

## EXHIBIT 4 – OPERATION COSTS

### 2027 Cost of Service

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## **4.1. OVERVIEW**

OM&A expenses reflect the ongoing costs required for RSL to safely and reliably operate the electricity distribution system, meet regulatory compliance, and provide customer service. These costs include activities related to system operations and maintenance, customer billing and collections, and administrative functions necessary to support the utility.

RSL OM&A costs are driven by compliance with the Ontario Energy Board’s codes and guidelines, including the Distribution System Code, as well as evolving safety, environmental, and inspection requirements. These obligations establish minimum standards that the utility must meet and limit the ability to defer or avoid certain expenditures without increasing operational, safety, or compliance risk.

In addition to core system functions, OM&A includes customer-facing activities such as meter reading, billing, collections, and responding to outages and inquiries. Administrative costs support these functions and include employee compensation, information systems, insurance, regulatory costs, and external services.

RSL’s 2027 Test Year operating costs are projected to be \$3,718,936 representing an increase of 1,236,525 or 49.81% from its 2022 Board Approved costs. Details are introduced in Table 1 below. Explanations and details are presented in the next section and throughout this exhibit.

**Table 1 – 2027 OM&A vs 2022 Board Approved OM&A**

	<b>2022 Board Approved</b>	<b>2027 Proposed</b>	<b>Variance \$</b>	<b>Variance %</b>
<b>Operations</b>	\$362,465	\$654,159	\$291,694	80.47%
<b>Maintenance</b>	\$450,600	\$692,022	\$241,422	53.58%
<b>Billing and collecting</b>	\$551,220	\$618,562	\$67,342	12.22%
<b>Community Relations</b>	\$32,500	\$24,227	-\$8,273	-25.45%
<b>Administrative and General</b>	\$1,085,627	\$1,729,967	\$644,340	59.35%
<b>Total OM&amp;A Expenses</b>	\$2,482,412	\$3,718,936	\$1,236,525	49.81%

The bulk of the OM&A variance between the 2022 Board-approved and the 2027 Test Year is attributable to increases in Administrative and General expenses of \$644,340 and Operations expenses of \$291,694.

## Staffing Changes

Over the period, RSL's staffing levels have remained largely stable. There are three structural staffing changes over the period:

1. A reduction of 0.5 FTE in Locates in 2023.
2. An increase of 1.0 FTE for an eDSM administrator beginning in 2026; and
3. An increase of 1.0 FTE for an engineering role to be filled in 2026.

All other staffing changes between 2022 and 2027 reflect temporary coverage for employee leaves or transitions associated with normal workforce attrition. The addition of an internal engineering resource is to help reduce reliance on external consultants in the long run, and help improve responsiveness, and support increasing regulatory expectations (eg. Load analysis, system planning, and mapping), resulting in improved cost control over the longer term.

## **Administrative and General Cost Drivers**

The increase in Administrative and General expenses is primarily driven by (i) implementation and ongoing costs of core operational software systems, (ii) targeted adjustments to management compensation and (iii) reclassification of a Billing and Collecting Administrative clerk's position into management.

RSL implemented new enterprise systems including ERP, new customer portal, green button to replace legacy systems and meet increasing operational and regulatory requirements. These systems are necessary to maintain accurate financial and customer record, support regulatory reporting and compliance, and improve operational efficiency and data integrity.

Compensation increases reflect a structured and necessary response to sustained market misalignment, rather than discretionary enhancement.

These compensation adjustments were necessary to improve staffing stability and ensure continued access to qualified personnel in a competitive labour market. Recent recruitment and turnover experience demonstrated that existing compensation levels were not sufficient to support retention and attraction, resulting in operational risk and increased reliance on less efficient resourcing approaches including external support and repeated recruitment processes.

During recent recruitment efforts, RSL observed that market-aligned compensation was consistently required to successfully fill positions across multiple roles. This experience highlighted a broader limitation in the utility's historical approach to compensation management.

Historically, management compensation was benchmarked primarily at the time of recruitment and subsequently adjusted through annual CPI-based increases. Union compensation was generally reviewed every four years through the collective bargaining process. This approach

limited RSL's ability to respond to evolving labour market conditions in a timely manner and contributed to the observed misalignment.

In response, RSL implemented a phased compensation adjustment strategy, with the objective of aligning roles more closely with market benchmarks by 2026. This approach was designed to balance financial prudence with the need to maintain operational continuity and avoid the higher costs associated with persistent turnover, recruitment challenges, and reliance on external resources.

RSL has since enhanced its compensation management practices by introducing more frequent and comprehensive benchmarking activities. These now include annual benchmarking through the MEARIE compensation survey, annual local market benchmarking through regional business groups, and annual benchmarking against comparable utilities through a review of collective agreements for unionized roles. Upon achieving alignment with benchmark levels, RSL will continue to assess compensation adequacy based on observed recruitment and retention outcomes, rather than automatic increases.

Union benchmarking is a relevant comparator for RSL, as certain roles within its unionized workforce align with positions that are typically classified as non-union or management roles in other utilities. As such, incorporating union-based comparators provides a more accurate reflection of the competitive labour market for these positions.

RSL has also strengthened its compensation governance framework through the introduction of more frequent and comprehensive benchmarking activities. These include:

- Annual benchmarking through the MEARIE compensation survey
- Annual local labour market comparisons through regional employer groups
- Annual review of comparable utility collective agreements for unionized roles

These practices support ongoing alignment with market conditions while maintaining cost discipline and ensuring that compensation decisions remain evidence-based and prudent.

Additionally, RSL promoted a Collections and Administrative Clerk with supervisory responsibility to management to reflect the increasing scope, accountability, and supervisory responsibilities of the role. The position includes oversight of key billing, collections, and customer account processes, along with responsibility for coordinating workflows and supporting financial controls.

The promotion along with reclassification aligns the role with its functional responsibilities and is consistent with governance and organizational practices observed at comparable utilities. This change does not reflect the creation of a new position, but rather the appropriate classification of an existing role to ensure accountability, operational effectiveness, and clarity in reporting structure.

### **Operation Expense Cost Drivers**

The increase in Operations expense reflects growth in externally driven customer activity and expanded regulatory and compliance obligations. A portion of these costs is offset by corresponding revenues; however, a significant component is non-discretionary and not directly recoverable through specific charges.

Customer-driven activity has increased over the period, including higher volumes of service connections, disconnections, and reconnections associated with development and customer turnover. These activities are classified as Operations and, while they generate offsetting revenue, they also contribute to higher overall operating costs.

The addition of eDSM program staffing also contributes to increased Operations costs. These costs are largely offset through program-related funding mechanisms and are required to support program delivery obligations.

Locate activity has increased significantly due to a combination of higher development activity and enhanced regulatory enforcement. In particular, recent changes to the Ontario Underground Infrastructure Notification System framework, including increased use of administrative penalties and stricter compliance expectations, have resulted in higher locate request volumes.

Locate services are externally driven, mandatory, and must be completed within prescribed timelines, limiting RSL's ability to manage or defer these costs. While RSL has implemented process improvements that reduced locate-related staffing requirements by 0.5 FTE beginning in 2023, overall costs have increased due to higher volumes.

Increasing regulatory expectations have also contributed to higher operational workload. These include requirements related to load and capacity information (e.g., CCIM), enhanced system mapping and data management, and the growing volume and complexity of DER connection requests.

These requirements increase the overall volume and complexity of operational activities, including customer coordination, application processing, and field execution.

They have also increased the need for internal technical and engineering support. While the majority of engineering functions are classified within Administrative and General OM&A, a portion of engineering effort is required to directly support day-to-day system operations, including operational coordination, system assessment, and timely response to customer and system needs.

### **Maintenance Cost Drivers**

The increase in maintenance expenses is primarily driven by enhanced vegetation management program. Vegetation-related contacts represent one of the key controllable contributors to outages on the RSL distribution system. Put simply, the budget for vegetation management over the 2022-2026 is no longer sufficient to properly maintain clearances around RSL's distribution system.

The drivers of the changes are both increases in the volume of vegetation management relative to what was previously forecast and an increase cost of vegetation management necessary in order to be sustainable into the future.

The required volume of vegetation management has increased. Longer growing seasons have increased vegetation growth and the frequency of trimming required. More frequent and severe wind events have also required RSL to manage clearances further back from overhead lines to reduce the risk of vegetation contact. This is particularly important given that a significant portion of RSL's system remains protected by fuses, which can result in longer troubleshooting times and higher restoration costs when outages occur.

At the same time, the unit cost for vegetation management services has also increased. Historically, RSL used a hybrid model, relying on both internal resources and contractors. Internal vegetation work was often performed by experienced Powerline Technicians during periods of lower construction activity. Over the current period, this model has become less sustainable. RSL experienced retention challenges with personnel who had vegetation management experience, and as PLT staffing stabilized with new younger PLTs, system access work increased significantly in 2025 and 2026. As a result, internal crews have had less capacity to perform tree trimming work.

RSL has borne in 2025 and will bear in 2026 significant increased vegetation management costs (relative to what was included in the 2022 Test Year) in order to be able to transition to the newer required sustained level of spending planned for the 2027 to 2031 period. This approach is expected to improve system reliability through the most cost-effective approach avoiding capital-intensive underground solutions. RSL has prioritized vegetation management as it provides one of the highest reliability improvements per dollar of investment relative to the other available options.

### **Billing and Collecting**

The relatively modest increase in Billing and Collecting costs, compared to Administrative and General expenses, reflects a reallocation of responsibilities, where one position transitioned into a management role. As a result, associated costs are now reflected within Administrative and General expenses. Increases within Billing and Collecting are primarily related to salary adjustments, higher billing software costs, and increased third-party billing service fees.

### **Summary:**

While the overall increase in OM&A is significant, it reflects a combination of (i) structural adjustments required to maintain service levels, (ii) targeted investments to address reliability risks, and (iii) cost pressures experienced across the sector, including labour and software. RSL has taken steps to phase and prioritize these increases where possible and has limited growth in areas not directly tied to system reliability, safety, or regulatory requirements.

## Relevant Notes on RSL's OM&A

RSL confirms that most of its workforce is unionized, with all employees other than management covered under a collective framework.

Management compensation is reviewed periodically, including during recruitment, to support the attraction and retention of qualified personnel. In doing so, RSL considers a range of benchmarking inputs, including CHEC and MEARIE compensation surveys, local labour market conditions, and inflation as measured by the Ontario Consumer Price Index.

Union compensation is established through the collective bargaining process, with agreements in place for the 2022–2026 period and a subsequent agreement beginning in 2026. Over the past several years, labour market conditions have created increased competition for skilled trades and utility workers. Within this context, RSL has worked within the collective bargaining framework to maintain competitive compensation levels necessary to support workforce stability and continued service delivery.

Over the past five years, RSL has experienced a transition in management personnel primarily driven by retirements. These transitions have been managed through standard recruitment processes, with positions filled through open market competition. This has allowed RSL to align compensation with current market conditions while ensuring continued access to qualified leadership and operational expertise.

The utility participates in the OMERS pension plan, and associated costs are reflected in OM&A.

From an operational perspective, RSL does not anticipate material changes in its overall business environment; however, it acknowledges ongoing pressures related to its Distribution System Plan (DSP) and an increase in capital investment requirements. These factors are expected to influence operational activities over the planning horizon.

RSL also confirms that it does not, and has never, capitalized overheads. As such, there is no impact on Test Year OM&A related to overhead capitalization, and Appendix 2-D (Overhead Expenses) is not applicable.

Finally, RSL continues to make targeted investments in vegetation management to support system reliability and safety. This activity is discussed in further detail in its dedicated section within this Exhibit.

## 4.1.1 Budget Tracking and Reporting Process

### 1. Overview of Budgeting Framework

RSL's OM&A budgeting process is built on a structured, annual planning cycle, consistent with IFRS accounting standards and broadly aligned with the practices of comparable Ontario LDCs, including those in the CHEC group.

The objective of the OM&A budgeting framework is to:

- ensure prudent and cost-effective spending,
- align operational work plans with corporate objectives and system needs,
- provide a stable baseline for evaluating actual performance, and
- incorporate regulatory, economic, and customer-driven changes.

The annual budget is prepared by management, reviewed by executive leadership, and approved by the Board before the start of each fiscal year, typically at the December Board meeting. Once approved, the budget becomes a fixed planning benchmark for the coming year.

### 2. OM&A Budgeting Principles

OM&A costs are developed using the following guiding principles:

1. **Historical grounding:** multi-year trends (2–3 years of actuals) inform expected spending levels.
2. **Transparency:** variances must be explained at both budget creation and during monthly reporting.
3. **Work-plan alignment:** OM&A reflects the annual business plan and operational priorities.
4. **Normalization:** costs with cyclical or non-annual profiles are normalized to avoid volatility.
5. **Accountability:** each department is responsible for the accuracy of its inputs (headcount, activities, known changes).
6. **Prudence:** external cost pressures and legislative/regulatory changes are explicitly evaluated.

### **3. Step-by-Step OM&A Budget Development Process**

#### **Step 1 — Historical and Current-Year Analysis**

- Management reviews detailed account-level expenses for the previous 2–3 years, including supplier-level detail.
- Year-to-date actuals are examined, and the CFO prepares a current-year forecast.
- This forecast forms the baseline for identifying trends and expected year-end results.

#### **Step 2 — Departmental Review and Adjustments**

Each department reviews:

- prior years' spending,
- current-year forecast,
- known or anticipated external cost changes (e.g., materials, insurance, software),
- operational changes driven by legislation, regulation, or industry activities,
- changes in responsibilities or workload.

Departments must justify:

- any material increases or decreases from historical values,
- any structural changes in their service delivery model.

#### **Step 3 — Labour Budgeting**

The CFO prepares a consolidated labour budget for all departments:

- using projected wages, step progressions, and benefit costs,
- incorporating vacancies, retirements, hiring plans, and overtime,
- distributing labour across OM&A and capital accounts based on historical and planned allocation patterns.

#### **Step 4 — Expense Normalization**

Certain costs recur regularly but not annually (e.g., tree trimming every 2–3 years, consulting studies, regulatory filings).

These are normalized over time to provide stability and avoid volatility in OM&A requirements.

#### **Step 5 — Variance Analysis**

Once preliminary budgets are assembled:

- variances vs. prior-year actuals and the current-year forecast are reviewed,
- explanations are documented for internal review and for inclusion in the rate application.

### **Step 6 — Integration with Capital Planning**

Although OM&A and capital budgeting are developed separately, decisions are coordinated.

Capital work (especially renewal programs) affect associated costs and activities:

- maintenance programs,
- engineering support labour,
- inspection cycles,
- regulatory and reporting requirements.

## **4. Roles and Responsibilities in OM&A Budgeting**

### **CFO**

- Leads and coordinates the entire budgeting process (OM&A, capital, forecasts, pro-forma financials).
- Provides historical analysis, prepares standardized templates, and consolidates departmental submissions.
- Ensures IFRS principles and OEB requirements are followed.

### **Operations Manager**

- Prepares the operating and maintenance components of the OM&A budget.
- Identifies changes in field activities, contractor needs, system inspections, vegetation management, and legislative compliance.
- Provides rolling forecasts throughout the year.

### **President & CEO**

- Reviews the consolidated OM&A and capital budgets prepared by management.
- Ensures alignment with corporate priorities and system needs.
- Presents the budget to the Board with recommendations.

### **Board of Directors**

- Reviews and approves the final budget.
- Provides oversight on prudence, alignment with strategy, and financial sustainability.

## 5. Economic and Inflationary Assumptions

RSL incorporates macroeconomic inputs as part of OM&A forecasting:

- Inflation assumptions rely primarily on Bank of Canada metrics, supported by OEB cost-of-capital and price-cap data.
- In the 2022 evidence, RSL used core inflation (2.5%) and acknowledged higher short-term inflationary pressures (4.09%) continuing into 2022.
- Local economic conditions (population stability and growth, customer-class shifts, business climate, and other peripheral influences) are evaluated to understand external drivers affecting OM&A needs.



OM&A costs have increased over the 2022–2027 period due to a combination of structural, operational, and regulatory factors. The key drivers are summarized below:

**Compensation Adjustments to Market Levels** RSL identified that management compensation had historically been below market benchmarks. RSL has aligned management compensation with current market benchmarks to support the attraction and retention of qualified personnel. Compensation levels were reviewed and adjusted with reference to:

- Small utility sector benchmarks (e.g., CHEC studies);
- Broader utility sector data segmented by customer size, geography, and revenue (e.g., MEARIE studies);
- Local non-utility labour market conditions;
- Local utility labour market conditions; and
- Practical experience with recruitment challenges.

These adjustments support workplace stability and reduce the risk of turnover-related inefficiencies, including reliance on external resources.

**Staffing Changes and Organizational Requirements** OM&A reflects normal workforce transitions, including retirements, onboarding of new employees, and the need to respond to evolving administrative and regulatory obligations.

**Incremental Engineering Resource (2026)** An additional engineering resource is being introduced in 2026 to support core utility functions, including asset management, system planning, reliability performance, and increasing regulatory expectations related to load studies and system mapping.

**Temporary Leave Coverage (2025–2026)** Short-term increases in OM&A are attributable to employee leave-related impacts requiring temporary backfill and operational continuity measures.

**Increased System Maintenance and Contractor Reliance** RSL has experienced higher costs related to line clearing, vegetation management, station maintenance, and the use of external contractors to support system reliability and safety. The 5 operating PLT staff have supported increasing capital work in conjunction with the need to utilize outside contractors. The nature of the equipment required and accessibility restrictions to mature backyard infrastructure has caused the need for contractors.

**Regulatory and Compliance Requirements** There has been a notable expansion in regulatory obligations, including:

- Green Button data access and implementation.
- Increased capacity mapping and related studies.
- Ongoing GIS data enhancements and updates; and

- Cybersecurity assessments and compliance activities.

**Professional Services and Audit Costs** OM&A reflect increased reliance on professional services, including higher external audit costs and specialized advisory support required to meet regulatory and reporting standards.

**Insurance Costs** Insurance premiums have increased in response to broader market conditions and evolving risk requirements applicable to utility operations.

**General Inflationary Pressures** OM&A has been impacted by inflationary increases across a range of cost categories, including materials, postage, information technology systems, employee benefits, and professional services.

**Increased Costs with Revenue offsets** OM&A reflects increased costs related to increased volume of disconnects and reconnects in the service territory as well as implementing eDSM. Both of these have associated revenue offsets.

### **Mitigation Efforts**

RSL has taken targeted steps to mitigate OM&A cost pressures and improve operational efficiency over the 2022–2027 period.

RSL reduced 0.5 FTE associated with locate activities through the implementation of a digital locate system. This system improved efficiency and streamlined processing without negatively impacting service levels or response times.

RSL also reduced its physical office presence in Westport and Morrisburg. This change was enabled by a shift in customer behavior, where a limited number of customers continued to rely on in-person services, primarily for bill payment. The introduction of a 2D barcode payment option through Canada Post provided a convenient and accessible alternative, allowing customers to make payments locally without requiring in-person utility office visits.

These changes reduced facility-related costs, including rent and overhead, while maintaining customer service levels through alternative service channels such as online services, telephone support, and third-party payment options. These measures were implemented without reductions to core staffing required to support ongoing operations and customer needs.

RSL has also implemented a more structured approach to procurement and contract management, reviewing contracts at renewal to identify cost savings opportunities and ensure value for money. This has resulted in measurable cost reductions in certain areas, including changes to waste management services.

In addition, the planned addition of an internal engineering resource is expected to reduce reliance on external consultants and improve cost control over capital program delivery over the longer term.

## 4.2.2 OM&A Programs

RSL's Operations, Maintenance, Customer Service, and Administrative programs are structured to deliver safe, reliable, and customer-focused service in accordance with the Ontario Energy Board's Distribution System Code ("DSC"), industry good utility practice, and the utility's internal safety and reliability standards.

RSL aims to meet or exceed the DSC's maintenance and inspection requirements. Section 4.4.1 of the DSC states:

"A distributor shall maintain its distribution system in accordance with good utility practice and performance standards to ensure reliability and quality of electricity service, on both a short-term and long-term basis."

RSL's OM&A programs support this requirement through maintenance, customer service, governance, and regulatory compliance. For this application, these activities are presented under the OEB's Renewed Regulatory Framework pillars: Customer Focus, Operational Effectiveness, and Public and Regulatory Responsiveness.

RSL continues to record OM&A costs using standard USoA functional groupings, consistent with Ontario Energy Board requirements. These functional groupings remain the basis for all OM&A reporting and cost recovery.

For this application, OM&A costs are also presented by program to align with the OEB's Renewed Regulatory Framework. This program view is derived from the USoA groupings and is a mapping of existing costs only. It does not change cost classification, allocation, or accounting treatment

## Customer Focus

### Billing and Customer Service (5310, 5315, 5320, 5425, 5420)

RSL ensures customers receive accurate and timely bills, manages settlements with retailers, responds to inquiries, and supports customer tools such as the website portal and eBilling. Approximately 72,000 bills are issued annually with a billing accuracy of ~99.6%.

USoA	Description	2022 BA	2022	2023	2024	2025	2026	2027
5310	Meter Reading Expense	48,180	34,802	38,050	23,511	21,029	25,015	25,766
5315	Customer Billing	377,606	378,702	433,499	428,516	467,209	463,936	482,494
5320	Collecting	54,062	32,815	9,437	34,914	13,856	37,148	38,262
5425	Customer Service & Info	12,400	21,390	23,694	20,641	10,146	21,962	22,621
5420	Community Safety Program	18,400	10,116	0	(10,876)	(5,455)	0	0
<b>Subtotal</b>		510,648	477,825	504,680	496,706	506,785	548,061	569,143

### Collections and Bad Debt (5325, 5335)

RSL employs early-stage collection practices to minimize accounts reaching disconnection or write-off. Final accounts are referred to third-party agencies after 60 days.

USoA	Description	2022 BA	2022	2023	2024	2025	2026	2027
5325	Cash Over & Short	200	52	(457)	0	52	0	0
5335	Bad Debt Expense	60,000	77,579	57,402	57,731	46,839	61,426	63,268
<b>Subtotal</b>		60,200	77,631	56,945	57,731	46,891	61,426	63,268

**Community Relations and LEAP (5405, 5420, 6205)**

RSL maintains strong community engagement through safety education, outreach, and customer communication. RSL contributes to and administers LEAP through the United Way.

USoA	Description	2022 BA	2022	2023	2024	2025	2026	2027
<b>5405</b>	Supervision	0	0	0	0	0	0	0
<b>5410</b>	Community Relations	500	133	137	267	178	284	293
<b>5415</b>	Energy Conservation	1,200	1,200	1,199	1,199	1,199	1,276	1,314
<b>6205</b>	LEAP Funding	5,400	3,710	3,805	6,288	4,290	4,419	4,551
<b>Subtotal</b>		7,100	5,043	5,141	7,754	5,667	5,979	6,158

**Metering (5065)**

Includes meter installation, testing, commissioning, and the retrieval of smart meter interval data. Work ensures measurement accuracy, operational reliability, and data integrity.

USoA	Description	2022 BA	2022	2023	2024	2025	2026	2027
<b>5065</b>	Meter Expense	21,280	8,852	16,122	27,433	11,203	29,188	30,064
<b>Subtotal</b>		21,280	8,852	16,122	27,433	11,203	29,188	30,064

## Operational Effectiveness

### System Operations, Engineering & Supervision (5005–5035, 5085, 5610)

These activities support safe and reliable operation of the distribution system, including GIS updates, switching, outage coordination, non-capital engineering, and crew supervision.

USoA	Description	2022 BA	2022	2023	2024	2025	2026	2027
5005	Supervision & Engineering	128,665	139,061	161,569	241,311	149,315	257,961	310,044
5012	Station Buildings	7,125	944	10,223	3,735	2,039	3,974	4,094
5016	Distribution Station Labour	2,440	1,201	608	2,270	2,015	2,415	2,488
5020	Overhead Lines Labour	2,440	1,799	0	1,771	2,030	1,884	1,940
5035	Distribution Transformers	2,015	1,868	2,927	9,887	1,554	10,520	10,835
5085	Misc Distribution	104,520	79,751	59,947	140,296	235,676	149,274	153,752
5610	Management Salaries	0	0	0	0	0	0	0
<b>Subtotal</b>		247,205	224,624	235,274	399,270	392,629	426,028	483,153

### Overhead Distribution Maintenance (5125–5145)

Corrective and preventative maintenance on overhead poles, conductors, hardware, and transformers, including storm repairs and right-of-way work.

USoA	Description	2022 BA	2022	2023	2024	2025	2026	2027
5120	Poles & Fixtures	38,810	43,471	36,695	23,991	13,914	25,526	26,292
5125	OH Conductors	168,610	202,004	203,854	264,292	231,214	216,380	222,872
5130	OH Services	93,620	75,316	52,127	26,496	76,479	28,192	29,037
5135	Vegetation / ROW	42,405	29,364	26,608	39,223	175,425	300,000	300,000
5145	Underground Conduit	2,805	1,848	2,800	81	4,325	86	89
<b>Subtotal</b>		346,250	352,003	322,084	354,083	501,357	570,184	578,290

### Underground Distribution Maintenance (5150–5160)

Includes cable repairs, fault locating, padmount inspections, conduit maintenance, and subdivision support.

USoA	Description	2022 BA	2022	2023	2024	2025	2026	2027
5150	Underground Conductors	16,140	13,548	8,284	5,527	15,933	5,881	6,057
5155	Underground Services	22,530	34,454	3,962	6,756	24,410	7,189	7,404
5160	Line Transformers	18,140	(16,539)	9,071	6,593	(2,361)	7,015	7,225
<b>Subtotal</b>		56,810	31,463	21,317	18,876	37,982	20,085	20,686

### Substation Maintenance (5114)

Performed across RSL's 9 substations, including thermography, relay testing, oil sampling, and component inspections.

USoA	Description	2022 BA	2022	2023	2024	2025	2026	2027
5114	Station Equipment	42,600	123,396	64,404	80,621	136,235	85,779	88,353
<b>Subtotal</b>		42,600	123,396	64,404	80,621	136,235	85,779	88,353

## Public and Regulatory Responsiveness

### Governance (5605)

Includes Board of Directors and governance support costs.

### Regulatory Compliance (5615, 5630, 5640, 5655)

Includes OEB assessments, licence fees, regulatory filings, rate applications, ESA fees, and ongoing compliance-related activities.

USoA	Description	2022 BA	2022	2023	2024	2025	2026	2027
5615	Admin Salaries	253,659	258,989	273,932	185,909	257,887	267,031	275,042
5630	Outside Services	114,026	159,476	151,137	172,921	160,172	183,987	189,506
5640	Injuries & Damages	14,000	11,994	21,465	26,531	35,229	39,441	40,624
5655	Regulatory	46,200	90,261	33,724	73,004	64,518	77,675	80,005
5680	ESA Fees	3,700	3,564	3,591	3,724	3,879	3,962	4,081
<b>Subtotal</b>		431,585	524,284	483,849	462,089	521,685	572,096	589,258

**Insurance (5660)**

Covers property, liability, and vehicle insurance to protect RSL's assets and customers.

<b>USoA</b>	<b>Description</b>	<b>2022 BA</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>5635</b>	Property Insurance	23,000	23,770	31,164	32,956	37,310	46,303	47,692

### 4.2.3 OM&A Costs per Customer and FTE

The table below shows the OM&A per customer and full-time employee. Although the utility strives to find cost efficiencies, it recognizes that a minimum cost level is necessary to run a utility of any size, and that its relatively high OM&A cost per customer is a function of having to recover that minimum cost level from a small customer base.

**Table 3 – Recoverable OM&A Cost per Customer and FTE (Appendix 2-L)**

	<b>2022 OEB Approved</b>	<b>2022 Actuals</b>	<b>2023 Actuals</b>	<b>2024 Actuals</b>	<b>2025 Actuals</b>	<b>2026 Bridge Year</b>	<b>2027 Test Year</b>
<b>Operation and Maintenance</b>	\$813,065	\$782,201	\$819,964	\$995,724	\$1,227,891	\$1,272,656	\$1,346,180
<b>Admin Expenses</b>	\$1,085,627	\$1,304,106	\$1,389,662	\$1,388,654	\$1,503,935	\$1,672,788	\$1,729,967
Total Recoverable OM&A from Appendix 2- JA 5	<b>\$2,482,412</b>	<b>\$2,655,088</b>	<b>\$2,782,902</b>	<b>\$2,948,284</b>	<b>\$3,289,832</b>	<b>\$3,565,006</b>	<b>\$3,718,936</b>
Number of Customers	<b>6000</b>	<b>6041</b>	<b>6029</b>	<b>6054</b>	<b>6131</b>	<b>6285</b>	<b>6314</b>
Number of FTEs	<b>15.00</b>	<b>14.17</b>	<b>14.05</b>	<b>14.13</b>	<b>13.74</b>	<b>15.29</b>	<b>15.67</b>
Customers/FTEs	<b>399.97</b>	<b>426.42</b>	<b>429.11</b>	<b>428.35</b>	<b>446.16</b>	<b>411.00</b>	<b>403.00</b>
OM&A cost per customer	<b>\$414</b>	<b>\$440</b>	<b>\$462</b>	<b>\$487</b>	<b>\$537</b>	<b>\$567</b>	<b>\$589</b>
O&M per customer	<b>\$136</b>	<b>\$129</b>	<b>\$136</b>	<b>\$164</b>	<b>\$200</b>	<b>\$202</b>	<b>\$213</b>
Admin per customer	<b>\$181</b>	<b>\$216</b>	<b>\$230</b>	<b>\$229</b>	<b>\$245</b>	<b>\$266</b>	<b>\$274</b>
OM&A cost per FTE	<b>\$165,494.11</b>	<b>\$187,417.97</b>	<b>\$198,071.35</b>	<b>\$208,605.03</b>	<b>\$239,405.59</b>	<b>\$233,133.93</b>	<b>\$237,378.91</b>
O&M per FTE	<b>\$54,204.33</b>	<b>\$55,214.16</b>	<b>\$58,360.43</b>	<b>\$70,452.18</b>	<b>\$89,355.32</b>	<b>\$83,225.47</b>	<b>\$85,926.40</b>
Admin per FTE	<b>\$72,375.13</b>	<b>\$92,054.53</b>	<b>\$98,908.33</b>	<b>\$98,253.81</b>	<b>\$109,443.45</b>	<b>\$109,392.10</b>	<b>\$110,423.43</b>

#### 4.2.4 OM&A Variance Analysis (by traditional grouping)

The variance between the 2027 OM&A and the previous Board Approved OM&A for 2022 was introduced in the previous section and explained below. Tables 3 to 5 provide comparatives deemed essential in determining the reasonableness of the 2027 OM&A.

The official materiality threshold when comparing two years is \$50,000. The variance used to compare the last Board-approved OM&A expenses vs. the 2027 proposed expenses is also \$50,000.

Variances above the materiality threshold of \$50,000 are explained in section 4.2.5.

In compliance with the filing requirements released in December 2025, RSL is presenting the following comparisons.

- Table 4 - Last Board Approved (2022BA) vs Last Board Actuals (2022)
- Table 5 - Historical (2022) vs 2023 Actual
- Table 6 - Historical (2023) vs 2024 Actual
- Table 7 - Historical (2024) vs 2025 Actual
- Table 8 - Historical (2025) vs Bridge Year (2025)
- Table 9 - Bridge Year (2026) vs Proposed Test Year (2027)

**Table 4 – 2022 Board Approved vs 2022 Actuals**

	<b>2022 Board Approved</b>	<b>2022 Actuals</b>	<b>Variance \$</b>	<b>Variance %</b>
<b>Operations</b>	\$362,465	\$251,389	-\$111,076	-30.64%
<b>Maintenance</b>	\$450,600	\$530,811	\$80,211	17.80%
<b>Billing and collecting</b>	\$551,220	\$535,943	-\$15,276	-2.77%
<b>Community Relations</b>	\$32,500	\$32,838	\$338	1.04%
<b>Administrative and General</b>	\$1,085,627	\$1,304,106	\$218,479	20.12%
<b>Total OM&amp;A Expenses</b>	<b>\$2,482,412</b>	<b>\$2,655,088</b>	<b>\$172,676</b>	<b>6.96%</b>

**Overall Theme:** *Evolution of newly staffed executives, CEO and CFO and reclassification of union role to management.*

**Operations (-\$111k / -30.6%)**

- The reduction is related to the change in pole attachment charges.

**Maintenance (+\$80k / +17.8%)**

- RSL purchased two used reclosers from Renfrew Hydro Inc.
- Replaced modems that were failing

**Billing & Collecting (-\$15k / -2.8%)**

- Reclassified Billing & Collecting FTE to Administrative for a partial year.

**Community Relations (\$0k / +1.04%)**

**Administrative & General (+\$218k / +20.12%)**

- Reclassified Billing & Collecting FTE to Administrative for a partial year.
- Increased executive salaries (transition year after retirement). New CEO in place in September of 2021 after a 6-month gap and new CFO in place April 2022 with an overlap. Both new executive salaries, while below market rates, were a significant increase vs predecessor.
- 
- Higher outside services in training and in recruiting services for executives.
- Significant increase in Miscellaneous General (bank fees, executive incentives)

**Table 5 – 2022 Actuals vs 2023 Actuals**

	<b>2022 Actuals</b>	<b>2023 Actuals</b>	<b>Variance \$</b>	<b>Variance %</b>
<b>Operations</b>	\$251,389	\$393,552	\$142,162	56.55%
<b>Maintenance</b>	\$530,811	\$426,412	-\$104,399	-19.67%
<b>Billing and collecting</b>	\$535,943	\$548,247	\$12,303	2.30%
<b>Community Relations</b>	\$32,838	\$25,030	-\$7,809	-23.78%
<b>Administrative and General</b>	\$1,304,106	\$1,389,662	\$85,556	6.56%
<b>Total OM&amp;A Expenses</b>	<b>\$2,655,088</b>	<b>\$2,782,902</b>	<b>\$127,815</b>	<b>4.81%</b>

**Overall Theme:** Repair activities and *Storm response activities drove the increase in operations.*

**Operations (+\$142k / +56.6%)**

- Driven primarily by substation repairs through third party contractors including Spark Power and KPC repairs.
- Additional increases came from operational labour and storm-response activities.

**Maintenance (-\$104k / -19.7%)**

- Lower activity in overhead and underground maintenance relative to 2022, following the one-time spike in station work in 2022.

**Billing & Collecting (+\$12k / +2.3%)**

- Higher CIS support and ERT/ERTH/Green Button costs.
- Postage costs increased due to timing differences in 2022 billing.
- Offset by Full year impact Billing & Collecting FTE move to Administrative.

**Community Relations (-\$8k / -23.8%)**

- Reduced community outreach promotional spending to mitigate cost pressures. Increased outreach through direct executive and management outreach through the community.

**Administrative & General (+\$86k / +6.6%)**

- Increased executive salaries (transition year after retirement). Both new executive salaries, while below market rates, were an increase vs previous incumbent.
- Significant increase in Miscellaneous General (bank fees, incentives, misclassified OEB assessment).

- Half Year impact related to the Billing & Collecting FTE move to Administrative
- Higher outside services in training and in recruiting services for executives.

**Table 6 – 2023 Board Approved vs 2024 Actuals**

	2023 Actuals	2024 Actuals	Variance \$	Variance %
<b>Operations</b>	\$393,552	\$537,863	\$144,311	36.67%
<b>Maintenance</b>	\$426,412	\$457,861	\$31,449	7.38%
<b>Billing and collecting</b>	\$548,247	\$552,675	\$4,429	0.81%
<b>Community Relations</b>	\$25,030	\$11,231	-\$13,798	-55.13%
<b>Administrative and General</b>	\$1,389,662	\$1,388,654	-\$1,008	-0.07%
<b>Total OM&amp;A Expenses</b>	\$2,782,902	\$2,948,284	\$165,382	5.94%

**Overall Theme:** *Management turnover, regulatory reclassifications, higher line work, and onboarding of new staff.*

**Operations (+\$144k / +36.7%)**

- Operations Manager retirement and 9-week overlap for transition.
- Higher labour, burden, and vacation payouts.
- Increase in outside operations and engineering support under Account 5005.

**Maintenance (+\$31k / +7.4%)**

- Increased vegetation management and line-clearing work.
- More training and materials for overhead maintenance.
- Turned over 3 PLTs to neighbouring utility after their utility settled their strike.

**Billing & Collecting (+\$4k / +0.8%)**

- Slight increases in collections activity and billing support.

**Community Relations (-\$14k / -55.1%)**

- Reduced community outreach promotional spending to mitigate cost pressures. Increased outreach through direct executive and management outreach through the community.

**Administrative & General (-\$1k / -0.1%)**

- Regulatory expenses increased due to correction of prior-year misallocations.

- Increase in management compensation based on benchmarks.
- Offset by Regulatory Analyst position in union departure due to compensation and difficulty backfilling the role. Eventually negotiated with union to pull the regulatory analyst role out of the union.

**Table 7 – 2024 Board Approved vs 2025 Actuals**

	<b>2024 Actuals</b>	<b>2025 Actuals</b>	<b>Variance (\$)</b>	<b>Variance (%)</b>
<b>Operations</b>	\$537,863	\$544,362	\$6,499	1.21%
<b>Maintenance</b>	\$457,861	\$683,529	\$225,668	49.29%
<b>Billing and collecting</b>	\$552,675	\$551,937	(\$738)	(0.13%)
<b>Community Relations</b>	\$11,231	\$6,068	(\$5,163)	(45.97%)
<b>Administrative and General</b>	\$1,388,654	\$1,503,935	\$115,281	8.30%
<b>Total OM&amp;A Expenses</b>	<b>\$2,948,284</b>	<b>\$3,289,832</b>	<b>\$341,548</b>	<b>11.58%</b>

**Overall Theme:** *Normalization of management structure added admin support, and increased field-level maintenance.*

**Operations (+\$6k / +1.2%)**

- Costs remained stable year over year.
- 2025 reflects normalized operations with minimal transition-related impacts.

**Maintenance (+\$226k / +49.3%)**

- Introduction of a new vegetation management plan through outside services.
- Increased overhead and underground system maintenance.
- Higher contractor utilization and training activity for staff.
- Reflects a shift toward more proactive and sustained field-level work.
- Rental of backyard machine to remove old poles from backyard construction

**Billing & Collecting (-\$1k / -0.1%)**

- Essentially flat year over year.
- Minor fluctuations reflect normal billing volumes and system support costs.

**Community Relations (-\$5k / -46.0%)**

- Reduced community outreach promotional spending to mitigate cost pressures. Increased outreach through direct executive and management outreach through the community.

**Administrative & General (+\$115k / +8.3%)**

- Continued management compensation adjustment towards benchmark rates.

- RSL backfilled the Regular Analyst position with a Financial Manager - Accounting and Regulatory .
- Higher corporate and general office costs, though at a more moderate growth rate than previously anticipated.

**Table 8 – 2025 Actual vs 2026 Bridge**

	2025	2026 Bridge	Variance (\$)	Variance (%)
<b>Operations</b>	\$544,362	\$592,052	\$47,691	8.76%
<b>Maintenance</b>	\$683,529	\$680,604	(\$2,926)	(0.43%)
<b>Billing and collecting</b>	\$551,937	\$596,041	\$44,104	7.99%
<b>Community Relations</b>	\$6,068	\$23,522	\$17,453	287.63%
<b>Administrative and General</b>	\$1,503,935	\$1,672,788	\$168,853	11.23%
<b>Total OM&amp;A Expenses</b>	<b>\$3,289,832</b>	<b>\$3,565,006</b>	<b>\$275,174</b>	<b>8.36%</b>

**Overall Theme:** *Engineering expansion increases in outside services, and ongoing administrative leave impacts.*

**Operations (+\$48k / +8.8%)**

- Increase reflects higher planning, supervision, and general operating support. This includes the new requirements for mapping requirements as well as new requirements for DER work processes.

**Maintenance (-\$3k / -0.4%)**

- Essentially flat year over year.
- Vegetation Management is going up, offset by the reduction of maintaining overhead conductor and overhead services

**Billing & Collecting (+\$44k / +8.0%)**

- Increase driven by higher billing-related activity.
- Includes incremental CIS support, postage, and billing labour.

**Community Relations (+\$17k / +287.6%)**

- Increase reflects a return to more typical spending levels prior to multi years of cost mitigation.
- 2025 was abnormally low, resulting in a large percentage change.

**Administrative & General (+\$169k / +11.2%)**

- Increase driven by higher administrative support and corporate costs.
- Continued management compensation adjustment towards benchmark.
- Includes growth in audit, legal, and regulatory expenses, as well as general office and support functions.
- Maternity leave and parental leave coverage

**Table 9 – 2026 Bridge vs 2027 Test Year**

	2026 Bridge	2027 Test Year	Variance \$	Variance %
<b>Operations</b>	\$592,052	\$654,159	\$62,106	10.49%
<b>Maintenance</b>	\$680,604	\$692,022	\$11,418	1.68%
<b>Billing and collecting</b>	\$596,041	\$618,562	\$22,521	3.78%
<b>Community Relations</b>	\$23,522	\$24,227	\$706	3.00%
<b>Administrative and General</b>	\$1,672,788	\$1,729,967	\$57,180	3.42%
<b>Total OM&amp;A Expenses</b>	\$3,565,006	\$3,718,936	\$153,930	4.32%

**Overall Theme:** *Stabilization year with minor supervisory adjustments and full normalization after maternity leave.*

**Operations (+\$62k / +10.5%)**

- Reflects higher salary, burden, and operational support costs.
- Indicates continued strengthening of internal operational capacity **Maintenance (+\$11k / +1.7%)**
- Modest increase consistent with ongoing system maintenance requirements.
- Reflects sustained vegetation management and minor inflationary pressures.

**Billing & Collecting (+\$23k / +3.8%)**

- Increase aligned with normal cost escalation.
- Includes incremental CIS support, collections activity, and modest bad debt pressure.

**Community Relations (+\$1k / +3.0%)**

- Stable year-over-year.
- Increase reflects inflationary adjustment only.

**Administrative & General (+\$57k / +3.4%)**

- Moderate increase reflecting general cost escalation.
- Includes governance, regulatory, and corporate support costs.
- No material step-change, consistent with a stabilized organizational structure.

## 4.2.5 Actual Yearly Increase vs. Inflationary Increase

### Inflation Rate and Assumptions

For the 2026 Bridge Year and 2027 Test Year, RSL has applied the OEB Price Cap Inflation rate of 3.6% as a general planning assumption as a starting point.

Historically, RSL has not applied a uniform inflation factor across all OM&A cost categories. Instead, budgets for the 2022–2025 period were developed using a combination of approaches, including vendor quotes, recent invoice data, and inflationary adjustments where appropriate. This approach reflects the variability in cost drivers across different expenditure categories, many of which are influenced by market-based pricing rather than broad inflation indices.

Compensation is governed through a structured framework. Executive compensation is determined by the Board of Directors, while non-executive management compensation is established by executive management. As outlined previously, RSL is currently implementing a phased approach to align compensation with market benchmarks. During this transition period, adjustments may exceed general inflation as required to address identified gaps.

Compensation levels will continue to be supported by annual benchmarking against sector and local market comparators to ensure ongoing alignment and cost discipline. Once compensation levels are aligned with benchmark ranges, RSL expects the benchmarks to adjust annually closer to inflation measures such as Statistics Canada measures.

For the purposes of the Cost-of-Service application, RSL has adopted the OEB Price Cap Inflation index as the consistent basis for projecting OM&A costs going forward.

## 4.2.6 Cost Drivers Analysis (over 50k)

In accordance with the OEB's Filing Requirements for Electricity Distribution Rate Applications, RSL has provided a cost driver analysis for OM&A variances exceeding \$50,000.

Appendix 2-JB summarizes the key drivers of OM&A cost changes over the 2022 to 2027 period. These drivers reflect the operational, staffing, and regulatory conditions experienced by RSL. Detailed account-level explanations for material variances are provided in Section 4.2.3, while Section 4.3 presents a comprehensive discussion of staffing changes and associated employee costs, with supporting details in Appendix 2-K.

Collectively, these drivers explain the observed upward trend in OM&A and are consistent with the requirements and constraints of a small distributor operating in an increasingly complex regulatory environment. Staffing-related changes represent the most significant contributor to OM&A variances and are discussed in further detail in Section 4.3, with corresponding cost information provided in Appendix 2-K.

### OM&A Variance Explanations (2022BA to 2022)

**Table 10 – 2022BA Actuals vs 2022 Actuals**

Account	Increase
5114-Maintenance of Distribution Station Equipment	\$80,795.50
5605-Executive Salaries and Expenses	\$78,897.16

### 5114 – Maintenance of Distribution Station

**Increase: \$80,795.50**

The 2022 increase in Account 5114 is primarily driven by a series of substation maintenance and repair activities.

Key drivers include:

- Spark Power High Voltage – Substation maintenance.
  - Multiple invoices (MT5114-PR2-0120, MT5114-PR3-0120, MT5114-PR4-0120), totalling \$13,855, relating to routine high-voltage substation maintenance at the Prescott MS.
  - These activities would previously have been added to rate base.
- KPC Power Electrical Ltd. – Substation repairs
  - Multiple invoices (22IM-5491, 5440, 5441, 5441A), totalling approximately \$28,825, relating to MS1 and MS2 equipment repairs.
  - These expenses were necessary to address equipment condition issues and maintain reliability.

- Renfrew Hydro – Used reclosers (MO5 and IR7)
  - Two invoices totalling \$22,000 for the purchase of used reclosers.
  - These were charged to maintenance as replacements of end-of-life equipment rather than capital additions.

Together, these operating-period substation repairs and equipment replacements account for much of the increase in Account 5114.

## 5605 – Executive Salaries and Expenses

**Increase: \$78,897.50**

The increase reflects transitional staffing changes following the retirement of a senior manager. During 2022, executive responsibilities were redistributed and partially absorbed by senior leadership, resulting in increased time allocation to the executive cost centre. The overlap of duties during the succession period, combined with updated benefit and burden allocations, contributed to the increase.

### OM&A Variance Explanations (2022 to 2023)

**Table 11 – 2022 Actuals vs 2023 Actuals**

	Increase
5665-Miscellaneous General Expenses	\$71,132.89
5315-Customer Billing	\$54,797.02

## 5665 – Miscellaneous General Expenses

**Increase: \$71,132.89**

The increase in Account 5665 is primarily attributable to a combination of one-time expenditures recorded in 2023 and higher corporate support-related costs. Key drivers of the variance include:

- Secure disposal services (Greenflow) totalling \$7,946.48, associated with the destruction of outdated and confidential operational records in accordance with record retention requirements.
- Health and safety investments, including the purchase of defibrillators from KC Spencer totalling \$7,016.94, as part of enhanced workplace safety measures.

- Incremental accrual for incentive compensation of approximately \$30,000, reflecting updated compensation practices.
- Increased banking and financing costs of approximately \$10,000, arising from a change in financial institution and associated debt facilities.
- Executive travel and industry association memberships totalling approximately \$14,000, supporting ongoing regulatory engagement and sector participation.

These factors collectively explain the year-over-year increase in miscellaneous general expenses, with several items being non-recurring or discretionary in nature.

### 5315 – Customer Billing

**Increase: \$54,797.02**

The increase in Account 5315 is primarily attributable to higher billing system costs, customer portal support, and postage expenses in 2023. Key drivers of the variance include:

- ERTH Corporation services increased from \$9,512 in 2022 to \$21,453 in 2023, driven by the implementation of Green Button, ongoing SilverBlaze hosting, and continued support for the customer web portal.
- IT support costs increased from \$31,448 to \$41,786, reflecting higher service contract rates and expanded system support requirements.
- Postage expenses increased from \$52,498 to \$83,344. Approximately \$13,000 of this increase relates to costs incurred in 2022 but invoiced in 2023, with the remaining variance attributable to higher mailing volumes and increased postal rates.
- Additional billing system support services (including Hub Connector, Harris GUI Support, NorthStar Support, and SilverBlaze Support) totalled \$79,225 in 2023 compared to \$76,000 in 2022.

Collectively, increased reliance on billing-related systems and customer communication requirements, along with higher postage costs, explain the year-over-year variance.

### OM&A Variance Explanations (2023 to 2024)

**Table 12 – 2023 Actuals vs 2024 Actuals**

	Increase
5085-Miscellaneous Distribution Expense	\$80,349.08
5005-Operation Supervision and Engineering	\$79,742.31
5605-Executive Salaries and Expenses	\$64,983.92
5125-Maintenance of Overhead Conductors and Devices	\$60,437.97

#### **5085 – Miscellaneous Distribution Expenses**

**Increase: \$80,349.08**

The increase in Account 5085 is driven by multiple factors, including engineering support, new staff onboarding, and turnover:

- Engineering services increased by \$10,571.
- Safety equipment (Jubb) increased from \$3,342 to \$12,749, reflecting the onboarding of new staff and associated PPE requirements.
- Inventory adjustments increased by \$19,827 in 2024.
- Labour increased from \$25,909 to \$53,831, driven by the attrition of experienced employees and the hiring of junior staff, resulting in training costs and temporary inefficiencies.
- Burden increased from \$10,661 to \$18,007.
- Overhead increased from \$3,925 to \$9,407.

These factors collectively contribute to the year-over-year increase of \$80,555 (rounded to \$80,349 as shown in the table).

#### **5005 – Operation Supervision and Engineering**

**Increase: \$79,742.31**

The variance in Account 5005 is driven by personnel changes and related burden reallocations:

- Operations Manager retirement and transition overlap: A nine-week overlap period in 2024 resulted in incremental salary and burden costs.
- Annual economic adjustments.
- Vacation payout.
- Reallocation of benefit and burden costs increased to \$78,896 in 2024 versus \$39,774 in 2023.

Combined, these changes explain the \$79,742 increase in 2024.

### **5605 – Executive Salaries and Expenses**

**Increase: \$64,983.92**

The 2024 increase is driven by expanded executive responsibilities and updated labour allocations following administrative restructuring. A greater portion of management oversight, financial coordination, and regulatory work was classified under executive activities. Adjustments to benefit and burden allocations also contributed to the increase.

### **5125 – Maintenance of Overhead Conductors**

**Increase: \$60,437.97**

The increase in Account 5125 reflects higher line maintenance activity and increased training, materials, and vegetation management costs:

- Training increased from \$4,531 to \$16,131.
- External line clearing increased from \$57,027 to \$77,317.
- Internal line clearing / maintenance labour increased from \$82,279 to \$96,583.
- Burden increased from \$42,418 to \$47,078.
- Overhead decreased slightly from \$13,554 to \$5,615.
- Materials increased by \$15,610 in 2024.

These combined maintenance efforts explain the increase of \$58,525 (rounded to \$60,437.97).

**OM&A Variance Explanations (2024 to 2025)**

**Table 13 – 2024 Actuals vs 2025 Actuals**

	Increase
5135-Overhead Distribution Lines and Feeders - Right of Way	\$136,202.76
5085-Miscellaneous Distribution Expense	\$95,379.77
5605-Executive Salaries and Expenses	\$75,470.14
5615-General Administrative Salaries and Expenses	\$71,978.62
5114-Maintenance of Distribution Station Equipment	\$55,614.79

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

**Increase: \$136,202**

The increase in Account 5135 is primarily attributable to higher vegetation management and tree trimming activities in 2025, driven by both planned maintenance and reactive (trouble-related) work.

Total expenditures in 2025 amounted to \$170,161.06, consisting of:

Trouble-related work totalling \$95,256.18, reflecting reactive vegetation management required to address reliability concerns, clearance violations, and emergent conditions. Several individual jobs exceeded \$10,000, including one significant event of approximately \$29,705, indicating localized areas requiring urgent intervention.

Planned vegetation management totalling \$74,904.88, including routine line clearing and the implementation of a structured vegetation management plan (approximately \$9,585), supporting long-term system reliability and compliance with clearance standards.

The mix of higher reactive work and continued investment in planned vegetation management reflects an increased focus on maintaining system reliability, addressing aging corridors, and mitigating outage risk.

Vegetation management activities are discussed in further detail in Section 4.5.

**5685 – Miscellaneous Distribution Expense**

**Increase: \$95,379**

- The increase in Account 5685 is primarily due to a one-time write-off of approximately \$88,000 related to obsolete inventory.
- The materials had been held for several years and were determined to be no longer usable for distribution operations. This write-off reflects a prudent clean-up

of legacy inventory and is non-recurring in nature, and therefore not representative of ongoing costs under this account.

### 5605 – Executive Salaries and Expenses

**Increase: \$75,470**

This increase reflects the phased approach to transition executive compensation towards benchmark comparables. The executive responsibilities continued to expand into strategic planning, system oversight, regulatory filings, and governance functions. Updated allocation of labour and increases in benefits/burden also contributed.

### 5615 – General Administrative Salaries and Expenses

**Increase: \$\$71,978.62**

The 2025 increase is primarily due to enhanced administrative responsibilities, onboarding of new support staff, and the onset of a maternity leave in mid-2025. The leave required temporary coverage and continued benefit payments, increasing the account.

## OM&A Variance Explanations (2025 to 2026)

**Table 14 – 2025 Actuals vs 2026 Actuals**

	<b>Increase</b>
<b>5135-Overhead Distribution Lines and Feeders - Right of Way</b>	\$124,574.63
<b>5005-Operation Supervision and Engineering</b>	\$108,646.10

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

**Increase: \$124,574**

The increase in Account 5135 is attributable to the clearing of an accumulated vegetation management backlog from 2022 to 2024, combined with the implementation of an enhanced vegetation management program in 2025.

The enhanced program reflects increased work volumes driven by longer growing seasons and a higher frequency and intensity of wind events. These factors require more frequent trimming and greater clearances from energized conductors to mitigate vegetation-related outages. This is particularly important given the prevalence of fused

protection on RSL's system, where vegetation contact can result in longer outage durations and increased restoration effort.

The increase also reflects higher unit costs associated with a shift from a hybrid delivery model to greater reliance on external contractors. This transition has been necessary due to reduced availability of internal resources, as Powerline Technicians have been increasingly allocated to higher levels of system access and customer-driven work.

Vegetation management activities are discussed in further detail in Section 4.5.

## **5005 – Operation Supervision and Engineering**

**Increase: \$108,646.10**

The increase in Account 5005 between 2025 and 2026 is driven by labour additions and corresponding increases to burden and benefits:

- New Engineer Hired: A new engineering position was added in 2026 for a partial year.
- Labour changes: Base labour increased from 2025 to 2026, consistent with the staffing increase.
- Burden increased from \$49,000 in 2025 to \$101,000 in 2026, consistent with the staffing increase.
- Minor "other" adjustments decreased slightly from \$6,000 to \$5,000.

These changes collectively account for the year-over-year variance, with other minor offsets, the resulting increase goes to \$108,646.

**OM&A Variance Explanations (2026 to 2027)**

**Table 15 – 2026 Actuals vs 2026 Actuals 2027**

	Increase
5005-Operation Supervision and Engineering	\$52,083.33

**5005-Operation Supervision and Engineering**

**Increase: \$52,083.33**

- The increase in Account 5005 primarily reflects the full year impact of the addition of an Engineering resource in 2026.

**Table 16 – OM&A Expenses & Cost Drivers (Appendix 2-JB)**

RECOVERABLE OM & A COST DRIVER TABLE							
	BOARD APPR.	2022	2023	2024	2025	2026	2027
	\$2,482,412	\$2,266,887	\$2,655,088	\$2,782,902	\$2,948,284	\$3,289,832	\$3,565,006
<b>Account or project</b>							
5005 – Operation Supervision and Engineering			\$22,508	\$79,742		\$108,646	\$52,083
5012 – Station Buildings and Fixtures			\$9,279				
5065 – Meter Expense				\$11,311			
5070 – Customer Premises – Operation		\$21,469	\$11,155		\$16,903		
5085 – Miscellaneous Distribution Expenses				\$80,349	\$95,380		\$4,478
5114 – Maintenance of Distribution Stations		\$80,796		\$16,217	\$55,615		\$2,573
5125 – Maintenance of Overhead Conductors		\$33,394	\$25,610	\$60,438	\$96,202		\$6,491
5135 – Overhead Distribution Lines and Feeders				\$12,615	\$136,203	\$124,575	
5154 – Maintenance of Overhead Services					\$49,982		
5155 – Maintenance of Underground Services		\$11,924			\$17,654		
5175 – Maintenance of Meters		\$19,010					
5300 – Operation Supervision and Engineering						\$108,646	
5315 – Customer Billing			\$54,797	\$12,615	\$38,694		\$18,557
5320 – Collecting				\$25,477		\$23,292	
5335 – Bad Debt Expense		\$17,579				\$14,586	
5605 – Executive Salaries and Expenses		\$78,897	\$39,829	\$64,984	\$75,470	\$18,597	\$13,786
5615 – General Administrative Salaries			\$14,944		\$71,979	\$23,292	\$8,011
5630 – Outside Services Employed		\$45,451		\$21,784		\$23,815	\$5,520
5640 – Injuries and Damages			\$9,472				
5655 – Regulatory Expenses		\$44,061		\$39,279		\$13,157	\$2,330
5665 – Miscellaneous General Expenses		\$35,621	\$71,133			\$74,275	\$20,959
5675 – Maintenance of General Plant			\$14,220			\$13,003	
<b>Miscellaneous (Residual)</b>		-\$1	-\$145,133	-\$259,429	-\$312,535	-\$270,709	\$19,142
<b>TOTAL</b>	<b>\$0</b>	<b>\$2,655,088</b>	<b>\$2,782,902</b>	<b>\$2,948,284</b>	<b>\$3,289,832</b>	<b>\$3,565,006</b>	<b>\$3,718,936</b>

The table above highlights the primary, identifiable OM&A cost drivers. The remaining variance, captured in the Miscellaneous line reflects the combined impact of smaller changes across multiple accounts, including labour adjustments, contractor costs, materials, and general cost pressures. These items are not individually material and are supported by the detailed account-level evidence provided in Exhibit 4.

## 4.2.7 One-Time Costs and Regulatory Costs

### One-Time Costs

The only significant one-time costs associated with this cost-of-service application which, in compliance with policy and requirements, are being amortized over five years are Regulatory Costs, which are explained in detail in the next section and include legal and accounting costs.

## 4.2.8 Purchases of Non-Affiliate Services

RSL does not maintain a formal, stand-alone procurement policy. However, the utility follows established procurement practices that are consistently applied and aligned with sound utility and business principles. These practices are supported by Board oversight, annual budget approval, and management controls, and ensure that purchasing decisions are prudent, cost-effective, and appropriate for a small rural distributor.

For major purchases, including vehicles and other non-routine items, management reviews the proposed acquisition with the Board before finalizing the transaction. These activities, along with other material procurement updates, are also discussed during the Board's bi-monthly meetings.

When RSL was first established, competitive quotations were obtained and services were awarded to the successful bidder. RSL has continued to apply these competitive procurement practices over time and has participated in joint purchasing initiatives led by the CHEC Group where appropriate. These practices have been maintained on a consistent basis and provide structure and discipline to procurement activities, while recognizing the operational realities of a small rural distributor.

## 4.2.9 Cost of Non-Wires Solutions and Conservation and Demand Management

RSL confirms that no costs associated with programs funded by the Independent Electricity System Operator ("IESO"), including those delivered under the electricity Demand Side Management ("eDSM") framework, are included in the 2027 Test Year revenue requirement.

RSL further confirms that it is not participating in the IESO's Local Initiative Program ("LIP") and has not included any forecast LIP-related costs in this application.

RSL also confirms that no Non-Wires Solutions ("NWS") are included in the 2027 Test Year revenue requirement and that no NWS projects have been identified in its Distribution System Plan for the current Price Cap IR term.

## 4.2.10 Regulatory Costs

RSL's regulatory costs consist of two distinct components: (i) ongoing regulatory costs, and (ii) costs associated with the preparation and filing of the Cost-of-Service ("CoS") application.

### Ongoing Regulatory Costs

Ongoing regulatory costs primarily include the OEB Annual Assessment and other recurring regulatory fees, assessments, and charges. These costs are incurred as part of RSL's normal operations and are recorded directly in Account 5655 in the year incurred.

### Cost-of-Service Application Costs

Costs associated with the preparation and filing of the current CoS application include legal, consulting, accounting, and other external support required to complete the application. These costs include, among other things:

- legal services related to review of the application, interrogatory responses, and participation in the settlement conference; and
- External accounting and consulting support for completion of the PILs model and review of deferral and variance account balances.

Consistent with OEB policy, CoS-related regulatory costs are deferred and amortized over a five-year period (2027–2032). Accordingly, one-fifth of the total CoS application costs is included in the 2027 Test Year revenue requirement, with the balance to be recovered over the remaining amortization period.

RSL has not included any provision for an oral hearing in its cost estimates. Should an oral hearing be required, any incremental costs be addressed at that time.

All regulatory costs are recorded and tracked in Account 5655 – Regulatory Expenses.

**Table 17 – Regulatory Costs (Appendix 2-M)**

Regulatory Costs (Ongoing)	USoA Account	BOARD APPR.	2022	2023	2024	2025	2026	2027
OEB Assessment	5655	\$24,800	\$26,051	\$28,942	\$33,244	\$36,509	\$42,668	\$43,735
OEB Sec. 30	5655	\$1,480	\$493	\$638	\$1,433	\$801	\$880	\$900
Reg. Agency Fees	5655	\$800	\$800	\$800	\$800	\$800	\$800	\$800
Any other costs for regulatory matters	5655	\$0	\$53,661	\$0	\$0	\$0	\$0	\$0
2022 Cost of Service	5655	\$0	\$19,120	\$19,120	\$19,120	\$19,120	\$19,120	\$0

**Table 18 - Regulatory Costs specific to the 2027 Cost of Service**

Particular	Projected Cost
3rd Party Engineering Assistance	\$30,000.00
3rd Party Legal Assistance	\$25,000.00
3rd Party Assistance	\$10,000.00
3rd Party Regulatory Assistance	\$45,000.00
Advertising Costs	\$0.00
Public Notice (OEB)	\$2,853.00
Intervenor costs	\$60,000.00
<b>Total Cost of Service Filing costs</b>	<b>\$172,853.00</b>

## 4.2.11 Charitable Donations and Disallowed Expenses

### Charitable Donations

RSL confirms that no charitable donations other than LEAP are included in its OM&A Costs.

## 4.2.12 Leap

RSL includes funding for the Low-income Energy Assistance Program Emergency Financial Assistance (LEAP EFA) in Account 6205. The annual amount follows the OEB requirement that distributors contribute at least 0.12 percent of their Board-approved distribution revenue requirement or 2,000 dollars. RSL has historically met this requirement, although the timing of contributions has varied slightly from year to year. The table below summarizes the Board-approved amount and the actual or forecast contributions from 2022 to 2027.

**Table 19 – LEAP Contributions**

Year (Program)	Distributor Contribution (\$)	Total Funds Disbursed (\$)	Grants to Customers (\$)	Admin (\$)	Funds Depleted
2021 (filed 2022)	3,500	8,912	8,912	1,572	October
2022 (filed 2023)	3,500	2,975	2,975	525	March
2023 (filed 2024)	3,500	2,975	2,975	525	March
2024 (filed 2025)	6,200	28,846	28,846	4,450	March

### Alignment with OEB Policy

The OEB updated several components of LEAP EFA effective March 1, 2024, including increased grant levels, updated income eligibility thresholds, and the requirement that no eligible applicant be denied funding due to budget depletion. The OEB also established a generic deferral account (Account 1508 – LEAP EFA Funding Deferral) to record incremental funding above the amount included in rates.

### Program delivery

RSL has reflected these policy updates in its planning. The 2027 Test Year OM&A includes a LEAP EFA budget of \$4551, based on an 3% inflationary increase over the 4290 spent in 2025.

Consistent with historical experience, RSL expects that customer demand may exceed the base funding level in certain years. Where this occurs, RSL will record incremental funding in the LEAP EFA Funding Deferral sub-account for future disposition, in accordance with OEB policy.

Program delivery continues to rely on local social agencies. RSL previously worked with both the United Way in Cornwall and the Employment and Education Centre in Brockville. Following the withdrawal of the Brockville agency, RSL has been unable to secure a replacement in the western portion of its service territory despite outreach efforts. As a result, all LEAP EFA funding is currently administered through the United Way in Cornwall.

RSL maintains ongoing communication with its delivery agent regarding program eligibility, funding levels, and utilization. RSL completes all required OEB reporting, including RRR 2.1.16, and beginning with the 2025 reporting year will confirm whether any eligible customer was denied assistance.

## 4.2.13 Procurement Policy

### RSL Procurement Practices

RSL's procurement practices have remained consistent since its prior Cost of Service applications. While RSL does not maintain a formal, written procurement policy, its processes follow recognized good business practices that are appropriate for a small electricity distributor operating in a rural environment. RSL's approach ensures that purchases are prudent, cost-effective, and aligned with the needs of the distribution system and its customers.

### Governance and Oversight

The RSL Board of Directors provides primary oversight over capital and operating expenditures:

- The Board reviews and approves the annual capital and operating budgets, including significant planned capital purchases such as vehicles.
- Budget approval provides RSL management with the authority to research, source, and acquire the equipment, materials, and services required to execute the work plan.
- Material purchases (such as vehicles or major system equipment) are brought to the Board for discussion and approval prior to committing to a transaction.
- RSL's Board meets quarterly, and procurement activities including significant purchases or variances are reviewed as part of the utility's financial and operational updates.

This governance framework ensures transparency, accountability, and alignment with approved budgets and long-term asset management needs.

### General Procurement Approach

RSL purchases goods and services using sound utility and business practices. Although these practices are not codified in a formal policy, they are grounded in:

- cost-effectiveness
- product quality and engineering specifications
- vendor reliability and performance history
- ability to meet delivery requirements
- compliance with safety, regulatory, and technical standards

RSL ensures that public funds are spent responsibly by considering the overall value offered by vendors, not only the lowest price.

RSL's procurement practices were originally shaped during the utility's formation, when competitive quotes were solicited and contracts were awarded to successful bidders. These practices have been preserved over time and continue to guide RSL's purchasing decisions today.

### **Use of Competitive Quotes**

When multiple qualified suppliers are available, RSL obtains competitive quotations for equipment, materials, and contracted services. This includes:

- issuing Requests for Quote (RFQs), Requests for Proposal (RFPs), or informal quote requests
- seeking pricing from multiple vendors when the market allows evaluating quotes based on price, technical suitability, safety requirements, and delivery timelines

For major purchases (e.g., station transformers) with multiple qualified vendors, competitive quotes are collected and reviewed with the Board prior to approval.

### **Practical Constraints of Small LDC Operations**

As is typical for small utilities operating in rural Ontario, competitive tendering is not always possible. The number of qualified vendors able to meet utility safety standards, technical specifications, or live-line requirements in the region is limited. For some services, such as utility qualified vegetation management services, there are a limited number of qualified vendors in the local area. Travel time from large major centres can be cost prohibitive.

This reality results in:

- situations where only one or two vendors are capable of providing the required service
- reliance on vendors with proper utility qualifications (e.g., working on energized lines, underground repairs, station maintenance)
- preference for contractors with a proven track record and familiarity with RSL's system design, equipment, and local conditions

These circumstances are common across small LDCs and reflect the operational constraints of maintaining a safe and reliable distribution system in a rural service territory.

### **Long-Standing Vendors and Historical Continuity**

RSL has long-standing relationships with a small number of external service providers who have delivered system construction, maintenance, or technical support for many years. These relationships were originally formed through competitive processes at the time of RSL's creation, and have continued based on:

- demonstrated ability to meet technical requirements
- familiarity with RSL's distribution system

- service quality and responsiveness
- cost-effectiveness relative to the limited supplier market

These vendors are monitored regularly to ensure that the utility continues to receive fair pricing and reliable service.

## Board and Management Roles in Procurement

Procurement authority rests primarily with RSL's CEO, subject to Board oversight:

- CEO approves purchases of goods and services, ensuring alignment with the approved budget.
- For significant or non-routine purchases, the CEO seeks input and concurrence from the Board prior to finalizing the transaction.
- Purchases and procurement activity are discussed with the Board during quarterly financial and operational meetings.

This oversight model is consistent with good governance practice for small LDCs and ensures that ratepayer funds are managed prudently.

## Alignment with Good Utility Practice

While RSL's procurement process is not formally documented, its practices align with the broad principles that underpin procurement for well-run LDCs in Ontario:

- **Fairness:** Vendors are treated objectively and evaluated based on capability, specifications, and price.
- **Transparency:** Significant purchases are reviewed with the Board; variances and major decisions are documented through Board oversight.
- **Cost-effectiveness:** Competitive quotes are used where possible; long-standing vendors are evaluated on pricing and performance.
- **Prudence:** Equipment and services purchased meet engineering, safety, and reliability requirements.
- **Accountability:** Management operates within Board-approved budgets and reports regularly on procurement activities.

These principles ensure that procurement decisions remain consistent with regulatory expectations and the responsible management of public resources.

## Procurement Outcomes

RSL's historical procurement approach has produced positive results for customers, including:

- cost-effective sourcing of materials and contracted services
- stable unit costs for construction and maintenance

- reliable vendor performance with minimal operational disruption
- consistent delivery of utility work plans within approved budgets

These outcomes demonstrate that RSL's procurement practices are prudent, practical, and well-suited to the size and operating environment of the utility.

### 4.3. WORKFORCE PLANNING

Workforce planning supports the safe, reliable, and efficient operation of RSL’s distribution system. This section outlines staffing levels, workforce movements, and organizational changes over the 2022 to 2027 period. The information presented reconciles with employee cost data in Appendix 2-K and OM&A account detail in Appendix 2-JD.

RSL maintains a relatively stable overall headcount. Variations over the period are driven by workforce turnover, temporary resourcing requirements, and targeted additions to support operational and regulatory needs.

**Table 20 – Appendix 2-K (Employee Costs Table)**

Category	2021	2022	2023	2024	2025	2026	2027
<b>FTEs – Mgmt.</b>	3.00	4.25	4.00	4.08	4.27	5.58	6.00
<b>FTEs – non-mgmt.</b>	12.00	9.92	10.05	10.05	9.48	9.71	9.67
<b>FTEs – Total</b>	15.00	14.17	14.05	14.13	13.74	15.29	15.67
<b>Salaries – Mgmt. (\$)</b>	N/A	483,374	570,390	664,449	764,122	887,046	949,222
<b>Salaries – non-Mgmt. (\$)</b>	1,130,452	754,001	744,591	641,123	689,820	731,209	749,489
<b>Salaries – Total (\$)</b>	1,130,452	1,237,375	1,314,980	1,305,572	1,453,942	1,618,255	1,698,711
<b>Benefits – Mgmt. (\$)</b>	N/A	124,257	142,348	195,015	183,318	230,632	246,798
<b>Benefits – non-Mgmt. (\$)</b>	626,539	326,557	319,597	293,200	294,358	329,044	337,270
<b>Benefits – Total (\$)</b>	626,539	450,813	461,945	488,216	477,676	559,676	584,068
<b>Total Comp – Mgmt. (\$)</b>	N/A	607,631	712,738	859,464	947,440	1,117,678	1,196,020
<b>Total Comp – Non-Mgmt. (\$)</b>	1,756,991	1,080,557	1,064,188	934,323	984,178	1,060,253	1,086,759
<b>Total Comp – Total (\$)</b>	1,756,991	1,688,188	1,776,925	1,793,788	1,931,618	2,177,931	2,282,779
<b>OM&amp;A (\$)</b>	N/A	1,507,100	1,562,823	1,604,126	1,754,795	1,990,498	2,085,975
<b>Capital (\$)</b>	N/A	181,088	214,102	189,662	176,823	187,432	196,804
<b>Total (\$)</b>	N/A	1,688,188	1,776,925	1,793,788	1,931,618	2,177,931	2,282,779

### **Staffing and Workforce Movements (2022–2027)**

To support the assessment of staffing levels and related costs, RSL has summarized workforce movements in Table 22 below. The table presents annual hiring activity, departures (including resignations, terminations, and retirements), and the resulting net change in full-time equivalents (“FTEs”).

**Table 21 – Appendix 2-K Supplemental Table (Employee Headcount by Category, if applicable)**

Year	Hires	Resignations	Terminations	Retirements	Other	Net FTE Change
2022	3	2	0	1	0	0.0
2023	2	0	1	1	0	-0.1
2024	3	2	0	2	1	+0.1
2025	4	2	0	1	2	-0.5
2026	3	1	0	0	2	+1.6
2027	2	0	0	0	0	+0.4

Staffing levels over the period are primarily influenced by workforce turnover and temporary resourcing requirements. Total FTE levels remain relatively stable.

The reduction in 2025 reflects attrition within the trades workforce and temporary vacancies. The increase in 2026 and 2027 reflects backfilling of critical roles, targeted additions, and stabilization of staffing levels in the Test Year.

As a small utility, individual staffing changes have a direct impact on FTE levels and associated costs.

### Workforce Transitions and Operational Impacts

RSL experienced ongoing workforce movement over the period, including retirements, resignations, and temporary leaves. These movements required recruitment, training, and, in some cases, temporary overlap to maintain continuity of operations.

In 2022, a long-serving senior manager retired. A succession approach was implemented that included hiring and training replacement resources. This resulted in a temporary overlap in staffing and associated increases in compensation and benefit costs.

Subsequent years reflect continued workforce movement, including:

- attrition within the trades workforce to larger utilities,
- retirements within administrative roles, and
- temporary leaves, including a maternity leave in 2025 requiring backfill and cross-training.

These factors contributed to short-term variability in staffing levels and labour costs. In particular, recruitment timelines, training requirements, and overlap periods created incremental cost pressures despite relatively stable overall FTE levels.

## Organizational Realignment

Following leadership transitions, executive responsibilities expanded to include additional oversight in regulatory, financial, and operational areas.

This resulted in:

- adjustments to compensation reflecting expanded responsibilities,
- changes in benefit and burden allocations, and
- reclassification of labour between Accounts 5605 (Executive) and 5615 (General Administration).

These changes align with the progression of compensation and benefit costs reflected in Appendix 2-K.

## Administrative Support Changes

Administrative requirements increased beginning in 2022, including expanded responsibilities related to billing, collections, financial reporting, and customer service.

A maternity leave in 2025 required temporary coverage extending into 2026. This resulted in overlapping labour costs and increased employer-paid benefits. These impacts are reflected in staffing levels and total compensation reported in Appendix 2-K.

## Targeted Staffing Additions

In 2026, RSL added a full-time engineering resource to support asset management, system planning, reliability, and capital program execution.

This addition reflects increased operational and regulatory requirements and represents a targeted staffing increase rather than a broader expansion of the workforce. The impact is reflected in both FTE levels and compensation costs for 2026 and 2027, particularly within Account 5005.

## Burden and Benefit Cost Impacts

Changes in staffing levels and compensation over the period resulted in corresponding increases in employer-paid benefits and statutory costs.

These include:

- pension contributions,
- health and dental benefits,
- insurance programs, and
- statutory remittances such as CPP, EI, EHT, and WSIB.

These increases are consistent with changes in wages and staffing and are reflected in the benefit cost table and Appendix 2-K.

The workforce dynamics described above form the basis for compensation adjustments over the period. While total staffing levels remain relatively stable, turnover, recruitment, training, and targeted additions contribute to increases in total compensation and related costs.

These impacts are addressed in Section 4.3.1.

### 4.3.1 Compensation

Compensation is the primary driver of employee-related OM&A increases over the 2022 to 2027 period. The observed increases are associated with changes in labour market conditions, workforce turnover, and the need to align compensation levels with market benchmarks to support recruitment and retention. As a utility with approximately 15 FTEs, individual staffing changes have a direct and material impact on total compensation and benefit costs, as reflected in Appendix 2-K and related OM&A accounts.

#### Workforce Pressures and Compensation Context

During the 2021 and 2022 recruiting of the CEO and CFO positions, RSL identified that its compensation levels had historically been positioned toward the lower end of the market range. This was reinforced through executive search firms engaged during the process, which advised that compensation adjustments were necessary to attract qualified executive candidates. While this approach had been sustainable in a lower turnover environment, it became increasingly challenging in a higher turnover labour market, resulting in management compensation adjustments exceeding the originally budgeted and Board-approved amounts.

Following the pandemic, RSL experienced increased workforce attrition, including both voluntary departures and retirements. At the same time recruitment conditions also tightened, and RSL encountered difficulty attracting qualified candidates at existing compensation levels. In several cases, recruitment efforts did not yield suitable candidates without compensation adjustments.

Turnover patterns and exit discussions indicated that compensation was a contributing factor. This impact is more pronounced in a small organization such as RSL, where staffing changes have greater operational effect. RSL's average years of service is approximately 5.9 years. Excluding two long-tenured employees, the average tenure is approximately 3 years, indicating relatively high turnover in recent years.

Where positions were filled, additional training and transition time were required. This resulted in temporary overlaps and incremental cost pressure.

In response, RSL undertook a structured, multi-year approach to realign compensation with market benchmarks, with a target of achieving alignment to 50<sup>th</sup> percentile by 2026. RSL relied on compensation benchmarking data from the CHEC and MEARIE surveys (2023 and 2025) to inform this process. The data indicated that, across five key management roles (CEO, CFO, Operations Manager, Customer Service/Billing Manager, and Finance and Regulatory Manager), RSL's compensation levels were approximately 85% of the median/average of comparable benchmarks in 2023. By 2025, RSL had made progress in narrowing this gap, with compensation levels increasing to approximately 91% of the median/average, though still below market benchmarks.

In the unionized environment RSL has also had a difficult time after the neighboring utility strike. After the strike, the neighbouring utility's unionized compensation increased significantly, and RSL has had a 3 out of a group of 5 PLT's leave for the neighboring utility due to compensation. For the unionized environment RSL is currently compensating near the lowest effective wage rate for the

region in comparison to the neighboring utilities (Hydro Ottawa, Cornwall, Gananoque, Kingston, Renfrew, Almonte, and Renfrew).

## **Compensation Framework**

In response to these conditions, RSL implemented a structured approach to compensation review. The objective is to maintain compensation levels within a reasonable range of the market to support attraction and retention of qualified staff while ensuring cost discipline.

### **Management Compensation Benchmarking**

Benchmarking for management is informed by multiple sources to ensure both sector alignment and local relevance:

- CHEC survey data for similarly sized utilities, this is reported biannually
- MEARIE survey data by size (FTE, Revenue, Customer) and region, and
- local market comparisons for roles with similar responsibilities.

RSL utilizes CHEC and MEARIE survey data to establish an appropriate benchmark range relative to comparable utilities. These results are then validated through local market insights, including regional business forums and comparable organizations with similar scope and responsibility. This layered approach ensures that compensation decisions reflect both industry standards and local labour market conditions.

Management compensation may include performance-based incentives determined by the Board, to align individual performance with organizational objectives.

### **Unionized Compensation Benchmarking**

Unionized compensation is established through collective bargaining and informed by the following benchmarking inputs:

- CHEC survey data for similarly sized utilities, this is reported biannually.
- Publicly available collective agreements from Local LDCs we compete for talent.
- Local market comparisons, including prevailing rates for PLT contractors.

Following multiple waves of attrition in certain roles, including the Regulatory Analyst position and PLTs within the union, RSL worked collaboratively with the union to address recruitment and retention challenges. This included negotiating adjustments to certain role classifications, including the movement of specific roles outside of the bargaining unit where market alignment required it, as well as targeted wage adjustments ahead of the full collective bargaining cycle.

RSL will enter the 2026 collective bargaining process with enhanced benchmarking data and a clearer understanding of structural compensation challenges. This is expected to support more informed discussions with the union and facilitate adjustments to better align compensation structures with market conditions.

## **Management Adjustments:**

Compensation levels are assessed using both CHEC survey data (focused on similarly sized utilities) and MEARIE survey data, where RSL benchmarks against peers with similar customer count, FTEs, revenue, and regional location.

This approach ensures that compensation adjustments remain aligned with market norms while avoiding upward pressure toward top-quartile compensation levels.

To protect confidential compensation information, benchmarking is presented using percentage comparisons rather than absolute salary figures. These comparisons are measured against the central tendency of the applicable dataset (median base salary, or mean where median is not available), depending on data availability. In addition, where multiple benchmark sources are available, RSL utilizes an average of the relevant benchmarks to establish a balanced and representative comparator.

Overall, when comparing management compensation to the mean and/or median of the averages of the benchmark, RSL compensation was 85% of the benchmarks in 2023 and 91% of the benchmarks in 2025. RSL aims to close the gap and match the benchmarks in 2026.

### **CEO/President/Privacy Officer/HR (CEO):**

Following a six-month vacancy due to illness, RSL hired a CEO in September 2021 from outside the electricity distribution sector. This outcome reflects the challenges RSL faced in attracting experienced industry candidates under its prior compensation structure. The CEO was hired at a compensation level that, while higher than the predecessor, remained materially below market benchmarks as identified by the executive recruiting firm.

Beginning in 2023, the Board of Directors undertook a structured review of CEO compensation, with adjustments informed by market benchmarks, as well as the CEO's experience and demonstrated performance in the role.

### **CFO/Vice-President/Secretary/CIO (CFO)**

The CFO retired in 2022 following the Cost-of-Service application. RSL recruited a replacement with Ontario LDC experience through an open market process supported by a recruiting firm. The new CFO was hired at a 15% higher base salary relative to the predecessor, and a one-month overlap period was implemented to support transition.

From 2023 onward, CFO compensation has been reviewed and adjusted based on market benchmarks.

Local market: generally aligned with comparable small business CFO roles

## **Summary of Executive Compensation Benchmarking**

When benchmarked against the relevant comparisons.

1. CHEC wage survey
2. MEARIE Wage Survey
  - Similar FTE category
  - Similar Customer category
  - Similar Revenue category
  - Similar Region

RSL's executive compensation was at 9% less than the average comparables in 2023, and 6% less than the average comparables 2025. Each year the result was also compared against local market comparables for similar sized organizations with similar responsibilities through director experience managing various business across the communities.

## **Non-Executive Management**

### **Customer Service, Billing, Collections Manager (Business Manager).**

In 2022, this role transitioned from a unionized position to a management role to reflect its supervisory and administrative responsibilities. The reclassification was supported by both management and union employees, recognizing that the role was performing management-level functions.

This transition resulted in an increase in compensation relative to the prior unionized position. Despite this adjustment, compensation remained below market benchmarks at the time. The role was also broadened from a transactional billing function to a more comprehensive administrative management function.

### **Operations Manager**

The Operations Manager retired in October 2024. RSL conducted an open recruitment process and implemented an approximately eight-week overlap period to support operational continuity. During recruitment, RSL again experienced difficulty attracting qualified candidates at its existing compensation levels, indicating that compensation remained below market despite prior adjustments.

### **Regulatory Analyst/Manager**

In 2022, RSL's regulatory function was performed by a CPA-designated individual within a unionized role, responsible for key regulatory filings including IRM and Cost of Service applications. The incumbent identified significant compensation gaps relative to market benchmarks.

Following union negotiations in 2023, a position-specific adjustment was implemented. Despite this adjustment, compensation remained below market levels, and the incumbent resigned in 2024 to pursue opportunities at other utilities.

RSL initiated recruitment for a CPA-designated replacement through an open market process; however, these efforts were unsuccessful at the existing compensation level. In addition, candidates expressed reluctance to accept a unionized position for a role with management-level responsibilities.

As a result, RSL worked with the union to remove the position from the bargaining unit. Following multiple recruitment efforts, RSL successfully hired a replacement from the local market in September 2024 and restructured the role as a Finance and Regulatory Manager.

### **Summary of Non-Executive Management Compensation Benchmarking**

When benchmarked against the relevant comparisons.

1. CHEC wage survey
2. MEARIE Wage Survey
  - Similar FTE category
  - Similar Customer category
  - Similar Revenue category
  - Similar Region

RSL's non-executive management compensation was 21% less than the average comparables in 2023, and 12% less than the average comparables 2025. Each year the result was also compared against local market comparables for similar sized organizations with similar responsibilities through director experience managing various business across the communities.

### **Compensation Benchmarking**

RSL's new compensation adjustment framework is designed to attract and retain employees with the competencies required to operate a modern distribution system. Compensation includes base salary, performance pay for management, pension and benefit programs, and statutory contributions. These elements directly influence OM&A costs in Accounts 5005, 5605, and 5615, as reflected in Appendices 2-JD and 2-K.

Going forward, RSL participates in the CHEC labour rate survey, which provides benchmarking against similar-sized LDCs. RSL also participates in the MEARIE survey. These surveys show that RSL's compensation levels remain below average for most positions, supporting prudence and cost discipline. Non-union compensation adjustments are reviewed annually based on industry practice and labour market expectations. Performance pay for executives is determined by the Board and is tied to annual goals agreed upon between each executive and the Board.

RSL Has been behind on Overall compensation for Management through the years and has been catching up as well.

### Unionized Workforce and Trades Market

Compensation for unionized employees is established through the collective agreement between RSL and CUPE Local 3839. Compensation levels are benchmarked against nearby utilities to assess competitiveness.

The table below provides a comparison of journeyman and supervisory wage rates across neighbouring utilities, prepared in support of collective bargaining.

**Table 22 – Local Utility Trades Wage Comparison (March 2026 Snapshot)**

Company	Distance (Minutes)	PLT Wage (Pd Lunch Effective)	Lead Hand Wage (Pd Lunch Effective)	Foreman Wage (Pd Lunch Effective)
RSL	0	\$47.75 (\$47.75)	\$49.85 (\$49.85)	\$51.42 (\$51.42)
Cornwall	33 - 54	\$47.41 (\$50.57) +2X	-	\$52.14 (\$55.61) +2x
CNP (Gan)	45	\$47.40 (\$50.56) +2X	\$49.77 (\$50.09) +2X	\$52.26 (\$55.74) +2X
Ottawa	46	\$51.62 (\$55.06) +2X	-	\$59.33 (\$63.29) +2X
Kingston	47 - 64	\$50.28 +(50.28) +2X	-	\$55.04 (\$55.04) +2X
ORP (Almonte)	61 - 72	\$48.19 (\$51.40*) +2X	\$51.56 (\$55.00*) +2X	\$53.97 (\$57.57*) +2x
Renfrew	94 - 98	\$47.10 (\$47.10) +2X	\$49.92 (\$49.92) +2X	\$52.76 (\$52.76) +2X

Most neighbouring utilities apply double time to all overtime hours, while RSL applies double time only on Sundays and holidays. In addition, several utilities provide paid lunches, which increases effective hourly rates. For example, effective hourly compensation exceeds approximately \$50 per hour in several cases, with Hydro Ottawa exceeding \$55 per hour. RSL does not provide a paid lunch for line staff.

These differences in total compensation have contributed to turnover within the trade's workforce. Since 2024, RSL has experienced the departure of five Powerline Technicians to larger utilities offering higher compensation.

### Benefits and Statutory Costs

Pension and benefit programs include employer pension contributions, health and dental coverage, life and disability insurance, and statutory costs such as CPP, EI, EHT, and WSIB.

Changes in staffing levels and wage progression have resulted in corresponding increases in these benefit and burden amounts. These impacts are reflected in Appendix 2-K.

## Post-Retirement Benefits

RSL provides post-retirement life insurance benefits for eligible non-union management retirees through the MEARIE group benefits program. The utility does not sponsor a pension plan or provide post-retirement medical or dental benefits.

The utility pays monthly premiums directly to MEARIE for these benefits. These amounts are recorded in USoA Account 5605, Executive Salaries and Expenses. Forecast amounts for the bridge and test years are embedded within the overall OM&A forecast for Account 5605 and are based on actual premiums escalated using the utility's standard inflationary assumptions applied throughout OM&A forecasting.

In 2023, actuarial adjustments were recorded to update the OPEB liability balances following the actuarial valuation prepared by RSM Canada Consulting LP. These adjustments were recorded through balance sheet accounts and did not result in separate recurring actuarial accrual amounts being included in OM&A. The OM&A amounts reflected in the application represent the actual MEARIE premiums paid or forecast. The actuary report is found at Appendix 4A of this document.

**Table 23 – Post Retirement Costs**

Item	2022 Historical	2023 Historical	2024 Historical	2025 Bridge	2026 Test	2027 Test
<b>Actual / Forecast MEARIE Premiums Paid</b>	\$4,158.90	\$6,106.38	\$6,200.64	\$7,679.18	\$7,909.56	\$8,146.85
<b>USoA Account</b>	5605	5605	5605	5605	5605	5605
<b>Amount Included in OM&amp;A</b>	\$4,158.90	\$6,106.38	\$6,200.64	\$7,679.18	\$7,909.56	\$8,146.85
<b>Capitalized Portion</b>	Nil	Nil	Nil	Nil	Nil	Nil

## **4.4. SHARED SERVICES AND CORPORATE COST ALLOCATION**

Shared services between Rideau St. Lawrence Distribution Inc. (“RSL”) and Rideau St. Lawrence Utilities Inc. (“RSLU”) are provided on a cost recovery basis, consistent with the framework approved in the 2022 Cost of Service.

Labour costs are charged at actual cost, based on recorded time, and include an applicable overhead rate to reflect payroll-related costs and general administrative support. The overhead rate has been updated from the 2022 application to reflect current cost structures.

Shared costs are allocated using established and measurable cost drivers, including billing volumes, number of customers served, and labour hours associated with each function. These drivers reflect the level of activity and effort required to provide services to RSL and are consistent with those used in the prior application, with updates to reflect current operating conditions.

Management oversight is incorporated within the overall cost structure and reflects actual management costs allocated based on their relationship to the labour supporting shared services. In the 2022 Cost of Service, management costs were represented as a percentage applied to Utilities costs. In the current application, the calculation has been refined to better reflect current management structures and cost relationships.

RSL confirms that there is no markup or profit margin charged by RSLU to RSL for the resources provided to RSL.

### **Pricing Methodology**

The shared services provided between affiliated entities include:

- Meter Reading
- Billing
- Collecting
- Use of Building

Details of these services, including the entities involved, pricing methodology, and amounts, are provided in Appendix 2-N.

### **Allocation Methodology**

Shared costs are allocated based on cost causality using the following drivers:

- number of bills issued
- number of customers served
- labour hours and recorded time associated with each service

These drivers are used to determine the proportion of total activity attributable to electricity distribution. The resulting allocation percentages have been updated from the 2022 Cost of Service to reflect current operating conditions, including changes in billing volumes and system requirements. The underlying allocation approach remains consistent.

RSL confirms that there is no duplication of costs between direct costs, shared costs, overhead, and management components.

### **Reconciliation to Financial Records**

The amounts reflected in Appendix 2-N reconcile to the balances recorded in Account 4380 (shared service costs) and Account 4375 (shared service revenues), and to the Other Revenue reported in the financial statements. RSL confirms that all affiliate transactions are recorded consistently and are supported by underlying cost records.

RSL confirms that:

- No Board of Director costs related to affiliated entities are included in the LDC's OM&A
- No third-party review of the cost allocation methodology has been undertaken

Table 4.25 below is historical shared services and corporate cost allocation.

**Table 24 – OEB Appendix 2-N – Corporate Cost Allocation (2022)**

<b>Description for 2022</b>	<b>From Company</b>	<b>To Company</b>	<b>Pricing Method</b>	<b>Allocation Basis</b>	<b>Cost to Provider (\$)</b>	<b>Amount Charged to Utility (\$)</b>
<b>Meter Reading</b>	Rideau St. Lawrence Utilities	Rideau St. Lawrence Distribution	100% of direct costs	Direct Cost Recovery	\$34,802.26	\$34,802.26
<b>Billing</b>	Rideau St. Lawrence Utilities	Rideau St. Lawrence Distribution	100% of direct costs and 80% of shared costs	Cost Based	\$378,701.50	\$378,701.50
<b>Collecting</b>	Rideau St. Lawrence Utilities	Rideau St. Lawrence Distribution	100% of direct costs	Direct Cost Recovery	\$32,815.26	\$32,815.26
<b>Use of Building</b>	Rideau St. Lawrence Distribution	Rideau St. Lawrence Utilities	Return on Assets	Market Based/ROA	\$45,418.48	\$45,418.48

**Table 25 – OEB Appendix 2-N – Corporate Cost Allocation (2023)**

<b>Description for 2023</b>	<b>From Company</b>	<b>To Company</b>	<b>Pricing Method</b>	<b>Allocation Basis</b>	<b>Cost to Provider (\$)</b>	<b>Amount Charged to Utility (\$)</b>
<b>Meter Reading</b>	Rideau St. Lawrence Utilities	Rideau St. Lawrence Distribution	100% of direct costs	Direct Cost Recovery	\$38,050.02	\$38,050.02
<b>Billing</b>	Rideau St. Lawrence Utilities	Rideau St. Lawrence Distribution	100% of direct costs and 79% of shared costs	Cost Based	\$433,498.52	\$433,498.52
<b>Collecting</b>	Rideau St. Lawrence Utilities	Rideau St. Lawrence Distribution	100% of direct costs	Direct Cost Recovery	\$9,436.92	\$9,436.92
<b>Use of Building</b>	Rideau St. Lawrence Distribution	Rideau St. Lawrence Utilities	Return on Assets	Market Based/ROA	\$42,388.79	\$42,388.79

**Table 26 – OEB Appendix 2-N – Corporate Cost Allocation (2024)**

<b>Description for 2024</b>	<b>From Company</b>	<b>To Company</b>	<b>Allocation Basis</b>	<b>Cost to Provider (\$)</b>	<b>Amount Charged to Utility (\$)</b>
<b>Meter Reading</b>	Rideau St. Lawrence Utilities	Rideau St. Lawrence Distribution	100% of direct costs	Direct Cost Recovery \$23,510.87	\$23,510.87
<b>Billing</b>	Rideau St. Lawrence Utilities	Rideau St. Lawrence Distribution	100% of direct costs and 79% of shared costs	Cost Based \$428,515.67	\$428,515.67
<b>Collecting</b>	Rideau St. Lawrence Utilities	Rideau St. Lawrence Distribution	100% of direct costs	Direct Cost Recovery \$34,913.89	\$34,913.89
<b>Use of Building</b>	Rideau St. Lawrence Distribution	Rideau St. Lawrence Utilities	Return on Assets	Market Based/ROA \$40,068.00	\$40,068.00

**Table 27 – OEB Appendix 2-N – Corporate Cost Allocation (2025)**

<b>Description for 2023</b>	<b>From Company</b>	<b>To Company</b>	<b>Allocation Basis</b>	<b>Cost to Provider (\$)</b>	<b>Amount Charged to Utility (\$)</b>
<b>Meter Reading</b>	Rideau St. Lawrence Utilities	Rideau St. Lawrence Distribution	100% of direct costs	Direct Cost Recovery \$21,029.32	\$21,029.32
<b>Billing</b>	Rideau St. Lawrence Utilities	Rideau St. Lawrence Distribution	100% of direct costs and 79% of shared costs	Cost Based \$467,209.38	\$467,209.38
<b>Collecting</b>	Rideau St. Lawrence Utilities	Rideau St. Lawrence Distribution	100% of direct costs	Direct Cost Recovery \$13,856.28	\$13,856.28
<b>Use of Building</b>	Rideau St. Lawrence Distribution	Rideau St. Lawrence Utilities	Return on Assets	Market Based/ROA \$42,541.08	\$42,541.08

**Table 28 – OEB Appendix 2-N – Corporate Cost Allocation (2026)**

<b>Description for 2023</b>	<b>From Company</b>	<b>To Company</b>	<b>Allocation Basis</b>	<b>Cost to Provider (\$)</b>	<b>Amount Charged to Utility (\$)</b>	
<b>Meter Reading</b>	Rideau St. Lawrence Utilities	Rideau St. Lawrence Distribution	100% of direct costs	Direct Cost Recovery	\$25,015.33	\$25,015.33
<b>Billing</b>	Rideau St. Lawrence Utilities	Rideau St. Lawrence Distribution	100% of direct costs and 79% of shared costs	Cost Based	\$463,936.39	\$463,936.39
<b>Collecting</b>	Rideau St. Lawrence Utilities	Rideau St. Lawrence Distribution	100% of direct costs	Direct Cost Recovery	\$37,148.03	\$37,148.03
<b>Use of Building</b>	Rideau St. Lawrence Distribution	Rideau St. Lawrence Utilities	Return on Assets	Market Based/ROA	\$43,000.00	\$43,000.00

**Table 29 – OEB Appendix 2-N – Corporate Cost Allocation (2027)**

<b>Description for 2023</b>	<b>From Company</b>	<b>To Company</b>	<b>Allocation Basis</b>	<b>Cost to Provider (\$)</b>	<b>Amount Charged to Utility (\$)</b>	
<b>Meter Reading</b>	Rideau St. Lawrence Utilities	Rideau St. Lawrence Distribution	100% of direct costs	Direct Cost Recovery	\$25,765.79	\$25,765.79
<b>Billing</b>	Rideau St. Lawrence Utilities	Rideau St. Lawrence Distribution	100% of direct costs and 79% of shared costs	Cost Based	\$482,493.84	\$482,493.84
<b>Collecting</b>	Rideau St. Lawrence Utilities	Rideau St. Lawrence Distribution	100% of direct costs	Direct Cost Recovery	\$38,262.47	\$38,262.47
<b>Use of Building</b>	Rideau St. Lawrence Distribution	Rideau St. Lawrence Utilities	Return on Assets	Market Based/ROA	\$43,000.00	\$43,000.00

#### 4.4.1 Variance Analysis of Shared Services and Corporate Cost Allocation

**Table 30 – OEB Appendix 2-N – Shared Services Variances**

Year	Total Cost (\$)	YoY Change (\$)	YoY Change (%)
2022	491,737	–	–
2023	523,374	+31,637	+6.4%
2024	527,008	+3,634	+0.7%
2025	544,636	+17,628	+3.3%
2026	569,100	+24,464	+4.5%
2027	589,522	+20,422	+3.6%

Affiliate direct service costs increase from \$492K in 2022 to \$590K in 2027, with year-over-year changes generally in the range of 3–4%, following a higher increase in 2023.

The trend is primarily attributable to billing, which represents the majority of affiliate charges. Billing costs reflect the underlying cost structure of the distribution utility, including labour and administrative costs, and are recovered on a cost basis in accordance with the affiliate arrangement. As a result, increases in billing are consistent with corresponding increases in distribution-side costs rather than changes in the nature or scope of services provided.

The remaining cost categories do not exhibit a sustained upward trend. Meter reading costs decline beginning in 2024 and remain below prior levels. Collecting costs vary year-over-year without a consistent pattern. Use of building costs remain stable over the period.

Overall, the observed changes in affiliate costs are modest and align with underlying cost movements at the distribution utility. There is no evidence of material cost escalation or expansion in services over the period.

## **4.5. VEGETATION MANAGEMENT PLAN**

For the 2022-2026 period, RSL's vegetation management program was underfunded relative to system needs. To address this, RSL developed a vegetation management program based on inspections and obtained detailed contractor pricing from Madden Tree Trimming. Madden is the only certified local Utility arborist in the area, which minimizes travel time and avoids incremental mobilization costs that would be incurred if resources were sourced from outside the service territory.

Vegetation management is a necessary and ongoing OM&A activity required to maintain system reliability, ensure public safety, and protect distribution assets. If not proactively managed, vegetation encroachment increases the likelihood of faults, both momentary and sustained outages, and potential equipment damage. External factors have further increased vegetation pressure on the system, including longer growing seasons and accelerated vegetation growth rates, which increase both the frequency and severity of potential tree contacts.

External weather-related factors have increased vegetation pressure on the system. Longer growing seasons and accelerated vegetation growth rates have increased both the frequency and severity of potential tree contacts. In addition, the increased severity and frequency of windstorms have further elevated vegetation-related risk, necessitating more frequent trimming. This is particularly important given that much of RSL's system is protected by fuses rather than reclosers, resulting in a higher likelihood of sustained customer outages when vegetation-related faults occur.

Starting 2025, RSL undertook significant efforts to address the need for a sustained increase in vegetation management. Against a Board-approved annual budget of approximately \$42,405 (2022), RSL incurred \$270,620 in vegetation management costs over the 2022–2025 period, effectively exceeding five years of budgeted spend within four years. RSL has committed approximately \$300,000 in 2026 to continue phasing in the higher, sustainable level of vegetation management required to responsibly maintain the system. By the end of 2026, cumulative incremental vegetation management spending is expected to total approximately \$359,000 above historical funding levels.

### **Program Design and Prioritization**

The proposed vegetation management plan establishes a structured, cycle-based program. Circuits have been prioritized using outage data, field inspections, and recent maintenance history, with work sequenced based on risk. Higher-risk circuits—including those with vegetation-related outage history, limited clearances, and/or located further from operations deployment—are prioritized in the early years.

Prioritization is based on the following criteria:

- Likelihood of tree contact with energized conductors
- Consequence (severity) of potential outages, including:
  - Distance from operations deployment locations

- Accessibility (e.g., backyard vs. roadside design). RSL does not currently have dedicated backyard equipment, which increases complexity and cost
- Number of customers affected
- Infrastructure design and overall system resiliency

RSL evaluated delivery options and determined that contracting this work is the most prudent approach in the near term. This reflects (i) the loss of in-house tree trimming capabilities within PLT staff, (ii) the need to address vegetation management requirements efficiently, and (iii) uncertainty regarding the persistence of elevated system access workload over the long term.

### **Program Phasing and Cost Profile**

Program costs are based on contractor quotations and will be managed through annual work plans. Based on the risk-based prioritization framework, the program is intentionally not levelized over the 2027–2031 period. Higher-priority work is advanced into the early years, particularly in 2027, to address existing reliability and safety risks.

In the out-years, the vegetation management program reflects planned capital investments outlined in the Distribution System Plan (DSP), which are expected to materially reduce vegetation-related risk over time and in turn, vegetation management costs. Key initiatives include:

1. **System Renewal and Conversion to Roadside Design (2028–2031)**  
Renewal projects will transition sections of backyard construction to roadside design, improving accessibility and reducing vegetation management complexity and cost.
2. **Backyard Derrick Truck (Planned 2030)**  
The planned acquisition of a backyard derrick will improve access to rear-lot infrastructure, enabling more efficient vegetation management and supporting conversion activities.
3. **Recloser Installations (NRCan Program)**  
The addition of reclosers will improve feeder resiliency and reduce the customer impact of vegetation-related outages, lowering overall system risk.

Together, these investments support a gradual reduction in vegetation-related risk and contribute to a more sustainable, cycle-based program at a lower cost over the planning horizon.

### **Need for the Program**

Deferring these expenditures would increase the likelihood of vegetation-related outages and result in higher total costs over time due to emergency response, equipment damage, and reduced system reliability.

RSL will monitor and report on program performance through tracking of completed work, vegetation-related outages, and overall program costs. This will ensure the program remains appropriately scoped and continues to deliver measurable reliability benefits to customers.

Further details are provided in the Distribution System Plan.

**Table 31 – Historical Vegetation Management Spending**

Year	Actual Spend (\$)	Spend as % of BA Budget	Commentary
<b>2022BA</b>	42,405		
<b>2022</b>	29,364	69%	Underspent
<b>2023</b>	26,608	63%	Underspent
<b>2024</b>	39,223	92%	Slightly Underspent
<b>2025</b>	175,425	414%	Significant Overspent
<b>Total</b>	270,620	160%	Overall Overspent

The data in Table 30 demonstrates reductions in spending in 2022 and 2023 caused by staffing limitations, followed by a significant increase in 2025 as RSL addressed the accumulated backlog and increasing vegetation management effort required to respond to elevated growth rates and emerging reliability concerns associated with prior underfunding. The program continues in 2026 and goes beyond addressing the structural underfunding and the increase in vegetation growth. It addresses the vegetation through a structured, risk-based approach, with work categorized by priority.

The supporting contractor quotation, which exceeds 100 pages, is available upon request. The following sections summarize the planned work program.

**Table 32 – Total spending by region (per quote)**

Region	Total	True Urgent / reliability risk	Near-term stabilization	Long-term cycle normalization
<b>Westport</b>	56,000	0	34,000	22,000
<b>Prescott</b>	669,000	327,000	205,000	137,000
<b>Cardinal</b>	132,000	29,000	62,000	41,000
<b>Iroquois</b>	349,000	101,000	149,000	99,000
<b>Morrisburg</b>	441,000	219,000	133,000	89,000
<b>Williamsburg</b>	33,000	4,000	17,000	12,000
<b>Total</b>	1,680,000	680,000	600,000	400,000

**Table 33 – Prescott by year and category (total 669,123)**

Year	True Urgent	Near-term	Long-term	Total
<b>2026</b>	125,000	7,000	0	132,000
<b>2027</b>	120,000	15,000	0	135,000

<b>2028</b>	60,000	50,000	0	110,000
<b>2029</b>	22,000	73,000	15,000	110,000
<b>2030</b>	0	40,000	50,000	90,000
<b>2031</b>	0	20,000	72,000	92,000
<b>Total</b>	327,000	205,000	137,000	669,000

**Table 34 – Morrisburg by year and category (total 441,000)**

<b>Year</b>	<b>True Urgent</b>	<b>Near-term</b>	<b>Long-term</b>	<b>Total</b>
<b>2026</b>	70,000	0	0	70,000
<b>2027</b>	70,000	0	0	70,000
<b>2028</b>	60,000	15,000	0	75,000
<b>2029</b>	19,000	56,000	0	75,000
<b>2030</b>	0	62,000	13,000	75,000
<b>2031</b>	0	0	76,000	76,000
<b>Total</b>	219,000	133,000	89,000	441,000

**Table 35 – Iroquois by year and category (total 349,000)**

<b>Year</b>	<b>True Urgent</b>	<b>Near-term</b>	<b>Long-term</b>	<b>Total</b>
<b>2026</b>	45,000	10,000	0	55,000
<b>2027</b>	40,000	15,000	0	55,000
<b>2028</b>	16,000	40,000	4,000	60,000
<b>2029</b>	0	50,000	10,000	60,000
<b>2030</b>	0	34,000	26,000	60,000
<b>2031</b>	0	0	59,000	59,000
<b>Total</b>	101,000	149,000	99,000	349,000

**Table 36 – Cardinal by year and category (total 132,000)**

<b>Year</b>	<b>True Urgent</b>	<b>Near-term</b>	<b>Long-term</b>	<b>Total</b>
<b>2026</b>	15,000	10,000	0	25,000
<b>2027</b>	14,000	11,000	0	25,000
<b>2028</b>	0	20,000	0	20,000
<b>2029</b>	0	20,000	0	20,000
<b>2030</b>	0	1,000	20,000	21,000
<b>2031</b>	0	0	21,000	21,000
<b>Total</b>	29,000	62,000	41,000	132,000

**Table 37 – Williamsburg by year and category (total 33,000)**

Year	True Urgent	Near-term	Long-term	Total
2026	2,000	3,000	0	5,000
2027	2,000	3,000	0	5,000
2028	0	5,000	0	5,000
2029	0	6,000	0	6,000
2030	0	0	6,000	6,000
2031	0	0	6,000	6,000
<b>Total</b>	<b>4,000</b>	<b>17,000</b>	<b>12,000</b>	<b>33,000</b>

**Table 38 – Westport (total 56,000)**

Year	True Urgent	Near-term	Long-term	Total
2026	0	20,000	0	20,000
2027	0	10,000	0	10,000
2028	0	4,000	4,000	8,000
2029	0	0	6,000	6,000
2030	0	0	6,000	6,000
2031	0	0	6,000	6,000
<b>Total</b>	<b>0</b>	<b>34,000</b>	<b>22,000</b>	<b>56,000</b>

**Table 39 – Vegetation Management Program by Year and Priority**

Year	True Urgent (\$)	Near-Term (\$)	Long-Term (\$)	Total (\$)
2026	257,000	50,000	0	307,000
2027	246,000	54,000	0	300,000
2028	136,000	134,000	8,000	278,000
2029	41,000	205,000	31,000	277,000
2030	0	137,000	115,000	252,000
2031	0	20,000	246,000	266,000
<b>Total</b>	<b>680,000</b>	<b>600,000</b>	<b>400,000</b>	<b>1,680,000</b>

## APPENDICES

### List of Appendices

Appendix 4A	Actuary Report 2023
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