period. This reduced the annual expenditure amount through the period as described in the year-over-year departmental variances in Section 4.3.

In 2025, WHESC has planned the inclusion of web presentment enhancements and mobile application functionality based on customer engagement feedback. There is also a requirement to upgrade WHESC's current CIS solution based on the vendor's migration to cloud contributing $36,536 of cost in 2025. As described in Section 4.3, software maintenance and subscription costs have increased by $72,283 since the 2017 COS.

4.2.2.4 Locates

WHESC's locate volume has increased steadily since 2017 as economic development activity within the City of Welland increased through the period. While service provider rates remained static between 2017 and 2023, the volume increase translated into some upward pressure on annual locate expenditures through the period.

As the environment moved past COVID into 2022, WHESC started to receive signals that regional locate service provider costs were increasing, primarily due to third party resourcing cost pressures. WHESC's historical service provider indicated an intention to increase rates in 2024 as existing service agreements expired. WHESC acquired competitive pricing on rates for locate services in early 2024, resulting in a change in service provider based on the entity providing the lowest overall annual cost over the term of the agreement. This allowed WHESC to manage what otherwise would have been a 2x increase in annual locate costs. The new locate agreements result in a cost adjustment of approximately 1.5x historical annual

costs. This applies from June of 2024 forward, resulting in a partial cost increase in 2024 and full year adjustment for 2025.

4.2.2.5 Stores Material

The increase of $122,403 in stores material is in part due to the 2017 COS estimate for stores material issued for operations and maintenance activities set below the 2015 and 2016 average actual cost by approximately $50,000. The balance of the increase is due to inflationary increases on stores issued material for non-capital/billable work.

4.2.2.6 Postage

The increase of $100,618 in postage is largely attributed to a shift from using a private delivery service in 2017 to Canada Post. The change happened in late 2016 causing a full year impact to 2017. The increased postage cost attributed to this was associated with a $48,000 reduction in outsourcing costs for the delivery service. The balance of the increase is largely attributed to inflationary increases on postage rates which have increased by approximately 24% over the period from the 2017 COS to the 2024 Bridge Year.

4.2.2.7 ADMS Software

In 2020, WHESC implemented distribution management software (SmartMAP) resulting in a net change in OM&A of $93,863 annually. The software is a subscription based hosted solution. The software provides real-time distribution management capability, enabling WHESC engineering and operations staff optimal visibility into the system. The system also provides engineering analysis capability, offsetting an estimated $10,000 of consulting costs for this purpose, annually. Additional details regarding the functionality of the SmartMap solution are provided in Exhibit 2, Appendix 2-E (DSP).

4.2.2.8 Tree Trimming Activities

WHESC performs tree clearing activities on its distribution system following a cycle based approach such that tree trimming is conducted every three years. WHESC managed the cost increase to only $80,000 over the period into 2025 largely due to its efforts to manage inflationary pressures. WHESC pre-qualifies potential third parties for tree trimming services annually and has endeavored to expand the pool of candidates throughout the period. Smaller, locally based contractors have been pre-qualified, resulting in competitive submissions to RFQ processes that allowed WHESC to manage cost incremental to OM&A. WHESC also requires respondents to submit individual pricing on three subsections of an annual area. These are awarded individually to the lowest cost respondent in order to manage overall cost impacts.

4.2.3 OM&A Cost Per Customer & Full Time Equivalents

The impact of the Cost Drivers on Cost per Customer and Cost per FTE are shown below in Table 4-11, OEB Appendix 2-L (attached to this document as Appendix 4-C).

4.2.3.1 OM&A Cost per Customer

OM&A costs have increased from $296 per customer in the 2017 COS to $338 per customer in the 2025 Test Year. The CAGR over the eight-year period from the 2017 COS is 1.7%. Inflationary increases from 2018 through 2025, based on OEB approved inflation factors, total 24.5% (compounded). This indicates that the increased OM&A cost per customer is below inflation.

Table 4-11 also breaks down increases in OM&A costs per customer from the 2017 COS between O&M and Admin per customer. O&M per customer has increased by a CAGR of 2.8% over the eight-year period. Admin per customer has increased by a CAGR of 0.5% over the eight-year period.

The primary cost drivers related to OM&A are detailed in Table 4-8. The programs associated with OM&A expenditures and year-over-year variance analysis is detailed in Table 4-16 of Section 4.3.

4.2.3.2 OM&A Cost per FTE

OM&A costs have increased from $165,854/FTE in the 2017 COS to $228,237 in the 2025 Test Year. The CAGR over the eight-year period from the 2017 COS is 4.1%. A contributor to this increase over the period is FTE reduction through outsourcing.

Table 4-11 also breaks down increases in OM&A costs per FTE from the 2017 COS between O&M per FTE and Admin per FTE. O&M per FTE has increased by a CAGR of 5.2% over the eight-year period. Admin per FTE has increased by a CAGR of 2.9%.

WHESC has reduced FTEs in order to manage OM&A cost per customer and continues to evaluate existing staffing requirements, review processes, and explore the sharing of operating costs with other LDCs where possible.

Table 4-11: OEB Appendix 2-L - Recoverable OM&A Cost per Customer and per FTE

	Last Rebasing Year 2017 - OEB Approved	Last Rebasing Year (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	$ 3,314,316	$ 3,378,583	$ 3,397,713	$ 3,600,837	$ 3,520,179	$ 3,661,692	$ 3,767,201	$ 3,825,507	$ 4,175,132	$ 4,705,050
Admin Expenses[6]	$ 3,485,684	$ 3,387,730	$ 3,398,370	$ 3,335,032	$ 3,299,655	$ 3,122,760	$ 3,316,295	$ 3,412,764	$ 3,915,647	$ 4,118,608
Total Recoverable OM&A from Appendix 2-JB[5]	$ 6,800,000	$ 6,766,313	$ 6,796,083	$ 6,935,869	$ 6,819,834	$ 6,784,453	$ 7,083,496	$ 7,238,271	$ 8,090,780	$ 8,823,658
Number of Customers [2,4]	22,956	22,937	23,204	23,543	23,876	24,373	24,826	25,397	25,758	26,125
Number of FTEs [3,4]	41	38	37	38	36	35	32	32	36	39
Customers/FTEs	560	603	626	626	666	699	766	786	725	676
OM&A cost per customer										
O&M per customer	$144	$147	$146	$153	$147	$150	$152	$151	$162	$180
Admin per customer	$152	$148	$146	$142	$138	$128	$134	$134	$152	$158
Total OM&A per customer	$296	$295	$293	$295	$286	$278	$285	$285	$314	$338
OM&A cost per FTE										
O&M per FTE	$80,837	$88,882	$91,685	$95,730	$98,164	$104,973	$116,189	$118,338	$117,576	$121,703
Admin per FTE	$85,017	$89,122	$91,703	$88,663	$92,015	$89,523	$102,282	$105,570	$110,269	$106,534
Total OM&A per FTE	$165,854	$178,004	$183,388	$184,393	$190,179	$194,496	$218,471	$223,908	$227,845	$228,237

Benchmarking against regional LDCs highlights that while costs per customer have increased, the impact has been managed below inflation. Differentials in cost are also a reflection of WHESC's continued efforts to manage a low headcount. Metrics from several other LDCs within the Niagara region have been compared with WHESC. The benchmarking highlights that from a total cost per customer perspective, WHESC is the lowest in the region as shown in Table 4-12.

Table 4-12: Benchmarking Total Cost per Customer

LDC	Total Cost per Customer ($)				
	2018	2019	2020	2021	2022
Welland Hydro-Electric System Corp.	501	512	494	494	518
Grimsby Power Incorporated	584	594	598	602	660
Alectra Utilities Corporation	681	716	686	691	753
Niagara-on-the-Lake Hydro Inc.	761	758	750	768	804
Niagara Peninsula Energy Inc.	755	786	758	750	812
Canadian Niagara Power Inc.	867	893	868	905	968
Hydro One Networks Inc.	1,017	1,044	1,018	1,033	1,172

4.2.4 Capitalized OM&A

Table 4-13 is based on the data provided in OEB Appendix 2-D and shows reduction in OM&A due to capitalized OM&A. In the 2025 Test Year, OM&A is reduced by $800,212 or 8.3% based on capitalized wages and benefits.

Table 4-13: OM&A Decrease Due to Capitalized OM&A

Category	Component	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
OM&A Before Capitalization	Operations & Maintenance	$ 3,924,037	$ 3,997,752	$ 4,224,405	$ 4,210,878	$ 4,448,863	$ 4,469,748	$ 4,572,978	$ 4,951,802	$ 5,505,262
	Billing and Collecting	$ 1,428,794	$ 1,399,519	$ 1,320,953	$ 1,500,139	$ 1,393,265	$ 1,491,435	$ 1,474,496	$ 1,640,375	$ 1,765,877
	Community Relations	$ 136,007	$ 164,682	$ 153,684	$ 60,039	$ 37,440	$ 48,883	$ 53,068	$ 60,367	$ 62,438
	Administrative & General	$ 1,822,928	$ 1,834,169	$ 1,860,395	$ 1,739,477	$ 1,692,055	$ 1,775,977	$ 1,885,199	$ 2,214,905	$ 2,290,294
	Total OM&A Before Capitalization	**$ 7,311,767**	**$ 7,396,123**	**$ 7,559,437**	**$ 7,510,533**	**$ 7,571,623**	**$ 7,786,043**	**$ 7,985,742**	**$ 8,867,450**	**$ 9,623,870**
Capitalized OM&A	Wages and Benefits	$ 545,454	$ 600,040	$ 623,568	$ 690,699	$ 787,171	$ 702,547	$ 747,471	$ 776,670	$ 800,212
Net OM&A	**OM&A Net of Capitalized Overhead**	**$ 6,766,313**	**$ 6,796,083**	**$ 6,935,869**	**$ 6,819,834**	**$ 6,784,453**	**$ 7,083,496**	**$ 7,238,271**	**$ 8,090,780**	**$ 8,823,658**

4.3 Program Delivery and Variance Analysis

Materiality Threshold

In accordance with Chapter 2 Filing Requirements, an applicant must provide justification for changes from year to year to its rate base, capital expenditures and OM&A spending above a materiality threshold. WHESC's materiality threshold is calculated as 0.5% of proposed distribution revenue requirements for distributors with a revenue requirement of greater than $10 million and less than or equal to $200 million. The materiality threshold as per Table 4-14 is calculated at $69,173, and WHESC has adopted a threshold of $68,000 for variance analysis.

Table 4-14: Materiality Threshold

Description	2025 Test Year
Distribution Revenue Requirement	13,834,602
Materiality Threshold	0.5%
Materiality Calculated	69,173
Materiality Used	68,000

OM&A Programs

Table 4-15, OM&A Programs Table OEB Appendix 2-JC is presented below (also attached to this document as Appendix 4-D).

Table 4-15: OEB Appendix 2-JC - OM&A Programs Table

Programs	Last Rebasing Year (2017 OEB-Approved)	Last Rebasing Year (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 Rebasing Year (2017 OEB-Approved)
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operation												
Operations Supervision	269,561	261,397	298,199	289,391	309,803	359,228	262,633	264,929	284,763	334,711	69,781	65,150
System Control Operation	178,074	204,382	171,491	145,057	199,054	295,630	323,468	438,035	268,577	287,521	-150,514	109,447
Distribution Station Operation	173,753	158,152	146,781	140,215	149,135	133,729	125,688	130,967	141,025	140,908	9,941	-32,845
Overhead System Operation	269,458	280,013	258,397	271,941	269,561	301,269	312,674	310,869	179,095	366,804	55,935	97,346
Transformer Operation	3,724	810	494	566	320	0	785	1,029	1,248	1,285	256	-2,439
Locates	104,816	110,776	125,888	137,462	143,171	142,019	147,147	160,936	214,581	249,853	88,917	145,037
Underground System Operation	105,126	96,303	85,349	99,727	67,003	112,421	122,912	125,626	63,771	134,934	9,308	29,808
Meter Operation	301,979	284,307	136,500	159,668	201,400	270,883	284,236	297,975	391,989	408,339	110,364	106,360
Health, Safety & Mscellaneous	92,249	96,676	88,063	85,999	190,090	114,600	79,894	84,951	104,699	111,519	26,568	19,270
Sub-Total	1,498,740	1,492,816	1,311,162	1,330,026	1,529,537	1,729,778	1,659,436	1,815,317	1,649,749	2,035,874	220,557	537,134
Maintenance												
Meter Maintenance	93,774	112,024	112,858	112,358	118,559	122,844	121,390	129,924	133,917	137,934	8,010	44,160
Maintenance Supervision and Engine	95,380	113,145	86,532	85,887	100,151	108,460	104,046	76,060	130,462	237,462	161,402	142,082
Distribution Stations Maintenance	54,898	74,758	111,636	130,148	108,460	89,427	79,131	87,236	129,351	128,165	40,928	73,267
Tree Trimming	150,377	159,183	143,098	175,267	152,932	101,700	181,550	216,061	260,780	230,450	14,389	80,073
Overhead System Maintenance	1,013,490	1,110,235	1,223,293	1,352,581	1,081,823	1,170,587	1,271,109	1,187,867	1,440,078	1,485,991	298,123	472,501
Underground System Maintenance	314,949	254,127	248,048	275,890	286,926	195,211	225,919	182,060	246,581	256,647	74,588	-58,302
Transformer Maintenance	92,708	62,295	161,087	138,681	141,791	143,685	124,620	130,981	184,215	192,526	61,545	99,818
Sub-Total	1,815,576	1,885,767	2,086,552	2,270,810	1,990,642	1,931,915	2,107,765	2,010,190	2,525,383	2,669,176	658,986	853,600
Billing and Collecting												
Customer Service & Billing	928,567	949,907	946,786	919,788	921,028	992,798	989,808	1,008,032	1,094,804	1,201,262	193,230	272,695
Collections	443,555	391,190	373,356	311,604	391,935	389,996	351,451	352,781	428,476	444,008	91,227	453
Bad Debt Expense	95,222	87,698	79,375	89,561	187,175	10,471	150,177	113,684	117,094	120,607	6,923	25,385
Sub-Total	1,467,344	1,428,795	1,399,517	1,320,953	1,500,139	1,393,265	1,491,435	1,474,496	1,640,375	1,765,877	291,381	298,533
Community Relations												
Community Relations	144,123	136,009	164,682	153,685	60,039	37,440	48,883	53,068	60,367	62,438	9,369	-81,685
Sub-Total	144,123	136,009	164,682	153,685	60,039	37,440	48,883	53,068	60,367	62,438	9,369	-81,685
Administrative and General												
Regulatory Expense	146,402	201,280	113,039	101,348	113,137	99,372	121,831	134,141	351,927	182,356	48,215	35,954
Audit, Legal and Consulting	137,207	154,657	243,206	169,740	187,513	212,139	196,896	202,911	203,026	302,478	99,567	165,271
Administration and HR Expense	1,590,608	1,466,989	1,477,925	1,589,307	1,438,826	1,380,544	1,457,250	1,548,148	1,659,952	1,805,460	257,312	214,852
Sub-Total	1,874,217	1,822,926	1,834,170	1,860,395	1,739,476	1,692,055	1,775,977	1,885,200	2,214,905	2,290,294	405,094	416,077
Miscellaneous											0	0
Total	**6,800,000**	**6,766,313**	**6,796,083**	**6,935,869**	**6,819,833**	**6,784,453**	**7,083,496**	**7,238,271**	**8,090,780**	**8,823,658**	**1,585,387**	**2,023,658**

Table 4-16 presents WHESC's OM&A programs for comparison of the 2025 Test Year to 2023 Actuals and the 2025 Test year to 2017 OEB Approved amounts. Variances over the materiality threshold have been highlighted. These variances are described in the subsections that follow.

Table 4-16: OM&A Programs

Programs	Last Rebasing Year (2017 OEB-Approved)	2024 Bridge Year	2025 Test Year	Variance (Test Year vs. 2023 Actuals)	Variance (Test Year vs. Last Rebasing Year (2017 OEB-Approved)
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operations					
Operations Supervision	269,561	284,763	334,711	69,781	65,150
System Control Operation	178,074	268,577	287,521	-150,514	109,447
Distribution Station Operation	173,753	141,025	140,908	9,941	-32,845
Overhead System Operation	269,458	179,095	366,804	55,935	97,346
Transformer Operation	3,724	1,248	1,285	256	-2,439
Locates	104,816	214,581	249,853	88,917	145,037
Underground System Operation	105,126	63,771	134,934	9,308	29,808
Meter Operation	301,979	391,989	408,339	110,364	106,360
Health, Safety & Mscellaneous	92,249	104,699	111,519	26,568	19,270
Sub-Total	1,498,740	1,649,749	2,035,874	220,557	537,134
Maintenance					
Meter Maintenance	93,774	133,917	137,934	8,010	44,160
Maintenenace Supervision and Engineering	95,380	130,462	237,462	161,402	142,082
Distribution Stations Maintenance	54,898	129,351	128,165	40,928	73,267
Tree Trimming	150,377	260,780	230,450	14,389	80,073
Overhead System Maintenance	1,013,490	1,440,078	1,485,991	298,123	472,501
Underground System Maintenance	314,949	246,581	256,647	74,588	-58,302
Tranfsormer Maintenance	92,708	184,215	192,526	61,545	99,818
Sub-Total	1,815,576	2,525,383	2,669,176	658,986	853,600
Billing & Collecting					
Customer Service & Billing	928,567	1,094,804	1,201,262	193,230	272,695
Collections	443,555	428,476	444,008	91,227	453
Bad Debt Expense	95,222	117,094	120,607	6,923	25,385
Sub-Total	1,467,344	1,640,375	1,765,877	291,381	298,533
Community Relations					
Community Relations	144,123	60,367	62,438	9,369	-81,685
Sub-Total	144,123	60,367	62,438	9,369	-81,685
Administrative and General					
Regulatory Expense	146,402	351,927	182,356	48,215	35,954
Audit, Legal and Consulting	137,207	203,026	302,478	99,567	165,271
Administration and HR Expense	1,590,608	1,659,952	1,805,460	257,312	214,852
Sub-Total	1,874,217	2,214,905	2,290,294	405,094	416,077
Total	**6,800,000**	**8,090,780**	**8,823,658**	**1,585,387**	**2,023,658**

WHESC monitors its OM&A costs under the categories: Operations, Maintenance, Billing & Collecting, Community Relations, and Administrative.

Table 4-17 shown below is the year-over-year comparison of OM&A expenses by program. Where a material variance is highlighted, analysis and explanations are provided in the subsection below. While most decisions related to OM&A expenditures are within WHESC's control, the business environment changes described above in Section 4.1.6 have generally result in cost pressures which are not entirely in the control of the distributor.

Table 4-17: Year-over-Year Variances by Program

Expenses	2017 OEB Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year
Operation										
Operations Supervision	269,561	-8,164	36,802	-8,808	20,412	49,425	-96,594	2,296	19,834	49,948
System Control Operation	178,074	26,308	-32,891	-26,434	53,997	96,576	27,837	114,567	-169,458	18,943
Distribution Station Operation	173,753	-15,601	-11,371	-6,566	8,920	-15,406	-8,041	5,279	10,058	-117
Overhead System Operation	269,458	10,555	-21,616	13,544	-2,380	31,707	11,405	-1,805	-131,773	187,708
Transformer Operation	3,724	-2,914	-316	72	-246	-320	785	244	219	37
Locates	104,816	5,960	15,112	11,574	5,709	-1,152	5,128	13,789	53,645	35,272
Underground System Operation	105,126	-8,823	-10,954	14,378	-32,724	45,417	10,491	2,714	-61,855	71,163
Meter Operation	301,979	-17,672	-147,807	23,168	41,732	69,483	13,352	13,740	94,014	16,350
Health, Safety & Mscellaneous	92,249	4,427	-8,613	-2,064	104,091	-75,490	-34,705	5,057	19,748	6,820
Sub-Total	**1,498,740**	-5,924	-181,654	18,864	199,511	200,241	-70,341	155,881	-165,568	386,125
Maintenance										
Meter Maintenance	93,774	18,250	834	-500	6,201	4,285	-1,454	8,534	3,993	4,018
Maintenance Supervision and Engineering	95,380	17,765	-26,613	-645	14,264	8,309	-4,414	-27,986	54,401	107,001
Distribution Stations Maintenance	54,898	19,860	36,878	18,512	-21,688	-19,033	-10,296	8,106	42,114	-1,186
Tree Trimming	150,377	8,806	-16,085	32,169	-22,335	-51,232	79,850	34,511	44,719	-30,330
Overhead System Maintenance	1,013,490	96,745	113,058	129,288	-270,758	88,765	100,522	-83,242	252,210	45,913
Underground System Maintenance	314,949	-60,822	-6,079	27,842	11,037	-91,715	30,708	-43,859	64,521	10,066
Transformer Maintenance	92,708	-30,413	98,792	-22,406	3,111	1,894	-19,065	6,361	53,234	8,311
Sub-Total	**1,815,576**	70,191	200,785	184,258	-280,169	-58,727	175,850	-97,575	515,193	143,793
Billing and Collecting										
Customer Service & Billing	928,567	21,340	-3,121	-26,998	1,240	71,770	-2,990	18,224	86,773	106,458
Collections	443,555	-52,365	-17,834	-61,752	80,331	-1,939	-38,545	1,330	75,696	15,531
Bad Debt Expense	95,222	-7,524	-8,323	10,186	97,614	-176,704	139,706	-36,493	3,411	3,513
Sub-Total	**1,467,344**	-38,549	-29,278	-78,564	179,186	-106,874	98,171	-16,940	165,879	125,502
Community Relations										
Community Relations	144,123	-8,114	28,673	-10,997	-93,646	-22,599	11,442	4,186	7,299	2,070
Sub-Total	**144,123**	-8,114	28,673	-10,997	-93,646	-22,599	11,442	4,186	7,299	2,070
Administrative and General										
Regulatory Expense	146,402	54,878	-88,241	-11,691	11,789	-13,765	22,459	12,310	217,786	-169,571
Audit, Legal and Consulting	137,207	17,450	88,549	-73,466	17,774	24,626	-15,244	6,015	116	99,452
Administration and HR Expense	1,590,608	-123,619	10,936	111,382	-150,480	-58,282	76,706	90,897	111,804	145,508
Sub-Total	**1,874,217**	-51,291	11,244	26,225	-120,918	-47,421	83,921	109,223	329,706	75,388
TOTAL	**6,800,000**	**-33,687**	**29,770**	**139,786**	**-116,036**	**-35,380**	**299,043**	**154,775**	**852,509**	**732,879**

Operation

Operations Supervision

Accounts:

- **5005** – Operations Supervision and Engineering

Program Overview:

This program relates to the management and supervision required to safely and effectively operate the distribution system. Activities include the direction of the operation of engineering, stations, lines, and metering.

Program Costs:

Table 4-18: Operations Supervision Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Operations Supervision	269,561	261,397	298,199	289,391	309,803	359,228	262,633	264,929	284,763	334,711	69,781	65,150

Variance Analysis:

2025 Test Year vs. 2023 Actual

There is an overall increase of $69,781 between the 2025 Test Year and 2023 Actual in this program. This variance is mainly attributed to inflationary salary adjustments. Additionally the new Engineering and Operations Assistant is partially allocated to this program to support the operational activities of the Lines and Metering Departments, facilitating coordination with the Customer Service and Engineering Departments.

2022 Actual vs. 2021 Actual

There was a material decrease of $96,594 in 2022 Actual when compared to 2021 Actual expenditures. A majority of the decrease in 2022 was due to succession planning initiatives involving the hire of a new Director of Engineering and Operations into the role in 2021, replacing a senior staff member. The transition and change in salary were the basis of this variance.

System Control Operation

Accounts:

- **5010** – Load Dispatching

Program Overview:

The System Control Operation program at WHESC ensures that the distribution system is managed within safe operating limits. The program covers all control room activities required to operate WHESC's distribution system. Having system control operators with visibility to the distribution system on a 24 x 7 basis is critical to managing safety and reliability outcomes. With grid modernization deployments and increased focus on system resiliency, constant monitoring and control capability becomes a requirement for an LDC.

In 2017 through 2020, WHESC operated a control room with a 5-days a week by 8-hours a day coverage model. Throughout this period, WHESC started the deployment of remotely controlled and automated

devices on its distribution system, along with implemented protection system enhancements. To maximize the benefits of deployed technologies, it became apparent that 24 x 7 system control coverage is necessary.

Retirements occurred in 2017 and 2020 of staff that managed the 5 x 8 operation of WHESC's control room. Prior to 2021, there was an absence of an after-hours coverage model for system control, meaning that SCADA based deployments were not typically leveraged to expedite corrective action following a distribution system anomaly. An exception to this would have occurred if a qualified management staff member (to operate SCADA) was available to provide support. WHESC has had a SCADA system deployed since the late 1990's. During normal working hours, meter department staff covered operations on a rotating schedule.

In 2021, WHESC outsourced system control operations to a third-party service provider following the 2020 retirement. In addition to providing continuity for normal hour system control coverage, 24 x 7 coverage was part of the service. The coverage model was intended to permit real time operation of devices following system events, placing downward pressure on outage statistic SAIDI.

WHESC was not able to achieve the desired results with the third-party and had to reassess the value of continuing without achieving expected outcomes. The use of a contract service provider continued through to 2023 at which time WHESC evaluated its options to improve system control service levels and manage post-COVID pressures on operating expenses. In line with the Minister of Energy's letter of direction to the OEB in 2022 which indicated:

> *"As our climate changes, the OEB will have an important role to play in ensuring LDCs are preparing their distribution infrastructure for these kinds of events. LDCs will need greater capacity to meet these expectations – capacity that can be enabled by aggressively pursuing efficiencies through consolidation or enhanced shared services, adoption of innovative technologies and processes, collaboration on responsibilities like cybersecurity, and changes to the utility remuneration and incentive structure that ensure LDCs make the right investments for their customers.* "

WHESC pursued opportunities to share system control costs with another LDC, Essex Powerlines Corporation (EPLC). In 2023, WHESC started operating its system control operation in house, acquiring resources for that purpose. There was a period of overlap during which the outsourced service provider continued coverage in parallel with WHESC operators. In 1st Quarter 2024, WHESC began covering EPLC's system control requirements. This approach was designed to provide both entities with 24 x 7 coverage at a shared and managed cost.

While both LDCs have invested significantly in remotely deployed grid modernization technology, both realized that sole implementation of a 24 x 7 coverage model was not cost effective to serve the needs of customers.

Program Costs:

Table 4-19: System Control Operation Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
System Control Operation	178,074	204,382	171,491	145,057	199,054	295,630	323,468	438,035	268,577	287,521	- 150,514	109,447

Variance Analysis:

2025 Test Year vs. 2017 OEB Approved

There is an overall increase of $109,447 between the 2025 Test Year and the 2017 OEB Approved amounts in this program. This variance is attributed to additional resourcing to provide for 24x7 control room coverage specifically for WHESC's requirements. Costs specific to covering EPLC's system control requirements are specifically allocated to the LDC as a third-party and are not included in this variance.

2025 Test Year vs. 2023 Actual

There is a $150,514 decrease in System Control Operation program costs from 2023 Actual to the 2025 Test Year. In 2023, there was parallel coverage between the third-party service provider and WHESC's internally driven system control operation that was the basis for this variance. The third-party service and associated costs terminated at the end of 2023.

2021 Actual vs. 2020 Actual

The 2021 Actual amount was higher than the 2020 Actual. There was a year-over-year variance of $96,576 due to outsourcing System Control Operation. The additional cost was attributed to third-party costs associated with providing a 24 x 7 coverage model.

2023 Actual vs. 2022 Actual

The 2023 Actual amount was higher than the 2022 Actual by $114,567. The year-over-year variance was due to parallel coverage between the third-party service provider and WHEC's internally driven system control operation.

2024 Bridge vs. 2023 Actual

The 2024 Bridge amount is lower than the 2023 Actual by $169,458. The parallel coverage of System Control Operation ended in 2023. The WHESC staff complement supporting the program was fully implemented in 2024 which is reflected in full year costs.

Distribution Station Operation

Accounts:

- 5012 – Distribution Station Equipment – Station Buildings and Fixtures Expenses
- 5016 – Distribution Station Equipment – Operating Labour
- 5017 – Distribution Station Equipment – Operation Supplies and Expenses

Program Overview:

The Distribution Station Operation Program incorporates activities required for the day-to-day function of WHESC's fleet of 13 municipal substations. Included in this program are expenditures related to station service, snow removal, insurance, property taxes, and communications equipment. Salaries and associated vehicle costs associated with physical operation and inspection of the municipal stations are also included.

Program Costs:

Table 4-20: Distribution Station Operation Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Distribution Station Operation	173,753	158,152	146,781	140,215	149,135	133,729	125,688	130,967	141,025	140,908	9,941	- 32,845

Variance Analysis:

There are no material variances in this program.

Overhead System Operation

Accounts:

- 5020 – Overhead Distribution Lines and Feeders – Operation Labour
- 5025 – Overhead Distribution Lines and Feeders – Operation Supplies and Expenses
- 5095 – Overhead Distribution Lines and Feeders – Rental Paid

Program Overview:

The Overhead System Operation Program incorporates activities required for the day-to-day function of WHESC's overhead distribution system. Included in this program are expenditures related to joint-use pole rental and insurance. Salaries and associated vehicle costs associated with operation of the overhead system are also included.

Program Costs:

Table 4-21: Overhead System Operation Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Overhead System Operation	269,458	280,013	258,397	271,941	269,561	301,269	312,674	310,869	179,095	366,804	55,935	97,346

Variance Analysis:

2025 Test Year vs. 2017 OEB Approved

There is an overall increase of $97,346 between the 2025 Test Year and the 2017 OEB Approved amounts in this program. This variance is partially attributed to an increase in the rate WHESC pays in joint use pole rental since 2017. In addition to inflationary salary increases, the planned new FTE of the Health and Safety Officer is partially allocated to this program.

2024 Bridge Year vs. 2023 Actual

There is a $131,773 decrease in Overhead System Operation program costs from 2023 Actual to the 2024 Bridge Year. This is due to the unplanned departure of the Health and Safety Officer in August of 2023. As mentioned previously, the Health and Safety Officer is partially allocated to this program. The departure resulted in a full year reduction of that portion of salary in 2024. Additionally, the Line Supervisor was required to temporarily cover the duties of the Health and Safety Officer in the Maintenance Supervision and Engineering Program, contributing to this temporary decrease year-over-year.

2025 Test Year vs. 2024 Bridge Year

There is a $187,708 increase in Overhead System Operation program costs from the 2024 Bridge Year to the 2025 Test Year. In 2023 through the 2024 Bridge Year, the unplanned departure of the Health and Safety Officer and re-allocation of the Line Supervisor duties caused a temporary salary reduction. In 2025, the planned new FTE for the Health and Safety Officer position returns the salary expenditure under this program to be inline with historical levels.

Transformer Operation

Accounts:

- 5035 – Overhead Distribution Transformers – Operation
- 5055 – Underground Distribution Transformers - Operation

Program Overview:

The Transformer Operation Program is for operational activities that WHESC completes on its distribution transformers. This includes miscellaneous inspection, reactive testing, and voltage tap adjustments.

Program Costs:

Table 4-22: Transformer Operation Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Transformer Operation	3,724	810	494	566	320	-	785	1,029	1,248	1,285	256	- 2,439

Variance Analysis:

There are no material variances in this program.

Locates

Accounts:

- 5040 – Underground Distribution Lines and Feeders - Operation Labour

Program Overview:

The Locates Program has been implemented for WHESC to meet its requirements under the Ontario Underground Infrastructure Notification System Act, 2012 (OUINSA). OUINSA requires WHESC to identify the location of its underground distribution plant upon request. WHESC performs a “locate” on any in-service below grade infrastructure upon request, meeting the requirements of OUINSA. WHESC is responsible for the cost associated with locate requests in its service territory based on the requirements of OUISNA, including but not limited to:

- Provide excavators with responses to locate requests within five business days;
- Report the completion of locate responses to Ontario One Call within three business days;
- Ensure Ontario One Call has factual and current information.

WHESC utilizes third-party services to locate underground plant within its service area. WHESC is also a member of Ontario One Call. The program includes costs associated with the Ontario One Call membership fee and the locate service cost from the third-party provider.

Program Costs:

Table 4-23: Locate Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Locates	104,816	110,776	125,888	137,462	143,171	142,019	147,147	160,936	214,581	249,853	88,917	145,037

Variance Analysis:

2025 Test Year vs. 2017 OEB Approved

There is an overall increase of $145,037 between the 2025 Test Year and the 2017 OEB Approved amounts in this program. This variance is attributed to increased rates associated with the locate services agreement established with a new third-party provider in 2024. As described in Section 4.2.2.4, WHESC followed an RFQ process to manage post-COVID cost pressures on locate services. This allowed WHESC to manage what otherwise would have been a 2x increase in annual locate unit costs. The new locate agreements result in a cost adjustment of approximately 1.5x historical annual unit costs. This applies from June of 2024 forward, resulting in a partial cost increase in 2024 and full year adjustment for 2025.

Locate expenditure increases are a primary OM&A cost driver. In addition to rate pressures, WHESC's locate volumes have increased commensurate with the increased economic development activity throughout the City of Welland.

2025 Test Year vs. 2023 Actual

There is a $88,917 increase in Locate program costs from 2023 Actual to the 2025 Test Year. The full year rate impact as described above occurs in 2025. The unit cost rate increase came into effect in June 2024 following WHESC's change in locate service provider.

Underground System Operation

Accounts:

- 5040 – Underground Distribution Lines and Feeders - Operation Labour
- 5045 – Underground Distribution Lines and Feeders - Operation Supplies and Expenses

Program Overview:

The Underground System Operation Program incorporates activities required for the day-to-day function of WHESC's underground distribution system. Included in this program are salaries and associated vehicle costs associated with operation of the underground system. Typical Underground Operations work includes switching, load-transfer, reactive inspection and testing.

Program Costs:

Table 4-24: Underground System Operation Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Underground System Operation	105,126	96,303	85,349	99,727	67,003	112,421	122,912	125,626	63,771	134,934	9,308	29,808

Variance Analysis:

There are no material variances in this program.

Meter Operation

Accounts:

- 5065 – Underground Distribution Lines and Feeders - Operation Labour

Program Overview:

The Meter Operation Program incorporates activities required for the day-to-day function of WHESC's metering installations. This program is implemented to ensure meter accuracy and compliance with the Electricity and Gas Inspection Act (R.S.C., 1985, c. E-4) (E&GIA), which is enforced and administered by Measurement Canada.

The program includes the testing and commissioning of new metering installations. Existing complex metering installations are also inspected and tested under this program. Expenditures under this program are associated with salaries, vehicle usage and minor materials.

Program Costs:

Table 4-25: Meter Operation Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Meter Operation	301,979	284,307	136,500	159,668	201,400	270,883	284,236	297,975	391,989	408,339	110,364	106,360

Variance Analysis:

2025 Test Year vs. 2017 OEB Approved

There is an overall increase of $106,360 between the 2025 Test Year and the 2017 OEB Approved amounts in this program. This variance is partially attributed to an increase in minor material costs over the period. Salaries account for most of the increase at $52,408 above 2017 Board Approved levels for the 2025 Test Year.

2025 Test Year vs. 2023 Actual

There is a $110,364 increase in Meter Operation program costs from 2023 Actual to the 2025 Test Year. In 2023, a greater portion of meter technician time was allocated to processing non-payment disconnect/reconnect operations. In the 2024 Bridge Year, flowing through to the 2025 Test Year, expenditures return to being inline with historical values as a portion of the non-payment disconnect process is handled by third-party services.

2018 Actual vs. 2017 Actual

There was a decrease of $147,807 in 2018 Actual when compared to 2017 Actual expenditures. This was attributed to a salary reduction associated with a maternity leave for part of the period and a retirement of a meter foreperson at the end of 2017. Meter re-verification requirements were also below average in 2018 based on minimal meter seal expiries.

2021 Actual vs. 2020 Actual

There was an increase of $69,483 in 2021 Actual when compared to 2020 Actual expenditures. This was attributed to minor material cost increases due to COVID period procurement issues. There was also an increase in salary allocation and vehicle usage to meter operations to support re-verification requirements.

2024 Bridge Year vs. 2023 Actual

There is a $94,014 increase in Meter Operation program costs from 2023 Actual to the 2024 Bridge Year. As described above, a greater portion of meter technician time was allocated to processing non-payment disconnect/reconnect operations in 2023. In the 2024 Bridge Year, expenditures return to being inline with historical values as a portion of the non-payment disconnect process is handled by third-party services.

Health, Safety, and Miscellaneous

Accounts:

- 5085 – Miscellaneous Distribution Expense

Program Overview:

The Health, Safety, and Miscellaneous Program primarily funds Health and Safety training and supplies, safety clothing and personal protective equipment. Throughout the historical period, expenditures related to necessary COVID mitigation supplies were addressed through this program.

Program Costs:

Table 4-26: Health, Safety, and Miscellaneous Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Health, Safety & Mscellaneous	92,249	96,676	88,063	85,999	190,090	114,600	79,894	84,951	104,699	111,519	26,568	19,270

Variance Analysis:

2020 Actual vs. 2019 Actual

There was an increase of $104,091 in 2020 Actual when compared to 2019 Actual expenditures. This was attributed to costs associated with COVID-19 hazard mitigation expenditures. These included the purchase of PPE, sanitary supplies, test kits, and sanitization services for facilities and vehicles.

2021 Actual vs. 2020 Actual

There was a decrease of $75,490 in 2021 Actual when compared to 2020 Actual expenditures. This was due to the reduction in COVID-19 associated expenditures through 2021 and subsequent cessation of COVID related expenditures in 2022.

Maintenance

Meter Maintenance

Accounts:

- 5175 – Maintenance of Meters

Program Overview:

The Meter Maintenance Program incorporates costs associated with the maintenance of data acquisition systems for WHESC's Advanced Metering Infrastructure (AMI). The bulk of these costs are third-party costs for locally deployed communication systems and hosted head-end data aggregation systems.

Program Costs:

Table 4-27: Meter Maintenance Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Meter Maintenance	93,774	112,024	112,858	112,358	118,559	122,844	121,390	129,924	133,917	137,934	8,010	44,160

Variance Analysis:

There are no material variances in this program.

Maintenance Supervision and Engineering

Accounts:

- **5105** – Maintenance Supervision and Engineering

Program Overview:

This program relates to the management and supervision required to maintain the various components of the distribution system. Activities include the management direction and engineering required for the safe maintenance of stations, lines, and metering installations.

Program Costs:

Table 4-28: Maintenance Supervision and Engineering Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Maintenance Supervision and Engineering	95,380	113,145	86,532	85,887	100,151	108,460	104,046	76,060	130,462	237,462	161,402	142,082

Variance Analysis:

2025 Test Year vs. 2017 OEB Approved

There is an overall increase of $142,082 between the 2025 Test Year and the 2017 OEB Approved amounts in this program. In addition to inflationary salary increases for staff historically allocated to the program, the

bulk of the increase is related to the addition of the Engineering and Operations Assistant to the program. The majority of the Engineering and Operations Assistant labour cost is allocated to Maintenance Supervision and Engineering Program, supporting the maintenance activities of the Lines and Metering Departments. This position will also facilitate coordination with the Customer Service and Engineering Departments. This portion accounts for $78,288 of the increase between the 2017 Board Approved amount in this program and the 2025 Test Year.

2025 Test Year vs. 2023 Actuals

There is a $161,402 increase in Overhead System Operation Program costs from 2023 Actual to the 2025 Test Year. This is partially due to the unplanned departure of the Health and Safety Officer in August of 2023. The Health and Safety Officer is partially allocated to this program. The departure resulted in a reduction in that portion of salary in 2023. In 2025 there is a return to historical allocation of the Health and Safety position to this program. Additionally, there is the addition of the Operation Assistant costs in 2025 as described above.

2025 Test Year vs. 2024 Bridge Year

There is a $107,001 increase in this program from the 2024 Bridge Year to the 2025 Test Year. This is primarily due to the addition of the Operations Assistant to the program as described above.

Distribution Station Maintenance

Accounts:

- 5110 – Maintenance of Buildings and Fixtures – Distribution Stations
- 5114 – Maintenance of Distribution Station Equipment

Program Overview:

The Distribution Station Maintenance Program incorporates activities required for the maintenance of WHESC's fleet of 13 municipal substations. Included in this program are expenditures related to cyclical station maintenance including relay testing, transformer analysis and testing, battery system and protective device maintenance. Station building maintenance activities are also performed under this program.

Program Costs:

Table 4-29: Distribution Station Maintenance Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Distribution Stations Maintenance	54,898	74,758	111,636	130,148	108,460	89,427	79,131	87,236	129,351	128,165	40,928	73,267

Variance Analysis:

2025 Test Year vs. 2017 OEB Approved

There is an overall increase of $73,267 between the 2025 Test Year and the 2017 OEB Approved amounts in this program. In addition to inflationary salary increases for staff and third-party services historically allocated to this program, the bulk of the increase is related to the formalization of a cyclical maintenance program to maintain WHESC's fleet of substations. From 2018 Actuals to the 2025 Test Year, an average of $104,257 is spent on station maintenance annually, up from the 2017 COS amount of $54,898.

Tree Trimming

Accounts:

- 5135 – Overhead Distribution Lines and Feeders - Right of Way

Program Overview:

WHESC's Tree Trimming Program has been implemented to manage tree and brush clearance between vegetation and the overhead distribution system. This is required to adhere to Electrical Safety Authority Guidelines for maintaining safe clearance between primary and secondary distribution systems and the public space. As described in the Distribution System Plan, WHESC conducts trimming on a three-year cycle. Included in the three-year cycle are brush clearing activities which were conducted on an ad hoc basis prior to 2018.

WHESC utilizes third-party contractors consisting of Utility Arborists to complete its tree trimming and clearing programs. All expenditures in this program are for third-party services. WHESC believes that this program is strategic for adherence to corporate objectives and goals as it has a direct correlation to safety and reliability outcomes. WHESC has demonstrated management of tree contact caused outages through the recent historical period. The reduction in outage impacts from adverse weather has correlation to tree trimming activities. The majority of weather events impacting outage statistics in recent years involve high winds which in conjunction with reduced vegetation clearances place upward pressure on outage indices.

As Tree Trimming is a cost driver, WHESC is cognizant of its requirement to manage not only performance outcomes but affordability. As mentioned above, in Section 4.2.2.8, WHESC has employed strategies since 2017 to manage the cost pressures associated with third party tree trimming service providers.

Program Costs:

Table 4-30: Tree Trimming Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Tree Trimming	150,377	159,183	143,098	175,267	152,932	101,700	181,550	216,061	260,780	230,450	14,389	80,073

Variance Analysis:

2025 Test Year vs. 2017 OEB Approved

There is an overall increase of $80,073 between the 2025 Test Year and the 2017 OEB Approved amounts in this program. This variance is attributed to increased third-party service provider costs along with the addition of formal brush clearing activities under the program. Brush clearing activities account for an annual average expenditure of approximately $7,210. The increase in third-party costs of $72,863 is 48.4% or an average of 6% annually. WHESC believes that resourcing costs related to tree trimming services have stabilized and is expecting increases tied to inflation over the forward-looking five-year period.

2022 Actual vs. 2021 Actual

There is a $79,850 increase in Tree Trimming program costs from 2021 Actual to the 2022 Actual. As observed in Table 4-17, there was a combined decrease of $73,567 in 2020 and 2021 from 2019 Actuals due to the impacts of COVID. WHESC had difficulty mobilizing third-party service providers during late 2020 and 2021 due to COVID restrictions. Cycle based tree clearing activities recovered into 2022.

Overhead System Maintenance

Accounts:

- 5120 – Maintenance of Poles, Towers and Fixtures
- 5125 – Maintenance of Overhead Conductors and Devices
- 5130 – Maintenance of Overhead Services
- 5135 – Overhead Distribution Lines and Feeders - Right of Way

Program Overview:

The Overhead System Maintenance Program encompasses the cost of labour, material, contract services, and equipment required for the ongoing predictive, preventative, condition-based, and reactive maintenance of overhead distribution assets. The bulk of WHESC's distribution assets are overhead.

The program includes comprehensive pole inspection and testing activities using third-party services. The results of pole inspections and testing supports DSP condition-based investment plans and prompt condition-based maintenance activities. The Overhead System Maintenance program also incorporates infra-red scanning of WHESC's primary overhead distribution system. The results of infra-red scanning are reviewed to identify condition-based maintenance requirements on conductors and devices within the distribution system.

Reactive maintenance activities are also covered under this program including both normal and after-hours requirements. Salaries, general supplies, and vehicle usage to support overhead maintenance activities are included under the program.

Program Costs:

Table 4-31: Overhead Maintenance Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Overhead System Maintenance	1,013,490	1,110,235	1,223,293	1,352,581	1,081,823	1,170,587	1,271,109	1,187,867	1,440,078	1,485,991	298,123	472,501

Variance Analysis:

2025 Test Year to 2017 OEB Approved

There is an overall increase of $472,501 between the 2025 Test Year and the 2017 OEB Approved amounts in this program. The increase is comprised of the following components:

- Salaries : $195,545 (increase of 29%)
  Salaries supporting the Overhead Maintenance Program have increased 29% since the 2017 COS. A component of this is due to inflationary salary increases for union-based FTE's supporting the program. Additionally, Engineering Staff support this program. The addition of an FTE in the Engineering Department in 2025 and allocation of that FTE contribute to this increase.

- Pole Testing and Inspection: $45,636
  A comprehensive pole testing program was implemented in 2017 in support of asset condition assessments and preventative / condition-based maintenance activities. This expenditure carries through to the 2025 Test Year with inflationary increases.

- Infrared OH Inspection: $5,259
  A formalized OH Infrared Inspection Program was formalized in 2017 in support of condition-based maintenance activities. This program carries through to the 2025 Test Year with inflationary increases.

- General Supplies: $43,712
  General supplies supporting the Overhead Maintenance Program have increased 61% since 2017. Contributing to this is an estimate below actuals in 2017 for the cost associated with the testing, inspection and replenishment of equipment required to support overhead system maintenance. Inflationary increases on general supplies such as rubber products, back-fill materials, and pole disposal costs have also contributed to the increase.

- Vehicle Utilization: $56,475
  Vehicle utilization expenditures that are associated with this program have increased by 37% from 2017 OEB Approved expenditures through to the 2025 Test Year.

- Materials Issued to Maintenance: $125,873
  Materials issued from stores to support this program have increase by 107%. This is primarily due to an estimate below actuals in 2017 for the cost associated with materials needed to support the Overhead Maintenance Program.

2025 Test Year vs. 2023 Actual

There is a $298,123 increase in Overhead Maintenance Program costs from 2023 Actual to the 2025 Test Year. This is largely due to salary increases related to engineering allocations to the program. The addition of a Professional Engineer in 2025, partially allocated to this program, is a contributor. The progression of union-based Engineering FTE's in 2024 flowing through to 2025, and the addition of an Engineering Technician in 2024, also contribute to the increase.

2017 Actual vs. 2017 OEB Approved

There was a $96,745 increase in Overhead Maintenance Program costs between the 2017 OEB Approved amounts to the 2017 Actuals. This is due to the implementation of formalized pole and infrared inspection programs in 2017 that were not in budget. Additionally, materials issued in support of Overhead Maintenance in 2017 were above the budgeted amount for 2017.

2018 Actual vs. 2017 Actual

There was a $113,058 increase in Overhead Maintenance Program costs from 2017 Actuals to 2018 Actuals. This was largely due to an increase in reactive maintenance required in 2018 causing an increased expenditure on general supplies, salaries, material, and vehicle usage. Inflationary increases were also observed across these items.

2019 Actual vs. 2018 Actual

There was a $129,288 increase in Overhead Maintenance Program costs from 2018 Actuals to 2019 Actuals. This was due to an increase in line department labour allocated to the program as WHESC increased its FTE count from 11 to 13. For succession planning reasons, WHESC hired additional line staff in anticipation of upcoming planned retirements in 2020 and 2021. These new resources were partially allocated to the Overhead Maintenance Program for training and overlap purposes.

2020 Actual vs. 2019 Actual

There was a $270,758 decrease in Overhead Maintenance Program costs from 2019 Actuals to 2020 Actuals. This countered the prior year increase as Line and Engineering Department retirements took effect. The line department FTE count reduced from 13 to 11.6 as retirements occurred bringing the department back inline with the target number of 11. There was also limited ability for WHESC to secure pole testing resources in 2020 due to the onset of COVID which contributed to the decrease.

2021 Actual vs. 2020 Actual

There was an $88,765 increase in Overhead Maintenance Program costs from 2020 Actuals to 2021 Actuals. Labour costs associated with this program remained relatively stable through the period. There was an increase in vehicle utilization expenditures through 2021 due to COVID protocols requiring one FTE only per vehicle. There was also an increase in pole testing expenditure in 2021 to catch up from missed cycle-based areas in 2020.

2022 Actual vs. 2021 Actual

There was a $100,522 increase in Overhead Maintenance Program costs from 2021 Actuals to 2022 Actuals. Labour costs again remained relatively stable through the period. Stores material and vehicle usage increased in 2022 due to previously described post-COVID cost pressures. Additionally, there was a one-time expenditure to support feeder relay setting changes at the supplying Hydro One TS in 2022 to align with WHESC's protection philosophy. This accounted for $51,663 of the increased cost in 2022.

2023 Actual vs. 2022 Actual

There was an $83,242 decrease in Overhead Maintenance Program costs from 2022 Actuals to 2023 Actuals. Labour costs again remained relatively stable through the period. This in part countered the one-time increase that occurred in 2022. There was also a slight decrease in reactive maintenance in 2023.

2024 Bridge Year vs. 2023 Actual

There is an increase in 2024 Bridge Year program expenditures from 2023 Actuals of $252,210. As described above, this is largely due to salary increases related to engineering allocations to the program. The progression of union-based Engineering FTE's in 2024 and the addition of an Engineering Technician in 2024 contribute to the increase.

Underground System Maintenance

Accounts:

- 5145 – Maintenance of Underground Conduit
- 5150 – Maintenance of Underground Conductors and Devices
- 5155 – Maintenance of Underground Services

Program Overview:

The Underground System Maintenance Program encompasses the cost of labour, material, contract services, and equipment required for the ongoing predictive, preventative, condition-based, and reactive maintenance of underground distribution assets.

The program includes infrared inspection and testing activities of pad-mounted equipment using third-party services. The results of these inspections and testing support DSP condition-based investment plans and prompt condition-based maintenance activities.

Reactive maintenance activities are also covered under this program including both normal and after-hours requirements. Salaries, general supplies, and vehicle usage to support underground system maintenance activities are included under the program.

Program Costs:

Table 4-32: Underground Maintenance Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Underground System Maintenance	314,949	254,127	248,048	275,890	286,926	195,211	225,919	182,060	246,581	256,647	74,588	- 58,302

Variance Analysis:

2025 Test Year to 2023 Actuals

There is an overall increase of $74,588 between the 2025 Test Year and the 2017 OEB Approved amounts in this program. There was minimal reactive maintenance required in 2023 compared to historical experience with a limited number of cable faults and equipment failures. Additionally, Engineering Staff support this program. The addition of an FTE in the Engineering Department in 2025 and allocation of that FTE to this program, contribute to this increase.

2021 Actual vs. 2020 Actual

There was a $91,715 decrease in Underground Maintenance Program costs from 2020 Actuals to 2021 Actuals. In 2020, WHESC experienced an increase in reactive maintenance requirements due to pad-mounted equipment and cable failure. In 2021, the occurrences of reactive maintenance on the underground system were fewer resulting in a decreased expenditure on general supplies, labour, and materials. Vehicle usage in 2021 remained consistent due to the post-COVID one FTE per vehicle protocols.

Transformer Maintenance

Accounts:

- 5160 – Maintenance of Line Transformers

Program Overview:

The Transformer Maintenance Program is for maintenance activities that WHESC completes on its distribution transformers. This includes infrared scanning, inspection, and reactive maintenance including transformer replacements due to unexpected failure.

Program Costs:

Table 4-33: Transformer Maintenance Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Tranformer Maintenance	92,708	62,295	161,087	138,681	141,791	143,685	124,620	130,981	184,215	192,526	61,545	99,818

Variance Analysis:

2025 Test Year vs. 2017 OEB Approved

There is an overall increase of $99,818 between the 2025 Test Year and the 2017 OEB Approved amounts in this program. In 2018, WHESC formalized a pad-mount transformer replacement program based on the results of infrared and visual inspection of the units in the current or prior year. From 2018 forward, expenditures exceed the 2017 OEB approved rate based on this and inflation-based cost increases. Reactive pole-mounted transformer replacements also occur under this program, leading to variability in labour, material, and vehicle usage based on failures in a particular year.

2018 Actual vs. 2017 Actual

There was a $98,792 increase in Transformer Maintenance Program costs from 2017 Actuals to 2018 Actuals. This was largely due to an increase in reactive maintenance required in 2018 causing an increased expenditure on general supplies, salaries, material, and vehicle usage.

Billing and Collecting

Customer Service and Billing

Accounts:

- 5310 – Meter Reading Expense
- 5315 – Customer Billing

Program Overview:

This program relates to WHESC's cost of answering various customer inquiries, maintaining a call center, processing and issuing monthly bills to electricity customers.

Program Costs:

Table 4-34: Customer Service and Billing Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Customer Service & Billing	928,567	949,907	946,786	919,788	921,028	992,798	989,808	1,008,032	1,094,804	1,201,262	193,230	272,695

Variance Analysis:

2025 Test Year vs. 2017 OEB Approved

There is an overall increase of $272,695 (29.3%) between the 2025 Test Year and the 2017 OEB Approved amounts in this program. Salaries and Benefits have declined by $87,899 through the period, largely as a result of WHESC's decision to contract bill processing to a third-party in 2023. This was to manage future operating cost pressures and gain stability in billing. Subcontracted service costs for bill processing have increased by $168,348 as a result. This is almost a direct offset of labour costs in comparison to 2017 COS salaries inflated to 2025 levels. Postage is also a contributor to the cost increase at a value of $126,503 over the period.

Information System costs associated with customer service and billing have increased by $59,265. This is associated with the inclusion of planned web presentment enhancements and mobile application functionality in 2025, based on customer engagement feedback. Inflationary adjustments on settlement services also contributed to the overall increase.

2025 Test Year vs. 2023 Actual

There is a $193,230 increase in Customer Service and Billing Program costs from 2023 Actuals to the 2025 Test Year. Bill Processing as described above was contracted out in August of 2023 resulting in $95,074 of this increase. Increases in computer support costs as described above contribute $72,058 to this variance. The balance of the increase is due to year-over-year inflationary increases on items like settlement services.

2021 Actual vs. 2020 Actual

There was a $71,770 increase in Customer Service and Billing Program costs from 2020 Actuals to 2021 Actuals. The increase is associated with increased salaries. In the customer service department, there were two classification changes that contributed to the year-over-year increase. There was a greater allocation of Finance Department staff in 2021 to handle bill processing workload.

2024 Bridge Year vs. 2023 Actual

There is an $86,773 increase from 2023 Actuals to the 2024 Bridge Year related to the outsourcing of bill processing in 2023 as described above. There was a salary reduction due to an unplanned FTE loss in the Billing Department in August of 2023. There was an increase in Information Systems cost associated with the department due WHESC's hosted solution subscription costs for Green Button.

2025 Test Year vs. 2024 Bridge Year

There is a $106,458 increase from the 2024 Bridge Year to the 2025 Test Year. In addition to the inflationary based increases on settlement services, salaries and benefits, and contract services, there are also customer facing enhancements planned for implementation in 2025 as described above.

Collections

Accounts:

- 5320 – Collecting
- 5325 – Collecting – Cash Over or Short
- 5340 – Miscellaneous Customer Account Expenses

Program Overview:

This program relates to WHESC's cost of collecting amounts receivable from customers related to electricity charges.

Program Costs:

Table 4-35: Collections Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Collections	443,555	391,190	373,356	311,604	391,935	389,996	351,451	352,781	428,476	444,008	91,227	453

Variance Analysis:

2025 Test Year vs. 2023 Actual

There is an overall increase of $91,227 from 2023 Actuals to the 2025 Test Year. A portion of Non-Payment disconnect processing is being handled by a third-party service in 2024 and 2025 to manage workload within the meter department. This resulted in a cost increase of $45,950 in addition to inflation based cost increases within the program.

2020 Actual vs. 2019 Actual

There was an $80,331 increase in Collection Program costs from 2019 Actuals to 2020 Actuals. There was a maternity leave in 2019 which temporarily reduced the resource allocation supporting collections in that year. There was a normal FTE compliment supporting the program in 2020.

2024 Bridge Year vs. 2023 Actual

There is a $75,696 increase from 2023 Actuals to the 2024 Bridge Year partially attributed to the outsourcing collection activities in 2024 as described above.

Bad Debt

Accounts:

- 5335 – Bad Debt Expense

Program Overview:

This program relates to amounts for losses on accounts receivable which have become uncollectible.

Program Costs:

Table 4-36: Bad Debt Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Bad Debt Expense	95,222	87,698	79,375	89,561	187,175	10,471	150,177	113,684	117,094	120,607	6,923	25,385

Variance Analysis:

2020 Actual vs. 2019 Actual

There was a $97,614 increase in Bad Debt in 2020 Actuals from 2019 Actuals. The increase in bad debt is related to the loss of a GS>50kW customer in the period that went bankrupt. The amount was recovered through receivables insurance in 2021.

2021 Actual vs. 2020 Actual

There was a $176,704 decrease in Bad Debt in 2021 Actuals from 2020 Actuals. The decrease in bad debt is related to amounts recovered through receivables insurance in 2021.

2022 Actual vs. 2021 Actual

There was an increase of $139,706 in Bad Debt from 2021 Actuals to 2022 Actuals. This was largely due to the swings in bad debt based on the description above in 2020 and 2021. The bad debt levels in 2022 were elevated from 2017 OEB approved levels due to post-COVID economic climate impacts.

Community Relations

Accounts:

- 5405 – Supervision
- 5410 – Community Relations - Sundry
- 5415 – Energy Conservation
- 5420 – Community Safety Program

Program Overview:

This program includes the cost of salaries of employees, third-party services, and materials directly involved in providing services to the community. This includes communication campaigns for public safety, energy conservation, and any new programs or developments that may affect the service provided by WHESC.

Program Costs:

Table 4-37: Community Relations Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Community Relations	144,123	136,009	164,682	153,685	60,039	37,440	48,883	53,068	60,367	62,438	9,369	- 81,685

Variance Analysis:

2025 Test Year vs. 2017 OEB Approved

There is a $81,685 decrease in Community Relations Program expenditures from 2017 OEB Approved to the 2025 Test Year. The decrease is attributed the elimination of energy conservation salaries and benefits in 2020.

2020 Actual vs. 2019 Actual

There was a $93,646 decrease in the Community Relations Program expenditures from 2019 Actuals to 2020 Actuals. The decrease is due to the elimination of energy conservation related salaries and benefits in 2020.

Administrative and General

Regulatory Expenses

Accounts:

- 5655 – Regulatory Expenses

Program Overview:

This program includes costs for all aspects of the regulatory process that WHESC follows. This includes expenditures associated with regulatory filings and activities required to maintain compliance.

Program Costs:

Table 4-38: Regulatory Expenses Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Regulatory Expense	146,402	201,280	113,039	101,348	113,137	99,372	121,831	134,141	351,927	182,356	48,215	35,954

Variance Analysis:

2018 Actual vs. 2017 Actual

There was an $88,241 decrease in Regulatory Program expenditures from 2017 Actuals to 2018 Actuals. The expenditures in 2017 included expenditures for the COS filing in that year creating the subsequent year variance.

2024 Bridge Year vs. 2023 Actual

There is a $217,786 increase in Regulatory Program expenditures from 2023 Actuals to the 2024 Bridge Year. The increase is due to expenditures associated with the 2025 COS filing incurred in 2024.

2025 Test Year vs. 2024 Bridge Year

There is a $169,571 decrease in Regulatory Program expenditures due to the one-time 2025 COS filing expenditures that occur in 2024.

Audit, Legal & Consulting

Accounts:

- 5630 – Outside Services Employed

Program Overview:

This program includes annual financial audit activities, expenditures for legal assistance when required, and engagement of third-party consulting as needed. Included in the program are costs associated with third-party support on customer engagement, asset condition assessment, and cyber-security services.

Program Costs:

Table 4-39: Audit, Legal & Consulting Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Audit, Legal and Consulting	137,207	154,657	243,206	169,740	187,513	212,139	196,896	202,911	203,026	302,478	99,567	165,271

Variance Analysis:

2025 Test Year vs. 2017 OEB Approved

There is an overall increase of $165,271 between the 2025 Test Year and the 2017 OEB Approved amounts in this program. An additional $98,421 in annual cyber-security consulting costs is allocated to accelerate and maintain WHESC'S compliance with Cyber-Security framework requirements. WHESC will utilize a shared services agreement with EPLC to acquire cyber-security compliance support in lieu of acquiring an FTE specifically for this purpose. This accounts for $65,000 of the cyber-security related expenditure increase.

Increases in costs associated with Electrical Distributor Association and GridSmart City membership fees along with customer engagement consulting expenditures make up the majority of the remaining balance of the variance.

2025 Test Year vs. 2023 Actual

There is a $99,567 increase in Audit, Legal & Consulting costs from 2023 Actuals to the 2025 Test Year. Cybersecurity consulting and resourcing costs, as described above, account for this variance.

2018 Actual vs. 2017 Actual

There was an $88,549 increase in Audit, Legal & Consulting program expenditures in 2018 Actuals from 2017 Actuals. The increase in expenditure was partially attributed to privacy program and cyber-security program costs that occurred in 2018 at approximately $28,000. Third-party services were acquired to complete an asset condition assessment in 2018 at an expenditure of $28,000. Increases in customer engagement consulting costs and human resources related studies comprise the bulk of the remaining variance.

2019 Actual vs. 2018 Actual

There was a $73,466 decrease in Audit, Legal & Consulting program expenditures in 2019 Actuals from 2018 Actuals. The one-time expenditures related to the Asset Condition Assessment, cybersecurity and

privacy program costs in 2018 did not re-occur in 2019, countering the prior year increase. Also, bi-annual customer engagement activities did not occur in 2019.

2025 Test Year vs 2024 Bridge Year

The $99,452 increase from the 2024 Bridge Year to the 2025 Test Year is attributed to the cyber-security resource and consulting expenditures necessary to accelerate and maintain WHESC'S compliance with cyber-security framework requirements.

Administration and HR Expense

Accounts:

- 5515 – Advertising Expenses
- 5605 – Executive Salaries and Expenses
- 5610 – Management Salaries and Expenses
- 5615 – General Administrative Salaries and Expenses
- 5645 – OMERS Pension and Benefits
- 5665 – Miscellaneous General Expenses
- 5680 – Electrical Safety Authority Fees
- 6205 – Donations – LEAP Funding – Sub Account

Program Overview:

This program relates to the compensation of administrative staff that is not specifically allocated to a job or activity. Human resource related expenditures associated with WHESC staff are also captured within this program.

Program Costs:

Table 4-40: Administration and HR Expense Program Costs

Expenses	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Administration and HR Expense	1,590,608	1,466,989	1,477,925	1,589,307	1,438,826	1,380,544	1,457,250	1,548,148	1,659,952	1,805,460	257,312	214,852

Variance Analysis:

2025 Test Year vs. 2017 OEB Approved

There is an overall increase of $214,852 between the 2025 Test Year and the 2017 OEB Approved amounts in this program.

IT Expenditures

The increase in part is attributed to an additional $96,703 in Administrative IT expenditures.

Approximately $36,536 of this amount is required to upgrade to the current CIS vendor's cloud-based solution. This is a requirement to maintain support with this vendor and the subscription cost is incremental to annual maintenance fees. CIS maintenance fees have also increased by $42,688 since 2017. Other Software maintenance and subscription costs have increased by $72,183.

Security-application costs have increased by $17,452 as WHESC implemented managed detection services in 2023. Hardware maintenance costs have increased by $14,194.

IT Service Provider costs have decreased by $75,709 by WHESC bringing core hardware and software functions related to CIS and financial systems on premise. ISP costs have decreased by $8,000 through management of service agreements with vendors.

Other Contributors

LEAP funding amount increases contribute $13,493 of additional expenditure.

Administrative and HR salaries and director fees account for $90,436 of the increase, 10% higher than 2017 levels. The balance of the program increases are generally related to inflation.

2025 Test Year vs. 2023 Actual

There is a $257,312 increase in Administrative & HR Program costs from 2023 Actuals to the 2025 Test Year.

IT expenditures account for $102,970 of this variance. The CIS cloud-based migration is required in 2025 at a cost of $36,536. Document management software subscription fees have increased $22,420 in 2025 with the addition of concurrent licenses to support additional staff. The implementation of managed detection services was implemented in mid-2023 causing a partial year costs, contributing approximately $10,000 to the variance. The balance of the IT related variance is due to inflation on maintenance and subscription service costs for other items.

Administrative and HR salaries and director fees account for $120,231 of the increase. Included in this increase is full year FTE salaries in 2025 based on finance department staff acquired in 2024 that replaced FTE's departures in prior years.

The change in LEAP funding amount described above occurred in 2024, carrying through to 2025. The balance of program increases are generally related to inflation.

2017 Actual vs. 2017 OEB Approved

There was a $123,619 decrease in Administrative and HR Program expenditures in 2017 Actuals from 2017 OEB Approved amount. The majority of this decrease was due to salaries and benefits being below plan due to the departure of the President & CEO in 2017. The President & CEO was replaced by an Internal Administrative staff member that was subsequently not replaced in 2017.

2019 Actual vs. 2018 Actual

There was a $111,382 increase in Administrative and HR Program expenditures in 2019 Actuals from 2018 Actuals. Approximately $87,000 of this is related to increased IT support costs while migrating CIS and financial systems to deployment on premise.

2020 Actual vs. 2019 Actual

There was a $150,480 decrease in Administrative and HR Program expenditures in 2020 Actuals from 2019 Actuals. Approximately $55,000 of this is related to increased IT support cost reductions due to completing the transition from a Hosted IT solution in 2020. A mid-year departure from the finance department in 2020 accounted for approximately $60,000 of the variance. The balance of the variance is attributed to reductions in general supplies, conference and travel and miscellaneous office expenditures due to the onset of COVID.

2022 Actual vs. 2021 Actual

There was a $76,706 increase in program expenditures from 2021 Actuals to 2022 Actuals due to re-allocation of an existing FTE to the finance department to adjust for the departure of the finance resource in 2020.

2023 Actual vs. 2022 Actual

There was an $90,897 increase in program expenditures from 2022 Actuals to 2023 Actuals due to re-allocation of an existing FTE to the finance department to adjust for the departure of the finance resource in 2020. The increase is also partially due to the implementation of cybersecurity initiatives described above in mid-2023, accounting for approximately $40,000 of the year-over-year variance. The balance of the increase is generally due to the partial resumption of the expenditures that were temporarily reduced due to COVID, as described above.

2024 Bridge Year vs. 2023 Actual

There is a $111,804 increase in program expenditures from 2023 Actuals to the 2024 Bridge Year. As described above, this is partially due to a $12,000 increase in LEAP funding in 2024. Increases in salaries and benefits in 2024 account for $45,000 of the variance including the partial year addition of a staff member in finance. The full year implementation of managed detection services and inflationary increases account for the balance of the variance.

2025 Test Year vs 2024 Bridge Year

There is a $145,508 increase from the 2024 Bridge Year to the 2025 Test Year. As described above, this is attributed to an upgrade to the current CIS vendor's cloud-based solution at $38,000 and the addition of document management system licences at a cost of $22,000. Full year financial staff additions account for approximately $48,000 of the increase. The balance of the variance is attributed to inflationary adjustments.

4.3.1 Workforce Planning and Employee Compensation

4.3.1.1 Overview

Table 4-41, Employee Costs, OEB Appendix 2-K (attached to this document as Appendix 4-E) is shown below. Wage & Benefit costs are in total, before allocation to either OM&A, Capital, or Billable categories. WHESC has added these amounts for presentation purposes to identify total Wages & Benefits in OM&A.

Table 4-41: OEB Appendix 2-K - Employee Costs

	Last Rebasing Year 2017 - OEB Approved	Last Rebasing Year (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)	13	11	12	12	11	11	10	10	11	13
Non-Management (union and non-union)	28	27	25	26	25	24	22	23	25	26
Total	41	38	37	38	36	35	32	32	36	39
Total Salary and Wages including ovetime and incentive pay										
Management (including executive)	$ 1,473,914	$ 1,275,630	$ 1,414,914	$ 1,474,222	$ 1,413,631	$ 1,551,478	$ 1,396,361	$ 1,340,524	$ 1,536,208	$ 1,885,360
Non-Management (union and non-union)	$ 2,190,451	$ 2,072,164	$ 1,993,876	$ 2,198,722	$ 2,146,711	$ 2,088,314	$ 1,956,722	$ 2,050,176	$ 2,461,005	$ 2,600,854
Total	$ 3,664,365	$ 3,347,794	$ 3,408,790	$ 3,672,944	$ 3,560,342	$ 3,639,792	$ 3,353,083	$ 3,390,700	$ 3,997,213	$ 4,486,214
Total Benefits (Current + Accrued)										
Management (including executive)	$ 348,640	$ 305,929	$ 343,450	$ 353,092	$ 334,195	$ 396,179	$ 358,717	$ 352,579	$ 384,647	$ 476,010
Non-Management (union and non-union)	$ 629,395	$ 543,095	$ 510,175	$ 506,752	$ 525,874	$ 549,006	$ 507,486	$ 564,871	$ 651,893	$ 700,937
Total	$ 978,035	$ 849,024	$ 853,624	$ 859,844	$ 860,069	$ 945,185	$ 866,204	$ 917,450	$ 1,036,540	$ 1,176,947
Total Compensation (Salary, Wages, & Benefits)										
Management (including executive)	$ 1,822,554	$ 1,581,559	$ 1,758,364	$ 1,827,314	$ 1,747,826	$ 1,947,657	$ 1,755,078	$ 1,693,103	$ 1,920,855	$ 2,361,370
Non-Management (union and non-union)	$ 2,819,846	$ 2,615,259	$ 2,504,051	$ 2,705,474	$ 2,672,585	$ 2,637,320	$ 2,464,208	$ 2,615,047	$ 3,112,898	$ 3,301,791
Total Compensation Breakdown (Capital, OM&A) before OPEB &	$ 4,642,400	$ 4,196,818	$ 4,262,414	$ 4,532,788	$ 4,420,411	$ 4,584,977	$ 4,219,287	$ 4,308,150	$ 5,033,753	$ 5,663,161
Retiree Benefit Premiums	$ 103,766	$ 100,999	$ 106,533	$ 103,766	$ 103,766	$ 103,766	$ 103,766	$ 103,766	$ 103,766	$ 106,455
Unusual Items (Adjustments/Vacation accruals)	$ -	-$ 5,785	$ 30,851	-$ 6,453	-$ 34,026	-$ 14,626	-$ 14,389	-$ 5,764	$ -	$ -
Total Compensation	$ 4,746,166	$ 4,292,032	$ 4,399,799	$ 4,630,101	$ 4,490,151	$ 4,674,117	$ 4,308,664	$ 4,406,152	$ 5,137,519	$ 5,769,616
Capitalized Wages & Benefits	-$ 518,650	-$ 545,454	-$ 600,040	-$ 623,568	-$ 690,699	-$ 787,171	-$ 702,547	-$ 747,471	-$ 776,670	-$ 800,212
CDM Billings/Adjustments	-$ 64,664	$ 7,839	$ 27,837	-$ 80,561	$ -	$ -	$ -	$ -		
Third Party Billings Wages & Benefits	-$ 159,132	-$ 108,192	-$ 184,769	-$ 211,387	-$ 245,414	-$ 177,719	-$ 226,956	-$ 261,374	-$ 245,873	-$ 255,656
Associate Billings Wages & Benefits	-$ 54,917	-$ 66,344	-$ 61,811	-$ 42,965	-$ 27,853	-$ 23,968	-$ 24,943	-$ 27,021	-$ 28,003	-$ 29,182
Control Room Billings Wages & Benefits									-$ 203,095	-$ 217,956
Total Compensation OM&A	**$ 3,948,803**	**$ 3,579,881**	**$ 3,581,016**	**$ 3,671,620**	**$ 3,526,185**	**$ 3,685,259**	**$ 3,354,218**	**$ 3,370,286**	**$ 3,883,878**	**$ 4,466,610**

WHESC has taken a long-term approach to workforce planning, including succession planning. Since 2017, WHESC has experienced a significant amount of turnover in its workforce, particularly in its Operations

department. WHESC temporarily increased its union-based FTE complement within the department in order to manage departures through retirements.

As resource turnover has occurred, WHESC continually monitored its operating structure to ensure that current business needs are accommodated. In some cases, departmental allocation changes have been made. Additionally, some functions have been moved to third-party services where efficiency can be realized and business continuity is positively impacted. This has occurred for bill processing services, IT managed services, and non-payment disconnect processing.

Through the period since 2017, WHESC has invested in Grid Modernization technology. A need for 24 x 7 monitoring and control of the distribution system was identified in order to maximize the benefits of grid technology deployments, the benefit to system reliability, and to ready the LDC for future operating requirements. WHESC has balanced this resourcing need against customer affordability and has leveraged a shared services model to minimize rate impact. Resource costs are shared with EPLC, minimizing the associated FTE count impacting WHESC rates.

WHESC compensation for both union and non-unionized staff includes base wages and benefits described in the following sections.

Union Employees

WHESC's workforce consists of 67% unionized employees. Compensation of unionized employees is negotiated through the collective bargaining process. All unionized employees are represented by the International Brotherhood of Electrical Workers ("IBEW").

Table 4-42 summarizes WHESC's negotiated wage adjustments from 2022 through 2026. The current collective agreement was established in March 2022 covering the period April 1, 2022 to March 31, 2026.

In advance of any negotiation of collective agreement terms, WHESC management performs research to gather data on recent settlements that have occurred within LDCs both regionally and provincially. WHESC has historically negotiated wage adjustments to establish reasonable parity with regional LDC wage levels. Costs and models presented in this application reflect the rates established under the current collective agreement.

Table 4-42: Current Collective Agreement - Wages

Effective Date	Wage Adjustment	Agreement Expiry
April 1st, 2022	2.2%	March 31st, 2026
April 1st, 2023	2.2%	
April 1st, 2024	2.2%	
April 1st, 2025	2.2%	

Management Employees

WHESC's FTE compliment consists of 33% management staff. Compensation for all management staff includes base wages and benefits. WHESC does not currently provide performance-based pay to its management employees.

In 2020, WHESC engaged the services of Marjorie Richards & Associates Ltd. to review Job Descriptions and Job Evaluations for all management positions against the Hay Point methodology. A proposed salary structure based on the job evaluation results was implemented in 2021. For any positional changes that have occurred since the implementation in 2021, Marjorie Richards & Associates Ltd. has been engaged to evaluate the individual position and assign a Hay Point score.

WHESC also participates in MEARIE salary benchmarking surveys annually. The survey results provide insight as to the appropriateness of positional salary levels. This data is used in part to inform the annual management salary review process.

Benefits

Unionized employee benefits are established through the collective bargaining process. The current benefit package consists of:

- Health & Dental Coverage;
- Company Sponsored Retirement Plan through OMERS;
- Disability & Life Insurance Coverage;
- Leave Policies;
- Employer's Portion of Government Taxes.

Benefits for WHESC management staff generally follow the benefits provided to unionized staff.

4.3.1.2 Age Demographics

WHESC age demographic has changed since its last rebasing year in 2017 due to retirements, particularly in the pool of powerline technicians. The average age of all employees in its last COS was just over 47. The current average age across all employees is just under 42. Table 4-43 shows the age distribution for unionized staff. The majority of staff are between the ages of 30 and 39. The average age of unionized staff is 38.4. The average age of powerline technicians is 36.3.

Table 4-43: Unionized Staff Age Distribution

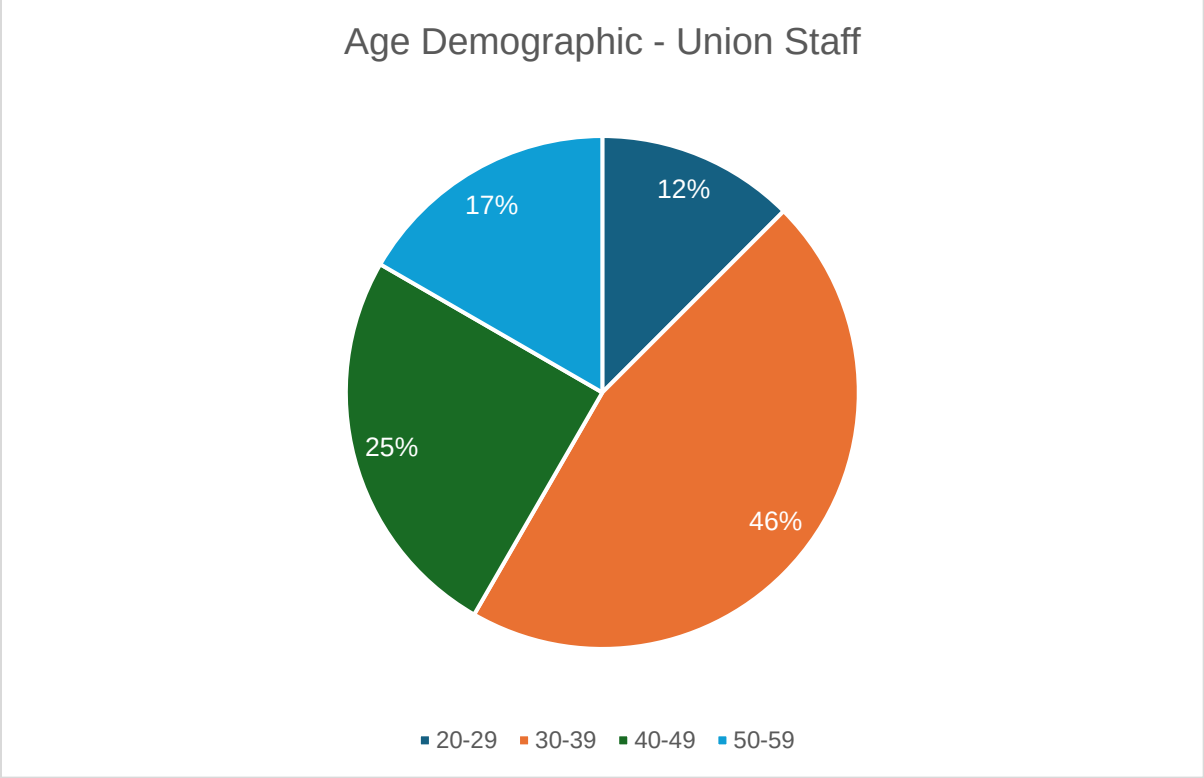
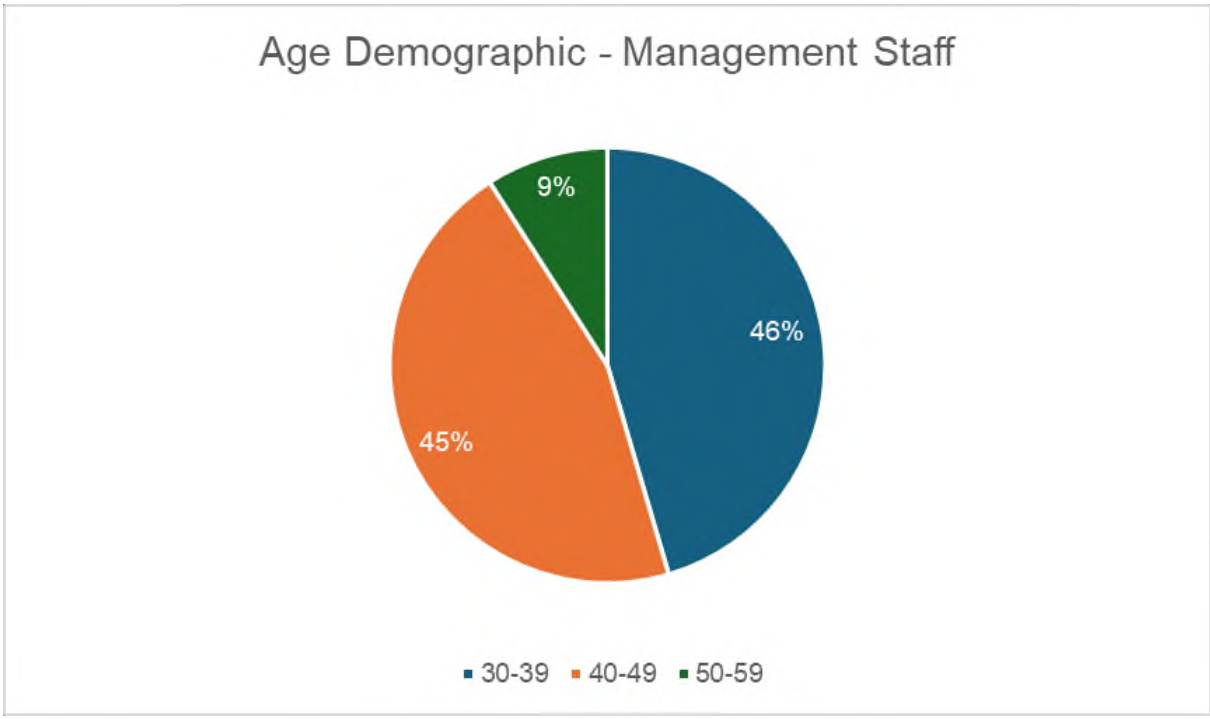


Table 4-44 shows the age distribution for management staff. The average age of staff in management is 44.9.

Table 4-44: Management Staff Age Distribution



4.3.1.3 FTE Summary and Costs

Previous Workforce Plans and Outcomes on Proposed Plans

As part of the 2017 COS Rate Application, WHESC presented a workforce plan that included the addition of a licensed Professional Engineer. The plan also called for the reduction of both a vehicle mechanic and billing analyst. This plan was incorporated into the Board approved rates for 2017.

The full year reduction of a vehicle mechanic and billing analyst occurred in 2017. As planned in the 2017 COS, WHESC added a Professional Engineer in August of 2017. WHESC reviews its staffing requirements on an ongoing basis.

FTE Costs

Table 4-41, presented above, summarizes WHESC's employee complement and associated compensation and benefits from 2017 OEB Approved to the 2025 Test Year. The salaries and wages presented in this table are inclusive of pay related to overtime, vacation, holidays, sick leave, bereavement, and any other paid leave. The benefit costs presented in the table include WHESC's portion of statutory benefits inclusive of CPP, EI, EHT, WSIB, OMERS, LTD Insurance, life insurance, health benefits, and other miscellaneous benefits. Further details of WHESC funded benefits are summarized in Section 4.3.1.6.

4.3.1.4 FTEs by Department

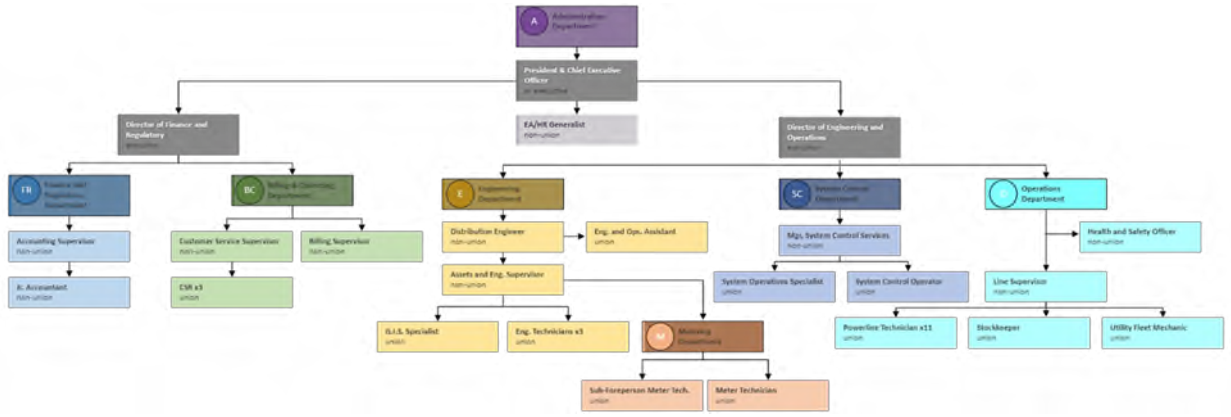
FTEs by department are provided below in Table 4-45 from the 2017 OEB Approved Year through to the 2025 Test Year.

Table 4-45: FTEs by Department

Department	2017 Test Year OEB Approved	2017 Acutal	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge Year	2025 Test Year	Change from 2017 COS
Billing & Collecting	9.3	8.3	8.0	7.3	7.0	7.0	6.7	6.0	5.3	5.3	- 4.0
Finance & Regulatory	3.0	3.0	3.0	2.7	2.0	2.0	2.0	2.2	2.8	3.0	-
Engineering	5.7	5.0	5.3	6.2	5.3	4.8	4.6	4.4	5.3	7.3	1.6
Metering	3.0	3.0	1.7	1.3	2.0	2.0	2.0	2.0	2.0	2.0	- 1.0
System Control	1.0	1.0	1.0	1.0	1.0	0.6	-	0.4	3.0	3.0	2.0
Operations	16.0	15.7	15.6	17.1	16.6	16.3	15.2	15.5	15.0	16.0	-
Administration	3.0	2.0	2.0	2.0	2.0	2.2	2.0	2.0	2.0	2.0	- 1.0
Total FTEs	41.0	38.0	36.6	37.6	35.9	34.9	32.4	32.3	35.5	38.7	- 2.3
Resource Costs Allocated to Shared Service Recipient									1.4	1.4	
WHESC FTEs	41.0	38.0	36.6	37.6	35.9	34.9	32.4	32.3	34.1	37.3	- 3.7

FTE totals in Table 4-45 include the pro-ration of employees that only worked a portion of a given year due to their hire date, termination date, or leave period. The summary includes co-op students and contract employees. The summary does not include the compliment of Board Directors. The projected organizational chart is included below as Table 4-46.

Table 4-46: Organizational Chart



Billing and Collecting

The billing and collecting department FTE count has reduced by four FTE's over the period, including the one reduction identified in the 2017 COS. Bill processing and non-payment disconnects are processed by third-party services under the direction of the Billing Supervisor. The customer service department consists of three FTEs managed by a supervisor. Growth in new service connection processing has added pressure

to the current FTE compliment within the department. To manage growth and improve call answered statistics, WHESC has forecasted an additional FTE, the Operations Assistant. WHESC intends to move new / upgrade service request processing, currently residing within this department, to the new Operations Assistant. This will alleviate incremental Customer Service Representative workload in order to improve call intake processing metrics.

Finance and Regulatory

The Finance and Regulatory department consists of three FTE's including one of the two Directors within the management structure, overseeing multiple departments. There has been some volatility in total FTE count within the historical period due to retirements. WHESC has since established the normal department complement of three FTEs.

Engineering

The Engineering Department consists of a Distribution Engineer, Assets and Engineering Supervisor, GIS Specialist, three Engineering Design Technicians, and the Operations Assistant.

The Distribution Engineer was added in 2017 OEB approved rates and hired in August of 2017. This staff member progressed into the Director of Engineering and Operations and later the current President and CEO. This left the Distribution Engineer position vacant with duties supplemented by other staff members since 2019. This position has been included in the 2025 Test Year based on the current technical needs of the corporation and associated requirements of a Professional Engineer.

The Engineering and Operations Assistant, as referenced above, is planned in the 2025 Test Year to re-allocate existing duties from the Billing and Collections department currently conducted by CSRs. This reallocation accounts for 50% of the new position's duties. The balance of duties for this position are designed to manage growth impacts in the Engineering and Operations departments inclusive of service location request processing, coordination of ESA authorizations, field order dispatching, and records management.

The net increase from 2017 OEB approved levels in this department is 1.6 FTEs.

Metering

The meter department consists of two certified Meter Technicians, under the supervision of the Asset and Engineering Supervisor. Non-payment disconnect processing has been partially allocated to third-party services in an effort to manage growth pressures within the department. Meter re-sealing activities and sample group administration is performed by third-party service providers.

The FTE count of the meter department has reduced by one from the 2017 OEB Approved levels.

System Control

The System Control department consists of two certified Control Room Operators under the direction of the Manager of System Control Services. Of the staff complement of three, 1.6 equivalent FTEs are allocated to WHESC activities including substation maintenance and operation and load dispatching. The other 1.4 equivalent cost resides in billable work to EPLC control room services.

Historically, WHESC managed a five day by eight-hour control room operation with one FTE. The establishment of a 24 x 7 system control operation has been achieved for WHESC with the addition of 0.6 FTEs.

Operations

The Operations department consists of 11 Line Staff, one Line Supervisor, one Health and Safety Officer, one Storekeeper, and one Fleet Mechanic. This departmental staff is under the oversight of the Director of Engineering and Operations. This Director also oversees the Meter, Engineering, and System Control departments.

The operations department staff complement remains unchanged at 16.

Administration

Administration staff consists of the President & CEO and the Executive Assistant / Human Resource Generalist. There has been a staff reduction of one since the 2017 OEB Approved levels due to the retirement of the President & CEO at the end of 2016 and the movement of an existing Administrative staff member into that role.

In summary, WHESC's proposed FTE plan in the 2025 Test Year represents a reduction of 3.7 FTEs from 2017 OEB approved levels, after allocation to EPLC for shard services. This is evidence of WHESC's commitment to efficiency and managing customer affordability while providing an increased service level. WHESC has leveraged technology such as ADMS, grid modernization, and work force management systems in order to manage the impact of growth and electrification.

4.3.1.5 FTE Wage & Benefit Variance Analysis

OEB Appendix 2-K has been presented above in Table 4-41 summarizing WHESC's annual FTE count, and associated wage and benefit costs. Table 4-47 shown below has been presented to analyze the year-over-year variance in FTE count and associated costs.

Table 4-47: FTE, Wage & Benefit Variance Analysis

Expenses	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge Year	2025 Test Year
Number of Employees (FTEs including Part-Time)									
Management (including executive)	-2	1	0	-1	1	-1	-1	1	2
Non-Management (union and non-union)	-1	-2	1	-1	-2	-2	1	2	1
Total	**-3**	**-1**	**1**	**-2**	**-1**	**-2**	**0**	**3**	**3**
Total Salary and Wages including overtime & incentive pay									
Management (including executive)	-198,284	139,284	59,308	-60,591	137,847	-155,117	-55,837	195,684	349,152
Non-Management (union and non-union)	-118,287	-78,288	204,846	-52,011	-58,397	-131,592	93,454	410,829	139,849
Total	**-316,571**	**60,996**	**264,154**	**-112,602**	**79,450**	**-286,709**	**37,617**	**606,513**	**489,001**
Total Benefits (Current & Accrued)									
Management (including executive)	-42,711	37,521	9,643	-18,897	61,984	-37,462	-6,138	32,068	91,363
Non-Management (union and non-union)	-86,300	-32,920	-3,423	19,122	23,132	-41,520	57,384	87,022	49,044
Total	**-129,011**	**4,600**	**6,220**	**225**	**85,116**	**-78,982**	**51,246**	**119,090**	**140,407**
Total Compensation (Salary, Wages & Benefits)									
Management (including executive)	-240,995	176,805	68,951	-79,488	199,831	-192,579	-61,975	227,752	440,515
Non-Management (union and non-union)	-204,587	-111,208	201,423	-32,889	-35,265	-173,112	150,838	497,851	188,893
Total Compensation before OPEB & Unusual Items	**-445,582**	**65,596**	**270,374**	**-112,377**	**164,566**	**-365,691**	**88,863**	**725,603**	**629,408**
Retiree Benefit Premiums	-2,767	5,534	-2,767	0	0	0	0	0	2,689
Unusual Items (Adjustments/Vacation accruals)	-5,785	36,636	-37,305	-27,573	19,400	237	8,625	5,764	0
Total	**-454,134**	**107,766**	**230,302**	**-139,950**	**183,966**	**-365,453**	**97,488**	**731,367**	**632,097**
Total Compensation Breakdown									
Capitalized Wages & Benefits	-26,804	-54,586	-23,529	-67,131	-96,472	84,624	-44,924	-29,199	-23,542
CDM Billings/Adjustments	72,503	19,998	-108,398	80,561	0	0	0	0	0
Third Party Billings Wages & Benefits	50,940	-76,577	-26,618	-34,027	67,695	-49,237	-34,418	15,501	-9,783
Associate Billings Wages & Benefits	-11,427	4,533	18,846	15,112	3,885	-975	-2,078	-982	-1,179
Control Room Billings Wages & Benefits	0	0	0	0	0	0	0	-203,095	-14,861
Total	**-368,922**	**1,135**	**90,604**	**-145,435**	**159,075**	**-331,042**	**16,068**	**513,592**	**582,732**

2017 Actual vs. 2017 OEB Approved

WHESC experienced the retirement of the President & CEO at the end of 2016. Although a Distribution Engineer was hired in August of 2017, one maternity and one disability leave caused an overall reduction in management of two FTE's.

The mid-year departures of a Billing Clerk and retirement of an Engineering Technician caused a net reduction of one non-management FTE in 2017.

2018 Actual vs. 2017 Actual

In 2018, a full year of the Distribution Engineer along with replacement of a staff member on leave in 2017 contributed approximately 0.5 additional management FTEs.

There was a reduction of 1.9 non-management FTEs due to a retirement of a meter foreperson and a maternity leave in the department. Overall, the FTE reduction was the equivalent of 1.4 in 2018.

2019 Actual vs. 2018 Actual

In 2019, there was a 0.2 addition to management due to the hire of an Engineering Supervisor for succession planning, partially offset by a maternity leave in the Billing and Collections department.

An increase of approximately 0.8 non-management staff consisted of an additional engineering co-op student and two powerline technicians, partially offset by a retirement in the finance department and a continued maternity leave in the meter department.

The overall increase in 2019 was the equivalent of approximately 1.0 FTE.

2020 Actual vs. 2019 Actual

In 2020, there was a reduction of 1.1 management FTEs due to two retirements. The retirement of the Director of Engineering and Operations in September of 2019. The position was filled by the Distribution Engineer hired in 2017. An accountant also retired in 2019 and the duties were temporarily allocated to existing staff within the finance department.

There was a reduction of approximately one non-management FTE due to the reduction of co-op students by 0.6 and the full year adjustment from the finance department retirement in 2019 that was not replaced.

The overall decrease in 2020 was approximately 1.7 FTEs.

2021 Actual vs. 2020 Actual

In 2021, there was an increase in management staff of 0.7 from 2020 due to the hire of a replacement Director of Engineering and Operations. The President and CEO retired at the end of 2021 and was replaced by the former Director of Engineering and Operations. There was a period of overlap in both positions in order to transition.

There was a reduction in lines, engineering, and control room department staff in 2021 due to mid-year retirements in each department that accounted for a reduction of 1.7 non-management FTEs.

The overall decrease in 2021 was approximately 1.0 FTE.

2022 Actual vs. 2021 Actual

There was a reduction of approximately 0.9 FTEs due to the retirement of the President and CEO at the end of 2021. This was combined with a 2022 leave that occurred in the Billing and Collections Department.

Additionally, the full year effect of the 2021 retirements plus additional 2022 departures in the line department contributed to a reduction of approximately 1.6 non-management FTE’s.

The overall reduction was approximately 2.5 FTE’s.

2023 Actual vs. 2022 Actual

In 2023, a Billing Supervisor and the Health and Safety Officer departed the organization mid-year. A Manager of System Control Services was acquired in September of 2023. The net result is an FTE loss of approximately 0.8 management staff.

Non-management staff changes include the addition of a powerline technician and the acquisition of a system control operator, resulting in an FTE addition of 0.7.

The overall change was a reduction of 0.1 FTEs in 2023.

2024 Bridge Year to 2023 Actual

In 2024, an Accountant was hired, as well as a management replacement for the formerly non-management Accounts Payable/CSR clerk in the finance department, resulting in the net addition of 1.0 management FTE.

Non-management staff changes include the full year addition of two control room operators and the addition of an engineering technician. This was partially offset by the departure of the AP/CSR clerk. This resulted in the addition of approximately 2.2 FTEs.

The overall FTE count increased by 3.2 in 2024, before allocation of resources to shared services billables.

2025 Test Year to 2024 Bridge Year

The FTE and compensation related variances from the 2024 Bridge Year to the 2025 Test Year are the result of the addition of new positions described in Section 4.3.1.4 above. These include:

- Distribution Engineer:

  The Distribution Engineer was approved in the 2017 COS and acquired in 2018. The staff member progressed through the organization and is now the President and CEO leaving that role vacant. The rationale for having a Distribution Engineer on staff is consistent based on Distribution System Planning requirements, O. Reg 22/04 requirements, and the technical oversight necessary to safely and effectively guide the engineering and operations departments.

- Health and Safety Officer:

  In 2021, following minor restructuring in the operations department, WHESC migrated two roles from:

- operations supervision consisting of a Line Supervisor/HS Officer and Field Supervisor

to:

- a Line Supervisor and Health and Safety Officer.

The Health and Safety Officer resigned in August of 2023, leaving that role vacant. Duties were distributed to the operations supervisor on an interim basis. The Health and Safety Officer's role is required to maintain WHESC's Health and Safety System and compliance with applicable Health and Safety regulations.

- Engineering and Operations Assistant:

  The Engineering and Operations Assistant will take on existing duties from the Billing and Collections department currently conducted by CSRs. This reallocation accounts for 50% of the new position's duties. The balance of duties for this position are designed to manage growth impacts in the Engineering and Operations departments inclusive of service location request processing, coordination of ESA authorizations, field order dispatching, and records management.

These positions in addition to full year compensation related to adjustments in 2024, result in an increase of 3.2 FTE's in 2025.

4.3.1.6 Employee Benefit Programs

This section describes employee benefit programs including pension and other post-employment retirement benefits (OPEBs). A detailed summary of benefit program costs is presented in Table 4-48, which includes a breakdown of benefit expenditures from the 2017 Board Approved amounts to the 2025 Test Year.

In addition to the statutory benefits that WHESC must provide, company provided benefits include the company sponsored OMERS pension plan, life insurance premiums, group benefit premiums (health and dental), and meal allowance for unionized employees subject to the provisions of the collective agreement. The costs associated with the company provided benefits are shown in Table 4-48, below.

Table 4-48: Benefit Expenses

Expense	2017 Board Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test
Statuatory										
EI Insurance Premiums	54,276	46,554	45,106	43,977	44,058	45,518	44,401	46,386	52,274	58,666
CPP Premiums	104,035	101,934	97,268	98,630	106,779	115,255	116,633	124,117	144,145	169,250
Employer Health Tax Premiums	71,445	67,197	68,491	70,025	71,690	72,206	67,042	68,904	79,396	89,232
WSIB Premiums	35,147	33,024	29,622	30,231	24,693	27,003	11,096	23,233	22,900	28,189
Total Statuatory	**264,903**	**248,709**	**240,487**	**242,863**	**247,219**	**259,981**	**239,171**	**262,640**	**298,715**	**345,337**
Company										
OMERS Pension Premiums	389,897	362,434	375,951	378,475	394,007	396,930	352,302	369,763	422,096	476,843
Life Insurance Premiums	19,514	15,289	14,627	12,870	12,685	13,234	12,264	12,964	14,240	18,445
Group Benefit Premiums	301,681	221,062	220,893	221,744	203,642	271,929	259,186	270,332	299,089	333,923
Meal Allowance	2,040	1,530	1,666	3,893	2,516	3,111	3,281	1,751	2,400	2,400
Total Company	**713,132**	**600,315**	**613,137**	**616,982**	**612,850**	**685,204**	**627,032**	**654,810**	**737,825**	**831,610**
Total Benefits prior to Employee Future Benefits	**978,035**	**849,024**	**853,624**	**859,845**	**860,069**	**945,185**	**866,204**	**917,450**	**1,036,540**	**1,176,947**
Employee Future Benefits										
Retiree Benefit Premiums	103,766	100,999	106,533	103,766	103,766	103,766	103,766	103,766	103,766	106,455
Retiree Benefits Accrual Liability										
Total Employee Future Benefits	**103,766**	**100,999**	**106,533**	**103,766**	**103,766**	**103,766**	**103,766**	**103,766**	**103,766**	**106,455**

Employee Future Benefit costs are also provided in Table 4-48. WHESC has taken steps to control these costs moving forward in two ways. Employees hired after April 1, 2009 are no longer eligible for early retirement health benefits to age 65. Additionally, employees hired after July 21, 2015, have retirement life insurance benefits reduced from the previous amount of 25% of base pay to $10,000 which reflects norms outside of the LDC environment. This benefit only applies if the retiree has at least 10 years of service upon retirement.

As a result of the above changes, the estimated OPEB net benefit liability as determined by WHESC's actuarial valuation consultant RSM, has been reduced over the period of 2021 to 2025. Table 4-49 sets out RSM's estimated actuarial valuation of the net benefit liability over this period:

Table 4-49: OPEB Liability (non-pension)

Expense Category	2021	2022	2023	2024	2025
RSM OPEB Net Benefit Liability / (Asset) as at December 31	$1,267,892	$,1,210,573	$993,751	$918,358	$864,053

The 2017 OEB Approved expense for post-retirement benefits was based on known premium rates upon filing (cash methodology). WHESC post-retirement benefit costs are actuarially determined using the projected benefit method pro-rated on service and based on assumptions that reflect Management's best estimates. RSM Canada Consulting LP performed the last actuarial valuation of the post-retirement non-pension benefits sponsored by WHESC to determine the accounting results for those benefits. WHESC completed the last actuarial study as of December 31, 2023. The report is found in Appendix 4-F of this Exhibit.

Welland Hydro proposes to continue using the cash methodology for the purpose of recovering OPEB expenses over its 2025 to 2029 rate term. The report, EB-2015-0040 – "Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEBs) Costs" stated that OEB's preference was for distributors to use accrual accounting in rate-setting for pension and OPEB amounts, unless that method did not result in just and reasonable rates. The OEB Pension & OPEB Report further stated:

> *"The result of setting rates based on the accrual method could be unacceptable in some cases. As setting just and reasonable rates is the primary driver of the regulatory treatment of pension and OPEB costs, providing value to customers and assuring fairness to both present and future ratepayers is a necessary component of the regulatory treatment of pension and OPEB costs."*

Welland Hydro believes the use of cash methodology is the best approach to establish just and reasonable rates for its recovery of OPEB costs from its ratepayers. By continuing to use the cash methodology to recover its OPEB expense, Welland Hydro meets the Board's principle of ensuring stable and predictable cost recovery of OPEBs. The primary reason for WHESC's continued use of the cash methodology is that management has made changes to its OPEB plan that will reduce its annual expense over time. The changes implemented to the OPEB plan result in a significant reduction of offerings and thereby introduce a stable and predictable cost structure associated with a diminishing liability.

Table 4-50 below outlines the average difference over a five-year period between use of the cash and accrual methodology for OPEB Accounting. The number of active and retired employees shown in the 2021 and 2022 years represents the actual count that was provided to RSM in completion of the 2020 Actuarial valuation. The number of active and retired employees in the 2023 to 2025 years are representative of what was provided in preparation of the 2023 Actuarial valuation. Actual OPEBs paid are equal to actual annual premiums paid by WHESC to its provider for 2021 to 2023 and estimated to be paid by the Actuarial Report for 2024 and 2025. OPEBs under the accrual approach represent the defined benefit cost, from actuarial reports, that would have been recorded under the accrual accounting method.

Table 4-50 shows that under the accrual accounting method, WHESC would be consistently underfunded in rates. As the table indicates, use of the accrual methodology over the past five-year period would have resulted in a material shortfall averaging $75,175 annually. Although the OPEB expense will continue to decline over time, WHESC expects that over the next five-year rate term actual costs paid for current retirees receiving benefits will outweigh the accrual for active employees whose future expense is being accrued. WHESC currently has ten retirees receiving health and dental benefits, which will cease by the end of 2030. At that time, actual premiums paid will decrease as will the OPEB liability recognized in WHESC's financial statements. WHESC believes that this period beyond 2030, in alignment with the next

rate period inclusive of 2031, is the more appropriate time to evaluate migration to the accrual method of accounting for OPEBs.

WHESC proposes to remain on the cash methodology in accounting for OPEBs. WHESC believes that this accounting treatment is best aligned for ensuring just and reasonable rates, assuring fairness for both current and future ratepayers. WHESC proposes to use OPEB costs in its 2025 Test Year equivalent to what is reported in the 2023 Actuarial Report and shown in Table 4-50 as $106,455. WHESC will manage these costs in the same manner as other OM&A costs within its overall operations.

Table 4-50: Difference between Accrual and Cash Method

	2021	2022	2023	2024	2025	Average
# Active Employees that will qualify for OPEBs once retired	12	12	5	5	5	
# retired Employees benefitting from OPEBs	11	11	12	12	12	
Actual OPEBs paid (cash method)	$ 128,850	$ 146,394	$ 146,023	$ 130,100	$ 106,455	$ 131,564
OPEBs under Accrual Approach (per RSM reports)	$ 60,317	$ 58,196	$ 56,568	$ 54,707	$ 52,160	$ 56,390
Difference (Accrual – Cash Method) = Shortfall if accrual approach is used	$ 68,533	$ 88,198	$ 89,455	$ 75,393	$ 54,295	$ 75,175

4.3.2 Shared Services and Corporate Cost Allocation

WHESC ("LDC") currently has relationships with Welland Hydro-Electric Holding Corp. ("parent company"), Welland Hydro Energy Services Corp. ("affiliate company"), and the City of Welland ("shareholder"). These relationships are for either the purchase of or provision of products and services and are in place to benefit from cost savings due to increased efficiencies and economies of scale. A summary of the transactions and pricing methodology used to assign costs for 2017 through 2023 Actuals, and projections for the 2024 Bridge Year and 2025 Test Year, are shown in Table 4-51 through Table 4-59, and can also be found in OEB Appendices 2-N.

WHESC, or any affiliate, are not considered a "virtual utility".

Consistent with the Affiliate Relationships Code ("ARC") for Electricity Distributors and Transmitters, the pricing methodology used for shared services and corporate cost allocation is based on fully allocated costs. All amounts billed to affiliates are excluded from WHESC's OM&A.

Table 4-51: Shared Services - 2017 Actual

Year: 2017

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Systems Corp.	Energy Services	Street Lights Labor	Time Card	$17,303	$16,171
Systems Corp.	Energy Services	Street Lights Burden	% Labor	$8,651	$8,085
Systems Corp.	Energy Services	Stores Materials	Average Costing	$2,503	$2,339
Systems Corp.	Energy Services	Material Burden	% Material Issue	$626	$585
Systems Corp.	Energy Services	Truck Charges	Time Card	$6,742	$6,301
		Total Street Light		$35,825	$33,481
Systems Corp.	Energy Services	Sentinel Lights Labor	Time Card	$12,882	$12,039
Systems Corp.	Energy Services	Sentinel Lights Burden	% Labor	$6,441	$6,020
Systems Corp.	Energy Services	Stores Materials	Average Costing	$919	$859
Systems Corp.	Energy Services	Material Burden	% Material Issue	$230	$215
Systems Corp.	Energy Services	Truck Charges	Time Card	$3,643	$3,404
		Total Sentinel Lights		$24,115	$22,537
		Total Energy Services		$59,939	$56,018
Systems Corp.	City of Welland	Rental of Space	Contractual	$24,357	$24,357

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
Systems Corp	Holding Corp	Administrative	%Wages & Benefits		$17,775
Systems Corp	Energy Services	Administrative	%Wages & Benefits		$7,878

Table 4-52: Shared Services - 2018 Actual

Year: 2018

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Systems Corp.	Energy Services	Street Lights Labor	Time Card	$18,538	$17,325
Systems Corp.	Energy Services	Street Lights Burden	% Labor	$9,269	$8,663
Systems Corp.	Energy Services	Stores Materials	Average Costing	$2,467	$2,306
Systems Corp.	Energy Services	Material Burden	% Material Issue	$617	$576
Systems Corp.	Energy Services	Truck Charges	Time Card	$8,544	$7,985
		Total Street Light		$39,435	$36,855
Systems Corp.	Energy Services	Sentinel Lights Labor	Time Card	$6,288	$5,876
Systems Corp.	Energy Services	Sentinel Lights Burden	% Labor	$3,144	$2,938
Systems Corp.	Energy Services	Stores Materials	Average Costing	$1,190	$1,112
Systems Corp.	Energy Services	Material Burden	% Material Issue	$297	$278
Systems Corp.	Energy Services	Truck Charges	Time Card	$2,084	$1,948
		Total Sentinel Lights		$13,003	$12,152
		Total Energy Services		$52,438	$49,007
Systems Corp.	City of Welland	Rental of Space	Contractual	$24,785	$24,785

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
Systems Corp	Holding Corp	Administrative	%Wages & Benefits		$19,009
Systems Corp	Energy Services	Administrative	%Wages & Benefits		$8,341

Table 4-53: Shared Services - 2019 Actual

Year: 2019

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Systems Corp.	Energy Services	Street Lights Labor	Time Card	$13,123	$12,264
Systems Corp.	Energy Services	Street Lights Burden	% Labor	$6,561	$6,132
Systems Corp.	Energy Services	Stores Materials	Average Costing	$737	$689
Systems Corp.	Energy Services	Material Burden	% Material Issue	$184	$172
Systems Corp.	Energy Services	Truck Charges	Time Card	$5,565	$5,201
		Total Street Light		$26,170	$24,458
Systems Corp.	Energy Services	Sentinel Lights Labor	Time Card	$7,226	$6,753
Systems Corp.	Energy Services	Sentinel Lights Burden	% Labor	$3,613	$3,376
Systems Corp.	Energy Services	Stores Materials	Average Costing	$650	$650
Systems Corp.	Energy Services	Material Burden	% Material Issue	$0	$0
Systems Corp.	Energy Services	Truck Charges	Time Card	$2,068	$1,933
		Total Sentinel Lights		$13,556	$12,712
		Total Energy Services		$39,726	$37,170
Systems Corp.	City of Welland	Rental of Space	Contractual	$25,341	$25,341

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
Systems Corp	Holding Corp	Administrative	%Wages & Benefits		$7,428
Systems Corp	Energy Services	Administrative	%Wages & Benefits		$8,649

Table 4-54: Shared Services - 2020 Actual

Year: 2020

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Systems Corp.	Energy Services	Street Lights Labor	Time Card	$5,064	$4,732
Systems Corp.	Energy Services	Street Lights Burden	% Labor	$2,532	$2,366
Systems Corp.	Energy Services	Stores Materials	Average Costing	$12	$11
Systems Corp.	Energy Services	Material Burden	% Material Issue	$3	$3
Systems Corp.	Energy Services	Truck Charges	Time Card	$2,276	$2,127
		Total Street Light		$9,886	$9,239
Systems Corp.	Energy Services	Sentinel Lights Labor	Time Card	$4,417	$4,128
Systems Corp.	Energy Services	Sentinel Lights Burden	% Labor	$2,208	$2,064
Systems Corp.	Energy Services	Stores Materials	Average Costing	$0	$0
Systems Corp.	Energy Services	Material Burden	% Material Issue	$0	$0
Systems Corp.	Energy Services	Truck Charges	Time Card	$1,723	$1,610
		Total Sentinel Lights		$8,348	$7,802
		Total Energy Services		$18,234	$17,041
Systems Corp.	City of Welland	Rental of Space	Contractual	$25,682	$25,682

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
Systems Corp	Holding Corp	Administrative	%Wages & Benefits		$7,557
Systems Corp	Energy Services	Administrative	%Wages & Benefits		$8,758

Table 4-55: Shared Services - 2021 Actual

Year: 2021

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Systems Corp.	Energy Services	Sentinel Lights Labor	Time Card	$4,785	$4,472
Systems Corp.	Energy Services	Sentinel Lights Burden	% Labor	$2,393	$2,236
Systems Corp.	Energy Services	Stores Materials	Average Costing	$0	$0
Systems Corp.	Energy Services	Material Burden	% Material Issue	$0	$0
Systems Corp.	Energy Services	Truck Charges	Time Card	$1,940	$1,813
		Total Energy Services		$9,118	$8,522
Systems Corp.	City of Welland	Rental of Space	Contractual	$26,171	$26,171

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
Systems Corp	Holding Corp	Administrative	%Wages & Benefits		$7,731
Systems Corp	Energy Services	Administrative	%Wages & Benefits		$9,014

Table 4-56: Shared Services - 2022 Actual

Year: 2022

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Systems Corp.	Energy Services	Sentinel Lights Labor	Time Card	$5,906	$5,519
Systems Corp.	Energy Services	Sentinel Lights Burden	% Labor	$2,953	$2,760
Systems Corp.	Energy Services	Stores Materials	Average Costing	$0	$0
Systems Corp.	Energy Services	Material Burden	% Material Issue	$0	$0
Systems Corp.	Energy Services	Truck Charges	Time Card	$2,401	$2,244
		Total Energy Services		$11,259	$10,522
Systems Corp.	City of Welland	Rental of Space	Contractual	$18,072	$18,072

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
Systems Corp	Holding Corp	Administrative	%Wages & Benefits		$8,323
Systems Corp	Energy Services	Administrative	%Wages & Benefits		$10,037

Table 4-57: Shared Services - 2023 Actual

Year: 2023

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Systems Corp.	Energy Services	Sentinel Lights Labor	Time Card	$6,707	$6,268
Systems Corp.	Energy Services	Sentinel Lights Burden	% Labor	$3,353	$3,134
Systems Corp.	Energy Services	Stores Materials	Average Costing	$1,314	$1,229
Systems Corp.	Energy Services	Material Burden	% Material Issue	$329	$307
Systems Corp.	Energy Services	Truck Charges	Time Card	$2,169	$2,028
		Total Energy Services		$13,873	$12,965

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
Systems Corp	Holding Corp	Administrative	%Wages & Benefits		$8,765
Systems Corp	Energy Services	Administrative	%Wages & Benefits		$10,565

Table 4-58: Shared Services - 2024 Bridge Year

Year: 2024

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Systems Corp.	Energy Services	Sentinel Lights Labor	Time Card	$5,136	$4,800
Systems Corp.	Energy Services	Sentinel Lights Burden	% Labor	$2,484	$2,322
Systems Corp.	Energy Services	Stores Materials	Average Costing	$0	$0
Systems Corp.	Energy Services	Material Burden	% Material Issue	$0	$0
Systems Corp.	Energy Services	Truck Charges	Time Card	$2,034	$1,901
		Total Energy Services		$9,654	$9,022

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
Systems Corp	Holding Corp	Administrative	%Wages & Benefits		$9,135
Systems Corp	Energy Services	Administrative	%Wages & Benefits		$11,746

Table 4-59: Shared Services - 2025 Test Year

Year: 2025

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
Systems Corp.	Energy Services	Sentinel Lights Labor	Time Card	$5,334	$4,985
Systems Corp.	Energy Services	Sentinel Lights Burden	% Labor	$2,594	$2,425
Systems Corp.	Energy Services	Stores Materials	Average Costing	$0	$0
Systems Corp.	Energy Services	Material Burden	% Material Issue	$0	$0
Systems Corp.	Energy Services	Truck Charges	Time Card	$2,034	$1,901
		Total Energy Services		$9,962	$9,310

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
Systems Corp	Holding Corp	Administrative	%Wages & Benefits		$9,526
Systems Corp	Energy Services	Administrative	%Wages & Benefits		$12,247

4.3.2.1 Shared Services to Affiliates

Welland Hydro-Electric Systems Corp. to Welland Hydro Energy Services Corp.

Welland Hydro-Electric Systems Corp.("LDC") provides sentinel light maintenance services on behalf of Welland Hydro Energy Services Corp.("affiliate company"). Direct labor is charged and a benefits burden of 50% of direct wages is added. Stores materials are charged out when required and a 25% burden rate is added. The actual stores expenses are reduced by billed amounts before total stores expenses are allocated to OM&A. Trucks are billed out at pre-determined hourly rates. Vehicle department expenses are reduced by these billings before total vehicle expenses are allocated to OM&A. A 7% markup is added to total sentinel light maintenance costs. The difference between the price charged to the Welland Hydro Energy Services Corp. ("affiliate company") for the service and the actual cost for the service is credited to account 4235 Miscellaneous Services Revenue – Sub Account Markup on Work Orders in Welland Hydro Electric Systems Corp ("LDC").

4.3.2.2 Corporate Cost Allocations

Welland Hydro-Electric Systems Corp. to Holding Corp. & Energy Services

Welland Hydro-Electric Systems Corp. ("LDC") personnel provide various clerical and administrative functions for Welland Hydro-Electric Holding Corp. ("parent company") and Welland Hydro Energy Services Corp. ("affiliate company") such as preparation of annual statements and bill payments. For the most part there are a limited number of monthly transactions in these two companies. As in the past, including the 2017 COS, a portion of wages and benefits relating to the President & CEO, Executive Assistant, and Director of Finance and Regulatory are allocated to Welland Hydro-Electric Holding Corp ("parent company") and Welland Hydro Energy Services Corp. ("affiliate company"). Corporate cost allocations have been presented in Table 4-51 through Table 4-59 shown above.

4.3.2.3 Variance Analysis

Table 4-60 below summarizes variances between the 2017 COS, 2023 Actuals and the 2025 Test Year for both Shared Services and Corporate Allocations. There are no net costs which are allocated from associated companies (Shareholder/Parent/Affiliate) to the Welland Hydro-Electric Systems Corp ("LDC").

Welland Hydro-Electric System Corp. does not have any Board of Director related costs for affiliates included in its OM&A costs.

Table 4-60: Shared Services Variances

Description	2017 Board Approved	2023 Actual	2025 Test Year	Variance (2025 Test Year vs 2023 Actuals)	Variance (2025 Test Year vs 2017 OEB Approved)
Services Provided by WHESC	65,123	13,873	9,962	-3,911	-55,161
Corporate Cost Allocation	26,544	19,330	21,773	2,443	-4,771
TOTAL	91,667	33,203	31,734	-1,469	-59,933

2025 Test Year vs. 2017 Board Approved

There are no material variances between 2017 Board Approved and 2025 Test Year.

2025 Test Year versus 2023 Actuals

There are no material variances between 2023 Actuals and the 2025 Test Year.

4.3.3 Purchases of Non-Affiliate Services

WHESC's Purchasing Policy establishes the principles, requirements, accountabilities and guidelines for the purchase of goods and services. The Purchasing Policy establishes amounts, requirements and approvals necessary to maintain full and open competition between suppliers, vendors and contractors through the use of competitive bids, quotations and awards.

This policy ensures that all procurement activities within WHESC maintain high legal, ethical, managerial, and professional standards. WHESC's purchasing policy does identify certain situations where a competitive bid process may not be followed. In accordance with the OEB's Filing Requirements, WHESC has provided a copy of its Purchasing Policy in Appendix 4-H.

WHESC confirms that purchases for non-affiliate services comply with the policy.

4.3.4 One Time Costs

With the exception of the regulatory costs noted below, there are no additional one-time costs or non-annually recurring costs in the 2025 Test Year revenue requirement.

4.3.5 Regulatory Costs

WHESC has included Table 4-61 from OEB Appendix 2-M which is also included with this Exhibit as Appendix 4-G. The table outlines WHESC's costs associated with creation of this Cost of Service Application which is currently estimated at $242,775. This cost includes legal, consulting, intervenor, and administrative costs. Consulting costs include third-party costs associated with application support and review.

Table 4-61: One Time Regulatory Costs

	Regulatory Costs (One-Time)	Last Rebasing (2017 OEB Approved)	Last Rebasing (2017 Actual)	Sum Of Historical Years (2018-2023)	2024 Bridge Year	2025 Test Year
		(A)	(B)	(C)	(D)	(E)
1	Expert Witness costs					
2	Legal costs	100,000	97,541		100,000	
3	Consultants' costs		12,700	7,775	50,000	
4	Intervenor costs	46,900	33,535		60,000	
5	OEB Section 30 Costs (application-related)					
6	Include other items in green cells, as applicable[1]					
7	Customer Engagement Costs	12,900	47,089			
8	Hearing Costs	8,000	16,254			25,000
9	Miscellanous		1,831			
	Sub-total - One-time Costs	$ 167,800	$ 208,950	$ 7,775	$ 210,000	$ 25,000

Table 4-62 outlines WHESC'S cost associated with creation of the application, as allocated across the IRM period at 1/5th per year. WHESC proposes to recover the amount of $242,775 in distribution rates over five years. As a result, WHESC has included $48,555 in OM&A costs.

Table 4-62: WHESC COS Creation Costs

Application-Related One-Time Costs	Total (F =C+D+E)
Total One-Time Costs Related to Application to be Amortized over IRM Period	$ 242,775
1/5 of Total One-Time Costs	$ 48,555

4.3.6 Low-income Energy Assistance Programs (LEAP)

The Low-Income Energy Assistance Program (LEAP) emergency financial assistance and accounting orders were updated and came into effect on March 1, 2024 with reference to OEB File No. EB-2023-0135. The updated OESP & LEAP Manual was provided to WHESC along with an accompanying letter from the OEB outlining the changes, dated February 12, 2024.

The OEB indicated that "no eligible LEAP EFA applicant should be denied assistance due to lack of funding". The letter confirms that under the generic funding mechanism, each distributor provides the greater of 0.12% of their total OEB-approved distribution revenue requirement for LEAP EFA or $2,000. WHESC has

provided that calculation based on distribution revenue from 2023 Actuals. This is presented below in Table 4-63.

Table 4-63: LEAP Funding Based on Distribution Revenue

Item	Amount
2023 Distribution Revenue	$ 11,688,773
Funding % of Distribution Revenue Requirement	0.12%
LEAP Funding Calculated	$ 14,027

Historically, WHESC has consumed the calculated LEAP funding amount in the early stages of allocation based on eligibility. Based on the updated OEB guidance described above, WHESC has updated its 2024 Bridge Year and 2025 Test Year budget amounts to reflect the anticipated cost of providing LEAP funding. In 2025, the budgeted amount for LEAP funding is $25,750 based on utilization experienced in 2024.

4.3.7 Charitable & Political Donations

WHESC confirms that no charitable or political donations have been included in OM&A expenses for the 2025 Test Year, other than the identified LEAP funding.

4.4 Conservation and Demand Management Costs

WHESC's last LRAMVA claim was approved as part of its 2023 IRM Proceeding for savings from 2017-2022 and prospective claims for 2023 and 2024.

WHESC confirms that no CDM costs are included in the 2025 Test Year revenue requirement.

Appendix 4-A: OEB Appendix 2-JA Summary of Recoverable OM&A Expenses

Appendix 2-JA

Summary of Recoverable OM&A Expenses

	2017 Last Rebasing Year OEB Approved	2017 Last Rebasing Year Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
Reporting Basis										
Operations	$ 1,498,740	$ 1,492,815	$1,311,161	$1,330,026	$1,529,537	$1,729,778	$1,659,436	$1,815,317	$ 1,649,749	$ 2,035,874
Maintenance	$ 1,815,576	$ 1,885,768	$2,086,551	$2,270,810	$1,990,642	$1,931,915	$2,107,765	$2,010,190	$ 2,525,383	$ 2,669,176
SubTotal	**$ 3,314,316**	**$ 3,378,583**	**$3,397,713**	**$3,600,837**	**$3,520,179**	**$3,661,692**	**$3,767,201**	**$3,825,507**	**$ 4,175,132**	**$ 4,705,050**
%Change (year over year)		1.9%	0.6%	6.0%	-2.2%	4.0%	2.9%	1.5%	9.1%	12.7%
%Change (Test Year vs Last Rebasing Year - Actual)										39.3%
Billing and Collecting	$ 1,467,344	$ 1,428,794	$1,399,519	$1,320,953	$1,500,139	$1,393,265	$1,491,435	$1,474,496	$ 1,640,375	$ 1,765,877
Community Relations	$ 144,123	$ 136,007	$ 164,682	$ 153,684	$ 60,039	$ 37,440	$ 48,883	$ 53,068	$ 60,367	$ 62,438
Administrative and General	$ 1,874,217	$ 1,822,928	$1,834,169	$1,860,395	$1,739,477	$1,692,055	$1,775,977	$1,885,199	$ 2,214,905	$ 2,290,294
SubTotal	**$ 3,485,684**	**$ 3,387,730**	**$3,398,370**	**$3,335,032**	**$3,299,655**	**$3,122,760**	**$3,316,295**	**$3,412,764**	**$ 3,915,647**	**$ 4,118,608**
%Change (year over year)		-2.8%	0.3%	-1.9%	-1.1%	-5.4%	6.2%	2.9%	14.7%	5.2%
%Change (Test Year vs Last Rebasing Year - Actual)										21.6%
Total	**$ 6,800,000**	**$ 6,766,313**	**$6,796,083**	**$6,935,869**	**$6,819,834**	**$6,784,453**	**$7,083,496**	**$7,238,271**	**$ 8,090,780**	**$ 8,823,658**
%Change (year over year)		-0.5%	0.4%	2.1%	-1.7%	-0.5%	4.4%	2.2%	11.8%	9.1%

	2017 Last Rebasing Year OEB Approved	2017 Last Rebasing Year Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
Operations[4]	$ 1,498,740	$ 1,492,815	$1,311,161	$1,330,026	$1,529,537	$1,729,778	$1,659,436	$1,815,317	$ 1,649,749	$ 2,035,874
Maintenance[5]	$ 1,815,576	$ 1,885,768	$2,086,551	$2,270,810	$1,990,642	$1,931,915	$2,107,765	$2,010,190	$ 2,525,383	$ 2,669,176
Billing and Collecting[6]	$ 1,467,344	$ 1,428,794	$1,399,519	$1,320,953	$1,500,139	$1,393,265	$1,491,435	$1,474,496	$ 1,640,375	$ 1,765,877
Community Relations[7]	$ 144,123	$ 136,007	$ 164,682	$ 153,684	$ 60,039	$ 37,440	$ 48,883	$ 53,068	$ 60,367	$ 62,438
Administrative and General[8]	$ 1,874,217	$ 1,822,928	$1,834,169	$1,860,395	$1,739,477	$1,692,055	$1,775,977	$1,885,199	$ 2,214,905	$ 2,290,294
Total	**$ 6,800,000**	**$ 6,766,313**	**$6,796,083**	**$6,935,869**	**$6,819,834**	**$6,784,453**	**$7,083,496**	**$7,238,271**	**$ 8,090,780**	**$ 8,823,658**
%Change (year over year)		-0.5%	0.4%	2.1%	-1.7%	-0.5%	4.4%	2.2%	11.8%	9.1%

Appendix 4-B: OEB Appendix 2-JB Recoverable OM&A Cost Driver Table

Appendix 2-JB
Recoverable OM&A Cost Driver Table[1,3]

OM&A	Last Rebasing Year (2017 Actuals)	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
Reporting Basis									
OM&A Wages & Benefits	$ 3,948,803	$ 3,579,881	$ 3,581,016	$ 3,671,620	$ 3,526,185	$ 3,685,259	$ 3,354,218	$ 3,370,286	$ 3,883,878
OM&A Expenses	$ 2,851,197	$ 3,186,432	$ 3,215,067	$ 3,264,249	$ 3,293,649	$ 3,099,193	$ 3,729,278	$ 3,867,985	$ 4,206,902
OM&A Opening Balance	$ 6,800,000	$ 6,766,313	$ 6,796,083	$ 6,935,869	$ 6,819,834	$ 6,784,453	$ 7,083,496	$ 7,238,271	$ 8,090,780
Salaries, Wages and Benefits	-$ 368,922	$ 1,135	$ 90,604	-$ 145,435	$ 159,075	-$ 331,042	$ 16,068	$ 513,592	$ 582,732
Billing Contract Services	$ 2,663	$ 4,736	-$ 152	$ 3,304	$ 803	$ 3,769	$ 58,151	$ 89,458	$ 5,616
Information Systems and Support	$ 48,161	-$ 59,685	$ 100,164	-$ 86,978	-$ 93,430	$ 11,818	$ 55,377	$ 57,273	$ 123,298
Locates	$ 5,960	$ 15,112	$ 11,574	$ 5,709	-$ 1,152	$ 5,128	$ 13,789	$ 53,645	$ 35,272
Stores Material	$ 65,134	$ 13,278	$ 42,055	-$ 17,091	-$ 39,059	$ 99,507	-$ 60,054	$ 8,593	$ 10,041
Postage	$ 60,818	$ 4,006	$ 7,182	$ 3,841	$ 3,835	$ 16,454	-$ 6,661	$ 4,039	$ 7,105
ADMS Software	$ -	$ -	$ -	$ 38,981	$ 43,046	$ 3,067	$ 2,528	$ 3,067	$ 3,174
Tree Trimming	$ 8,806	-$ 16,085	$ 32,169	-$ 22,335	-$ 51,232	$ 79,850	$ 34,511	$ 44,719	-$ 30,330
Cyber Security Services	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 65,000
General Subcontracting	$ 15,864	$ 1,880	-$ 14,835	-$ 3,194	$ 8,747	$ 78,091	-$ 73,608	$ 47,354	$ 3,023
Lines Supplies	$ 16,499	$ 8,703	$ 21,404	-$ 3,729	-$ 6,434	$ 7,160	-$ 11,749	$ 18,315	$ 2,338
General Supplies	$ 583	$ 85,790	-$ 99,606	$ 111,701	-$ 76,072	-$ 59,337	$ 4,249	$ 42,367	$ 42,063
Pole Testing	$ 35,624	-$ 36,338	$ 30,944	-$ 24,028	$ 47,031	-$ 30,180	$ 27,167	-$ 5,934	$ 1,350
Building Repairs	$ 7,087	$ 27,073	-$ 973	-$ 8,957	-$ 782	$ 29,774	$ 29,889	-$ 27,876	-$ 10,390
Insurance	$ 14,288	-$ 23,360	-$ 12,298	$ 7,688	$ 5,818	$ 9,721	$ 30,327	$ 9,328	$ 6,277
Regulatory expense	$ 54,878	-$ 88,241	-$ 11,691	$ 11,789	-$ 13,765	$ 22,459	$ 12,310	$ 208,036	-$ 208,376
Bad Debt Expense	-$ 7,524	-$ 8,323	$ 10,186	$ 97,614	-$ 176,704	$ 139,706	-$ 36,493	$ 3,411	$ 3,513
Garage Supplies	-$ 188	$ 26,791	-$ 11,858	-$ 2,563	$ 45,404	-$ 6,520	-$ 8,595	-$ 13,095	$ 9,188
Health & Safety	$ 2,134	$ 1,606	$ 3,704	-$ 4,148	-$ 10,414	$ 3,480	$ 1,155	$ 19,485	$ 6,162
Meter Supplies	$ 214	-$ 1,957	$ 6,290	$ 5,670	$ 18,978	-$ 632	-$ 5,420	$ 1,071	$ 998
AMI System Expense	$ 18,591	$ 1,031	-$ 499	$ 6,198	$ 4,265	-$ 1,703	$ 8,442	$ 3,806	$ 3,920
Settlement Services	-$ 10,802	$ 29,131	-$ 11,215	$ 1,648	$ 1,681	$ 2,572	$ 4,415	$ 2,781	$ 19,973
Control Room Contract Services	$ 9,041	$ 4,182	-$ 23,601	-$ 4,623	$ 114,583	$ 175,698	$ 1,439	-$ 291,720	$ -
General Inflation & Other	-$ 12,596	$ 39,305	-$ 29,761	-$ 87,099	-$ 19,602	$ 40,204	$ 57,537	$ 60,794	$ 50,934
OM&A Wages & Benefits	$ 3,579,881	$ 3,581,016	$ 3,671,620	$ 3,526,185	$ 3,685,259	$ 3,354,218	$ 3,370,286	$ 3,883,878	$ 4,466,610
OM&A Expenses	$ 3,186,432	$ 3,215,067	$ 3,264,249	$ 3,293,649	$ 3,099,193	$ 3,729,278	$ 3,867,985	$ 4,206,902	$ 4,357,049
Closing Balance[2]	$ 6,766,313	$ 6,796,083	$ 6,935,869	$ 6,819,834	$ 6,784,453	$ 7,083,496	$ 7,238,271	$ 8,090,780	$ 8,823,658

Appendix 4-C: OEB Appendix 2-L Recoverable OM&A Cost per Customer and per FTE

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

	Last Rebasing Year 2017 - OEB Approved	Last Rebasing Year (2017 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	$ 3,314,316	$ 3,378,583	$ 3,378,583	$ 3,397,713	$ 3,600,837	$ 3,520,179	$ 3,661,692	$ 3,767,201	$ 3,825,507	$ 4,175,132	$ 4,705,050
Admin Expenses[6]	$ 3,485,684	$ 3,387,730	$ 3,387,730	$ 3,398,370	$ 3,335,032	$ 3,299,655	$ 3,122,760	$ 3,316,295	$ 3,412,764	$ 3,915,647	$ 4,118,608
Total Recoverable OM&A from Appendix 2-JB [5]	$ 6,800,000	$ 6,766,313	$ 6,766,313	$ 6,796,083	$ 6,935,869	$ 6,819,834	$ 6,784,453	$ 7,083,496	$ 7,238,271	$ 8,090,780	$ 8,823,658
Number of Customers [2,4]	22,956	22,937		23,204	23,543	23,876	24,373	24,826	25,397	25,758	26,125
Number of FTEs [3,4]	41	38	0	37	38	36	35	32	32	36	39
Customers/FTEs	560	603		626	626	666	699	766	786	725	676
OM&A cost per customer											
O&M per customer	$144	$147		$146	$153	$147	$150	$152	$151	$162	$180
Admin per customer	$152	$148		$146	$142	$138	$128	$134	$134	$152	$158
Total OM&A per customer	$296	$295		$293	$295	$286	$278	$285	$285	$314	$338
OM&A cost per FTE											
O&M per FTE	$80,837	$88,882		$91,685	$95,730	$98,164	$104,973	$116,189	$118,338	$117,576	$121,703
Admin per FTE	$85,017	$89,122		$91,703	$88,663	$92,015	$89,523	$102,282	$105,570	$110,269	$106,534
Total OM&A per FTE	$165,854	$178,004		$183,388	$184,393	$190,179	$194,496	$218,471	$223,908	$227,845	$228,237

Appendix 4-D: OEB Appendix 2-JC OM&A Programs Table

Appendix 2-JC
OM&A Programs Table

Programs	Last Rebasing Year (2017 OEB-Approved)	Last Rebasing Year (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 Rebasing Year (2017 OEB-Approved)
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operation												
Operations Supervision	269,561	261,397	298,199	289,391	309,803	359,228	262,633	264,929	284,763	334,711	69,781	65,150
System Control Operation	178,074	204,382	171,491	145,057	199,054	295,630	323,468	438,035	268,577	287,521	-150,514	109,447
Distribution Station Operation	173,753	158,152	146,781	140,215	149,135	133,729	125,688	130,967	141,025	140,908	9,941	-32,845
Overhead System Operation	269,458	280,013	258,397	271,941	269,561	301,269	312,674	310,869	179,095	366,804	55,935	97,346
Transformer Operation	3,724	810	494	566	320	0	785	1,029	1,248	1,285	256	-2,439
Locates	104,816	110,776	125,888	137,462	143,171	142,019	147,147	160,936	214,581	249,853	88,917	145,037
Underground System Operation	105,126	96,303	85,349	99,727	67,003	112,421	122,912	125,626	63,771	134,934	9,308	29,808
Meter Operation	301,979	284,307	136,500	159,668	201,400	270,883	284,236	297,975	391,989	408,339	110,364	106,360
Health, Safety & Mscellaneous	92,249	96,676	88,063	85,999	190,090	114,600	79,894	84,951	104,699	111,519	26,568	19,270
Sub-Total	1,498,740	1,492,816	1,311,162	1,330,026	1,529,537	1,729,778	1,659,436	1,815,317	1,649,749	2,035,874	220,557	537,134
Maintenance												
Meter Maintenance	93,774	112,024	112,858	112,358	118,559	122,844	121,390	129,924	133,917	137,934	8,010	44,160
Maintenance Supervision and Engine	95,380	113,145	86,532	85,887	100,151	108,460	104,046	76,060	130,462	237,462	161,402	142,082
Distribution Stations Maintenance	54,898	74,758	111,636	130,148	108,460	89,427	79,131	87,236	129,351	128,165	40,928	73,267
Tree Trimming	150,377	159,183	143,098	175,267	152,932	101,700	181,550	216,061	260,780	230,450	14,389	80,073
Overhead System Maintenance	1,013,490	1,110,235	1,223,293	1,352,581	1,081,823	1,170,587	1,271,109	1,187,867	1,440,078	1,485,991	298,123	472,501
Underground System Maintenance	314,949	254,127	248,048	275,890	286,926	195,211	225,919	182,060	246,581	256,647	74,588	-58,302
Transformer Maintenance	92,708	62,295	161,087	138,681	141,791	143,685	124,620	130,981	184,215	192,526	61,545	99,818
Sub-Total	1,815,576	1,885,767	2,086,552	2,270,810	1,990,642	1,931,915	2,107,765	2,010,190	2,525,383	2,669,176	658,986	853,600
Billing and Collecting												
Customer Service & Billing	928,567	949,907	946,786	919,788	921,028	992,798	989,808	1,008,032	1,094,804	1,201,262	193,230	272,695
Collections	443,555	391,190	373,356	311,604	391,935	389,996	351,451	352,781	428,476	444,008	91,227	453
Bad Debt Expense	95,222	87,698	79,375	89,561	187,175	10,471	150,177	113,684	117,094	120,607	6,923	25,385
Sub-Total	1,467,344	1,428,795	1,399,517	1,320,953	1,500,139	1,393,265	1,491,435	1,474,496	1,640,375	1,765,877	291,381	298,533
Community Relations												
Community Relations	144,123	136,009	164,682	153,685	60,039	37,440	48,883	53,068	60,367	62,438	9,369	-81,685
Sub-Total	144,123	136,009	164,682	153,685	60,039	37,440	48,883	53,068	60,367	62,438	9,369	-81,685
Administrative and General												
Regulatory Expense	146,402	201,280	113,039	101,348	113,137	99,372	121,831	134,141	351,927	182,356	48,215	35,954
Audit, Legal and Consulting	137,207	154,657	243,206	169,740	187,513	212,139	196,896	202,911	203,026	302,478	99,567	165,271
Administration and HR Expense	1,590,608	1,466,989	1,477,925	1,589,307	1,438,826	1,380,544	1,457,250	1,548,148	1,659,952	1,805,460	257,312	214,852
Sub-Total	1,874,217	1,822,926	1,834,170	1,860,395	1,739,476	1,692,055	1,775,977	1,885,200	2,214,905	2,290,294	405,094	416,077
Miscellaneous											0	0
Total	**6,800,000**	**6,766,313**	**6,796,083**	**6,935,869**	**6,819,833**	**6,784,453**	**7,083,496**	**7,238,271**	**8,090,780**	**8,823,658**	**1,585,387**	**2,023,658**

Appendix 4-E: OEB Appendix 2-K Employee Costs

Appendix 2-K
Employee Costs

	Last Rebasing Year 2017 - OEB Approved	Last Rebasing Year (2017 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)	13	11		12	12	11	11	10	10	11	13
Non-Management (union and non-union)	28	27		25	26	25	24	22	23	25	26
Total	41	38	-	37	38	36	35	32	32	36	39
Total Salary and Wages including ovetime and incentive pay											
Management (including executive)	$ 1,473,914	$ 1,275,630		$ 1,414,914	$ 1,474,222	$ 1,413,631	$ 1,551,478	$ 1,396,361	$ 1,340,524	$ 1,536,208	$ 1,885,360
Non-Management (union and non-union)	$ 2,190,451	$ 2,072,164		$ 1,993,876	$ 2,198,722	$ 2,146,711	$ 2,088,314	$ 1,956,722	$ 2,050,176	$ 2,461,005	$ 2,600,854
Total	$ 3,664,365	$ 3,347,794	$ -	$ 3,408,790	$ 3,672,944	$ 3,560,342	$ 3,639,792	$ 3,353,083	$ 3,390,700	$ 3,997,213	$ 4,486,214
Total Benefits (Current + Accrued)											
Management (including executive)	$ 348,640	$ 305,929		$ 343,450	$ 353,092	$ 334,195	$ 396,179	$ 358,717	$ 352,579	$ 384,647	$ 476,010
Non-Management (union and non-union)	$ 629,395	$ 543,095		$ 510,175	$ 506,752	$ 525,874	$ 549,006	$ 507,486	$ 564,871	$ 651,893	$ 700,937
Total	$ 978,035	$ 849,024	$ -	$ 853,624	$ 859,844	$ 860,069	$ 945,185	$ 866,204	$ 917,450	$ 1,036,540	$ 1,176,947
Total Compensation (Salary, Wages, & Benefits)											
Management (including executive)	$ 1,822,554	$ 1,581,559	$ -	$ 1,758,364	$ 1,827,314	$ 1,747,826	$ 1,947,657	$ 1,755,078	$ 1,693,103	$ 1,920,855	$ 2,361,370
Non-Management (union and non-union)	$ 2,819,846	$ 2,615,259	$ -	$ 2,504,051	$ 2,705,474	$ 2,672,585	$ 2,637,320	$ 2,464,208	$ 2,615,047	$ 3,112,898	$ 3,301,791
Total	$ 4,642,400	$ 4,196,818	$ -	$ 4,262,414	$ 4,532,788	$ 4,420,411	$ 4,584,977	$ 4,219,287	$ 4,308,150	$ 5,033,753	$ 5,663,161
Total Compensation Breakdown (Capital, OM&A) before OPEB	**$ 4,642,400**	**$ 4,196,818**	**$ -**	**$ 4,262,414**	**$ 4,532,788**	**$ 4,420,411**	**$ 4,584,977**	**$ 4,219,287**	**$ 4,308,150**	**$ 5,033,753**	**$ 5,663,161**
Retiree Benefit Premiums	$ 103,766	$ 100,999		$ 106,533	$ 103,766	$ 103,766	$ 103,766	$ 103,766	$ 103,766	$ 103,766	$ 106,455
Unusual Items (Adjustments/Vacation accruals)	$ -	-$ 5,785		$ 30,851	-$ 6,453	-$ 34,026	-$ 14,626	-$ 14,389	-$ 5,764	$ -	$ -
Total Compensation	**$ 4,746,166**	**$ 4,292,032**	**$ -**	**$ 4,399,799**	**$ 4,630,101**	**$ 4,490,151**	**$ 4,674,117**	**$ 4,308,664**	**$ 4,406,152**	**$ 5,137,519**	**$ 5,769,616**
Capitalized Wages & Benefits	-$ 518,650	-$ 545,454		-$ 600,040	-$ 623,568	-$ 690,699	-$ 787,171	-$ 702,547	-$ 747,471	-$ 776,670	-$ 800,212
CDM Billings/Adjustments	-$ 64,664	$ 7,839		$ 27,837	-$ 80,561	$ -	$ -	$ -	$ -		
Third Party Billings Wages & Benefits	-$ 159,132	-$ 108,192		-$ 184,769	-$ 211,387	-$ 245,414	-$ 177,719	-$ 226,956	-$ 261,374	-$ 245,873	-$ 255,656
Associate Billings Wages & Benefits	-$ 54,917	-$ 66,344		-$ 61,811	-$ 42,965	-$ 27,853	-$ 23,968	-$ 24,943	-$ 27,021	-$ 28,003	-$ 29,182
Control Room Billings Wages & Benefits										-$ 203,095	-$ 217,956
Total Compensation OM&A	**$ 3,948,803**	**$ 3,579,881**	**$ -**	**$ 3,581,016**	**$ 3,671,620**	**$ 3,526,185**	**$ 3,685,259**	**$ 3,354,218**	**$ 3,370,286**	**$ 3,883,878**	**$ 4,466,610**

Appendix 4-F
WHESC Post-Employment Benefits Actuary Report

WELLAND HYDRO-ELECTRIC SYSTEM CORPORATION

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

AS AT DECEMBER 31, 2023

FINAL - January 29, 2024

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Purpose

RSM Canada Consulting LP was engaged by Welland Hydro-Electric System Corporation ("the Corporation") to perform an actuarial valuation of the post-retirement non-pension benefits sponsored by the Corporation and to determine the accounting results for those benefits for the fiscal period ending December 31, 2023. The nature of these benefits is defined benefit.

This report is prepared in accordance with the International Financial Reporting Standards ("IFRS") guidelines for post-retirement non-pension benefits as outlined in the International Accounting Standard 19 – Employee Benefits ("IAS 19").

The most recent full valuation was prepared as at December 31, 2020 based on the then appropriate assumptions and in accordance with IAS 19.

The purpose of this valuation is threefold:

i) To determine the Corporation's liabilities in respect of post-retirement non-pension benefits at December 31, 2023;

ii) To determine the defined benefit costs to be recognized for fiscal year 2023; and

iii) To provide all other pertinent information necessary for compliance with IAS 19.

Note that all monetary figures in this report are rounded to the nearest hundreds of dollars and summated figures in this report may not match total figures due to rounding.

The intended users of this report include the Corporation and its auditors. This report is not intended for use by the plan beneficiaries or for use in determining any funding of the benefit obligations.

Included in the Appendix attached hereto are detailed accounting schedules containing the results of the valuation and projections for future periods (if applicable).

SECTION A — VALUATION RESULTS

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

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

Section A - 3 shows the development of changes in the present value of defined benefit obligation as a result of the re-measurement at December 31, 2023.

Valuation Results

Section A.1—Valuation Results

Results from the actuarial valuation as at December 31, 2023 compared to previous year's figures projected from the most recent full valuation:

	December 31, 2022	December 31, 2023
Present Value of Defined Benefit Obligation (PV DBO)	**912,900**	**993,800**

	CY 2022	CY 2023
Current Service Cost	22,400	14,200
Interest Cost	35,800	42,400
Defined Benefit Cost Recognized in Income Statement	**58,200**	**56,600**
Actuarial (Gain)/Loss	(266,800)	170,300
Defined Benefit Cost Recognized In OCI	**(266,800)**	**170,300**
Defined Benefit Cost	**(208,600)**	**226,900**

The following table provides results from the actuarial valuation as at December 31, 2023 broken down by active (including LTD) and retired individuals and type of post-retirement non-pension benefit:

Dec. 31, 2023 PV DBO	Actives (incl. LTD)	Retirees	Total
Life	67,700	588,100	**655,800**
Health	17,400	210,500	**227,900**
Dental	8,400	101,700	**110,100**
Total	**93,500**	**900,200**	**993,800**

Sensitivity Analysis

Section A.2—Sensitivity Analysis

	Dec. 31, 2023 PV DBO	Difference	% Difference
Base Assumptions	993,800		
Cost Trends +1%	1,006,600	12,800	1%
Cost Trends -1%	982,300	(11,500)	-1%
Discount Rate +1%	896,700	(97,100)	-10%
Discount Rate -1%	1,116,700	122,900	12%

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

Development of Changes in the Present Value of Defined Benefit Obligation

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

PV DBO at December 31, 2022	912,900
2023 Current Service Cost	14,200
2023 Benefit Payments	(146,000)
2023 Interest Cost	42,400
Expected PV DBO at December 31, 2023	**823,400**
Actuarial (Gain)/Loss at December 31, 2023	170,300
PV DBO at December 31, 2023	**993,800**

The increase indicated above of $170,300 in the PV DBO from the expected PV DBO at December 31, 2023 is due to the re-measurement of the liability; a breakdown of the changes is as follows:

Change in composition of active and retiree data (actual experience different from expected)	128,200
Change in assumptions:	
Health and Dental Claims Cost	300
Claims Cost Trend	(5,000)
Withdrawal Rate	500
Discount Rate	46,400
Total Actuarial (Gain)/Loss at December 31, 2023	**170,300**

Pursuant to IAS 19, the re-measurement of the PV DBO at December 31, 2023 based on the changes in the assumptions and experience is recognized immediately in other comprehensive income at December 31, 2023.

SECTION B —
PLAN PARTICIPANTS

Section B – 1 sets out the summary information with respect to the plan participants valued in the current valuation compared to those valued in the previous valuation.

Section B – 2 reconciles the number of participants in the previous valuation to the number of participants in the current valuation.

Participation Data

Section B.1—Participant Data

Membership data as at October 31, 2023 was received from the Corporation via e-mail and included information such as name, sex, age, date of hire, current salary, benefit amounts and other applicable details for all active employees and people in receipt of benefits.

Although the data provided reflected status and benefit information as at October 31, the Corporation has indicated that any changes in status and other member data occurring from October 31 to December 31 are not expected to be material to the valuation results.

We have reviewed the data and compared it to the data used in the previous valuation for consistency and reliability for use in this valuation. The main tests of sufficiency and reliability that were conducted on the membership data are as follows:

- Date of hire prior to date of birth;
- Ages under 18 or over 100;
- Abnormal levels of benefits and/or premiums; and
- Duplicate records

In addition, the following tests were performed:

- A reconciliation of statuses from the prior valuation to the current valuation;
- A review of the consistency of individual data items and statistical summaries between the current and prior valuations; and
- A review of the reasonableness of changes in such information since the prior valuation.

	November 30, 2020	October 31, 2023
Employee Count		
Male	29	25
Female	9	8
Total	**38**	**33**
Employee Average Service		
Male	10.7	8.2
Female	9.5	11.4
Total	**10.4**	**9.0**
Retiree (in Receipt of Benefits) Count		
Male	23	29
Female	10	10
Total	**33**	**39**

	Employee Count as of October 31, 2023			Employee Avg Service as of October 31, 2023		
Age	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
< 30	1	-	1	4	-	4
30 - 35	6	2	8	4	9	5
36 - 40	7	2	9	9	12	9
41 - 45	3	1	4	8	19	11
46 - 50	5	1	6	7	11	8
51 - 55	1	2	3	12	10	11
56 - 60	-	-	-	-	-	-
61 - 65	2	-	2	23	-	23
66 - 70	-	-	-	-	-	-
71 - 75	-	-	-	-	-	-
> 75	-	-	-	-	-	-
Total	**25**	**8**	**33**	**8.2**	**11.4**	**9.0**

Participant Reconciliation

Section B.2—Participation Reconciliation

	Actives	Disabled	Retired
November 30, 2020	37	1	34
New Entrants	6	-	-
Actives	-	1	5
Terminated	(5)	-	-
Retired	(5)	(1)	-
Deceased	-	-	(1)
Disabled	(1)	-	1
Data Correction*	-	-	1
October 31, 2023	**32**	**1**	**39**

* the data correction is reflective of new information provided by the Corporation for one retiree who was valued as having no entitlement to post-retirement life benefits in the previous valuation but should have been entitled to post-retirement life benefits.

SECTION C —
SUMMARY OF ACTUARIAL METHOD AND ASSUMPTIONS

Actuarial Method

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

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

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

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

The PV DBO at December 31, 2023 is based on membership data as at October 31, 2023 and management's best estimate assumptions established for calculations as at December 31, 2023.

For health and dental benefits, the Corporation has selected the premium rates charged to retirees as management's best estimate of the current base benefits costs to be incurred. The total monthly premium rates, inclusive of expenses and premium taxes, used are as follows. The single rates below were not provided by the Corporation and were calculated using the proportionate change in the family rate between the two effective dates for the respective benefit.

	Health		Dental	
Effective Date	**Single**	**Family**	**Single**	**Family**
November 1, 2020 – October 31, 2021 (Previous Valuation)	$126.72	$370.18	$90.14	$195.84
November 1, 2023 – October 31, 2024	$150.47	$439.58	$97.35	$211.50

The rates above are at the 100% level and prior to any cost-sharing provisions that may be applicable under the plan.

Management's Best Estimate Assumptions

The following are management's best estimate economic and demographic assumptions for calculations as at December 31, 2023.

Economic Assumptions

Discount Rate

The rate used to discount future benefits is assumed to be 4.60% per annum as at December 31, 2023. This rate reflects the Corporation's expected projected benefit cash flows for post-retirement non-pension benefits and the market yields on high quality bonds at December 2023.

This assumption was 5.05% per annum as of December 31, 2022 respectively.

Salary Increase Rate

The rate used to increase salaries is assumed to be 3.30% per annum. This rate reflects the expected long term changes in the Consumer Price Index adjusted for productivity, merit and promotion and consideration of company-specific information.

This assumption remains unchanged from the previous valuation.

Claims Cost Trend Rate

The table below summarizes the health and dental trend rate assumption chosen for the current valuation as well as the assumption chosen for the previous valuation. The rates are chosen using the model developed by the CIA (together with the SOA) which was released with a study in March 2018, *Modeling of Long-Term Health Care Cost Trends in Canada*.

	Current Valuation
Year	Health and Dental
2024	4.20%
2029	5.30%
2034	5.00%
2039	4.40%
2042 and thereafter	4.00%

	Previous Valuation	
Year	Health	Dental
2024	5.10%	5.40%
2029	5.30%	5.30%
2034	4.80%	4.80%
2039	4.20%	4.20%
2042 and thereafter	4.00%	4.00%

Demographic Assumptions

Mortality Table

The mortality tables used are as per the Canadian Institute of Actuaries Canadian Pensioners' Mortality Pension Experience Subcommittee final report dated February 11, 2014 (CIA Report). More specifically, the Canada Pensioners Mortality ("CPM") Table Public Sector (CPM2014 PUBL) has been used with the generational projection of mortality improvement based upon the CIA MI-2017 mortality improvement scale published in 2017.

This assumption remains unchanged from the previous valuation.

Rates of Withdrawal

Termination of employment is assumed to be in accordance with the following withdrawal table. This is based on analysis of the withdrawal experience compiled for a group of similar companies for which data was available.

Age Bucket	Current Valuation	Previous Valuation
18 – 29	2.75%	2.90%
30 – 34	2.20%	2.15%
35 – 39	1.65%	1.85%
40 – 49	1.40%	1.45%
50 – 54	1.20%	1.25%

Retirement Age

All active employees are assumed to retire at age 59 (or immediately if currently over age 59), which was based on the Corporation's retirement experience as well as the experience of other similar companies for which data was available.

This assumption remains unchanged from the previous valuation.

Disability

No provision was made for future disability.

This assumption remains unchanged from the previous valuation.

Other Assumptions

Family/Single Coverage

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

- Coverage Type at Retirement (i.e. family, single) – For active employees, the employee's coverage type at the valuation date, as provided in the valuation data by the Corporation, will remain the same until the employee reaches the assumed retirement age. For retirees, the actual current benefit coverage type at the valuation date was provided by the Corporation.
- Spousal Gender – For employees with family coverage, it is assumed male (female) retirees have a female (male) spouse at the date of retirement.
- Spousal Age Offset – Male spouses are assumed to be three years older than female spouses.

Expenses and Taxes

The taxes and expenses are included in the premium rates assumed for health and dental benefits.

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

These assumptions remain unchanged from the previous valuation.

SECTION D —
SUMMARY OF POST-RETIREMENT BENEFITS

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

Eligibility

Life Insurance

Hired before July 21, 2015
Employees who were hired before July 21, 2015 are eligible for post-retirement life benefits.

Hired on or after July 21, 2015 with More than 10 Years of Service
Employees who were hired after July 21, 2015 with more than 10 years of service are eligible for post-retirement life benefits.

Hired on or after July 21, 2015 with Less than 10 Years of Service
Employees who were hired after July 21, 2015 with less than 10 years of service are not eligible for post-retirement life benefits.

Health and Dental Benefits

Hired before April 1, 2009
Employees who retire from current employment with a minimum of 20 years of active service are eligible for post-retirement health, vision, and dental benefits.

Hired on or after April 1, 2009
Employees who retire from current employment are not eligible for post-retirement health, vision, and dental benefits.

Participant Contributions

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

Summary Of Benefits

Life Insurance

Hired before July 21, 2015

Upon retirement, all employees hired before July 21, 2015 are entitled to post-retirement life insurance benefits, as per the MEARIE plan, based upon the following table:

Plan Option	Amount of Coverage	Eligibility
A	Flat $2,000.	Employee retires with less than 10 years of service in the Plan.
B, C1	50% of final annual earnings, reducing by 2.5% of final annual earnings each year for 10 years, to a final benefit equal to 25% of final annual earnings. Reduction occurs on the anniversary date of retirement.	Employee retires with 10 or more years of service in the Plan OR Employee was insured under the superseded plan and elected coverage under option 2, 3, or 4, or employee was not insured under the superseded plan.
C2	50% of final annual earnings.	Employee was insured under the superseded plan and was hired on or after May 1, 1967 and elected coverage under option 1 only.
C3	70% of final amount insured under the life plan immediately prior to retirement.	Employee was insured under the superseded plan and was hired before May 1, 1967 and elected coverage under option 1 only.

Hired on or after July 21, 2015 with More than 10 Years of Service

Upon retirement, all employees hired on or after July 21, 2015 with more than 10 years of service are eligible for a lump-sum life insurance benefit of $10,000.

Health and Dental Benefits

All eligible employees who were hired before April 1, 2009 are entitled to extended health, vision and dental benefits until age 65. In addition, if the retiree dies while coverage is still in force, the health, vision, and dental benefits will continue for the following dependents:

- For children, for a period of two years or until they no longer qualify, whichever happens first.
- For a spouse, until he/she reaches age 65 or he/she no longer qualifies, whichever happens first.

A detailed description of the post-retirement non-pension benefits program can be found in the benefit program governing documents.

ACTUARIAL CERTIFICATION

An actuarial valuation has been performed on the post-retirement non-pension benefit plans sponsored by Welland Hydro-Electric System Corporation ("the Corporation") as at December 31, 2023, 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 for the purpose of the valuation;

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). They are considered appropriate for purposes of the valuation;

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. The calculations have been made in accordance with our understanding of the requirements of International Financial Reporting Standards ("IFRS") outlined in International Accounting Standard 19 – Employee Benefits ("IAS 19"); 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, 2026. If any supplemental advice or explanation is required, please advise the undersigned.

Respectfully submitted,

RSM CANADA CONSULTING LP

Stanley Caravaggio, FSA, FCIA
Director

Alan Liang, ASA, ACIA, CERA
Supervisor

Toronto, Ontario

January 29, 2024

SECTION E — EMPLOYER CERTIFICATION

Post-Retirement Non-Pension Benefit Plan
of Welland Hydro-Electric System Corporation
Actuarial Valuation as at December 31, 2023

I hereby confirm, as an authorized signing officer of the administrator of the Post-Retirement Non-Pension Benefit Plan of Welland Hydro-Electric System Corporation that, to the best of my knowledge and belief, for the purposes of the valuation:

i) The membership data summarized in Section B is accurate and complete;

ii) The assumptions upon which this report is based as summarized in Section C, are management's best estimate assumptions and are adequate and appropriate for the purposes of this valuation; and

iii) The summary of Plan Provisions in Section D is an accurate and complete summary of the terms of the Plan in effect on December 31, 2023.

WELLAND HYDRO-ELECTRIC SYSTEM CORPORATION

January 25, 2024	Jennifer Dionne
Date	Signature
Jennifer Dionne	Director of Finance & Regulatory
Name	Title

APPENDIX —
DETAILED ACCOUNTING SCHEDULES

RSM

Welland Hydro-Electric System Corporation

Estimated Benefit Expense (IAS 19)

FINAL

01/29/2024

	Actuals CY 2023 *	Projected ** CY 2024	Projected ** CY 2025	Projected ** CY 2026
Discount Rate at January 1	5.05%	4.60%	4.60%	4.60%
Discount Rate at December 31	4.60%	4.60%	4.60%	4.60%
Health Benefit Cost Trend Rate at December 31	4.90%	4.20%	4.40%	4.60%
Dental Benefit Cost Trend Rate at December 31	5.10%	4.20%	4.40%	4.60%
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	912,862	993,751	918,358	864,063
Defined Benefit Cost Recognized in Income Statement	56,568	54,707	52,160	50,425
Defined Benefit Cost Recognized in Other Comprehensive Income	170,344	-	-	-
Benefits Paid by the Employer	(146,023)	(130,100)	(106,455)	(97,893)
Net Defined Benefit Liability/(Asset) as at December 31	993,751	918,358	864,063	816,595
B. Determination of Defined Benefit Cost				
B1. Determination of Defined Benefit Cost Recognized in Income Statement				
Current Service Cost	14,156	11,953	12,337	12,905
Interest Cost	42,412	42,754	39,823	37,520
Defined Benefit Cost Recognized in Income Statement	56,568	54,707	52,160	50,425
B2. Remeasurements of the Net Defined Benefit Liability/(Asset) Recognized in Other Comprehensive Income				
Net Actuarial Loss/(Gain) arising from Changes in Financial Assumptions	41,658	-	-	-
Net Actuarial Loss/(Gain) arising from Changes in Demographic Assumptions	471	-	-	-
Net Actuarial Loss/(Gain) arising from Experience Adjustments	128,215	-	-	-
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	170,344	-	-	-
Total Defined Benefit Cost	226,912	54,707	52,160	50,425
C. Change in the Present Value of Defined Benefit Obligation				
Present Value of Defined Benefit Obligation as at January 1	912,862	993,751	918,358	864,063
Current Service Cost	14,156	11,953	12,337	12,905
Interest Cost	42,412	42,754	39,823	37,520
Benefits Paid	(146,023)	(130,100)	(106,455)	(97,893)
Net Actuarial Loss/(Gain)	170,344	-	-	-
Present Value of Defined Benefit Obligation as at December 31	993,751	918,358	864,063	816,595

* The expected December 31, 2023 PV DBO and CY 2023 defined benefit cost are calculated based on membership data as of December 31, 2020 and management's best estimate assumptions as of December 31, 2022.

** Projected CY 2024, 2025 and 2026 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 exepcted benefits to be paid to those eligible for benefits.

RSM

Welland Hydro-Electric System Corporation

Estimated Benefit Expense (IAS 19)

FINAL

01/29/2024

	Actuals CY 2023 *	Projected ** CY 2024	Projected ** CY 2025	Projected ** CY 2026
Discount Rate at January 1	5.05%	4.60%	4.60%	4.60%
Discount Rate at December 31	4.60%	4.60%	4.60%	4.60%
Health Benefit Cost Trend Rate at December 31	4.90%	4.20%	4.40%	4.60%
Dental Benefit Cost Trend Rate at December 31	5.10%	4.20%	4.40%	4.60%
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	912,862	993,751	918,358	864,063
Benefits Paid	(73,012)	(65,050)	(53,228)	(48,947)
Accrued Benefits	839,851	928,701	865,131	815,117
Interest Cost	42,412	42,754	39,823	37,520
Expected Present Value of Defined Benefit Obligation as at December 31				
Present Value of Defined Benefit Obligation as at January 1	912,862	993,751	918,358	864,063
Current Service Cost	14,156	11,953	12,337	12,905
Benefits Paid	(146,023)	(130,100)	(106,455)	(97,893)
Interest Cost	42,412	42,754	39,823	37,520
Expected Present Value of Defined Benefit Obligation as at December 31	823,407	918,358	864,063	816,595

E. Net Actuarial Loss/(Gain)

Net Actuarial Loss/(Gain) as at December 31				
Expected Present Value of Defined Benefit Obligation	823,407	918,358	864,063	816,595
Actual Present Value of Defined Benefit Obligation	993,751	918,358	864,063	816,595
Net Actuarial Loss/(Gain) as at December 31	170,344	-	-	-

* The expected December 31, 2023 PV DBO and CY 2023 defined benefit cost are calculated based on membership data as of December 31, 2020 and management's best estimate assumptions as of December 31, 2022.

** Projected CY 2024, 2025 and 2026 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 exepcted benefits to be paid to those eligible for benefits.

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Appendix 4-G: OEB Appendix 2-M Regulatory Cost Schedule

Appendix 2-M
Regulatory Cost Schedule

	Regulatory Costs (One-Time)	Last Rebasing (2017 OEB Approved)	Last Rebasing (2017 Actual)	Sum Of Historical Years (2018-2023)	2024 Bridge Year	2025 Test Year
		(A)	(B)	(C)	(D)	(E)
1	Expert Witness costs					
2	Legal costs	100,000	97,541		100,000	
3	Consultants' costs		12,700	7,775	50,000	
4	Intervenor costs	46,900	33,535		60,000	
5	OEB Section 30 Costs (application-related)					
6	Include other items in green cells, as applicable[1]					
7	Customer Engagement Costs	12,900	47,089			
8	Hearing Costs	8,000	16,254			25,000
9	Miscellanous		1,831			
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
	Sub-total - One-time Costs	$ 167,800	$ 208,950	$ 7,775	$ 210,000	$ 25,000

Application-Related One-Time Costs	Total (F =C+D+E)
Total One-Time Costs Related to Application to be Amortized over IRM Period	$ 242,775
1/5 of Total One-Time Costs	$ 48,555

Appendix 4-H
WHESC Purchasing Policy

Department HUMAN RESOURCES	**Name of Policy** PROCUREMENT POLICY
DATE ISSUED: December 17, 2008	**DATE REVISED**:

CEO Signature: 

OBJECTIVES / INTRODUCTION

Welland Hydro's purchasing objectives are to provide in a reasonable and economic manner, all equipment, materials, supplies and services required to construct, improve and maintain the company's facilities and to maintain the reliability of the company's electric service to the consumer. Welland Hydro's supply chain service representatives have the responsibility to be informed of the actual or potential procurement requirements of the company, to control the financial commitments, to negotiate within the procurement policy.

Included in these responsibilities are:

- The assurance that sound judgment is exercised for the basic procurement variables such as quality, quantity, sources of supply, delivery and price.
- The continuing evaluation of new sources of supply and assisting user departments in finding new products, and new processes.
- The fostering and retention of good supplier relations through fair and ethical dealings.
- The communication of market and business conditions to other personnel
- The development of an awareness that effective procurement contributes to the company success.

The Corporation has determined as a matter of policy that the lowest overall cost for the corporation is most often received when competitive acquisition processes are used. For that reason, competitive acquisitions will be the general rule and will be departed from only in accordance with specific exceptions set forth in this policy.

SUPPLIER SELECTION AND BIDDING

Welland Hydro-Electric System Corporation will only deal with dependable and responsible suppliers and contractors and pay a fair market price for the goods and services required.

The following factors are to be considered (whenever applicable):

✓ Financial responsibility	✓ Safety record and agreement to work to Welland Hydro safety policies
✓ Technical competence	✓ Ability to provide certified parts and service
✓ Production capacity	✓ Agreement to maintain inventory if requested

✓ Reasonable proximity	✓ Quality assurance
✓ Delivery and service performance – meet our project schedule	✓ Minimize number of stock items
✓ Emergency requirements	

COMPETITIVE BIDDING & PURCHASING METHODOLOGY

No person shall commit the company to agreements, licenses, contracts, and other legally enforceable obligations unless authorized to do so by the board as detailed in the SIGNING AUTHORITY POLICY.

The President and CEO and department heads are responsible for the implementation of this policy to the extent they have been delegated purchasing authority by the board. It is further the responsibility of the department head to share this document and all related procedures and forms with all unit personnel who are involved in the purchasing process. All goods and services must be purchased within approved department budgets and are subject to approval in accordance with the SIGNING AUTHORITY POLICY.

On purchases under $2,500, an attempt will be made to get 2 prices.

On purchases >$2,500 and <$10,000, an attempt will be made to acquire 3 prices.
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On purchases > $10,000 and <$100,000 wherever possible, at least 3 suppliers should be contacted to provide a quote to ensure the best value is obtained.

Purchases > $100,000 must have 3 supplier quotations or an authorized exemption certificate must be submitted to finance. The exemption certificate must indicate why the exemption is based on sole/single source purchase. The certificate must be authorized by the President and CEO or alternate prior to purchase. Where the estimated value of goods or services required exceeds $100,000 the purchase shall be made by a request for tenders, written quotes, or Request for Proposal.

Cost for goods and or services that require purchase orders > $100,000 may not be artificially partitioned into components costing less than $100,000 to circumvent the competitive requirement.

CONFLICT OF INTEREST & CONFIDENTIALITY

Prices obtained from suppliers are intended for Welland Hydro use only. Pricing information should not be divulged to Non Welland Hydro personnel or to competitive suppliers. Employee or Board members shall not accept either directly or indirectly from any potential or existing supplier of goods & services any gifts or favours unless they are of small intrinsic value. Please refer to the confidentiality policy for further details

PURCHASE ORDERS

Every purchase of goods or services shall be covered by a purchase order, except for authorized petty cash purchases or employee expense statements.

A printed copy of the purchase order in standard format shall by signed by the appropriate signing authority and given to the finance department. Any additional copies are the responsibility of issuing department and hard copies should not be held back from finance department once authorized. Upon receipt of goods, the manager or designate shall check shipment with purchase order and advise the finance department of any discrepancies.

Sole / Single Source Purchases

The purchases may, under one of the following conditions, be by sole source procurement.

- When goods and services can be obtained only from one (1) person or firm.
- The expertise of an individual organization or individual is deemed to be specifically required by the Corporation.
- When competition is precluded because of the existence of patent rights, copyrights, secret processes, control of raw material or other such conditions.
- When it is the only product or service that has been approved by the Corporation for use in the distribution system.
- When the procurement is for technical services in connection with the assembly installation or servicing of equipment of a highly technical or specialized nature.
- When the procurement is for parts or components to be used as replacement in support of equipment specifically designed by the manufacturer.
- The contractor is already at work on the site (based on an existing Purchase Order) and it would not be practical to engage another contractor.
- Specific Health and Safety items as approved by the Safety Supervisor.

- Emergency or regulatory requirements require immediate attention.

Quotation purchases / Bid Solicitation

(A) Under one of the following conditions, purchase by negotiating with one or more sources or bidders may occur. Also, under the following conditions the requirements for inviting tenders and formal quotations may be waived;

- The goods or services are in short supply due to market conditions.
- Two or more identical bids have been received.
  All Bids received failed to meet the specifications and / or tender terms and conditions and it is impractical to recall tenders or formal quotations.
- Certain professional services which require specialized technical knowledge to ensure compliance with structural civil, environmental or other regulatory standards, or which are critical to the corporation's information technology support systems.

(B) All Bids solicited for tender will follow a procedure for opening of sealed tenders.

- Tenders shall be opened in the presence of two witnesses.
- Prior to the opening of tenders the applicable department representative shall advise the President & Director of Finance as to the description of the tenders and the time and place of the opening.
- Request for tenders shall state that tenders will be received not later than time specified, local time on a specific day.

The Board of Directors will pre authorize major capital projects not included in the Capital Budget which is not considered part of the normal operations of the corporation. i.e. Office Building , etc.

The awarding of the tender will be in favour of a bidder meeting specifications, terms and conditions of the tender, meet safety requirements, and whose tender offers the lowest ultimate cost to the corporation for the goods, equipment or services with due consideration of the importance of delivery, quality, service and price.

Passed by the Board of Directors at its December 17, 2008 meeting.

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RELATED ADMINISTRATIVE PROCEDURES/FORMS:

Procedures/Forms	**Document #**