EXHIBIT 4 – OPERATING EXPENSES

EXHIBIT 4 – OPERATING EXPENSES

Table of Contents

4.1 OVERVIEW 7

Table 4-1: Total OM&A, Cloud Services, Depreciation and Taxes 7

Table 4-2: Distribution Revenue and OM&A Cost per Customer (2024) 11

4.1.1 Business Environment Changes 12

4.1.2 Trends 13

4.1.3 OM&A Budget Development 16

4.1.4 Inflation Rates Used 19

4.1.5 Overhead Costs 20

4.1.6 Programs Structure 21

Table 4-3: London Hydro Program Structure 22

4.1.7 Non-Distribution Activities 23

4.1.8 Materiality Threshold 24

4.2 OM&A EXPENSES 25

4.2.1 2022 Test Year Comparison to 2027 Test Year 25

Table 4-4: Program Delivery Costs - 2022 OEB Approved Budget to 2027 Budget 25

4.2.2 Presentation of 2022 Cost of Service Settlement Adjustment 26

4.2.3 2022 Test Year Comparison to 2022 Actuals 27

Table 4-5: 2022 Actual to Budget Variances 27

4.2.4 OM&A Cost per Customer and FTE 30

Table 4-6: OM&A Cost per Customer and FTE (OEB Appendix 2-L) 30

4.2.5 2022 Actual to 2027 Test Year Comparison 36

Table 4-7: Program Delivery Costs - 2022 Actual Comparison to 2027 Test 36

Table 4-8: Program Delivery Costs - 2022 Actual to 2027 Test Annual Change 37

4.2.5.1 Price Increases 38

Labour 38

Table 4-9: Average Weekly Earnings for Ontario 38

Non Labour 39

Table 4-10: Consumer Price Index for Ontario 39
Weighting Labour and Non-Labour Price Increases 40
Table 4-11: Weighted Inflationary Pressures 40
Customer Growth 40
Table 4-12: Impact of Inflation, Labour and Benefits and Customer Growth 41
4.2.5.2 Cost Drivers 42
Table 4-13: Summary of Price Increases and Cost Drivers 43
Table 4-14: OEB fees and COS Application Costs 53
Table 4-15: Change in Overheads Impact on OM&A Expenses 56
4.2.6 Recoverable OM&A Cost Driver Table - OEB Table 2-JB 59
Table 4-16: Recoverable OM&A Cost Driver Table (OEB Appendix 2-JB) 59
4.3 WORKFORCE PLANNING AND EMPLOYEE COMPENSATION 61
4.3.1 Workforce Demographics, Trends, and Talent Management 63
4.3.2 Approach to Permanent, Full-Time Employee Workforce Planning 70
4.3.3 Full Time Equivalents ("FTEs") in 2027 Test Year / Workforce Composition 72
Table 4-17: Net FTE Additions by Workforce Segment 86
Table 4-18: Net FTE Additions by Year 86
4.3.4 Compensation Strategy 109
4.3.5 Labour Cost Drivers 114
Table 4-19: Net OM&A Labour by Program 2022 to 2027 Test Year 115
Table 4-20: Gross Employee Benefits and Employer Costs 2022 to 2027 120
4.3.6 Net OM&A Labour Variance Analysis by Program 124
Table 4-21: Material Net OM&A Labour Variances 124
Table 4-22: Asset Management Net OM&A Labour 124
Table 4-23: Operations and Maintenance Net OM&A Labour 125
Table 4-24: Information Technology Net OM&A Labour 126
Table 4-25: Human Resources, Health and Safety Net OM&A Labour 126
Table 4-26: Customer Service and Collections Net OM&A Labour 127
Table 4-27: Corporate Services Net OM&A Labour 128
Table 4-28: Materials Management Net OM&A Labour 129
4.4 LONDON HYDRO PROGRAMS 130
4.4.1 OM&A Programs Table - OEB Appendix 2-JC 130
Table 4-29: OM&A Programs Table (OEB Appendix 2-JC) 131
4.4.2 ASSET MANAGEMENT 136
Overview 136
Capital Spending Trend 138

Engineering and Design ... 143
Operations Engineering ... 144
GIS Maintenance ... 145
System Planning ... 146
Engineering Logistics ... 148
Program Delivery Costs ... 149
Table 4-30: Asset Management Program Delivery Costs ... 149
4.4.3 OPERATIONS AND MAINTENANCE ... 154
Overview ... 154
Overhead Distribution ... 157
Forestry ... 158
Underground Systems ... 158
Electrical Maintenance and Substations ... 159
Construction ... 160
Operations Administration ... 161
System Operating Centre ... 162
Protection and Control ... 164
Electric Meters ... 165
Program Delivery Costs ... 177
Table 4-31: Operations and Maintenance Program Delivery Costs ... 177
4.4.4 INFORMATION TECHNOLOGY ... 192
Overview ... 192
Customer Solutions ... 193
Utility Operations ... 194
Network, Servers, and Storage ... 195
Digital and Mobile Environment ... 196
Cybersecurity ... 196
Program Delivery Costs ... 198
Table 4-32: Information Technology Program Delivery Costs ... 198
Table 4-33: IT Software and Hardware Maintenance and Support ... 202
4.4.5 CUSTOMER SERVICE AND COLLECTIONS ... 206
Overview ... 206
Utility Data Services and Billing ... 208
Contact Centre ... 210
Collections ... 212
Quality Assurance ... 213
Program Delivery Costs ... 214
Table 4-34: Customer Service and Collections Program Delivery Costs ... 214
Table 4-35: Contractor Services Detail ... 216
Table 4-36: Bad Debt Expenses ... 221
4.4.6 CORPORATE COMMUNICATIONS ... 226

Overview 226
Public Relations 227
Corporate Communications 228
Marketing 228
Program Delivery Costs 231
Table 4-37: Corporate Communications Program Delivery Costs 231
Table 4-38: LEAP Contributions 2022 to 2027 233
4.4.7 HUMAN RESOURCES, HEALTH AND SAFETY 237
Overview 237
Human Resources (People & Culture) 237
Health and Safety 246
Program Delivery Costs 252
Table 4-39: Human Resources, Health and Safety Program Delivery Costs 252
4.4.8 FACILITIES AND ENVIRONMENTAL SERVICES 257
Overview 257
Program Delivery Costs 259
Table 4-40: Facilities and Environmental Services Program Delivery Costs 259
Table 4-41: Facilities Repairs and Maintenance 267
4.4.9 CORPORATE SERVICES 268
Overview 268
Executive Services 268
Financial Services 268
Regulatory Affairs 270
Legal and Enterprise Risk Management 271
Purchasing Services 273
Program Delivery Costs 274
Table 4-42: Corporate Services Program Delivery Costs 274
Table 4-43: Board of Director Services 277
4.4.10 LOCATE SERVICES 280
Overview 280
Program Delivery Costs 281
Table 4-44: Locate Services Program Delivery Costs 281
4.4.11 MATERIALS MANAGEMENT 284
Overview 284
Program Delivery Costs 285
Table 4-45: Materials Management Program Delivery Costs 285

4.4.12 FLEET SERVICES 287
Overview 287
Program Delivery Costs 291
Table 4-46: Fleet Services Program Delivery Costs 291
4.5 CLOUD SERVICES 295
Overview 295
Table 4-47: Cloud Service Costs - 2022 Actual to 2027 Test Year 296
4.6 ADDITIONAL DETAILS ON OM&A EXPENSES 302
4.6.1 Shared Services and Corporate Cost Allocations 303
Table 4-48: Shared Services and Corporate Cost Allocation (OEB Appendix 2-N) 308
Table 4-49: Reconciliation of Corporate Cost Allocation 309
Table 4-50: Variance Analysis of Shared Services 310
4.6.2 Purchases of Non-Affiliate Services 311
4.6.3 Regulatory One-Time Costs 314
Table 4-51: Regulatory One-Time Costs 314
4.6.4 Low Income Energy Assistance Program ("LEAP") 316
Table 4-52: Contributions to LEAP 316
4.6.5 Charitable and Political Donations 318
Table 4-53: Charitable Donations (Excluding LEAP) 318
4.6.6 Costs of Non-Wires Solutions and Conservation and Demand Management 319
4.6.7 Funding Options for Future Non-Wires Solutions 319
4.7 PRESCRIBED TABLES 320
4.8 APPENDICES LISTING 321
APPENDIX 4-1: OEB 2-JA SUMMARY OF RECOVERABLE OM&A EXPENSES 322
APPENDIX 4-2: OEB 2-K EMPLOYEE COSTS 324
APPENDIX 4-3: WILLIS TOWERS WATSON BENCHMARKING STUDY 326
APPENDIX 4-4: POST RETIREMENT BENEFITS ACTUARIAL VALUATION DECEMBER 2025 338
APPENDIX 4-5: LONDON HYDRO HOLDINGS INC. MANAGEMENT SERVICES AGREEMENT 402
APPENDIX 4-6: PURCHASING DEPARTMENT PROCUREMENT MANUAL 417

4.1 OVERVIEW

The operating costs outlined in this Exhibit represent the expenditures that are required to maintain London Hydro's distribution assets at targeted performance levels, ensuring safe, reliable, and high-quality service that meets customer expectations. These operating costs are necessary to comply with the Distribution System Code, environmental requirements, government direction, and to provide standard distribution services in accordance with the OEB's Standard Supply Service Code and Retail Settlement Code. For the 2027 Test Year, London Hydro is seeking recovery of total operating costs, including amortization and PILs, of $93,250,601 as summarized in Table 4-1.

Table 4-1: Total OM&A, Cloud Services, Depreciation and Taxes

Total OM&A, Cloud Services, Depreciation and Taxes				
			Total Change	
Expenditures	2022 OEB Approved	2027 Proposed Test Year	2022 Budget to 2027 Test	CAGR
	$	$	$	%
OM&A	41,047,400	63,153,100	22,105,700	9.0%
Cloud services	1,746,400	3,916,800	2,170,400	17.5%
Total OM&A	42,793,800	67,069,900	24,276,100	9.4%
Depreciation	21,525,800	24,279,000	2,753,200	2.4%
Income taxes	395,260	595,501	200,241	8.5%
Property taxes	609,200	1,306,200	697,000	16.5%
Total $	**65,324,060**	**93,250,601**	**27,926,541**	**7.4%**

London Hydro delivers electricity to more than 170,000 residential, commercial, and industrial customers. Like many local distribution companies, the Company continues to experience significant operating cost pressures driven by aging infrastructure, inflation, increasing frequency and severity of weather events, evolving customer expectations, and rapid technological change. Additional pressures arise from expanding regulatory requirements, cybersecurity and enterprise risk management obligations, and the need to support continued customer growth, electrification, and increasing system demand.

Ontario's electricity sector is entering a period of significant expansion. The Independent Electricity System Operator's ("IESO") 2026 Annual Planning Outlook Report issued in March 2026 forecasts approximately 65 percent growth in provincial electricity consumption by 2050, driven by industrial development, transportation electrification, building electrification, and the connection of increasingly large and complex customer loads. These trends require distributors to enhance planning capabilities, expand engineering resources, and accelerate infrastructure development to ensure sufficient system capacity while maintaining reliability and resiliency.

These changes are particularly relevant in London, one of Ontario's fastest-growing urban centres. Reliable and resilient electrical infrastructure is essential to supporting industrial investment, commercial activity, residential development, institutional growth, and emerging technology sectors. To meet these evolving requirements, London Hydro is managing a larger and more complex capital program than in previous years, including investments in asset renewal, system capacity, resiliency improvements, grid modernization, automation technologies, station enhancements, new feeders, and distributed energy resource integration.

At the same time, the complexity of utility operations continues to increase beyond the traditional delivery of electricity. London Hydro must respond to growing regulatory and stakeholder expectations related to governance, enterprise risk management, cybersecurity, business continuity, emergency preparedness, customer engagement, and internal controls.

Customer expectations are also shifting. Customers now engage with London Hydro through an increasingly complex and broad mix of channels and are empowered to engage through the channel that best meets their individual preferences. While convenient digital and self-service options are increasingly chosen by many customers, London Hydro is committed to delivering timely, personalized, consistent, and responsive service to customers accessing more traditional channels to obtain person-to-person information and/or support.

To address these evolving requirements, London Hydro has undertaken targeted investments to appropriately scale its organization and strengthen critical capabilities. Historically, the Company operated with a lean organizational structure consistent with its size and risk profile. However, the increasing scale, complexity, and risk associated with utility operations require capabilities more commonly found among larger distributors. Investments in areas such as Enterprise Risk Management, Business Continuity, Internal Audit and Controls, Continuous Improvement, Stakeholder Relations, Key Accounts Management, and Customer Engagement support stronger governance, improved operational effectiveness, enhanced resiliency, and more informed decision-making.

The Company also operates in a highly competitive labour market and must continue to invest in attracting, developing, and retaining the skilled workforce required to safely and reliably operate the distribution system. In addition, London Hydro remains committed to supporting customers experiencing financial hardship through programs such as the Low-income Energy Assistance Program (“LEAP”) while managing increased bad debt and collection challenges arising from broader economic pressures.

Collectively, these industry, customer, and regulatory developments have increased the resources required to operate and grow the business responsibly. London Hydro recognizes the impact that rising costs can have on customers and remains focused on improving productivity, leveraging innovation, and pursuing efficiencies wherever possible. The investments outlined in this Application reflect a balanced approach that supports affordability while ensuring the continued delivery of safe, reliable, resilient, and customer-focused electricity service.

London Hydro's proposed OM&A expenditures reflect more than inflationary cost pressures and regulatory requirements. The Company also considers customer expectations when establishing spending priorities. The 2025 UtilityPULSE Customer Satisfaction Survey confirms that customers continue to place the highest importance on reliable service, timely outage restoration, proactive communication, knowledgeable customer service representatives, secure digital services, and convenient self-service options.

These priorities align closely with London Hydro's proposed investments in system reliability, vegetation management, asset renewal, cybersecurity, customer service, digital technologies and customer communications. While customers remain concerned about affordability, the survey also demonstrates that maintaining reliable service and providing modern, responsive customer service remain key drivers of customer satisfaction and trust. Maintaining customer value remains a primary focus for London Hydro and is delivered through,

- Competitive rates
- Safety first culture
- Enhanced reliability
- Secure and high-quality supply
- Excellent customer service
- Operational and capital efficiency
- Developer support
- Network innovation
- Environmental performance
- Delivery of energy solutions
- Social responsibility

Based on the latest information provided in the OEB Open Stats Data (Formerly OEB Yearbook) for 2024 listed in the Table 4-2 below, London Hydro has one of the lowest annual distribution revenue per customer in comparison to many of its peers.

Table 4-2: Distribution Revenue and OM&A Cost per Customer (2024)

Distribution Revenue and OM&A Cost per Customer (per OEB Open Stats Data 2024)			
Utility	Distribution Revenue per Customer	OM&A Cost per Customer	Number of Customers
	$	$	#
Hydro One Networks Inc.	1,291.91	451.29	1,487,192
Toronto Hydro-Electric System Limited	1,120.95	398.07	789,465
Bluewater Power Distribution Corporation	698.85	394.72	37,318
Hydro Ottawa Limited	657.83	321.83	368,912
ERTH Power Corporation	618.32	352.03	24,947
Alectra Utilities Corporation	607.93	267.10	1,093,511
Festival Hydro Inc.	588.32	351.38	22,588
ENWIN Utilities Ltd.	582.74	324.40	94,082
GrandBridge Energy Inc.	576.32	312.39	115,299
Enova Power Corp.	562.76	292.41	164,118
Elexicon Energy Inc.	529.25	309.12	179,661
London Hydro Inc.	**503.17**	**307.45**	**167,678**
Essex Powerlines Inc.	470.43	279.26	31,628
Entegrus Powerlines Inc.	490.14	288.93	63,151

London Hydro ranks as the third lowest in annual distribution revenue per customer among large electricity distributors in the province and other distributors in close geographic proximity to the City of London. Customer feedback further underscores the Company's performance, with 88% of respondents indicating that London Hydro provides consistent and reliable electricity service. The Company continues to manage costs effectively by offsetting the financial impact of new requirements and regulatory changes through innovation, process improvements, and disciplined fiscal management.

In parallel, London Hydro remains committed to supporting customer affordability through proactive outreach and engagement efforts that help vulnerable customers access available bill payment assistance and affordability programs, ensuring those most in need are aware of and connected to available support. The Company also provides dedicated Key Account Services to commercial, industrial, and institutional customers, offering tailored support, energy management guidance, and strategic engagement to help customers navigate evolving energy needs while fostering economic growth and customer satisfaction across the service territory.

4.1.1 Business Environment Changes

When London Hydro submitted its last Cost of Service Rate Application for the 2022 Test Year in August 2021, provincial restrictions related to the COVID-19 pandemic had only recently been lifted. At that time, the proposed budget for 2022 was prepared on the assumption that the pandemic would not materially affect London Hydro's operations. Accordingly, no incremental expenditures related to COVID-19 were incorporated into the filing.

In practice, however, the 2022 fiscal year was impacted by the lingering effects of the pandemic. While certain costs, such as employee development, were lower than planned, these reductions were outweighed by higher expenses in other areas including bad debt, contractor services, materials, and fuel. Cost pressures were further amplified by supply chain disruptions, which contributed to a 6.8% increase in the Ontario Consumer Price Index—an unprecedented level of inflation not seen since 1983.

Following 2022, London Hydro's operations largely returned to normal. However, many of the economic impacts that emerged during the pandemic have persisted. Inflation permanently increased the cost of labour, materials, equipment, contracted services and technology, while a highly competitive labour market has continued to place upward pressure on wages as employers compete to attract and retain qualified employees. These factors, together with industry-standard collective agreement settlements, have contributed to higher OM&A expenditures.

Looking ahead, the economic environment remains uncertain. The proposed 2027 Test Year budget has been developed using the best information available at the time of preparation, including known contractual obligations, market pricing, and recognized economic forecasts. However, London Hydro's costs remain subject to a number of external factors that are beyond the Company's control, including inflationary pressures, interest rate movements, fuel and energy prices, supply chain conditions, foreign exchange fluctuations, and evolving international trade policies, including the potential impacts of U.S. tariffs on electrical equipment, vehicles, construction materials, and other critical infrastructure components.

While it is not possible to predict the magnitude or timing of these factors with certainty, they have the potential to materially influence the cost of providing safe and reliable electricity service over the 2027 to 2031 rate period. As with previous applications, London Hydro has developed prudent budgets based on the information currently available rather than attempting to speculate on future economic conditions. This approach provides the most reasonable basis for establishing rates while recognizing that the broader economic environment will continue to evolve throughout the rate period.

4.1.2 Trends

Activities at London Hydro are fundamentally influenced by the direction of the Ontario Energy Board ("OEB"), including the Renewed Regulatory Framework, evolving regulatory policies, and the Government of Ontario's strategic direction communicated through the Ministry of Energy and Mines' 2026-2027 Letter of Direction to the OEB. Together, these initiatives continue to expand the expectations placed on Ontario's electricity distributors as the sector evolves to deliver an energy system that is affordable, reliable, secure, resilient and clean, while supporting economic growth, housing development and electrification across the province. The Ministry's direction further emphasizes customer service, innovation, operational efficiency, cybersecurity, resilience, distributed energy resources, digital modernization and prudent stewardship of ratepayer resources.

Consistent with these priorities, London Hydro continues to invest in technologies and process improvements that enhance customer service, improve productivity, strengthen cybersecurity, and enable employees to deliver services more efficiently while helping moderate long-term cost pressures. These initiatives support the Company's objective of delivering greater value to customers while responding to evolving regulatory expectations and the increasing complexity of Ontario's electricity sector.

The current focus includes,

- optimization of infrastructure investments
- affordability and cost effectiveness
- building a smarter grid
- system resiliency
- enabling electrification
- promoting greener and sustainable energy
- integrating distributed energy resources (“DERs”)
- cybersecurity and protection of customer and grid data
- improving customer service and customer experience
- increasing customer value
- leveraging smart metering data and Green Button initiatives
- providing consumers greater choice and control
- prudent stewardship of ratepayer resources through operational efficiencies
- support for cost and resource sharing among utilities
- enabling housing, economic development and provincial growth
- reducing unnecessary administrative burden while maintaining regulatory oversight

In response to these evolving expectations, utilities are expected to maintain robust governance frameworks and continually enhance policies, procedures and internal controls relating to cybersecurity, data privacy, records retention, enterprise risk management, business continuity, environmental resilience and customer service. London Hydro continually evaluates emerging industry practices, regulatory guidance and technological advancements to ensure its business processes remain aligned with evolving regulatory expectations while leveraging opportunities to improve efficiency, innovation and service delivery.

London Hydro continues to implement new regulatory requirements, government policy initiatives and industry best practices issued by the OEB, the Ministry of Energy and Mines, the IESO and other governing bodies. Many of these initiatives require additional planning, analysis, technology investments, governance activities and specialized expertise, resulting in increased operating requirements over time. At the same time, the Company recognizes the importance of affordability for customers and, where practical, offsets these cost pressures through prudent fiscal management, pacing discretionary expenditures, leveraging technology, improving operational efficiencies, and sharing resources and services. This balanced approach supports the delivery of safe, reliable and resilient electricity service while advancing the evolving objectives established by the Province and the OEB.

4.1.3 OM&A Budget Development

Development and application of the OM&A budget is an important management process for London Hydro as it defines the strategic direction of the Company by implementing both short-term and long-term goals at an appropriate pace while considering available resources. The budget is a mechanism for achieving future objectives by setting expectations and targets, while also exploring efficiencies and balancing costs and acceptable levels of customer service and reliability.

The budget process provides for discipline and commitment as it ensures that plans are well thought out, and it gives Managers a benchmark to gauge against future performance. London Hydro compares actual results to budget each month and reviews and explains variances, so that any required action can be taken, such as removing bottlenecks, cutting costs or changing the deployment of resources.

At the outset of the budget process, the Finance Department provides Managers and Directors with budget templates for the OM&A Program(s) for which they are responsible. Templates include historical actual and budget amounts for each spending account. To ensure that decisions are coordinated, Company objectives are addressed at a budget kickoff meeting. In addition, Managers meet with each Supervisor individually to review their specific goals and objectives while considering that of the Company as a whole.

The first step to budget development is to review labour resources on a position-by-position basis for each of the cost centres in the Program. This gross labour review includes overtime and is required to ensure that an appropriate level of resources is available to cover planned operations and maintenance activities, billable services and future capital projects. Staffing levels are analysed to provide for capital and operating requirements while considering and adjusting for succession planning, apprenticeship levels, current bottlenecks, new requirements, gained efficiencies and the mix between internal and external resources.

Once gross labour has been established, labour is allocated (deployed) to operations and maintenance, capital projects and billable services leaving a balance in the cost centres for general and administrative functions. Gross benefits are charged to each cost centre for employee and employer costs such as OMERS, LTD, health benefits, CPP and EI. As labour is deployed, these benefits are attached and increased to append the cost of other variables including vacation time and statutory holidays.

The next phase in the process is to develop budgets for contractor services, materials and supplies, vehicles and equipment and all other associated expenditures required to meet objectives. These budgets are developed by analysing historical activity and considering future objectives and obligations.

Each cost centre is then reviewed on an account-by-account basis for potential price decreases and to explore efficiencies with the goal of controlling and cutting costs. Individual cost centre information is consolidated to provide Managers with an overview of the overall cost of operating the Program. The Manager reviews the Program in its entirety and explains variances from prior years while searching for areas to cut costs. After the Managers' review, forecasted costs are reported to the Vice President responsible for the Program(s), who also scrutinizes for cost savings prior to approval before submitting the budget to the Finance Department.

The Finance Department then consolidates all Programs and cost information to present an overview of the overall OM&A costs to operate the Company. This presentation is provided to the Executive Committee, consisting of the Chief Executive Officer and Vice Presidents. The Executive Committee conducts a thorough review of each Program while considering the corporate strategy and the business plan and involves a rigorous internal process with a goal of containing costs. Any new products or services are examined before concluding whether the value to the customers exceeds the cost of the service.

The Executive Committee's review is intended to challenge assumptions, validate business needs, and ensure that only expenditures necessary to maintain safe, reliable and efficient service are included in the proposed budget. This review considers regulatory obligations, customer expectations, risk, operational priorities, and the availability of resources. Budget requests are not automatically accepted, and each proposed expenditure must demonstrate an appropriate business need and value to customers.

The budget development process at London Hydro requires that any year-to-year variances that cannot be explained by wage escalations, inflation, or other market-driven price increases be supported. Although operational needs may be valid and the rationale for additional resources compelling, budget requests are rigorously challenged throughout the review process. The initial budget submission is routinely returned to Managers with instructions to further prioritize activities and identify opportunities

to reduce costs, including headcount requests, consulting expenditures, and discretionary spending where appropriate.

Managers then go "back to the drawing board" to identify additional efficiencies, defer lower-priority initiatives, adjust the timing of expenditures where appropriate, and further reduce costs while maintaining safety, regulatory compliance, system reliability, and customer service. This process of prioritization and refinement is repeated through multiple iterations until the Executive Committee is satisfied that the proposed budget appropriately balances operational requirements with affordability for customers.

For development of the proposed 2027 Test Year budget, London Hydro completed four formal versions of the OM&A budget before arriving at the final budget approved by the Executive Committee. Through this iterative review process, proposed OM&A expenditures were reduced by more than $3.7 million, with the most significant reductions relating to labour and benefit costs. These reductions reflect management's careful evaluation of staffing requirements, project timing, and operational priorities rather than across-the-board reductions. The objective was to put forward reasonable expenditures considered necessary to safely operate, maintain, and modernize the distribution system, satisfy regulatory obligations, and provide reliable customer service were included in the final budget.

Once the Executive Committee approved the proposed budget, it was presented to the Audit Committee for detailed review. The Executive Committee and Audit Committee examined the proposed budget in conjunction with the Company's strategic plan, business objectives, and customer service commitments. Discussions focused on achieving an appropriate balance between cost containment, safety, reliability, regulatory compliance, and customer service. Following this review, the proposed budget was submitted to the Board of Directors for final approval.

As discussed in Exhibit 2, Section 2.7, London Hydro made the prudent but difficult decision to pause the CIS Refresh known as Project Spark after parting ways with the system integrator on the project. This decision necessitated updates to the 2026 and 2027 budgets for both O&M and Capital. These budgets were revised by Finance and IT, vetted by the Executive Committee and submitted for approval of the Board of Directors immediately prior to filing this rate application.

4.1.4 Inflation Rates Used

The labour component of the 2026 Bridge Year and 2027 Test Year operating budgets includes an estimated annual wage escalation to account for anticipated cost-of-living adjustments. For non-labour expenditures, no explicit inflation factor was applied in the development of forecasted amounts. Rather, non-labour budgets were developed at the individual account level, with known or anticipated price increases considered implicitly where relevant, but not through the application of a standardized inflationary adjustment.

Where inflation is referenced in this Exhibit, it is for informational purposes only. For instance, schedules illustrate Compound Annual Growth Rates ("CAGR"), allowing readers to compare against the Ontario Consumer Price Index ("CPI") for non-labour costs and Statistics Canada data for the Ontario Average Weekly Earnings including Overtime for All Employees ("AWE") for labour.

This information is included solely as a benchmark to help differentiate underlying cost drivers from cost increases attributable to inflation. The objective is to provide readers with greater insight into the external business environment and the pressures impacting London Hydro and other electricity distributors across the province.

4.1.5 Overhead Costs

Capital projects, billable services and OM&A activities are charged with all direct expenditures such as labour, materials and contractor services, as well as the following four types of overhead burden costs that are allocated to recognize expenditures associated with

- *Employee Benefits and Employer Costs*: costs are gathered in a cost centre and then applied to direct labour costs to recognize employee benefits such as vacation time, OMERS, group health insurance, LTD insurance and employer costs such as Canada Pension, Employment Insurance, Employer Health Tax and Workers' Compensation.
- *Vehicles*: costs are gathered in a cost centre and then charged to activities at an hourly rate based on usage during the construction of assets and operating activities to capture costs associated with acquiring and maintaining London Hydro's fleet of vehicles and major equipment.
- *Materials Management*: costs are gathered in a cost centre and then attached to the value of materials issued from the Materials Management Department to recognize expenditures related to the procurement of stock kept on hand and available for the purpose of supplying materials used in the construction of assets and operating activities in an efficient and timely manner.
- *Overhead Labour*: Survey results estimating uncaptured capital-related activities are applied to distribution assets at approximately 4% to recognize incremental, non-project-specific labour costs required to support and oversee capital work. These costs relate to functions that span multiple capital projects and are not practical to assign directly to individual projects. Incremental labour costs represent those that would be avoided if London Hydro ceased constructing its own assets. A causal relationship to capital activities must be established in order for these labour costs to be capitalized.

In consideration of the OEB Activity and Program-Based Benchmark ("APB") Framework, London Hydro reviewed its overhead capitalization practices against those of its industry peers. The review found that all other LDCs examined, capitalized costs associated with their Stores Department, and that most LDCs capitalized engineering and supervisory labour costs through burdens applied to capital projects. Accordingly, London Hydro refined its practice effective January 1, 2024, as discussed in Section 4.2.5.2.

Overhead costs are reviewed on a regular basis and revised as required: Benefit overhead burdens are updated periodically depending on the level of annual gross labour and benefit expenses for a given year. Vehicle rates are updated annually to coincide with changes in budgeted amounts in the Fleet Services Department. Material rates are reviewed on a regular basis and adjusted, when necessary, since rates are dependent on the value and types of products being handled. Lastly, the indirect labour burden percentage applied to infrastructure and demand capital projects is reviewed regularly, since amounts allocated are dependent upon the labour cost of those involved as well as the level of capital spending for that year.

4.1.6 Programs Structure

London Hydro tracks operating costs under individual cost centres to help identify the origin of the activity resulting in the given expenditure. Cost centres include (for example) Overhead Line, Engineering, System Operating Centre, Customer Service, Human Resources and Health and Safety. Transactions charged to cost centres are captured under individual accounts to describe the nature of the expenditure (cost element) such as labour, contractor services and materials and supplies.

For three cost centres, costs gathered are allocated out to other cost centres, as well as capital and billable activities. These cost centres represent London Hydro indirect overhead costs associated with employee benefits and employer costs, vehicles and materials management as discussed above under Types of Overhead Costs above.

London Hydro's Program Structure is provided in Table 4-3 below:

Table 4-3: London Hydro Program Structure

London Hydro Program Structure	
Operational Services	**Support Services**
Operations and maintenance Overhead lines Forestry Underground systems Electrical maintenance & substations Construction Operations administration System operating centre Electric metering Protection and control **Asset management** Engineering and design Operations engineering GIS maintenance System planning Engineering logistics **Customer services and collections** Customer services Collections Utility data and billing services **Locate services** **Corporate communications**	**Information technology** Program management office Infrastructure Applications Advanced metering infrastructure **Corporate services** Executive offices Enterprise risk management Purchasing and procurement Financial services **Human resources, health and safety** Human resources Health and safety **Facilities and environmental services** **Indirect Overhead Cost Centres** **Employee benefits and employer costs** **Fleet services** **Materials Management**

4.1.7 Non-Distribution Activities

This Exhibit excludes all activities that do not qualify for inclusion in the calculation of the revenue requirement for rate making. Specifically, expenditures associated with the following activities have been extracted from London Hydro's financial results for the purpose of determining costs to distribute electricity only as required for this Application:

- Renewable Generation
- Electric Vehicle Charging
- Charitable Donations
- Electricity Demand Side Management ("eDSM")

London Hydro invests in renewable generation and electric vehicle charging projects as permitted by regulation and in order to take part in and promote methods that provide for sustainable energy and lower carbon solutions. However, as this activity does not relate to the distribution of electricity, all costs associated with these programs have been excluded in this Exhibit and the Cost of Service Application.

As permitted under regulation, Operations, Maintenance & Administration ("OM&A") expenditures include donations under the Low-Income Energy Assistance Program ("LEAP"). However, all other charitable donations have been excluded as they are not a required cost associated with the distribution of electricity to the residences and businesses in the City of London.

London Hydro has partnered with the Independent Electricity System Operator ("IESO") to support its efforts in raising awareness and increasing participation in IESO delivered, co-delivered, or co-ordinated Electricity Demand-Side Management ("eDSM") programs. The forecasted costs for this initiative are $471,700 for both the 2026 Bridge Year and 2027 Test Year. While eDSM plays an integral role in London Hydro's operations, all associated costs have been excluded for the purpose of determining distribution rates.

Further, net revenues associated with Green Button Platform and External Applications services provided by London Hydro to third-parties as discussed in Exhibit 1, Section 1.4.10, item 7, are excluded from London Hydro's OM&A activities and reported as Other Revenue. The OM&A expenditures presented in this exhibit relate solely to Green Button Platform and External Applications services provided to London Hydro's own customers. The majority of these costs are recorded within the Information Technology Program.

4.1.8 Materiality Threshold

London Hydro has established the materiality threshold for variance analyses at $549,000. This threshold is used to identify areas where changes in cost require detailed explanation as per the Filing Requirements. This threshold amount is applied throughout this document at the Program level and in connection with year over year changes in expenditures. The detailed calculation related to the establishment of this threshold is provided in Exhibit 1 representing London Hydro’s distribution base revenue requirement at 0.5%.

4.2 OM&A EXPENSES

4.2.1 2022 Test Year Comparison to 2027 Test Year

OM&A expenditures in the amount of $63,153,100 are proposed for the 2027 Test Year as summarized in Table 4-4 below. These are the costs required to deliver safe and reliable energy to customers of London, Ontario. The forecast for 2027 provides a proposed increase of $22,105,700 in comparison to 2022 approved amounts, resulting in a Cumulative Annual Growth Rate ("CAGR") of 9.0%.

Table 4-4: Program Delivery Costs - 2022 OEB Approved Budget to 2027 Budget

Program Delivery Costs (excluding Cloud services)				
			Total Change	
Program	2022 OEB Approved	2027 Test Year	2022 Budget to 2027 Test	
	$	$	$	CAGR
Asset management	4,634,700	6,595,700	1,961,000	7.3%
Operations and maintenance	13,931,500	18,016,400	4,084,900	5.3%
Information technology	5,370,600	9,117,100	3,746,500	11.2%
Customer service and collections	5,117,800	7,486,700	2,368,900	7.9%
Corporate communications	1,399,900	2,688,000	1,288,100	13.9%
Human resources, health and safety	1,850,500	3,435,000	1,584,500	13.2%
Facilities and environmental services	3,131,700	4,307,900	1,176,200	6.6%
Corporate services	5,343,700	9,839,900	4,496,200	13.0%
Locate services	1,125,700	1,581,400	455,700	7.0%
Capital materials supply management	516,300	85,000	(431,300)	-30.3%
2022 Settlement adjustment	(1,375,000)	-	1,375,000	-100.0%
Total $	**41,047,400**	**63,153,100**	**22,105,700**	**9.0%**

4.2.2 Presentation of 2022 Cost of Service Settlement Adjustment

The 2022 OEB-approved OM&A budget includes a settlement adjustment of $1,375,000 negotiated by the Intervenors and approved by the OEB. London Hydro's original OM&A budget request was $42,422,400, while the approved OM&A budget, after giving effect to the settlement adjustment, was $41,047,400, as presented in Table 4-4 above.

The settlement adjustment has not been allocated across London Hydro's individual Programs and is therefore presented as a separate line item throughout this Exhibit. Similarly, the Program Delivery Cost schedules presented in Section 4.4 are based on the OM&A budgets originally applied for, rather than restated budgets that allocate the settlement adjustment among individual Programs.

The settlement adjustment was negotiated as a reduction to London Hydro's overall OM&A requirement and was not intended to represent reductions to specific Programs or spending categories. Consequently, allocating the adjustment across individual Programs would necessarily require arbitrary assumptions and would not reflect how the Company planned, budgeted, managed, or monitored its operations. Accordingly, the settlement adjustment is presented separately, while Program Delivery Costs are presented on the basis of the budgets used to manage the business.

Following the OEB's decision, London Hydro sought to absorb the reduction through prudent cost management measures, including delaying the filling of vacant positions and deferring discretionary expenditures where operationally feasible. Despite these efforts, London Hydro was not able to achieve the $1,375,000 in savings agreed to in settlement. In fact, actual 2022 OM&A expenditures exceeded the approved budget by an additional $760,036 due to significant cost pressures that were not anticipated when the settlement was reached, including higher bad debt expense, increased locate service costs, and additional information technology expenditures, as discussed in Section 4.2.3 below.

4.2.3 2022 Test Year Comparison to 2022 Actuals

London Hydro operated about 5% above its 2022 OEB-approved OM&A budget, reporting an overall unfavourable variance of $2,135,036, as illustrated in Table 4-5 below.

Table 4-5: 2022 Actual to Budget Variances

2022 Actual to Budget Variances				
			Variance	
Nature of expenditure	2022 Actual	2022 OEB Approved	2022 Actual to 2022 Test Year	
	$	$	$	%
Bad debts	1,604,121	900,000	(704,121)	-78%
Locate services	1,249,896	1,125,700	(124,196)	-11%
Operations and maintenance	14,222,253	13,931,500	(290,753)	-2%
Customer services and collections	3,312,564	4,217,800	905,236	21%
Information technology support	5,853,962	5,370,600	(483,362)	-9%
Other	16,939,639	16,876,800	(62,839)	0%
	43,182,436	42,422,400	(760,036)	-2%
2022 Settlement adjustment	-	(1,375,000)	(1,375,000)	100%
	43,182,436	**41,047,400**	**(2,135,036)**	**-5%**

The approved budget was developed during a period of significant uncertainty associated with the COVID-19 pandemic and was subsequently reduced through a negotiated settlement. As a result, actual 2022 expenditures reflect several operational and economic developments that could not reasonably have been anticipated when the budget was prepared. The more significant variances are summarized below.

- ↑ Bad debt expenditures exceeded the budget in 2022 due primarily to the financial impacts of the COVID-19 pandemic. Many customers experienced difficulty paying their utility bills as a result of employment disruptions, including reduced hours and business closures. In addition, electricity consumption increased for many households as customers spent more time at home while isolating, working remotely, or coping with job loss. The broader economic effects of the pandemic—particularly rising inflation and higher interest rates—further contributed to financial strain, especially for customers on low or fixed incomes. Collectively, these factors led to a higher number of delinquent accounts.

- ↑ Locate services were unfavorable to budget in 2022 due to increased third-party contractor costs. London Hydro relies on external contractors to perform all locate services, given the seasonal variability of demand and the specialized expertise required. The higher-than-budgeted costs were driven by increases in service scope, demand, and market pricing for contracted locate services.

- ↑ The Operations and Maintenance program experienced higher than anticipated OM&A expenditures in 2022 due to ongoing impacts of the COVID-19 pandemic. For example, training programs that had been deferred during the pandemic resumed in 2022, resulting in above-normal training time. In addition, precautionary COVID-related isolations continued into 2022 to protect the health and safety of employees and the public. Collectively, these factors reduced the amount of labour available for capital projects and increased the proportion of time charged to OM&A.

- ↓ The Customer Services and Collections department reported favorable variances in both labour expenditures and contractor services during 2022. Labour costs came in below budget, primarily due to extended employee absences, including sick leaves and four instances of maternity/paternity leaves. Additionally, the Company postponed hiring many positions—either caused from retirements or new budgeted positions—contributing to lower than expected labour and benefit expenses. Contractor service costs were also under budget, particularly in relation to credit card processing fees for Mastercard and Visa transactions. As credit card acceptance was a newly introduced initiative, the original budget assumed a higher rate of customer adoption than what was ultimately realized, resulting in reduced processing fees.

- OM&A expenditures were higher than expected in the Information Technology program in connection with labour costs and contractor services primarily due to the SAP CIS Refresh project. This sizable project began in 2022 and several activities were appropriately expensed to OM&A in accordance with IFRS standards. These activities include project undertakings such as issuing the request for proposal, vendor sourcing, architecture review and documenting business processes.

The 2022 actual results demonstrate that London Hydro's operating environment evolved considerably beyond the assumptions reflected in the approved OM&A budget. Many of the cost pressures experienced in 2022—including inflation, contractor pricing, cybersecurity requirements, customer affordability challenges, and increasing asset management needs—have continued or intensified in subsequent years and form part of the basis for the Company's proposed 2027 OM&A budget.

4.2.4 OM&A Cost per Customer and FTE

OEB prescribed Appendix item 2-L OM&A Cost per Customer and FTE illustrated in Table 4-6 below summarizes London Hydro's historical, Bridge and Test year OM&A expenditures (including Cloud Services) expressed on a per customer and per full-time equivalent employees ("FTE") basis.

Table 4-6: OM&A Cost per Customer and FTE (OEB Appendix 2-L)[1]

OM&A Cost per Customer and FTE (OEB Appendix 2-L)							
	2022 OEB Approved	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge Year	2027 Proposed Test Year
# of customers (average)	164,835	165,094	166,565	167,726	168,705	170,130	171,569
OM&A Costs							
O&M	20,154,943	21,715,469	21,238,647	20,859,605	23,097,681	25,003,370	27,927,077
Admin Expenses	22,638,857	23,603,251	24,974,401	28,532,451	32,666,806	36,676,243	39,142,823
Total Recoverable OM&A	42,793,800	45,318,720	46,213,047	49,392,056	55,764,487	61,679,613	67,069,900
OM&A cost per customer							
O&M cost per customer	122	132	128	124	137	147	163
Admin per customer	137	143	150	170	194	216	228
Total OM&A per customer	**260**	**275**	**277**	**294**	**331**	**363**	**391**
Number of FTEs	320	296	301	297	315	350	340
Customers per FTEs	**516**	**558**	**553**	**565**	**535**	**487**	**505**
OM&A cost per FTE							
O&M per FTE	63,043	73,372	70,521	70,291	73,308	71,520	82,235
Admin per FTE	70,813	79,750	82,925	96,146	103,679	104,909	115,262
Total OM&A per FTE	133,856	153,122	153,446	166,436	176,987	176,429	197,497

[1] The 2022 OEB Approved FTE count of 320 reflects the number of FTEs applied for in London Hydro's original Cost of Service Rate Application and does not reflect the settlement adjustment.

Total OM&A per customer

OM&A cost per customer for the proposed 2027 Test Year has increased from $275 in 2022 to $391 resulting in a CAGR of 7.3%. As outlined throughout this Application, London Hydro continues to face significant cost pressures driven by inflationary impacts, evolving regulatory requirements, asset renewal, grid modernization, more frequent and severe weather events, heightened cyber security obligations, and ongoing challenges related to workforce availability. Despite these pressures, the Company remains committed to prudent financial management and continuous improvement. London Hydro continues to prioritize cost efficiency while ensuring that customers receive safe, reliable, and economically sustainable service.

Impact of high-rise growth on London Hydro's Cost per Customer

London Hydro's cost per customer metric is increasingly influenced by the nature of population growth occurring within the City of London, including growth through high-rise and multi-residential development. Historically, from 2017 to 2021, London Hydro's customer base grew by approximately 1.1% annually. More recently, from 2021 to 2025, annual customer growth slowed to approximately 0.8%. At the same time, population growth has significantly outpaced growth in customer accounts. Between 2021 and 2025, London Hydro's customer base increased by approximately 3.4%, while the population of the City of London increased by approximately 12%.[1]

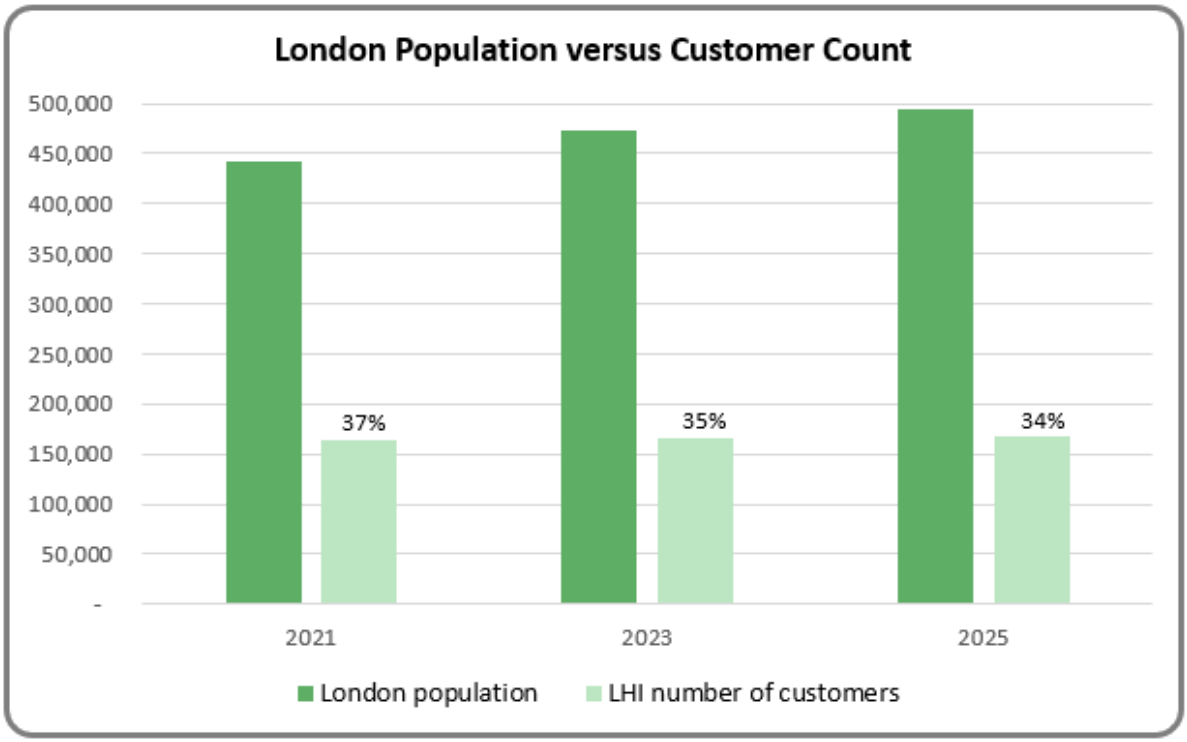
London continues to be one of Ontario's fastest-growing cities, with population growth driven in large part by international immigration and housing affordability pressures in the Greater Toronto Area. However, this significant population growth is not proportionately reflected in London Hydro's customer count, due in part to the increasing concentration of growth in high-rise and multi-residential developments, including condominiums and apartment towers. These developments can accommodate significant population growth without generating a corresponding increase in separately metered customer accounts. As a result, customer growth alone does not fully reflect the growth and increasing complexity of the distribution system required to serve the City's expanding population.

[1] Source: Statistics Canada, Table 17-10-0155-01, *Population estimates, July 1, by census subdivision, 2021 boundaries*. London (CY), Ontario.

As London intensifies, London Hydro must build and upgrade substantial distribution infrastructure — including underground feeders, pad-mounted transformers, network systems, and grid automation — to support increased load density, reliability, and the unique needs of vertical communities (elevators, life-safety systems, EV charging, etc.). Yet each new high-rise typically contributes only a limited number of additional customer accounts, unlike traditional low-rise neighbourhood developments.

This mismatch results in higher infrastructure and operational cost per customer, while requiring careful long-term planning to maintain strong reliability for a rapidly growing, vertical community. A comparison of London's population growth to London Hydro's increase in customer base is provided in Chart 4-1 below:

Chart 4-1: London Population Growth vs London Hydro Customer Count



High-rise districts require larger transformers, extensive underground feeders, and more complex protection and maintenance systems. As London continues to intensify vertically, traditional comparisons such as operating cost per customer no longer reflect the infrastructure necessary to serve the population.

Customers per FTE

The number of full-time-employees ("FTEs") has increased from 296 in 2022 to 340 for the proposed 2027 Test Year, resulting in a decrease in Customers per FTE of 53 or 9.5%. As outlined throughout this Exhibit, London Hydro experienced significant workforce challenges between 2022 and 2024. These challenges have been driven by employee retirements, the lingering impacts of the COVID-19 pandemic, and increased turnover resulting from a highly competitive labour market. At the same time, the Company has faced evolving operational demands, increasing regulatory requirements, and the need to maintain critical organizational knowledge and capabilities.

In response, London Hydro has strategically added positions across the organization to ensure it can continue to safely, reliably, and efficiently meet its service obligations, support customer expectations, and comply with regulatory requirements. The new and restructured roles support critical functions, including:

- **Strengthened governance and risk management** — enhancing internal controls, oversight, and enterprise-wide risk mitigation
- **Regulatory compliance** — ensuring adherence to increasingly complex and evolving industry rules and reporting requirements
- **Grid modernization** — supporting the transition to smart grid technologies, distributed energy resources, and future energy needs
- **Workforce development and retention** — strengthening London Hydro's ability to attract, train, and retain skilled employees, particularly in specialized trades and technical areas required for electrification and grid modernization
- **Enhanced oversight** — reducing employee-to-supervisor ratios to enhance oversight, guidance, and operational support across increasingly complex business functions
- **Customer service excellence** — maintaining customer confidence through improved responsiveness, communication and overall customer experience

- **Cybersecurity and technology operations** — protecting critical infrastructure and data as digitalization and cyber threats continue to accelerate
- **System reliability and asset renewal** — addressing an aging infrastructure, supporting grid resiliency efforts, and accommodating ongoing customer and city growth

These investments in people are essential to sustaining reliable service, meeting increasing regulatory and customer expectations, adapting to rapid industry change, and supporting the growing electricity needs of the City of London.

London Hydro's growth in full-time employees is also in response to a substantial increase in capital investments required to renew and expand the distribution system. As capital spending increases, additional workforce capacity is essential to ensure that these investments are planned, executed, and managed responsibly.

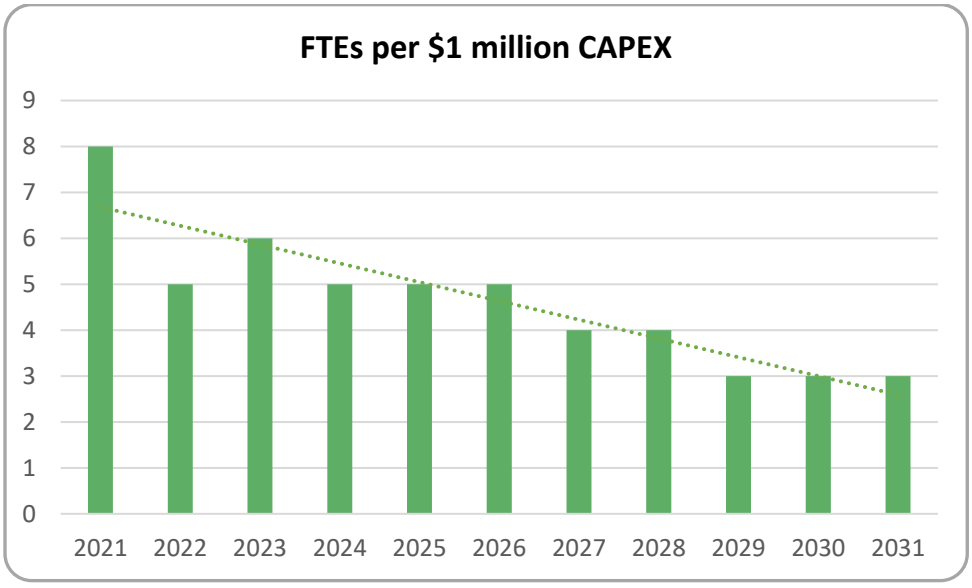
A larger capital program generates expanded work requirements across engineering, operations, maintenance, and corporate governance functions. To support the design and delivery of major system renewal projects, London Hydro has strengthened its engineering team, enabling the Company to manage more complex capital portfolios, meet evolving technical standards, and ensure that project scopes, schedules, and costs are optimized. Additional System Operating Centre resources are required for increases in outage scheduling, switching coordination, field crew dispatch, system restoration management, and continuous reliability oversight throughout construction activities. Increased capital investments also drive higher levels of asset documentation, testing, and ongoing preventive maintenance, all of which depend on adequate technical staffing.

Beyond field and engineering requirements, a larger capital program introduces greater organizational obligations related to risk management, regulatory compliance, project controls, procurement, and financial oversight. London Hydro has therefore added resources in areas such as corporate governance and risk management to ensure that the expanded capital plan is managed with transparency, accountability, and adherence to all regulatory and safety obligations. These roles are critical to safeguarding customer interests by ensuring that capital spending is well-justified, efficiently executed, and aligned with long-term system needs.

Overall, the increase in employees over the rate period reflects the workforce capacity necessary to safely and effectively deliver a capital program that is growing in both size and complexity. These additions ensure London Hydro can maintain reliability, meet regulatory expectations, and support the City's future growth.

Chart 4-2 below illustrates the relationship between London Hydro's FTE levels and its capital investment program by presenting the number of FTEs per $1 million of Capex. While capital spending is forecast to increase significantly over the planning period — driven by system renewal, growth, and grid modernization — the number of employees supporting this work is not increasing at the same pace. As shown in the chart below, FTEs per $1 million of Capex are declining, demonstrating that London Hydro is managing substantial growth in capital activity with proportionally fewer staff resources. This trend reflects the Company's commitment to efficient workforce utilization, targeted staffing additions, and prudent cost management while ensuring continued delivery of safe, reliable, and responsive service for customers.

Chart 4-2: FTEs per $1 million CAPEX



4.2.5 2022 Actual to 2027 Test Year Comparison

OM&A expenditures for the proposed 2027 Test Year as displayed in Table 4-7: Total OM&A Expenditures by Program set out in the table below have increased $19,970,664 in comparison to 2022 Actual results providing for a CAGR of 7.9%.

Table 4-7: Program Delivery Costs - 2022 Actual Comparison to 2027 Test

Program Delivery Costs (excluding Cloud services)				
			Total Change	
Program	2022 Actual	2027 Proposed Test Year	2022 Actual to 2027 Test	
	$	$	$	CAGR
Asset management	4,769,748	6,595,700	1,825,952	6.7%
Operations and maintenance	14,222,253	18,016,400	3,794,147	4.8%
Information technology	5,853,962	9,117,100	3,263,138	9.3%
Customer service and collections	4,916,686	7,486,700	2,570,014	8.8%
Corporate communications	1,248,215	2,688,000	1,439,785	16.6%
Human resources, health and safety	1,864,239	3,435,000	1,570,761	13.0%
Facilities and environmental services	3,088,159	4,307,900	1,219,741	6.9%
Corporate services	5,474,451	9,839,900	4,365,449	12.4%
Locate services	1,249,896	1,581,400	331,504	4.8%
Capital materials supply management	494,828	85,000	(409,828)	-29.7%
Total $	**43,182,436**	**63,153,100**	**19,970,664**	**7.9%**

The annual change in OM&A expenditures from 2022 actuals to the proposed 2027 Test Year is summarized in Table 4-8 below:

Table 4-8: Program Delivery Costs - 2022 Actual to 2027 Test Annual Change

Program Delivery Costs (excluding Cloud services)							
	Annual Change					Total Change	
Program	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2027 Test	
	$	$	$	$	$	$	CAGR
Asset management	212,478	(260,430)	415,891	744,413	713,600	1,825,952	6.7%
Operations and maintenance	67,468	519,984	1,775,787	866,708	564,200	3,794,147	4.8%
Information technology	(49,501)	823,989	1,832,529	712,021	(55,900)	3,263,138	9.3%
Customer service and collections	(183,085)	985,302	1,025,764	876,234	(134,200)	2,570,014	8.8%
Corporate communications	74,426	514,179	224,706	492,975	133,500	1,439,785	16.6%
Human resources, health and safety	183,718	437,645	521,059	111,039	317,300	1,570,761	13.0%
Facilities and environmental services	189,902	237,430	378,792	163,017	250,600	1,219,741	6.9%
Corporate services	477,535	679,968	440,796	1,605,350	1,161,800	4,365,449	12.4%
Locate services	712,487	(578,430)	(213,583)	364,130	46,900	331,504	4.8%
Capital materials supply management	57,603	(477,431)	5,000	5,000	-	(409,828)	-29.7%
Total $	**1,743,030**	**2,882,207**	**6,406,742**	**5,940,886**	**2,997,800**	**19,970,664**	**7.9%**
Annual % change	4%	6%	13%	11%	5%		

Please note Table 4-8 above, along with other tables presented throughout this Exhibit, incorporates deferred amounts associated with LEAP, locates, and cloud configuration and implementation in order to facilitate comparability.

Cost increases resulting in the CAGR of 7.9% can be categorized into two factors:

- **Price increases** (including customer growth): these are general price increases not specific to factors experienced by London Hydro
- **Cost drivers**: these are industry specific and London Hydro specific drivers identified to facilitate an understand of cost pressures faced by the Company

4.2.5.1 Price Increases

The price increases identified in this section are pressures felt broadly in the Ontario economy and are not specific to the electricity industry or London Hydro. For example, the labour statistics discussed in the first section are labour increases across a broad array of industries. Likewise, the non-labour price increases represent an inflation rate that falls short of the inflation rate experienced by London Hydro (for example, materials and supplies as shown in Exhibit 1, Section 1.11, Table 1-63). Finally, the impact of customer growth on costs is estimated based on empirical research relied upon by the OEB for the electricity industry but, again, not specific to London Hydro. The goal of this analysis is to normalize costs by removing known cost pressures, so that the remaining cost drivers identified in the section that follows can address changes in the cost of activities, services and programs delivered by London Hydro.

Labour

The Statistics Canada Ontario Average Weekly Earnings including Overtime for All Employees ("AWE") has been increasing between 3.2% and 5.0% per year or a CAGR of 3.7%. The cumulative AWE increase in connection with labour expenditures is calculated to be 19.7% when compared to 2022 as illustrated in Table 4-9 below:

Table 4-9: Average Weekly Earnings for Ontario

Average Weekly Earnings (AWE) Ontario		
Year	**Amount**	**%**
2022	$ 100.00	
2023	$ 103.25	3.2%
2024	$ 108.38	5.0%
2025	$ 112.25	3.6%
2026 (estimate)	$ 115.61	3.0%
2027 (estimate)	$ 119.66	3.5%
CAGR		**3.7%**
Overall change 2022-2027		19.7%

Non Labour

The Consumer Price Index for Ontario ("CPI") has been increasing between 2.1% and 3.8% per year or a CAGR of 2.6%. Increasing prices in Ontario have an impact on London Hydro's costs related to non-labour items such as contractor and professional services, technology and communications, and materials and supplies. The cumulative CPI increase in connection with non-labour expenditures is calculated to be 13.6% when compared to 2022 as listed in Table 4-10 below. Estimated CPI increases for the 2026 Bridge Year and proposed 2027 Test Year are based on the Bank of Montreal Provincial Economic Outlook for Ontario issued in January 2026.

Table 4-10: Consumer Price Index for Ontario

Consumer Price Index for Ontario			
Year		**Amount**	**%**
2022	$	100.00	
2023	$	103.80	3.8%
2024	$	106.29	2.4%
2025	$	108.52	2.1%
2026 (estimate)	$	111.13	2.4%
2027 (estimate)	$	113.57	2.2%
CAGR			**2.6%**
Overall change 2022-2027			13.6%

Weighting Labour and Non-Labour Price Increases

The majority of London Hydro's OM&A expenditures are labour-related, representing approximately 60% of total costs and reflecting the workforce required to operate and maintain the distribution system in the City of London. The remaining 40% consists of non-labour expenditures. When this split between spending is applied against increasing labour costs and non-labour expenditures, costs equate to a cumulative increase of 17.2% in comparison to 2022 or a 3.2% CAGR as summarized in Table 4-11 below:

Table 4-11: Weighted Inflationary Pressures

Impact of Inflation, Labour / Non Labour Weighting					
	Cumulative Inflation / Wage esc.	CAGR	Weight	Weighted Inflation / Wage esc.	Weighted CAGR
Labour	19.7%	3.7%	60.0%	11.8%	2.2%
Non labour	13.6%	2.6%	40.0%	5.4%	1.0%
				17.2%	**3.2%**

Customer Growth

The proposed 2027 Test Year projects customer levels to increase by 6,475 compared to actual figures in 2022, representing an average annual growth rate of 0.77% and a cumulative increase of 3.9%. This growth contributes to higher Operating, Maintenance & Administration (OM&A) costs, particularly those that are variable in nature. At the same time, it benefits existing customers by distributing fixed costs across a broader customer base, thereby improving overall cost efficiency.

While it is challenging to assign a precise dollar value to the impact of customer growth on OM&A expenditures, the estimated effect is over $775,000. This estimate is informed by the *Empirical Research in Support of Incentive Rate-Setting: 2025 Benchmarking Update Report* submitted to the Ontario Energy Board by Pacific Economics Group Research, LLC ("PEG") in August 2025. According to PEG's analysis, for the average utility, a 1% increase in customer count corresponds to a 0.44% increase in total costs. While PEG's analysis relates to total costs rather than OM&A expenditures specifically, London Hydro has applied this relationship as a reasonable proxy to estimate the impact of customer growth on OM&A expenditures. Applying this benchmark to London Hydro's projected growth yields an estimated OM&A cost impact factor of 0.34% (0.44% × 0.77% average annual growth rate). The calculated impact of inflation, labour and benefits increases, and customer growth is provided in Table 4-12 below.

Table 4-12: Impact of Inflation, Labour and Benefits and Customer Growth

Impact of Inflation + Customer Growth Factor	
	CAGR
Inflationary pressures	3.2%
Customer growth	0.3%
	3.5%

4.2.5.2 Cost Drivers

Cost influencers are defined as specific events or circumstances that have an impact on operating costs. They are the reasons "why" costs have changed and are critical in the understanding of London Hydro's future operating requirements. The major cost influencers affecting London Hydro's operating expense include,

- Regulatory complexity
- Standards compliance
- Aging infrastructure
- Weather events / infrastructure resilience
- Infrastructure upgrades to accommodate growth
- Rapid change in technologies
- Customers' increased use of technology
- Cyber security
- Risk management
- Broadening customer expectations
- Increased need for communications
- Smart Meter data reporting and enhancements
- Bad debts
- Succession planning
- Skilled resources demand and supply
- Economic impacts
- Environmental commitments
- Health and safety commitments
- Service contract negotiations
- Commodity price increases

Cost drivers refer to changes in the cost of activities, services, or programs that influence expenditures such as labour and contractor services. They also include the impact of new initiatives, such as low-income energy assistance programs and employee development. The cumulative impact of these factors is estimated at $9,887,476 over the five-year period from 2022 to the 2027 Test Year, as summarized in Table 4-13 below:

Table 4-13: Summary of Price Increases and Cost Drivers

Summary of Price Increases and Cost Drivers	Amount
2022 Actuals	43,182,436
Price Increases	
Inflation, wage escalations and customer growth	10,083,188
	53,265,624
Cost Drivers (above inflation, wage escalations and customer growth)	
Labour and benefits	6,270,937
Contractor and professional services	1,914,111
Employee development and expenses	696,831
Computer software and hardware	643,267
Low-Income Energy Assistance Program	492,847
OEB fees and rate-filing costs	479,607
Bad debts	301,207
Insurance	257,006
Reduction in cost recoveries	213,350
Corporate membership dues	84,083
Property taxes	77,143
Other	163,058
Change in overhead burdens	(1,705,971)
	9,887,476
	63,153,100

From a company-wide perspective, OM&A expenditures have risen at a CAGR rate of 7.9%, excluding the impact of cloud services. This growth rate highlights the mounting cost pressures affecting the electricity sector. Despite upward pressures on OM&A, London Hydro remains committed to managing operating costs prudently, ensuring customers receive reliable and affordable electricity service.

Unidentifiable Cost Drivers

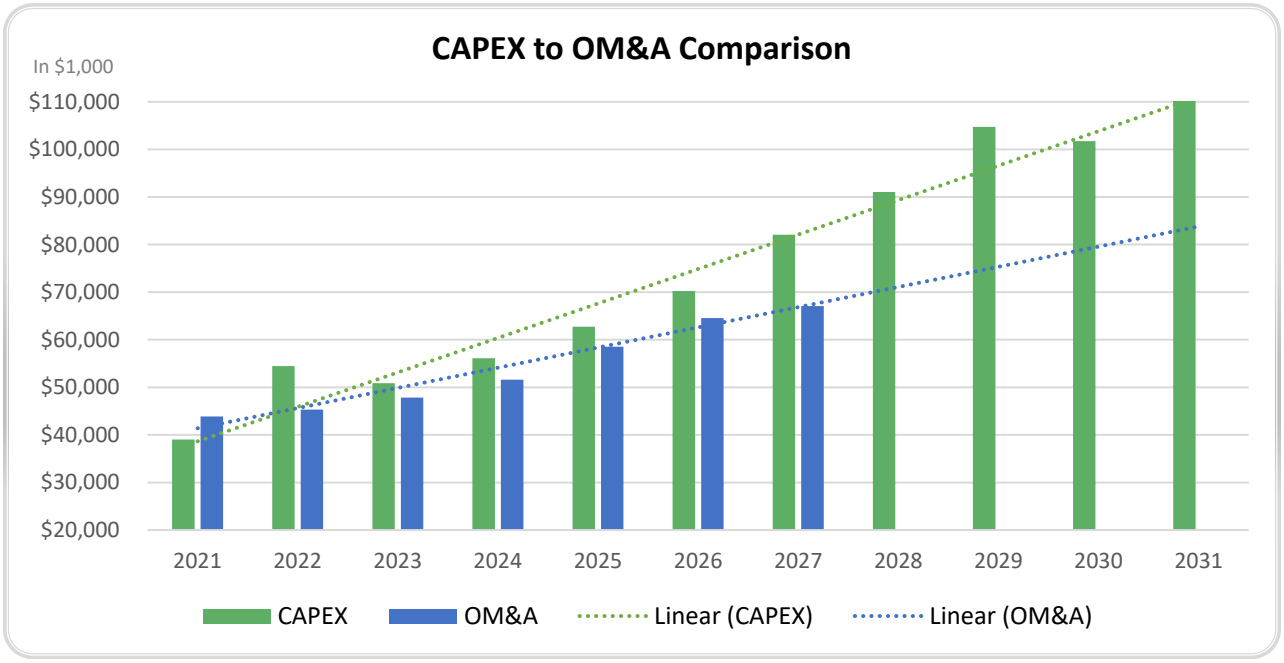
Prices in Ontario have been significantly influenced by the COVID-19 pandemic and global events such as the war in Ukraine. Inflation experienced during recovery from the outbreak due to demand and supply imbalances has had a marked impact on London Hydro's costs, related to non-labour items such as contractor and professional services, technology and communications and materials and supplies.

Although London Hydro has sought to isolate the impact of inflation in order to present a clearer view of underlying cost drivers (as reflected in the 3.2% CAGR shown in Table 4-11), the actual inflationary pressures experienced by London Hydro and other LDCs are much higher.

For instance, the unit cost charged by third-party contractors to inspect a pole has risen at a CAGR of approximately 19%, far above the 3.2% proxy. Similarly, postage costs have increased at a CAGR of 8%, OEB cost assessment fees 12% and the cost of a Radial Boom Derrick vehicle 14%. Comparable upward trends are also being seen in insurance, property taxes, third-party contractors and across many material and software vendors. See Exhibit 1, Section 1.11, COVID Impacts and Inflationary Pressures.

In addition, capital spending indirectly contributes to higher OM&A costs. While there is no precise measure of this relationship, increased capital investment typically drives associated OM&A requirements. A comparison of capital expenditures to OM&A is provided in Chart 4-3 below to illustrate trends from 2021 through to the 2026 Bridge and 2027 Test Year forecasts.

Chart 4-3: CAPEX to OM&A Comparison



While London Hydro applied the 3.5% CAGR inflationary factor from Table 4-12 to Table 4-13, Section 1.11 of Exhibit 1 (*COVID-19 Impacts and Inflationary Pressures*) cites Statistics Canada data demonstrating that Power and Distribution Transformer prices escalated by 58% (a 9.58% CAGR) between January 2020 and December 2025. Consequently, the general inflation factor used in Table 4-13 fails to reflect the material cost pressures faced by London Hydro and other utilities. Applying an unrepresentative macro-level inflation rate artificially dampens the projected impact of inflation, thereby overstating the relative magnitude of non-inflationary cost drivers in Table 4-13.

Labour and benefits

Since London Hydro's 2022 Cost of Service Application, the Company has undergone major workforce changes driven by retirements, pandemic impacts, and inflation-related turnover. The loss of experienced staff and strong competition for skilled workers have intensified recruitment and retention challenges.

To address this, London Hydro has adjusted wages to position the Company competitively in the labour market. New positions have been added to strengthen governance, risk management, and technology operations. Leadership capacity has been expanded with roles focused on regulatory compliance, grid modernization, and cybersecurity. Additional engineering resources have also been added to support a growing volume of capital projects driven by infrastructure renewal requirements, municipal growth and development, and increasing system capacity needs. In addition, Human Resources staffing has been enhanced to ensure the department has the capacity and specialized expertise necessary to support the Company's strategic vision and workforce planning initiatives, including talent attraction, succession planning, employee development, and organizational sustainability.

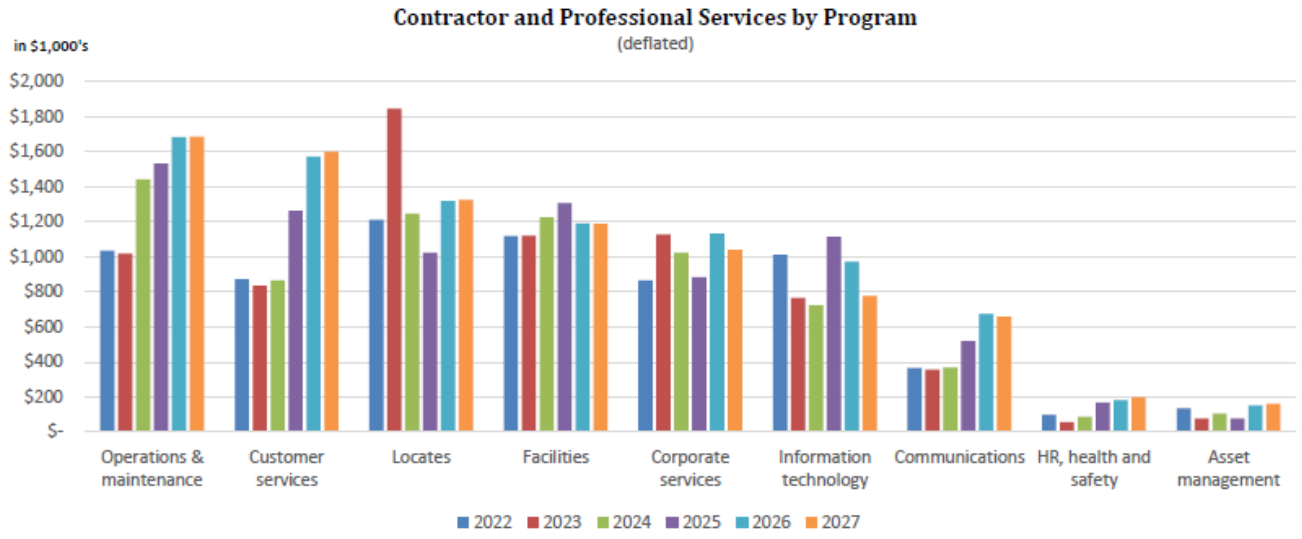
The Company also emphasizes internal development and knowledge transfer to mitigate retirements and build future expertise, recognizing that training skilled employees can take several years. These strategic investments in people are essential to sustain reliability, adapt to industry change, and support growing electricity demand.

Further details can be found in this Exhibit under Workforce Planning and Employee Compensation, Section 4.3.

Contractor and professional services

Contractor and professional services support a wide range of London Hydro operations, including system maintenance, inspections, engineering, customer service, legal, consulting, and administrative functions. Contractor use fluctuates annually based on workload, weather events, and the need for specialized expertise. While London Hydro prioritizes internal resources, capital project demands often require external support for OM&A activities. Since the 2022 Cost of Service Rate Application, costs have risen due to inflation, supply chain challenges, and workforce shortages affecting third-party providers. Contractor and professional services from 2022 actuals to the Proposed 2027 Test Year by program are illustrated in Chart 4-4 below:

Chart 4-4: Contractor and Professional Services by Program



Further details can be found under the London Hydro Programs, Section 4.4 of this Exhibit with specific item links for larger items provided below:

Infrastructure Maintenance and System Resilience

Program	Cost Driver	Page
Operations and Maintenance	Underground cable maintenance	179
	Overhead line services	181
	Tree trimming	182
	Substation maintenance	188

Customer Focus, Industry Branding and Community Relations

Program	Cost Driver	Page
Customer Services and Collections	Call overflows	216
	Credit card fees	217
	Collection fees	218
Corporate Communications	Advertising fees	231
	Consulting	232
Locate Services	Contractor services	281

Operational Effectiveness and Strategic Focus

Program	Cost Driver	Page
Human Resources and Health and Safety	Consulting and contractor services	255
Facilities	Snow removal	260
Corporate Services	Consulting and contractor services	275
	Board of Director services	276

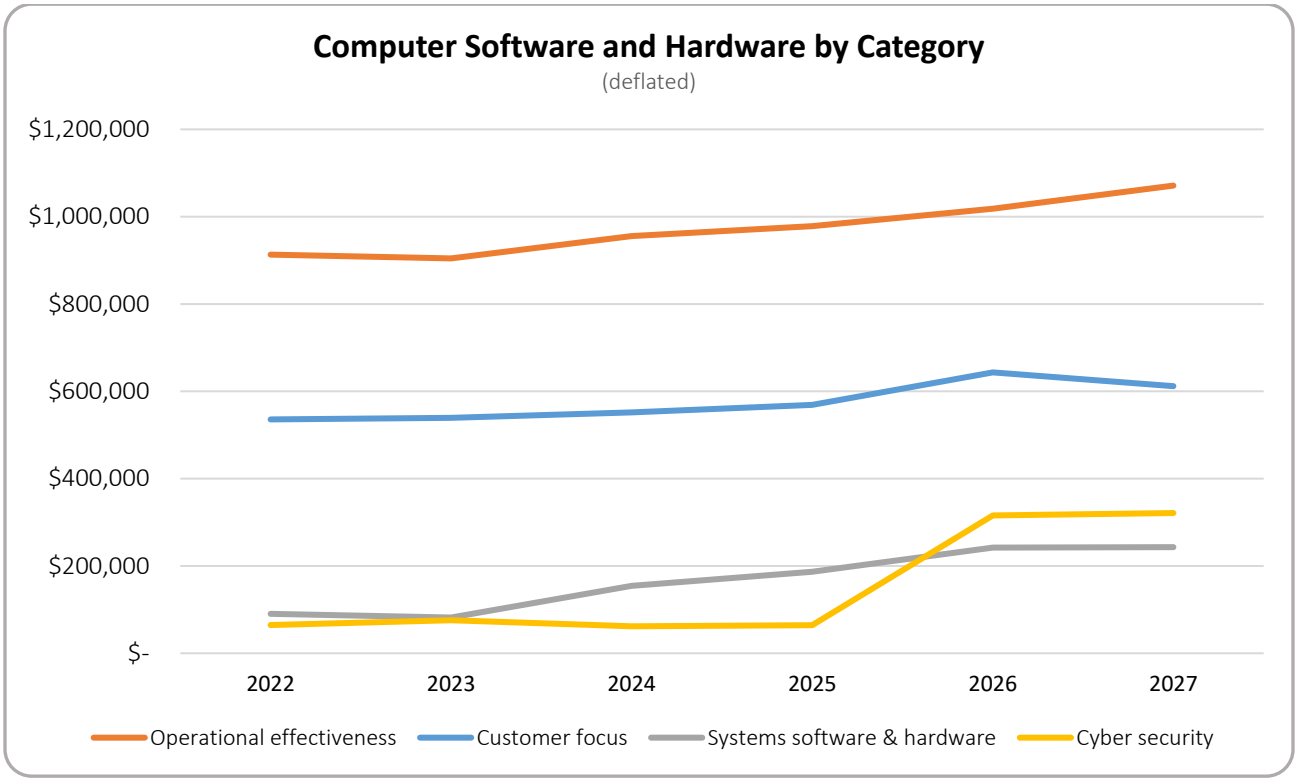
Computer software and hardware

Computer software and hardware costs pertain to on premise solutions and numerous applications and hardware maintenance supporting critical systems such as

- Customer Information System (“CIS”)
- Outage Management System (“OMS”)
- Geographic Information System (“GIS”)
- Supervisory Control and Data Acquisition (“SCADA”)
- Meter data management
- Data exchange platform for SAP
- J. D. Edwards financial ERP
- Accounts payable automation
- Oracle BI Publisher
- Hubble Insight financial reporting
- Document management
- Network servers licensing maintenance
- Web servers
- Cloud integration platforms
- Virtualization applications
- Operational contact centre
- Microsoft servers and workstations
- End-point security
- Event monitoring and management
- Blade centre, core and edge switch hardware maintenance
- Firewalls, digital certificates and other cyber security tools

Cost increases across the more than 40 items in this category are largely driven by broad vendor price escalations. Vendors are adjusting pricing structures to address rising costs, inflationary pressures, workforce challenges, and investments in Artificial Intelligence (“AI”). Software costs are also typically increasing as many vendors shift toward subscription-based models, phase out outdated technologies, and make compatibility updates to ensure older versions remain functional and secure. Chart 4-5 provides computer software and hardware by category from 2022 actuals to the Proposed 2027 Test Year.

Chart 4-5: Computer Software and Hardware by Category



Computer software and hardware spending includes the following categories:

- **Operational effectiveness** — encompasses systems such as OMS, GIS, SCADA, Document management, the JDE ERP System, HRIS, Microsoft platforms, and AP automation tools that enhance operational efficiency and corporate processes
- **Customer focus** — includes the SAP CIS Customer Information System, customer-facing web services, and related tools that support customer engagement and self-service capabilities
- **Systems software and hardware** — covers core infrastructure investments, including disaster recovery solutions, virtualization software, servers, switches, and telephony systems
- **Cyber security** — includes managed security services, firewalls, and related protective technologies required to maintain a secure operating environment

Further detail on these spending areas is provided under London Hydro Programs, Section 4.4 of this Exhibit. Detailed explanations for the majority of the cost increases are provided under the Information Technology Program (page 201), Operation and Maintenance Program (page 190), and Asset Management Program (page 152).

Bad debts

Bad debt expenses have risen due to the lingering impact of the COVID-19 pandemic, inflation, higher interest rates and rising unemployment, which have strained household finances. Disconnection moratoriums have further increased arrears, particularly in London's large student population, where many accounts are abandoned each spring. With fewer consequences for non-payment, customers often prioritize essentials like food over utility bills. Bad debt levels are also affected by power costs, global adjustments, and regulatory directives. Although London Hydro does not profit from energy charges, the Company is still responsible for bad debts for the entire energy bill.

London Hydro actively works with customers that have overdue balances through outreach, repayment plans, and support programs. The Company contributes annually to the Low-Income Energy Assistance Program ("LEAP") to help customers in financial distress, reducing future bad debt.

Further details can be found under the Customer Services and Collections Program on page 221.

Employee development and expenses

The electricity sector is facing significant resource challenges. According to *Electricity in Demand: Labour Market Insights 2023–2028* by Electricity Human Resources Canada[1], approximately 28,000 new employees—representing about 25% of the current Canadian electricity workforce—will be required by 2028. This growing demand is attributed to retirements, electrification initiatives, rapid technological advancement, aging infrastructure, and the extensive training periods required for many specialized roles. In response, London Hydro has undertaken targeted and prudent investments in its workforce to ensure operational excellence, uphold regulatory compliance, and develop the next generation of skilled professionals capable of meeting the industry's evolving needs. London Hydro

[1] Electricity Human Resources Canada, *"Electricity in Demand: Labour Market Insights 2023-2028"* https://ehrc.ca/labour-market-intelligence/electricity-in-demand-labour-market-insights-2023-2028/

recognizes there will be continued resource challenges for all utilities so developing internal resources may be the only viable approach.

Further details can be found under the London Hydro Programs, Section 4.4 of this Exhibit and the Workforce Planning and Employee Compensation, Section 4.3.

Low-income Energy Assistance Program

The Low-Income Energy Assistance Program ("LEAP") provides one-time grants to help low-income customers pay their electricity bills during emergencies. London Hydro's 2022 Cost of Service Rate Application forecasted LEAP contributions of $200,000. Since then, program changes have expanded eligibility by lowering income thresholds and increasing the maximum grant amount. To ensure all eligible applicants receive assistance, London Hydro has increased its annual contribution to $800,000.

Further details can be found under the Corporate Communications Program starting on page 233 as well the Additional Details on OM&A Expenses Section 4.6.4.

Ontario Energy Board fees and COS Application Costs

Ontario Energy Board cost assessment fees under Ontario Regulation 16/08 have risen sharply since 2022, with a compound annual growth rate of 9%. The OEB's 2025–2028 Business Plan projects expenses 22.6% higher in 2025/2026 and up to 33.6% higher by 2027/2028, reflecting greater workload complexity and staff expansions. London Hydro's 2027 Test Year forecast aligns with these projected increases.

Costs associated with filing the LDC's Cost of Service Rate Application have risen, driven by forecasted increases in legal, consulting, and intervenor fees. Additionally, the Proposed 2027 Test Year includes pro-rated amounts for services related to the cost allocation study for Green Button Services. This specific work was mandated by the full settlement of the 2022 Cost of Service Rate Application (EB-2021-0041, Section 5.4).

OEB fees and Cost of Service Rate Application costs from 2022 actuals to the Proposed 2027 Year are provided in Table 4-14 below:

Table 4-14: OEB fees and COS Application Costs

OEB FEES AND COS APPLICATIONS COSTS (deflated)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test	2022 Actuals to 2027 Test	CAGR
	$	$	$	$	$	$	$	%
Ontario Energy Board fees	746,508	791,157	895,255	949,666	1,088,210	1,125,876	379,367	9%
COS application costs	34,260	32,882	32,015	31,278	30,470	134,499	100,239	31%
	780,768	824,039	927,270	980,944	1,118,680	1,260,375	479,607	10%

Further details can be found under the Corporate Services Program starting on page 279 and as well the Additional Details on OM&A Expenses Section 4.6.3.

Insurance

London Hydro maintains comprehensive insurance—including property, liability, Directors & Officers, crime, privacy, and cyber coverage—to manage risks prudently. Rising premiums reflect inflation, severe weather, and increased cyber threats, with property premiums up 132% and cyber premiums up 34% since 2022. The Company mitigates risk through annual coverage reviews and evolving cyber security measures.

Further information can be found under the Corporate Services Program (page 276), Information Technology Program (page 205), Fleet Services Program (page 291), and Facilities Services Program (page 259).

Cost recoveries

This line item primarily reflects cost recoveries from third-party electric meter sealing services and water billing services provided to the City of London. The change between the 2022 and 2027 Test Years is largely driven by the renewal of the Service Level Agreement (“SLA”) with the City, which covers the period from January 1, 2025, to December 31, 2027. The renewed SLA is valued at $4,495,621, representing an increase of $497,621 over the prior agreement.

Although this increase may appear to be marginal, the lower inflation embedded in the SLA illustrates savings realized through customer self-service capabilities available on MyLondonHydro and the continued evolution of drive-by water meter reading services. Further, London Hydro keeps all of the water late payment charges generated from overdue accounts while being kept whole by the City from bad debts. The increase in late payment charges provides an additional revenue offset in addition to the SLA.

A full description of services provided to the City of London in the Section 4.6.1 entitled "*Shared Services and Corporate Cost Allocation"* on page 303 of this Exhibit. Further details regarding electric metering services can be found under the Operations and Maintenance Program starting on page 191.

Corporate membership dues

The proposed 2027 Test Year budget reflects higher corporate membership fees due to new affiliations with the Ontario Energy Association, Energy Storage Canada, and GridSmartCity, along with expanded participation in the Centre for Energy Advancement through Technological Innovation. London Hydro also maintains memberships in key organizations such as the Electricity Distributors Association, Electrical Safety Authority, Green Button Alliance, Canadian Electricity Association, Canadian Urban Transit Research, and the London Home Builders' Association. These memberships provide valuable access to industry knowledge, networking, and regulatory insight, enabling London Hydro to stay informed on emerging trends, contribute to policy development, and help shape the future of Ontario's energy sector.

Further information can be found under the Asset Management Program starting on page 153 and the Corporate Service Program starting on page 277.

Property taxes

Property taxes for London Hydro's 36 existing substations and the planned purchase of a land parcel are paid to the Corporation of the City of London. The new parcel of land is projected to be purchased in July of the 2027 Test Year. This land is designated for the construction of a future transformer station, with construction anticipated to take place between 2027 and 2031.

Property tax details can be found under the Facilities and Environmental Services Program starting on page 260**.** Further details regarding the MTS-1 transformer station can be found in London Hydro's Distribution System Plan under Section 5.4.1.2.

Other

The line item for Other cost drivers outside of the inflation proxy includes pole leasing, postage, technology radio licensing, telephones, copiers, vehicles, employee parking, utilities, materials and supplies, forms and stationery, and facilities repairs and maintenance. Fluctuations in spending are largely due to postage, utilities and timing associated with facilities repairs and maintenance projects.

Further details can be found under the London Hydro Programs, Section 4.4 of this Exhibit.

Change in overhead burdens

As part of the OEB's Activity and Program-Based Benchmarking ("APB") Framework, London Hydro reviewed its performance relative to other Ontario LDCs, including a review of industry overhead capitalization practices. As part of this assessment, London Hydro examined the overhead burden allocation practices of several LDC's and found that all the other LDC's examined capitalized cost associated with their Stores Department, and that most capitalized overhead labour costs associated with engineering and supervision through a burden applied to capital projects.

Practices associated with the capitalization of overhead costs requires judgement inherent in accounting guidelines. For example, IAS 16 Property, Plant and Equipment does indicate that the cost of an item of property, plant and equipment comprises any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, excluding administration and other general overhead costs. However, IAS 16 gives little guidance on how to determine which costs should be viewed as 'directly attributable' and provides no definition of administration and other general overhead costs.

Pursuant to this review, London Hydro improved its recognition of overhead labour costs associated with capital works and modified its Materials Management burden. The impact of both these refinements effective January 1, 2024 is as follows:

Table 4-15: Change in Overheads Impact on OM&A Expenses

OVERHEAD LABOUR AND MATERIALS MANAGEMENT BURDENS IMPACT ON OM&A EXPENDITURES							
Description	2022 OEB Approved	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test Year
	$	$	$	$	$	$	$
Overhead labour	-	-	-	(1,400,000)	(1,441,557)	(1,535,100)	(1,588,800)
Materials Management	-	-	-	(457,792)	(472,650)	(487,475)	(503,876)
	-	-	-	(1,857,792)	(1,914,207)	(2,022,575)	(2,092,676)

No modifications were made to overhead costs relating to employee benefits and employer costs and vehicles as a result of this review.

Modification to Materials Management Overhead Burden

The Materials Management department warehouses inventories and supplies materials used in capital projects, billable services and operating and maintenance activities. Stock is kept on hand so that it is readily available to be used in an efficient and timely manner. Inventories include (for example) poles, cable, wire, reels, concrete products, transformers and other distribution equipment valued at over $20M. Approximately 10% of the value of goods is used in operating, maintenance and billable activities, with the remaining 90% being used in constructing London Hydro's infrastructure.

On transition to IFRS, revisions were made to exclude a large majority of the Materials Management department expenditures from capitalized overhead costs based on the premise that the associated activity was difficult to tie to a specific item of property, plant and equipment and that these costs are considered warehousing in nature. Up until December 31, 2023, only labour costs that were considered directly associated with capital projects were included in burden rates. This included project scheduling, material standards compliance, procurement of stock items as well as labour costs for two stock keepers. All other costs were expensed as OM&A.

As a result of the overheads burden review discussed above, London Hydro reverted to allocating all costs of the Materials Management department, excluding the cost of inventory obsolescence. These costs include expenditures such as labour, waste disposal, supplies, on-premise barcoding software, third-party services for cycle counts and vehicles. Costs tracked under the Materials Management cost centre exclude fixed and variable costs associated with London Hydro's facilities.

This modification was made since costs in the Materials Management department are clearly incremental and necessary for the construction of infrastructure assets. These costs are being considered as initial delivery and handling costs because, for an electricity distribution company, it is necessary to stock these materials and supplies in advance for capital projects. Keeping stock on hand is essential due to varying lead times and to support older technologies installed in the field. In addition, many infrastructure assets are under a run-to-failure strategy where they are deliberately allowed to operate until they break down, at which point they are replaced immediately.

Revised Overhead Labour Burden

London Hydro's capital expenditures are in excess of $60M annually. Employees that are directly involved in specific capital projects charge their time to the given capital project through the Company's time entry system. For example, labour and benefits charges to capital during the 2024 fiscal year were $10M. Cost centres heavily involved with specific capital projects such as Overhead Lines, Underground System and Construction charge more than 60% of their time to specific capital projects.

Although direct hours spent on a specific capital project were tracked through time entry, there was more time involved (that is also direct in nature) that was not being captured and allocated to capital projects. Historically, these labour costs remained in the OM&A expenditures of the Company. These labour costs represent time spent on capital that is incremental but non-project specific; yet necessary to support and/or provide oversight for capital works. Specifically, those functions that relate to many capital projects rather than specific or identified projects making it impractical to capture these costs directly to a specific capital project.

London Hydro revised its practice so that these labour costs associated with capital activities are capitalized through an overhead burden rate effective January 1, 2024. This modification was made where direct capital labour activities have been identified, are incremental in nature and where an established causal link or association has been determined. Applying these criteria helps to ensure that only costs that would have been avoided if London Hydro discontinued the construction of its own assets are eligible for capitalization.

4.2.6 Recoverable OM&A Cost Driver Table - OEB Table 2-JB

OEB prescribed Table 2-JB Recoverable Operations Maintenance & Administration ("OM&A") Cost Driver Table is provided below listing year over year changes in connection with Cost Drivers addressed above.

Table 4-16: Recoverable OM&A Cost Driver Table (OEB Appendix 2-JB)

Recoverable OM&A Cost Driver Table (OEB Appendix 2-JB)							
	2022 Budget to Actual	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actuals to 2027 Test
	$	$	$	$	$	$	$
Opening balance, before cloud services	41,047,400	43,182,436	45,044,041	48,057,215	54,589,320	60,647,699	
Price Increases							
Inflation, wage escalations and customer growth*		1,787,789	2,103,202	2,165,418	2,320,772	2,230,629	**10,607,810**
Cost Drivers							
Labour and benefits	350,719	(329,977)	1,725,839	1,991,716	1,815,506	1,067,854	6,270,937
Contractor and professional services	387,267	493,046	(122,422)	803,037	989,332	(248,883)	1,914,111
Employee development and expenses	(204,852)	89,284	(15,596)	397,918	327,599	(102,374)	696,831
Computer software and hardware	(176,419)	(2,592)	122,253	75,053	420,810	27,744	643,267
Low-Income Energy Assistance Program	-	(8,047)	426,144	(24,676)	72,829	26,596	492,847
OEB fees and COS applications costs	968	43,271	103,231	53,674	137,736	141,695	479,607
Bad debts	704,121	163,986	519,702	450,272	(517,244)	(315,508)	301,207
Insurance	63,722	107,557	(28,370)	76,842	64,267	36,710	257,006
Cost recoveries	(47,858)	(16,766)	(29,647)	3,186	153,003	103,574	213,350
Corporate memberships	(21,596)	1,526	822	56,040	25,812	(116)	84,083
Property taxes	7,314	(19,339)	2,329	3,533	(1,000)	91,620	77,143
Other	(303,351)	(448,133)	(88,343)	480,093	248,958	(29,516)	163,058
Change in overhead burdens	-	-	(1,705,971)	-	-	-	(1,705,971)
	760,036	73,816	909,972	4,366,687	3,737,607	799,394	**9,887,476**
Subtotal	**41,807,436**	**45,044,041**	**48,057,215**	**54,589,320**	**60,647,699**	**63,677,723**	
Intervenor negotiated settlement adjustment	**1,375,000**						
OM&A, before cloud services	**43,182,436**	**45,044,041**	**48,057,215**	**54,589,320**	**60,647,699**	**63,677,723**	**20,495,287**
Cloud services opening balance	1,746,400	2,136,284	2,828,600	3,558,674	3,932,185	3,917,201	
Annual change	389,884	692,316	730,074	373,511	(14,984)	(525,024)	**1,255,893**
Annual cloud services costs	**2,136,284**	**2,828,600**	**3,558,674**	**3,932,185**	**3,917,201**	**3,392,177**	
	45,318,720	**47,872,642**	**51,615,889**	**58,521,505**	**64,564,900**	**67,069,900**	**21,751,180**

*including cloud services inflation

Year over year variances arise from a range of factors, including:

- Changes in allocations between OM&A, capital and billable projects
- Weather-related impacts that drive higher maintenance costs in the Operations and Maintenance Program
- increased maintenance activity associated with aging infrastructure
- Fluctuations in overtime related to resource challenges and infrastructure damage from extreme weather events
- delays in filling vacancies caused by retirements and resignations, along with the cascading impacts of employees moving between positions
- employee absences, including sick leave, maternity leave, and paternity leave
- fluctuations in bad debt expense
- resource needs related to major application development initiatives
- facilities repair and maintenance requirements
- varying levels of reliance on external contractors and consulting services
- inflation and general price increases
- COVID-19 impacts, such as training delays and additional employee absences

Narratives provided under London Hydro Programs in Section 4.4 of this Exhibit describe how these factors affect each individual Program. Each narrative offers an overview of the Program's activities and changes, highlighting efficiencies achieved, value delivered to customers, and challenges being managed. Program Delivery Costs are also discussed to demonstrate the outcomes associated with these efforts and the impacts of the underlying challenges.

As mentioned, more significant changes between the 2022 fiscal year and the proposed 2027 Test Year which tally $9,887,476 in Table 4-13 above have been highlighted under Cost Drivers in Section 4.2.5.2.

4.3 WORKFORCE PLANNING AND EMPLOYEE COMPENSATION

Introduction

This section outlines London Hydro's workforce planning and compensation strategy to ensure sufficient capacity and the right capabilities to support the strategic plan, the business plan, planned investments, and ongoing operations. A skilled and appropriately resourced workforce is essential to delivering safe and reliable electricity, executing planned capital and operational programs, meeting evolving customer and regulatory expectations, and supporting continued customer growth and economic prosperity.

The workforce plan has been developed in direct coordination with the investment strategy set out in London Hydro's Distribution System Plan, reflecting both the pace and complexity of work anticipated over the 2027 to 2031 period. Sustained higher-than-historical load growth, continued electrification, and the advancement of major initiatives such as grid modernization, distributed energy resource integration, and a new Transformer Station have contributed to the scale, composition, and timing of workforce requirements. In addition, decisions regarding staffing and capabilities reflect a disciplined approach to sequencing and delivering capital programs within defined investment constraints, requiring a workforce that can execute efficiently while adapting to evolving system demands. This alignment ensures that workforce plans are not developed in isolation, but are intentionally structured to support the delivery of planned investments and the reliable, cost-effective service expected by customers.

In addition to aligning workforce planning with operational and capital requirements, London Hydro has undertaken targeted investments in organizational capability to ensure the utility is structured to plan effectively, respond to regulatory and legislative requirements, enable sustained growth and anticipate and address future workforce requirements. This includes the establishment and expansion of key functions such as Enterprise Risk, Internal Audit, and Continuous Improvement, as well as enhancements to executive, senior management, and front-line leadership capacity to enable effective oversight, decision-making, and execution at all levels of the organization. These investments reflect a deliberate approach to strengthening leadership infrastructure and organizational resilience, recognizing that workforce growth must be supported by the systems, governance, and culture required

to lead it effectively. Complementary investments in People and Culture and a competitive compensation framework support the attraction and retention of skilled employees and foster an environment where individuals can build long-term careers, ensuring London Hydro is well-positioned to meet future demands while continuing to deliver safe, reliable, and secure service to customers.

To achieve these objectives, London Hydro focuses on attracting, developing, and retaining a qualified workforce through a balanced approach to staffing, talent development, and compensation. This approach supports operational effectiveness, enables the successful delivery of the utility's investment plan, and positions the organization to respond as the energy sector continues to evolve.

Proposed additions to staffing levels are subject to rigorous review through multiple iterations of London Hydro's budget processes, including detailed scrutiny by the Executive Committee. Throughout this process, staffing requirements were carefully prioritized, and certain positions were deferred to later years within the upcoming rate period to mitigate near-term rate impacts and support affordability for customers. The FTE additions included in this application reflect positions that are already in place or immediately necessary to deliver the strategic, business and investment plans. Detailed, supporting rationale is provided for each proposed role, demonstrating the need for these resources within the context of the utility's plans for the next five years. As a result of this disciplined approach, London Hydro's application reflects an increase from 319.7 FTEs in 2022 to 339.5 FTEs in 2027 (20 FTEs, approximately 6.2%), as detailed in Appendix 2-K (Appendix 4-2) and in more detail below.

The following sections and attachments provide detailed information on workforce composition, demographics, planned staffing levels, compensation, and labour-related cost drivers, all of which demonstrate how London Hydro will ensure it has the resources and expertise required to deliver its programs and meet performance expectations over the rate period.

Sections:

1. Workforce Demographics, Trends, and Talent Management
2. Approach to Permanent, Full-Time Employee Workforce Planning
3. Full-Time Equivalents ("FTEs") in 2027 Test Year / Workforce Composition
4. Compensation Strategy
5. Labour Cost Drivers

Appendix Items:

Appendix 4-2: OEB Appendix 2-K – Employee Costs
Appendix 4-3: Willis Towers Watson Benchmarking Study
Appendix 4-4: Post Retirement Benefits Actuarial Valuation December 2025

4.3.1 Workforce Demographics, Trends, and Talent Management

In the 2022 cost of service submission, London Hydro forecasted that 67 employees could retire by 2026. This prediction has largely materialized (80%+). The decade-long wave of retirements among long-tenured employees is essentially complete. The remaining workforce transitions, including onboarding new employees and internal role progression, are being actively managed through targeted training and development.

Voluntary Turnover

The following chart summarizes the two primary reasons for permanent, full-time, employee-initiated departures since 2022.

Chart 4-6: Retirements and Resignations from 2022 to 2026

	2022	2023	2024	2025	2026*	Total
Retirements	17	18	12	4	4	55
Resignations	13	16	16	4	0	49
Total	30	34	28	8	4	104

**to April 30, 2026*

- 115 employees retired in the last ten years (2016-2025).
- In the next five years, this historical pace of retirements is not expected to continue. It is reasonable to assume an average annual retirement rate of 5-6 employees/year as individuals reach one or more service milestones. This trend had already begun with a total of four (4) retirements in 2025.

Chart 4-7: Number of Retirements

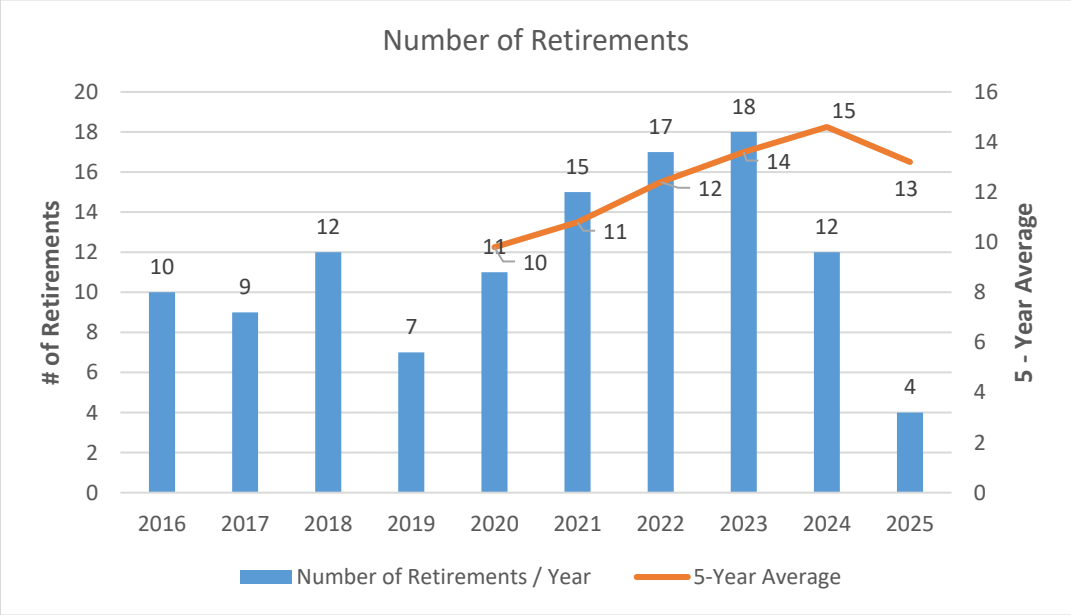


Chart 4-8: Retirement Eligibility 2026 to 2030

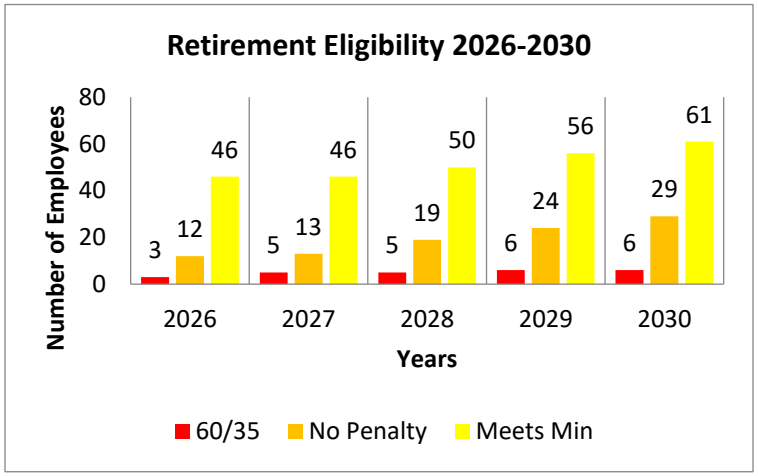


Chart 4-9: Years of Relevant Service in the Sector

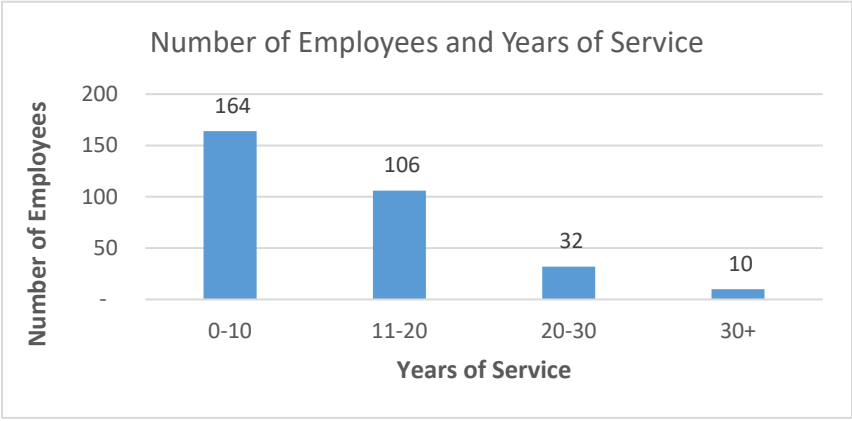
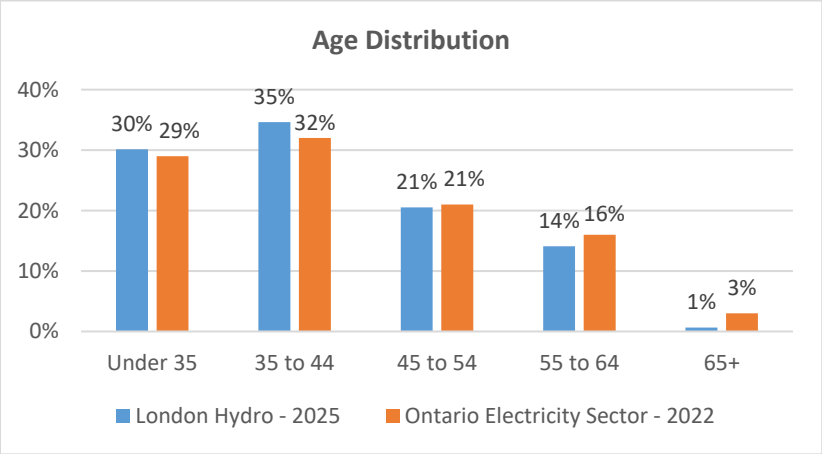


Chart 4-10: Age Distribution



Ontario Electricity Sector data excerpted from EHRC **– Electricity in Demand: Labour Market Insights – Ontario Factsheet 2023-2028**

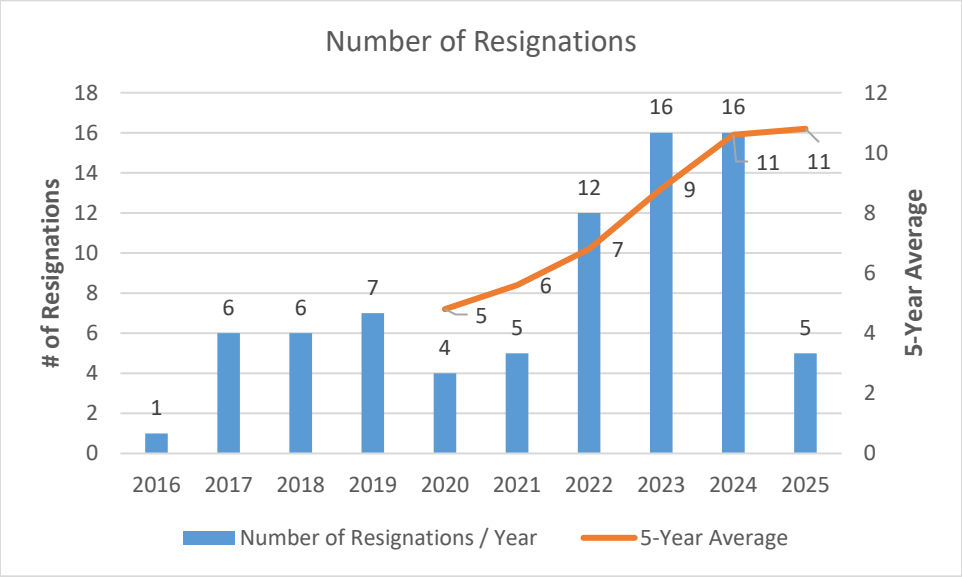
- In 2025, average years of relevant experience is eleven (11) years (down from fourteen (14) in 2021), reflective of continued recruitment and replacement of departed employees.
- The average age of London Hydro's workforce as of December 2025 is 42 (down from 44 in 2021 notwithstanding the passage of five years).
- The age distribution of London Hydro's workforce closely mirrors the Ontario electricity sector age distribution and shows the impact of the retirement wave; almost one-third of the current workforce is under the age of 35 and 65% of the workforce under the age of 44.
- The age of 15% of the workforce is above the minimum retirement age (55).

London Hydro's workforce has a broad range of tenure and age, with less than half of employees (41%) having ten or fewer years of service and 65% of the workforce being under the age of 44. A significant portion of the workforce is still building deep sector-specific knowledge. Over the next five years, this profile underscores the importance of focused talent development, structured career progression, and retention strategies to ensure continuity of critical skills. The combination of a relatively younger and less experienced workforce and a growing number of employees in mid-career stages also presents both opportunities for internal mobility and potential risk of turnover, particularly in a competitive sector where external opportunities are readily available.

Focus on Workforce Continuity

The following chart summarizes voluntary resignations by year since 2016, illustrating both historical stability and an increase in departures between 2022 and 2024.

Chart 4-11: Number of Resignations



Between 2022 and 2024, over half of resignations came from employees in certified and skilled trades or designated and technical professionals, all moving to opportunities with other electricity sector employers. Total compensation was a factor, based on the differential between negotiated wage increases and inflation during this time period as summarized in Chart 4-12 below:

Chart 4-12: Comparison of Negotiated Settlement to CPI

Comparison of London Hydro Negotiated Settlement to CPI

Year	Amount	Negotiated Settlement	Year	Amount	CPI	Shortfall
2020	$ 100.00		2020	$ 100.00		
2021	$ 102.10	2.10%	2021	$ 103.50	3.50%	
2022	$ 104.65	2.50%	2022	$ 110.54	6.80%	
2023	$ 107.27	2.50%	2023	$ 114.74	3.80%	
Overall change 2020-2023		7.3%			14.7%	7.4%

With ongoing sector-wide competition for talent, the risk of voluntary departures is expected to persist, driven more by external opportunities than by retirement. Staffing and resource planning must therefore anticipate higher turnover and the potential loss of critical skills, requiring dynamic adjustments to staff complement projections and retention strategies not previously deemed to be essential.

The trend informed the decision to undertake a broader review of compensation competitiveness. Following this review, starting in 2025 there was a marked reduction in resignations from the higher levels observed from 2022 and 2024.

London Hydro is focused on workforce continuity and the retention of the Company's 300-plus team of dedicated professionals, recognizing that employing great people is fundamental to delivering affordable, reliable electricity services to customers and the community, achieving the objectives of the Strategy Plan and fulfilling London Hydro's vision to *Earn Every Customer*.

Attraction, Recruitment, and Retention through Exceptional Employee Experience

Strengthening People and Culture is one of London Hydro's five strategic priorities in the 2025 – 2030 Strategic Plan. The Company's goal is to be a people-focused organization, employing and retaining great people with a focus on providing purpose, meaningful work, and rewarding careers.

In terms of employee experience, engagement and development, London Hydro aims to employ and retain great people by:

- Putting safety first, always.
- Providing purpose-driven, meaningful work aligned with organizational and community outcomes.
- Fostering a positive, inclusive workplace culture grounded in respect, connection, personal growth, diverse perspectives, and employee well-being.
- Actively supporting learning, development, and career progression, with a focus on developing talent from within.
- Investing in workforce development to ensure employees have the skills and adaptability needed to lead the energy transition and respond to future opportunities.
- Promoting strong teamwork, collaboration, and clear communication across the organization.
- Recognizing and celebrating employee contributions and achievements.
- Strengthening a customer and community-centred culture that emphasizes accountability, measured outcomes, continuous improvement, innovation, and appropriate risk awareness.
- Structurally supporting and promoting access to rewarding, sustainable career paths.
- Offering competitive total compensation, including pay and benefits
- Celebrating employee contributions.
- Building and maintaining a strong employer brand.

4.3.2 Approach to Permanent, Full-Time Employee Workforce Planning

London Hydro establishes and continuously refreshes its permanent staff complement through a systematic, skills-based assessment of current and anticipated future workforce needs, ensuring alignment with strategic business objectives, service delivery requirements, and enterprise risk considerations. While the number of incumbents in specific positions may fluctuate in response to evolving operational priorities and stakeholder expectations, overall net headcount growth is managed thoughtfully and prudently and occurs only when justified by enduring organizational requirements that are determined by senior management to be most effectively addressed through in-house resources.

Like-for-like vacancy replacements are not automatically pursued. However, in the Certified and Skilled Trades segment and anywhere else in the organization where there is a defensible strategy to maintain stable in-house capacity, departing employees are generally replaced. Importantly, for skilled trades positions a departing employee's "replacement" is not the coincident new hire; rather, workforce planning anticipates the lengthy apprenticeship and subsequent seasoning period by hiring several years in advance, where feasible. Between 2022 and 2025, over 50 trades vacancies arising from resignation, retirement or promotion were posted and filled.

Decisions to establish new or incremental permanent positions, or to refill positions vacated through retirement or resignation, are subject to a structured review and approval process. This process assesses operational risk, alternative resourcing options, current and forecasted workload, emerging trends, and alignment with the long-term business plan. Wherever practicable, natural attrition and internal movements are leveraged to accommodate shifting resource requirements, supporting workforce stability, structured career pathways, and the preservation of institutional knowledge.

London Hydro maintains a structured career coaching and development framework (see "Leads and Ladders" in People & Culture program outline) that supports internal promotion across multiple job streams and established lines of promotion. Given the competitive labour market and sector-specific expertise required in many roles, relying solely on external recruitment as vacancies arise would present material organizational risk. Accordingly, London Hydro proactively identifies, coaches, mentors, and prepares internal candidates for future professional, technical, or leadership roles.

Collectively, these principles support productivity and engagement by providing employees with confidence in organizational stability and long-term career opportunity. By avoiding dramatic fluctuations in staffing levels, London Hydro aims to mitigate cultural disruption and turnover-related costs while preserving institutional knowledge and deep familiarity with established processes, procedures and best practices.

Outsourcing / Contracted Services

Like many other distributors, London Hydro consciously manages the strategic usage of external consultants and contractors as a foundational element of resource planning. In many business areas, professional services firms and contractors are strategically utilized, sometimes temporarily and sometimes as part of a sustained, longer-term, mutually-beneficial business relationship. Contractors and consultants are also operating in a competitive talent environment, so maintaining strong, professional partnerships and respecting the market for specialized skills is critical to ensuring their continued availability when needed.

Reasons for outsourcing / using contracted services include:

- Scalability and Flexibility:
  - Staff augmentation to address externally-driven or seasonal fluctuations in workload (e.g. developer/municipal works, peak periods of customer moves)
  - Ability to quickly initiate or conclude work as needed (e.g. residential disconnections around Winter Disconnection Ban periods)

- Cost Management:
  - Outsourcing when it is feasible and cost-effective, and does not negatively impact internal capability, skill development, or operational readiness (e.g. facilities)
- Access to Specialized Expertise or Equipment
  - Temporary need for highly-specialized or in-demand skillsets or equipment (e.g. directional boring, hydro excavation, engineering design / standards, fleet repairs)
  - One-time projects (e.g. IT infrastructure and enterprise application support, legal, audit, and advisory services, training and employee development)
  - Legal requirements for independent resources (e.g. Financial Statement audit)
- Operational Efficiency, Risk Management, Continuity, and Rapid Response:
  - Coverage for approved absences of full-time employees (e.g. maternity/parental leave or long-term disability)
  - Urgent work requirements (e.g. emergency grid repairs or vegetation management)
  - Maintaining ongoing, cost-effective contractor relationships to ensure rapid, reliable support during urgent or emergency situations and prevent service disruption (e.g. grid repairs, vegetation management, contact centre)
  - Outsourcing routine functions to enable internal staff to focus on higher-value, strategic, purposeful, or specialized work.

4.3.3 Full Time Equivalents ("FTEs") in 2027 Test Year / Workforce Composition

London Hydro's approach to resource planning is deliberate and disciplined and decisions balance operational needs with the long-term interests of customers and the community. The decision to add a permanent FTE is rigorously assessed and must be supported by evidence of a demonstrated and sustained need and benefit. Deferral, automation, and sourcing the work through alternative means are also considered. In short, permanent resources are added only when deemed necessary, guided by careful assessment and a long-term view that ensures today's actions support - not compromise - future capacity, reliability, and value for London Hydro stakeholders.

Resource planning also involves continuous assessment and improvement of how work is performed. The Company pursues opportunities to redesign processes, reallocate responsibilities, consolidate or eliminate tasks (and sometimes positions), automate transactional work, and selectively outsource functions. These efforts are intended to improve productivity, mitigate increases in operating costs (and rates), and minimize the need for incremental headcount, consistent with London Hydro's commitment to creating value and managing costs for customers over the long term.

Between 2022 and 2027, the net change in staffing represents an increase of approximately 20 FTEs, or roughly a 6% increase in total headcount. While this aggregate change is reflective of a commitment to stability and moderation, it also represents significant internal rebalancing: reductions in some areas, elimination or restructuring of roles, reassignment of duties, and the introduction of new positions and capabilities where operational complexity, regulatory expectations, and emerging risks demand additional internal capacity. This ensures that growth is measured, justified, and designed to meet both current and future business needs, does not sacrifice London Hydro's long-term sustainability, and is mindful of the financial impact on customers.

Temporary / Contract / Seasonal / Student Employees (FTEs)

The annual FTE values related to contract and temporary employees (including students) includes:

- Summer Employment - staff augmentation for peak vacation periods
- Interns and Co-op Students – staff augmentation for special projects, enabling future recruitment opportunities, and helping to build the sector's next generation of skilled professionals
- Maternity / Parental Leaves and other leaves related to permanent, full-time employees
- Short-term special projects, temporarily high work volumes or backfill for staff seconded to the project

Chart 4-13: Temporary/Contract FTEs 2022 to 2027

Budget Year	2022	2023	2024	2025	2026	2027
Temporary/Contract FTEs	12.5	14.1	18.5	12.9	22.5	**7.3**
Difference (2022 – 2027)						**(5.20)**

These FTEs are included in the Appendix 2-K OEB Costs data.

Chart 4-14: Workforce FTE Plan for 2022 and 2027 by Program

Program	2022	2027	Change (2022 to 2027)
Operations & Maintenance	131.2	131.5	0.3
Asset Management	40.5	45.7	5.2
Human Resources, Health & Safety	9.8	14	4.2
Materials Management	7	9	2.0
Fleet	7.3	8.3	1.0
Facilities and Environmental	2.3	4	1.7
Customer Services and Collections	49.6	40.9	(8.7)
Corporate Communications	5	5.3	0.3
Information Technology	48.5	52.8	4.3
Corporate Administration	18.5	28	9.5
Total	**319.7**	**339.5**	**19.8**

Chart 4-15: 2027 Workforce FTE Plan by Category

	2027
Management (Front-Line Supervisors, Managers, Directors, Executives)	94.0
Individual Contributors (Union / Non-Union)	238.2
Temporary / Contract / Students	7.3
Total	**339.5**

Chart 4-16: Change in Full-Time Equivalents

	2013	2017	2022	2027
Total FTEs	305.8	311.7	319.7	339.5
33.7 Additional FTEs (2013 → 2022)		5.9	8.0	19.8
2013 → 2017 (% Change)		1.9%		
2017 → 2022 (% Change)			2.6%	
2022 → 2027 (% Change)				6.2%
2017 → 2027 (% Change)				8.9%
2013 → 2027 (% Change)				11.0%
Average Annual Change in FTEs				1.4
(2013 → 2027)				0.5%
Average Annual Change in FTEs				2.8
(2017 → 2027)				0.9%
Average Annual Change in FTEs				4.0
(2022 → 2027)				1.3%

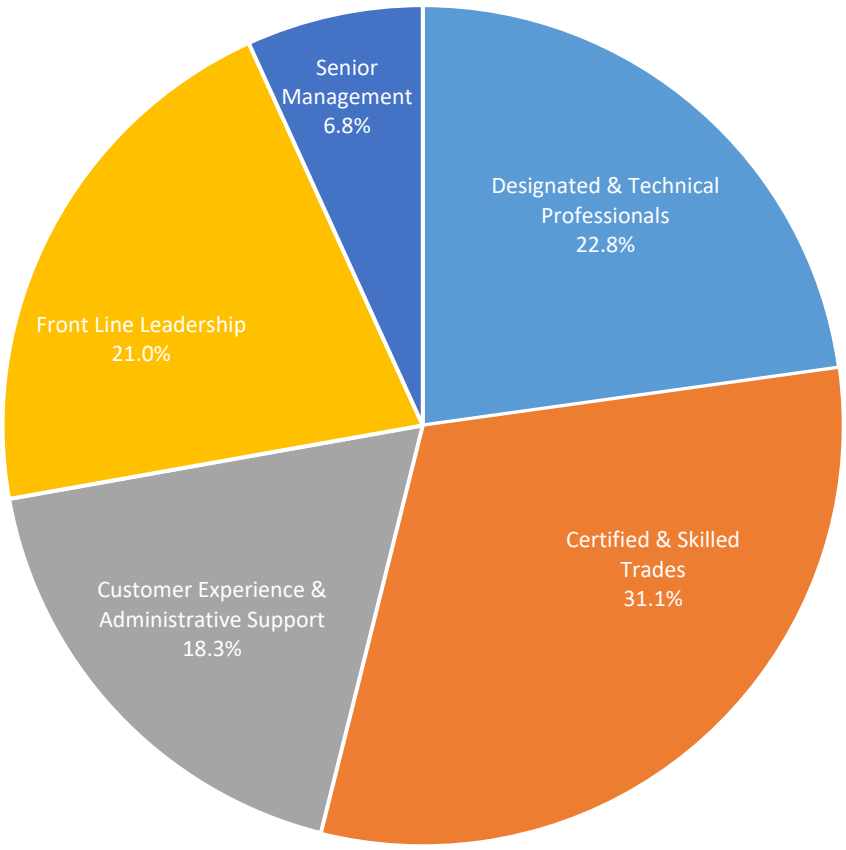
With total staff complement growth of an average of 1.4 FTEs per year since 2013, and percentage growth of 6% between 2022 and 2027, and 9% between 2017 and 2027, the proposed increase reflects an appropriate balance between evolving operational, regulatory, and system requirements, and affordability from associated rate impacts.

Workforce Composition

The 2027 workforce composition reflects a balanced distribution across skilled trades, technical professionals, customer-experience and administrative roles, front-line leadership, and senior management. The segmentation of London Hydro's workforce is consistent with sector norms and is appropriately aligned to support the organization's operational requirements and strategic objectives. London Hydro's organizational structure is designed with defined leadership levels and clear reporting relationships that ensure accountability and effective decision-making at each level. As responsibility moves from senior leaders to front-line management and individual contributors (Union and Non-Union),

the structure supports efficient communication, coordination and the successful delivery of work and provides employees with visible career pathways in managerial, professional, and technical streams.

Chart 4-17: London Hydro Workforce Segments 2027



Designated & Technical Professionals – 22.8%

For many distributors, this is a growing segment of their internal workforce, reflecting the increasing complexity of the electricity sector and the criticality of having in-house subject matter expertise, innovation, and insights. Growth in this area is driven by expanded requirements for data-informed decision-making and outcomes-based governance and oversight, the growth of digital and cloud-based systems, an emphasis on engineering standards and analytics related to load, reliability, and asset sustainment, as well as the ongoing investments and management of an increasingly complex grid. This segment also supports heightened expectations related to cybersecurity, business continuity, enterprise risk management, regulatory compliance, financial oversight, and strategic people and culture support. Roles in this segment include Engineers, Engineering Technologists, Financial and Regulatory Analysts, Enterprise Risk and Business Continuity specialists, Information Technology professionals, and People & Culture business partners.

Eight (8) of the net additions between 2022 and 2027 are in this category.

Certified & Skilled Trades – 31.1%

Roles in this segment include Utility Arborists, Powerline, Cable, Electric Meter, and Substation Maintenance Technicians, Protection & Control Technologists, Systems Operators (Control Room), Construction Workers, and Auto, Truck & Coach Technicians. Together, these essential-services employees, many of whom perform emergency response for unplanned outages occurring after hours, contribute to the building, preventive maintenance, repair, and optimization of the electricity distribution system with an ongoing commitment to employee and public safety.

In the skilled trades, early-career professionals complete a multi-year apprenticeship that establishes technical competency and safety certification; however, full proficiency continues to develop over additional years of hands-on experience. This period allows individuals to deepen situational awareness, refine risk judgment, internalize safety culture, and build the practical insight required to diagnose complex issues, respond effectively to non-routine conditions, and contribute constructively to continuous improvement and innovation initiatives. While mid-career departures cannot be predicted

in advance, demographic data is utilized for resource-planning purposes given the length of the learning curve.

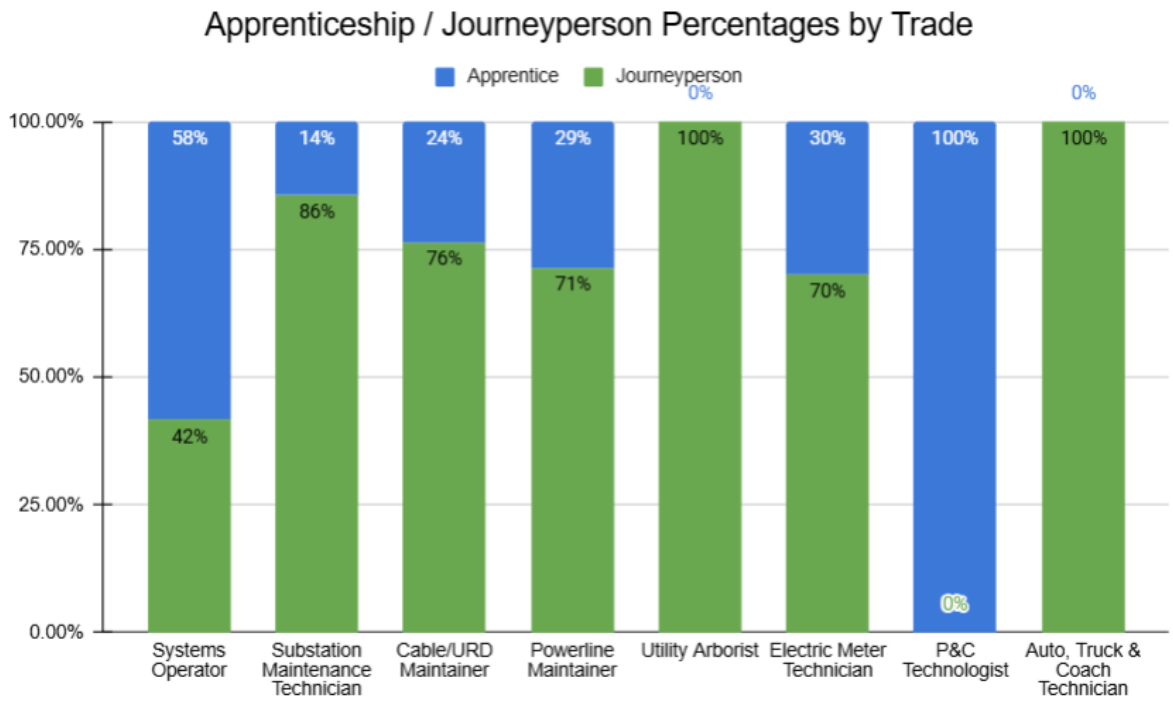
In recent years, the System Operating Centre (Control Room) has undergone significant renewal to ensure long-term operational resilience. Staff turnover created short-term pressures, leading to unsustainable periods of excessive overtime; while costly, London Hydro's primary concern has been maintaining employee well-being and maintaining morale in a shift-based environment. To address these pressures, the department has grown in size (through strategic reallocation of FTE availability arising from vacancies), with new hires now progressing through lengthy apprenticeship programs. These changes strengthen the Company's ability to reliably operate the grid and support safe, efficient, and continuous service delivery, while ensuring the long-term sustainability of the departmental workgroup.

Within the skilled trades workforce, staffing levels and composition are influenced in part by optimal journeyperson-to-apprentice ratios, which ensure appropriate capacity to support training, safety, and quality of work. Maintaining these ratios is essential to ensure apprentices receive the necessary oversight and development opportunities.

When there have been periods of workforce transition, there can be constraints on the pace at which additional apprentices can be onboarded until sufficient journeyperson capacity is available. Given the current labour market for certified journeypersons, this dynamic requires a measured approach to workforce growth within the trades. The FTE requirement in this segment has been maintained and/or developed over the past five years as vacancies created opportunities for redeployment of budgeted FTEs. The staff complement is sufficient to meet operational demands, including capital and OM&A activities planned for in-house personnel, and there is an adequate staff complement for emergency-restoration activities. There may be reassessment of FTE requirements in this segment for the next rate cycle as apprenticeship progression and workforce demographics evolve. London Hydro is maintaining a focus on safe operations and the effective development of apprentices within existing capacity, while positioning the workforce to support future needs as certification progression occurs.

There were no net additions between 2022 and 2027 in this category.

Chart 4-18: Apprentice / Journeyperson Percentages by Trade



Customer Experience, Operational & Administrative Support – 18.3%

This workforce segment includes professionals who deliver exceptional customer experiences, as well as those who provide essential operational and administrative support. Billing, customer service, operations, key account, and communications representatives are at the forefront of London Hydro's vision to *Earn Every Customer*, building trust and understanding in every interaction. Strong business processes ensure that London Hydro is communicating effectively, maximizing billing accuracy, enabling self-service options, resolving inquiries at first contact, and proactively responding to evolving customer and community needs. Structured and empathetic support for vulnerable customers is a core focus for this group of employees.

Beyond customer-facing roles, this segment also includes health & safety staff, accounting clerks, executive assistants, purchasing staff, and other operational support professionals whose efforts ensure smooth, efficient, and compliant business operations.

One (1) of the net additions between 2022 and 2027 is in this category.

Front-Line Leadership – 21.0%

Front-line supervisors and managers, many of whom have progressed through internal development in their respective disciplines, are responsible for day-to-day accountability and results. They promote safe, efficient, and customer-focused operations while fostering respectful, supportive departmental cultures that encourage collaboration, effective communication, teamwork, and trust.

Seven (7) of the net additions between 2022 and 2027 are in this category.

Senior Management – 6.8%

This segment includes the Chief Executive Officer, Vice-Presidents, and Directors.

Senior Management is responsible for setting organizational direction and ensuring alignment between day-to-day operations and the Board-approved strategic plan, annual business plan, budget, DSP, and enterprise risk framework. Working within established governance and oversight structures, senior leaders provide direction through their respective portfolios to ensure the safe, reliable, and efficient delivery of electricity services.

Collectively, Senior Management is accountable for fostering a strong safety culture, shaping and sustaining a respectful and inclusive corporate culture, delivering prudent financial performance and long-term value, and advancing positive customer and employee experiences. They are also responsible for identifying, managing, and escalating enterprise risks, and for ensuring the organization remains compliant, resilient, and well-positioned to meet evolving sector and community expectations.

The growth in Senior Management reflects a measured and deliberate response to addressing increasing industry complexity. The addition of Director and Vice President roles was undertaken to

ensure adequate capacity in emerging and high-risk areas, including cybersecurity, enterprise risk management, internal audit and continuous improvement, regulatory engagement, customer experience and community engagement, and people and culture initiatives. These changes also respond to the expansive focus on grid operations, customer solutions, and long-term load management and capital planning, as well as increased expectations for senior-level regulatory engagement and sector leadership. Collectively, this structure ensures that critical risks and strategic priorities receive appropriate attention at the most senior level, while maintaining prudent overall growth in management headcount.

Four (4) of the net additions between 2022 and 2027 are in this category.

The increase in the Front-Line Leadership and Senior Management segments reflect a purposeful refinement of the organizational structure to strengthen leadership capacity and ensure appropriate alignment of accountabilities across Vice President, Director, Manager, and front-line supervisory levels.

The organization is intentionally evolving its leadership model to ensure that accountabilities are aligned with the appropriate level of responsibility. By strengthening front-line leadership and expanding senior management capacity, the structure is designed to enable leaders at all levels to operate fully within the intended scope of their role.

Senior leaders will have increased capacity to focus on enterprise priorities, strategic direction, and long-term value creation. At the same time, enhanced front-line and mid-level leadership presence will provide stronger operational oversight, more timely decision-making, and greater consistency in day-to-day execution.

This approach supports more effective spans of control, clearer role clarity, and improved alignment across the organization. Collectively, it positions the organization to accelerate continuous improvement, strengthen leadership effectiveness at all levels, and sustain focus on forward-looking strategic initiatives.

This adjustment also builds depth and breadth of institutional and industry knowledge across leadership levels. A more robust leadership structure supports continuity in the event of unanticipated departures

and creates defined pathways for employee development and progression. It ensures that the workforce is not solely weighted toward operational delivery, but includes the necessary capacity for strategic planning, analysis, innovation, and organizational improvement.

While the resulting workforce segmentation increases the percentage allocations to leadership roles, this is a measured and intentional outcome. An effective and sustainable organization requires a balance between execution and leadership capacity to guide, optimize, and evolve operations over time.

Changes between 2022 and 2027

Workforce changes are often outlined in rate applications through detailed program-level continuity schedules, comparing FTEs between historical and test years and attributing variances to specific program and position adjustments. While this approach can be informative in more static environments, it does not fully reflect the dynamic nature of workforce planning within London Hydro over the 2023 to 2027 period.

Throughout the five-year timeframe and culminating in 2027, London Hydro is reporting a net increase of approximately twenty (20) FTEs. For clarity and transparency, the explanations below focus on these 20 incremental positions as the substantive additions requiring recovery in rates. However, it is important to note that these net additions cannot be directly reconciled to discrete program-level changes in a direct manner.

London Hydro has experienced a significant volume of internal workforce movements during this period (including over one hundred (100) voluntary departures), and many other individual changes affecting roles, reporting structures, and program alignment. These changes arise through a combination of vacancy management decisions, organizational realignments, and evolving operational requirements.

When vacancies occur, each position is assessed to determine whether a like-for-like replacement is appropriate. In some cases, the underlying need has shifted, and the position may be redeployed to a different function, program area, or workforce category. This can result in changes to program-level FTE counts and associated compensation, even where there is no net change in overall headcount.

In addition, organizational adjustments, including leadership changes and portfolio realignments, may result in incumbents being reassigned across business units or programs. These changes do not necessarily reflect a change in core duties, but rather an effort to align resources with evolving priorities and accountabilities.

Illustrative Examples

The two examples below have been selected due to their relative scale and clarity in illustrating the underlying drivers of program-level changes. Other workforce movements over the period tend to be more limited in scope and more granular in nature, but similarly resulted in no change to headcount.

Customer Service and Information Technology Programs

Organizational and leadership portfolio changes in 2025 resulted in the transfer of seven (7) FTEs from the Customer Service & Billing program to Information Technology. There were no changes to duties or incumbents associated with this transfer.

The above 2022-2027 program comparison suggests that Customer Service decreased by 8.7 FTEs, while Information Technology increased by 4.3 FTEs. However, this does not reflect this transfer. After adjusting for the transfer of seven (7) FTEs between programs, both programs have in fact experienced a measured reduction in FTEs over the period.

Chart 4-19: Customer Services to IT Transfer Adjustment

	Customer Service	Information Technology
2022	49.6	48.5
2027	40.9	52.8
Reported Change	(8.7)	4.3
Transfer Adjustment	7.0	(7.0)
Adjusted Change	(1.7)	(2.7)

This example demonstrates how program-level comparisons can be influenced by internal reallocations that are neutral from an overall workforce perspective, and which do not reflect changes in underlying work or resource requirements.

Materials Management Program

In 2023/2024, London Hydro moved two engineering roles into the Materials Management program to enhance procurement practices, strengthen equipment standards, and improve overall supply chain resilience. This adjustment reflects the significant and ongoing challenges experienced since the COVID-19 pandemic, including extended and highly variable lead times for critical electrical equipment, where items that were once available within weeks can now take over a year to procure. These conditions have made it increasingly difficult to rely on traditional, reactive procurement approaches.

The transfer of specialized engineering resources to this area enables the Company to take a more proactive and strategic approach to materials management. This includes diversifying approved suppliers and products to reduce reliance on single sources, improving inventory planning through more sophisticated monitoring of usage trends and supply risks, and aligning equipment standards with those more commonly used across the industry to improve availability and support mutual assistance efforts. These efforts are particularly important in Ontario's regulated environment, where equipment must meet strict approval requirements under Ontario Regulation 22/04.

These engineers provide end-to-end lifecycle oversight of distribution materials and equipment, supporting selection, approval, inspection, performance monitoring, and continuous improvement. They also support both capital projects and ongoing maintenance activities by addressing equipment-related issues, validating specifications, and ensuring that materials meet operational and safety requirements. In addition, their work enables London Hydro to participate more effectively in industry collaboration initiatives, further strengthening supply chain visibility and access to alternative solutions.

This example also illustrates how program-level FTE increases can reflect the intentional redeployment of existing resources to areas of greater organizational need, rather than a simple increase in overall staffing. The movement of these roles into Materials Management aligns specialized expertise with evolving operational risks and priorities, representing a logical and necessary adjustment to support system reliability and efficient operations in a constrained supply environment.

While a highly granular program-by-program reconciliation could be developed, it would involve a significant volume of underlying movement that would not provide meaningful insight into the intentional drivers of the net workforce increase and would be neutral from a total headcount perspective, aside from the core addition of 20 FTEs. The resulting extensive narrative explanation of transactional detail would also risk obscuring key considerations rather than clarifying the underlying rationale for the workforce additions. Accordingly, the net increase and supporting rationale for the 20 incremental FTEs are set out in detail below.

Table 4-17: Net FTE Additions by Workforce Segment

	Designated & Technical Professional	Customer Experience, Operational & Administrative Support	Front Line Leadership	Senior Management
Operations, Asset Management, Facilities				
1. OT Cybersecurity Supervisor (2026)			1	
2. Engineering Technologist (2023)	1			
3. Engineering Technologist (2026)	1			
4. Engineer in Training (2025)	1			
5. Engineer in Training (2027)	1			
6. Environmental Technician (2023)	1			
7. Facilities System Supervisor (2024)			1	
8. VP - Engineering & Construction (2023)				1
9. Supervisor - Key Accounts (2025)			1	
10. Manager - Customer Electrification (2025)			1	
People & Culture, Health & Safety				
1. VP - Customer & Employee Experience (2023)				1
2. Manager - People & Culture (2023)			1	
Corporate Administration				
1. VP - Legal & General Counsel (2025)				1
2. Director - ERM (2025)				1
3. Manager - ERM (2027)			1	
4. Legal & Risk Analyst (2026)	1			
5. Legal & Risk Analyst (2027)	1			
6. Manager - Regulatory (2024)			1	
7. Regulatory Analyst (2026)	1			
8. Accounting Clerk (2023)		1		
TOTAL	**8**	**1**	**7**	**4**

Table 4-18: Net FTE Additions by Year

	2027	2026	2025	2024	2023
Net Identified FTE Additions by Year	3	4	5	2	6

Explanation of Net Identified FTE Additions

The addition of these 20 FTEs between 2022 and 2027 reflects a measured and strategic response to the evolving operational, regulatory, and customer-focused requirements of a modern electricity distributor. These additions reflect London Hydro's commitment to being a trusted electricity provider and community partner, advancing the many objectives of its strategic plan, under each of these pillars:

- Building for the Future
- Creating and Communicating Value
- Pursuing Operational Excellence
- Serving our Customers and Community
- Strengthening People and Culture

The roles span critical areas such as operational technology and cybersecurity, engineering and technical services, customer account management and electrification, human resources and workforce planning, legal and regulatory compliance, enterprise risk management, finance and environmental stewardship.

Each position has been justified based on emerging and expanding requirements, including ensuring appropriate support for planned investments as outlined in the Distribution System Plan, increasing customer expectations for proactive service, heightened regulatory oversight, more complex audit and reporting obligations, the need for robust risk awareness, risk management, internal audit, and continuous improvement practices. The additions also strengthen London Hydro's capacity to support people, culture, and wellbeing, ensuring employees are engaged, well-supported, and appropriately resourced to deliver on their responsibilities. Collectively, these FTE additions reflect a balanced approach to advancing customer-focused initiatives, investing in grid modernization and resiliency, maintaining operational excellence, supporting regulatory compliance, and sustaining a high-performing workforce capable of meeting both current and future demands.

The headcount additions between 2023 and 2027 reflect a disciplined and measured approach, with affordability and rate impacts carefully considered and incorporated. This approach continues with carefully considered additional headcounts for the rate period of 2027-2031; this paced and gradual approach was selected such that the planned additions are distributed across the rate period and after the Test Year.

Executive Committee

In 2022, the Executive Committee was comprised of the CEO, three Vice-Presidents and one Senior Director. By 2027, the Executive Committee consists of the CEO and six (6) Vice-Presidents:

1. CEO
2. Vice-President, Engineering & Construction (evolved in 2023)
3. Vice-President, Operations & Planning (evolved in 2023)
4. Vice-President, Customer & Employee Experience (evolved in 2023 and 2025)
5. Vice-President, Finance & CFO
6. Vice-President, Legal & General Counsel (established in 2025)
7. Vice-President, Information Technology & CIO (evolved to a dedicated role in 2025)

In 2023, in the context of filling a vacancy, it was determined that Engineering and Operations responsibilities would be separated and assigned to two Vice-Presidents. This decision reflected the increasing scale, complexity, and criticality of both portfolios, each of which encompasses a broad range of specialized functions essential to the safe, reliable, and forward-looking operation of the distribution system. The Engineering & Construction portfolio includes responsibility for system design, as well as the construction, maintenance, and restoration of the grid. This encompasses multiple operational departments responsible for building and sustaining core infrastructure, in addition to Health, Safety & Environment.

Given the inherently high-risk nature of electrical distribution work, including exposure to high voltage environments and increasingly severe weather conditions, this portfolio carries significant accountability for worker safety and public protection. It also includes oversight of vegetation management, evolving health and safety requirements, workforce development within a relatively young and growing employee base, and ensuring that infrastructure is designed and built to meet both current needs and future system demands.

The Operations & Planning portfolio includes responsibility for asset management, system planning, and real-time system operations, including the 24/7/365 Control Room. It also encompasses Geographic Information Systems, metering and metrology, standards, fleet, facilities, stores and logistics, and key account and economic development support. This portfolio is central to ensuring the effective operation, monitoring, and optimization of the distribution system, as well as planning for future growth and capacity requirements. It also plays a critical role in supporting major upcoming initiatives, including AMI 2.0 and the implementation of an Advanced Distribution Management System ("ADMS"), both of which will further increase the technical and operational complexity of the organization. Each of these portfolios represents a substantial span of accountability, with approximately 100 employees reporting through each Vice-President, and requires dedicated executive leadership to manage operational risk, support system reliability, and advance strategic priorities. This resulted in the addition of one Vice-President role and enabled more appropriate focus, oversight, and accountability across two highly complex and operationally-critical portfolios.

Also in 2023, the Senior Director (Human Resources) role was transitioned to a Vice-President role. Formalizing the position as a Vice-President and expanding the portfolio to include corporate strategy, aligned accountabilities with the scope and expectations of the role at the Executive Committee level. The portfolio evolved further in 2025, including the integration of Customer Service and Corporate Communications with Human Resources to form the Vice-President, Customer & Employee Experience role, reflecting an increased emphasis on aligning employee experience, culture, and customer outcomes.

In 2025, a Director-level role was added as a direct report to the Vice-President to establish appropriate organizational layering, enabling the Vice-President to focus on enterprise-level accountabilities rather than continuing to function as both executive and department head for People & Culture matters. From a workforce perspective, the Director role aligns with the scope and span of a typical London Hydro Director position. For budget purposes, the Director FTE has been aligned with the former Senior Director FTE, with the Vice-President position representing the net new addition.

The decision to introduce a Vice-President, Legal & General Counsel in 2025 reflects the increasing complexity of regulatory and legal expectations, enterprise risk oversight, and corporate governance requirements. Establishing an executive role dedicated to strategy, legal, risk, privacy, procurement, business continuity, internal audit, and Board governance ensures that these functions receive senior-level leadership and strategic integration across the organization. This position provides in-house expertise to navigate evolving legal and compliance obligations, strengthens the organization's ability to manage emerging risks, and supports transparent, accountable reporting to the Executive Committee and the Board. By embedding this executive capacity at a pivotal time, the organization is better positioned to safeguard its interests, enhance decision-making, and foster a culture of preparedness, rigour, resilience, and continuous improvement.

In 2025, also in the context of a vacancy, it was determined that Information Technology required dedicated executive leadership. The Vice-President, Information Technology & Chief Information Officer portfolio reflects the growing scale and criticality of cybersecurity, data and analytics, enterprise systems, and emerging technologies. This includes major initiatives such as AMI 2.0 and ADMS, as well as the increasing reliance on digital infrastructure to support both operational and customer-facing functions. Establishing a dedicated executive role ensures focused oversight of these areas and supports the organization's ability to manage risk, enable innovation, and deliver on key strategic priorities.

Collectively, these changes reflect a broader evolution of the Executive Committee from a comparatively consolidated structure to one with targeted and manageable portfolios and appropriate executive capacity. The current structure enables more appropriate spans of accountability, strengthens oversight of increasingly complex functional areas, and allows each Vice-President to operate at a strategic level consistent with executive expectations.

Ontario's energy policy direction and system planning outlook point to a material increase in both demand and complexity across the electricity sector. There is a need for significant expansion of infrastructure to support electrification and economic growth, while maintaining a focus on affordability, reliability, and system resilience. At the same time, expectations for distributors continue to evolve, with greater emphasis on integrated long-term planning, system modernization, and managing balance between planning for growth and affordability.

In this environment, the expansion and realignment of the Executive Committee reflects a necessary response to increasing organizational complexity and accountability. Dedicated executive capacity is required to oversee major capital programs, support electrification and economic development, manage emerging risks such as cybersecurity and supply chain constraints, and ensure disciplined, long-term planning in alignment with provincial expectations. The structure enables more effective oversight, clearer accountability, and the ability for each executive to operate at the appropriate strategic level, consistent with the demands of a rapidly evolving and increasingly complex energy system.

This evolution does not represent a disproportionate expansion of executive leadership, but rather a recalibration to align leadership capacity with the scale, complexity, and risk profile of the organization. It supports more effective governance, enhances decision-making, and ensures that critical areas such as operations, engineering, technology, customer experience, people and culture, finance, and legal and risk management receive dedicated executive attention.

Corporate Administration

The proposed Enterprise Risk Management ("ERM") function reflects a deliberate shift from fragmented, reactive activity to a structured, outcomes-driven discipline aligned with the organization's broader strategic objectives. Historically, risk management efforts have occurred in a decentralized and intermittent manner, limiting consistency and visibility. At the same time, demonstrable productivity, continuous improvement, and disciplined management practices are a fundamental requirement of LDCs. Establishing a formal ERM function is foundational to meeting these expectations in a sustainable way.

The staffing complement has been intentionally designed to create a complete and scalable organizational structure. Experience indicates that incremental or ad hoc resourcing in this space does not yield durable results. Effective risk management requires leadership, governance, standardization, and ongoing operational execution. Together, the roles ensure alignment with corporate strategy and senior management integration, consistent day-to-day oversight, process discipline, and supervision, and the technical and analytical support necessary to operationalize the framework, including risk identification, assessment, monitoring, and reporting. This structure is consistent with establishing ERM as a core management function rather than a series of discrete activities.

This team will operate under the leadership of the VP, Legal, whose portfolio appropriately integrates strategy, ERM, audit, continuous improvement, and procurement. This alignment is intended to ensure that risk management is not undertaken in isolation, but is embedded within strategic planning, performance management, and decision-making processes. The function will support the development of key performance indicators ("KPIs") and key risk indicators ("KRIs"), strengthen enterprise-wide coordination, and enhance the organization's ability to manage by outcomes.

The need for a more mature ERM capability is further underscored by the increasing complexity and risk profile of the sector. Utilities are facing heightened exposure to cyber threats, evolving regulatory expectations, supply chain constraints, climate-related impacts, and increasing stakeholder scrutiny. In this environment, proactive identification and management of risk is critical to maintaining reliability, financial discipline, and public trust.

The organization has made a deliberate decision to establish this function in a structured and timely manner, rather than pursuing incremental additions over time. This approach is intended to achieve stability, consistency, and effectiveness more quickly, avoiding the inefficiencies associated with piecemeal resourcing. While outcomes will continue to be monitored and refined, it is reasonable to expect that a dedicated and properly structured ERM function will enhance organizational performance, strengthen risk-informed decision-making, and support ongoing continuous improvement efforts.

Legal and Risk

Director – Enterprise Risk Management (1)

The Director of Enterprise Risk Management provides dedicated, senior leadership for the development, execution, and continuous evolution of a comprehensive, organization-wide risk framework. Reporting to the Vice President, Legal & General Counsel, the Director engages directly with the Board of Directors, the Executive Committee, and senior management to foster a culture of risk awareness, advance knowledge of risk appetite, and ensure that enterprise-level risk considerations are integrated into strategic and operational decision-making.

This position leads the refresh and ongoing management of core risk tools and processes, including the risk register, heat map, risk framework, key risk indicators (“KRIs”), and supporting analyses. The Director also guides the evolution of risk appetite and tolerance thresholds and ensures that risk reporting is meaningful, timely, and actionable. By providing structured governance, oversight, and engagement across departments and with external advisors, the Director strengthens the organization’s ability to proactively manage its enterprise risk profile, support regulatory compliance, and embed risk-informed decision-making into all aspects of operations.

Manager - Enterprise Risk (1)

The Manager of Enterprise Risk supports the Director in operationalizing the organization’s enterprise risk and internal audit programs, ensuring that risk management, audit, and continuous improvement principles are integrated, ongoing functions across all departments. This role administers risk processes, coordinates risk reporting, develops and monitors KRIs, and ensures alignment across departments as risk appetite, tolerance thresholds, and governance practices mature.

Acting as a key contributor between the Director and the broader team, the Manager oversees the work of Legal and Risk Analysts, while also conducting research, performing analyses, and preparing written materials and briefings for senior leadership and Board committees. This enables the Director and the broader organization to make informed, strategic decisions grounded in evidence and insight.

The Manager is also responsible for identifying opportunities for innovation and improvement in risk and audit practices, supporting the evolution of methodologies, tools, and reporting mechanisms. By combining operational oversight, analytical rigor, and cross-departmental collaboration, this role strengthens the organization's capacity to embed a culture of risk awareness, advance enterprise-wide risk management and internal audit practices, and ensure that decision-making is proactive, informed, and aligned with the Corporation's strategic and regulatory objectives.

Legal and Risk Analyst (2)

The addition of two Legal and Risk Analysts provides essential analytical and operational capacity to operate, support, monitor, analyze, report, and continuously improve the enterprise risk management and audit programs and related functions. Incumbents in these roles will assist in monitoring and analyzing enterprise risks, preparing reporting materials for the Executive Committee and Board committees, and supporting internal audit, business continuity, continuous improvement, and other strategic initiatives. The addition of the analyst function ensures that the Enterprise Risk and Audit team has the capacity to maintain a robust risk management and internal audit framework, track and report on KRIs, support regulatory and strategic objectives, and embed risk awareness and continuous improvement practices across the organization.

Regulatory

The proposed enhancements to the regulatory function reflect a material increase in both the volume and complexity of regulatory obligations facing the organization. The pace and breadth of legislative and regulatory activity across multiple levels of government, including the Ontario Energy Board, have expanded significantly, alongside increased expectations for timely engagement, consultation, and formal submissions. This environment requires sustained attention to monitoring developments, assessing implications, providing guidance internally, and ensuring that Executive leadership and the Board remain well-informed and positioned to respond as circumstances evolve.

At the same time, regulatory filings and compliance requirements have become more complex and resource-intensive, requiring a higher degree of coordination, analysis, and internal alignment across functions. The organization must be equipped to manage ongoing obligations, including incentive rate mechanisms and capital-related filings, while maintaining readiness for more advanced application approaches that may be pursued in the future. Strengthening internal regulatory capacity and ensuring strong internal skillsets and team capacity supports more effective planning, reduces reliance on external resources, and ensures continuity in a specialized area where expertise is both scarce and developed over time.

These additions position the regulatory function to operate with the structure and depth required to support the organization's broader strategic, financial, and operational objectives, while maintaining responsiveness, compliance, and informed participation in an increasingly dynamic regulatory environment.

Manager of Regulatory (1)

The addition of a Manager of Regulatory position allows the Company to anticipate, understand and actively participate in the substantial amount of change that is occurring in Ontario's energy sector. There has been a significant increase in the number of regulatory initiatives and issues being developed and implemented by the Ontario Energy Board and the Ontario government. Adding a Manager of Regulatory strengthens the capacity of the Director of Regulatory Affairs, the Regulatory team, and the wider organization to manage these obligations effectively.

Financial Analyst - Regulatory (1)

This role will provide sustained analytical support across the full regulatory cycle - assisting with the ongoing monitoring and interpretation of policy developments, preparation of evidence and financial material for applications, and timely responses to inquiries - while also contributing to internal forecasting, modelling, and scenario analysis. Expanding the team in this way ensures that London Hydro maintains the depth needed to meet obligations, manage enterprise-wide inputs to regulatory filings, and position the organization to participate effectively in regulatory discussions as the landscape evolves. This investment reflects both the strategic importance of the regulatory file and the critical link

between strong regulatory performance, financial sustainability, and the regulator's mandate to ensure fair, reasonable, and justifiable outcomes for consumers.

Finance

Accounting Clerk (1)

The addition of an Accounting Clerk reflects both increasing workload and a deliberate restructuring of financial processes to improve accuracy, efficiency, and risk management. Accounts Payable responsibilities have expanded to encompass a broader range of transactions, including invoices, credit cards, telecommunications, inventory purchases, and professional services, all of which require accurate coding, appropriate approvals, and timely processing.

At the same time, the volume and complexity of non-electricity sundry billings have increased. These billings include items such as service isolations, connection impact assessments, developer-related charges, pole relocations, temporary services, and damage recoveries. Historically, responsibility for these billings was distributed, with some activities managed within Finance and others completed by Engineers within Asset Management as part of their operational workflows.

To improve consistency and reduce the risk of errors, sundry billing activities have been centralized within the Finance Department. The billing process requires detailed knowledge of the SAP ERP system, including customer selection, workflow execution, and appropriate financial coding. Maintaining this level of expertise within operational teams has become increasingly challenging as capital activity has grown and as roles and responsibilities evolve. Centralization ensures that billings are processed accurately and consistently, while enabling Engineering and Asset Management resources to focus on their core technical responsibilities.

The addition of an Accounting Clerk has enabled a clearer separation of responsibilities, with dedicated focus on Accounts Payable and sundry billing activities, while maintaining cross-coverage for operational continuity. This structure improves efficiency, enhances oversight of transactions, and strengthens internal controls. It also reduces reliance on a single individual, supports workload management, and ensures continuity in the event of absences.

Overall, this change represents a practical and appropriate evolution of the Finance function, aligning resources with increasing transaction volume, system complexity, and the need for accurate and timely financial processing.

Asset Management

The proposed additions respond to the increasing technical demands being placed on engineering functions. LDCs are managing a growing volume and complexity of capital work, while simultaneously adapting to changes in how electricity grids are planned, designed, built, and operated. This includes integrating distributed energy resources, supporting electrification, advancing grid modernization, and responding to more frequent and severe weather-related impacts on infrastructure. These pressures require in-house engineering and technical capacity and capability to undertake long-term planning and asset management, maintain design quality, manage projects and budgets, ensure timely execution, and support real-time problem solving as projects are implemented.

At the same time, the engineering function is becoming more data-driven and technologically enabled, with greater reliance on system modelling, advanced analytics, and digital tools to support planning, asset management, reliability and grid resiliency monitoring, and operational decision-making. Utilities are increasingly expected to anticipate and mitigate risks.

It is critical to build internal capability and develop emerging talent to ensure continuity of expertise and sustained technical capacity, positioning London Hydro to deliver an expanding and increasingly complex capital program while maintaining reliability, responsiveness, and service quality.

Electric Engineering Technologist (2)

The addition of two additional Electric Engineering Technologists strengthens the department's capacity to prepare detailed designs and materials specifications for both overhead and underground infrastructure. As the city and associated capital projects expand, having in-house expertise ensures designs are ready well in advance of construction and that timely support is available to address questions or adapt to changes in the field. This role helps maintain continuity and responsiveness within the team, supporting reliable, efficient, and well-coordinated project execution.

Engineer in Training (2)

Bringing new talent into the organization is critical to London Hydro's success and more broadly to sustaining the electrical distribution industry, particularly in developing the next generation of Professional Electrical Engineers. Engineers-in-Training perform substantive, necessary analytical tasks while developing the critical thinking and technical skills needed to manage increasingly complex grid operations, electrification, distributed energy resources, extreme weather, and evolving demands for reliability and infrastructure planning. Investing in these individuals helps build a robust leadership pipeline, supports the long-term stability of the organization, and reduces risk by ensuring a steady progression of skilled capable professionals.

Facilities and Environmental Services

Environmental Technician (1)

The Environmental Technician position was introduced to support the organization's expanding environmental compliance and sustainability obligations. This role assists with WHMIS and transportation-of-dangerous-goods requirements, tracks and reports environmental KPIs across all leadership levels, and contributes to monitoring operational greenhouse gas emissions from facilities, fleet, and equipment. It also provides essential support in managing spill response and reporting obligations to the Ministry of the Environment, ensuring accuracy, timely escalation, and appropriate stakeholder involvement. By strengthening the team's capacity to meet regulatory expectations and maintain a robust environmental management program, the position enhances the organization's ability to manage risk and minimize environmental impacts associated with its operations.

Facilities Systems Supervisor (1)

The addition of an in-house Facilities Systems Supervisor in 2023, with Master Electrician and Fire Alarm certification, reflects both the increasing volume and technical complexity of building systems required to support London Hydro's operations, as well as a deliberate shift in how these services are delivered. Prior to this change, the Facilities function consisted of a single Supervisor overseeing multiple external contractors across a broad range of maintenance and capital activities.

The organization undertook a "make versus buy" assessment in response to rising contractor costs and increasing reliance on external service providers. For example, a 2022 services tender for electrical work indicated cost increases of approximately 47% over the period from 2019 to 2023. In response, London Hydro transitioned key elements of this work in-house through the creation of the Facilities Systems Supervisor role. This position was expected to enable cost avoidance of over $173,000 relative to the prior contracted model. Consistent with this approach, contractor expenses related to electrical work and standby generator maintenance alone decreased by approximately $100,000 between 2022 and 2027.

The Facilities Systems Supervisor provides direct oversight and technical expertise across a wide range of critical building systems, including electrical infrastructure (such as transfer switches, UPS units, generators, and battery systems), communications cabling and VOIP systems, fire alarm and suppression systems, building automation and environmental controls, security systems, and stormwater and environmental monitoring systems. Internalizing this capability allows for more effective management of system installation, inspection, testing, and maintenance activities, while ensuring compliance with internal standards and regulatory requirements.

This model enables London Hydro to retain strategic oversight, technical knowledge, and prioritization capability in-house, while continuing to utilize external contractors for routine or less specialized tasks. It also supports more appropriate allocation of work based on skill requirements, reducing reliance on higher-cost external resources for activities that can be performed more efficiently internally.

Operationally, the addition of this role has improved responsiveness to facilities-related issues, enhanced coordination across maintenance and capital activities, and strengthened quality assurance through increased inspection and verification of contractor work. It has also supported a more proactive

approach to asset maintenance, improved tracking and reporting of facilities activities, and enabled progress on broader initiatives such as security enhancements, environmental and compliance programs, and facility upgrades.

Overall, the creation of the Facilities Systems Supervisor role represents a cost-conscious and operationally prudent adjustment, improving service delivery, strengthening oversight of critical infrastructure, and reducing exposure to escalating external contractor costs.

Operations and Maintenance

Cybersecurity Supervisor (Operations Technology) (1)

To ensure the sustainability and resilience of operational technology cybersecurity, a dedicated role is being added to support day-to-day technical management. This position will collaborate closely with the Manager and the P&C Supervisor, performing hands-on tasks such as applying patches, addressing vulnerabilities, supporting audits, and maintaining the security of critical operational systems, including SCADA and other grid control technologies.

Operational technology cybersecurity presents distinct and heightened risks compared to traditional information technology environments, as it directly relates to the safe and reliable operation of the electricity distribution system. As the grid evolves, including the implementation of Advanced Distribution Management Systems (“ADMS”), increasing integration of Distributed Energy Resources (“DERs”), and consideration of Non-Wires Alternatives (“NWAs”), the complexity, connectivity, and exposure of operational systems continue to grow. This evolution significantly expands the potential attack surface and increases the importance of robust, specialized cybersecurity controls.

Cybersecurity has been identified as the highest risk on London Hydro’s Enterprise Risk Management heat map, underscoring the criticality of strengthening both preventative and responsive capabilities in this area. The addition of this role supports a more proactive and sustainable approach to managing cybersecurity risk within the operational environment, ensuring that vulnerabilities are addressed in a timely manner and that systems remain compliant with evolving regulatory and industry standards.

By distributing critical knowledge and responsibilities across more than one individual, this role reduces single-point-of-failure risk and enhances operational resilience. It also improves the organization's capacity to respond to emerging threats, supports ongoing system monitoring and maintenance, and ensures that cybersecurity considerations are fully integrated into the planning and operation of an increasingly complex and digitally enabled grid.

Key Account Customer Engagement and Support

The proposed enhancements to the Key Account function align with the organization's strategic focus on strengthening customer relationships and delivering a consistently high-quality customer experience. Key account customers represent a critical segment, with increasingly complex needs spanning billing, consumption, reliability, power quality, and emerging areas such as electrification and distributed energy resources. Meeting these expectations requires a more structured and proactive approach to engagement, supported by dedicated resources and specialized expertise.

The Key Account Engagement Program, as outlined in Exhibit 1, reflects a comprehensive model that includes relationship management, regular customer interactions, education and outreach, and technical support across the customer lifecycle. As participation in these activities continues to grow in both scope and frequency, additional capacity is required to ensure timely responsiveness, continuity of service, and the ability to translate technical information into meaningful insights for customers.

The addition of a Key Account Supervisor and a Manager, Customer Electrification establishes the depth and specialization needed to support this program effectively. Together with the existing Manager of Key Accounts, these roles enable a coordinated approach that combines relationship management, technical advisory capability, and program delivery. This structure strengthens the organization's ability to support customer decision-making, respond to evolving energy needs, and position itself as a reliable and informed partner, while also supporting broader objectives related to customer success, economic development, and system planning.

Key Account Supervisor (1)

With growing emphasis on customer experience and strategic advisory support, there is an increasing need to dedicate resources to key accounts. Customers are seeking guidance on billing and consumption matters, electrification, reliability, power quality, cost management, and distributed energy initiatives, including fleet electrification and participation in programs at both local and provincial levels.

Adding a resource allows the team to broaden its understanding of customer priorities, ensures continuity of expertise across multiple accounts, heightens the organization's ability to provide timely, informed guidance while supporting customer growth and economic development, and strengthens London Hydro's role as a trusted partner in navigating evolving energy solutions.

Manager – Customer Electrification (1)

The addition of a Manager, Customer Electrification provides specialized support and subject matter expertise to customers exploring fleet and other electrification-related initiatives. This role ensures that the Corporation can engage strategically with customers, delivering technical guidance that is sound and reliable, and reinforces trust in the Corporation as a key advisor. The role will also collaborate with the Communications team to provide input on educational and outreach initiatives regarding electrification adoption.

Beyond external customer engagement, the incumbent applies their expertise internally, contributing to the Corporation's approach to fleet electrification and prudent implementation of corporate initiatives. The incumbent works in an interdisciplinary manner across multiple departments involved in electrification planning. Reporting directly to the Director responsible for the customer experience within the Engineering and Operations domain, this position strengthens the Corporation's ability to anticipate and respond to evolving electrification trends and ensures that customer and corporate electrification initiatives are executed effectively, safely, and in a manner that enhances London Hydro's reputation and long-term operational resilience.

People & Culture (Human Resources)

Manager of People & Culture (1)

The addition of a Manager - People & Culture has allowed more focused oversight, planning and process improvement in the areas of recruitment, learning and development, and resource planning for Non-Union/Management employees. As the Corporation grows and workforce requirements evolve, these functions require dedicated management to ensure that staffing levels, employee development programs, and career pathways are aligned with strategic priorities.

As illustrated in the chart below, recruitment volumes remain high, with talent acquisition activities characterized by increasing complexity, including competition for specialized skillsets, geographic constraints, inconsistent availability of qualified candidates, and the need to effectively position opportunities within a highly competitive and evolving labour market.

Chart 4-20: Annual External Job Postings: 2022 – 2025

	2022	2023	2024	2025
Permanent Positions	34	36	31	36
Non-Permanent Positions	20	23	13	32
TOTAL	**54**	**59**	**44**	**68**

This position enables structured planning for talent acquisition, learning initiatives, succession readiness, and employee engagement assessment, ensuring that employees have clear opportunities for growth and that London Hydro retains critical resources with required skills over the long term. The Manager - People & Culture also strengthens the operational capacity of the department by supervising direct reports and coordinating cross-functional programs, ensuring timely execution of initiatives that support culture, engagement, and employee development, while maintaining efficiency and cost-effectiveness.

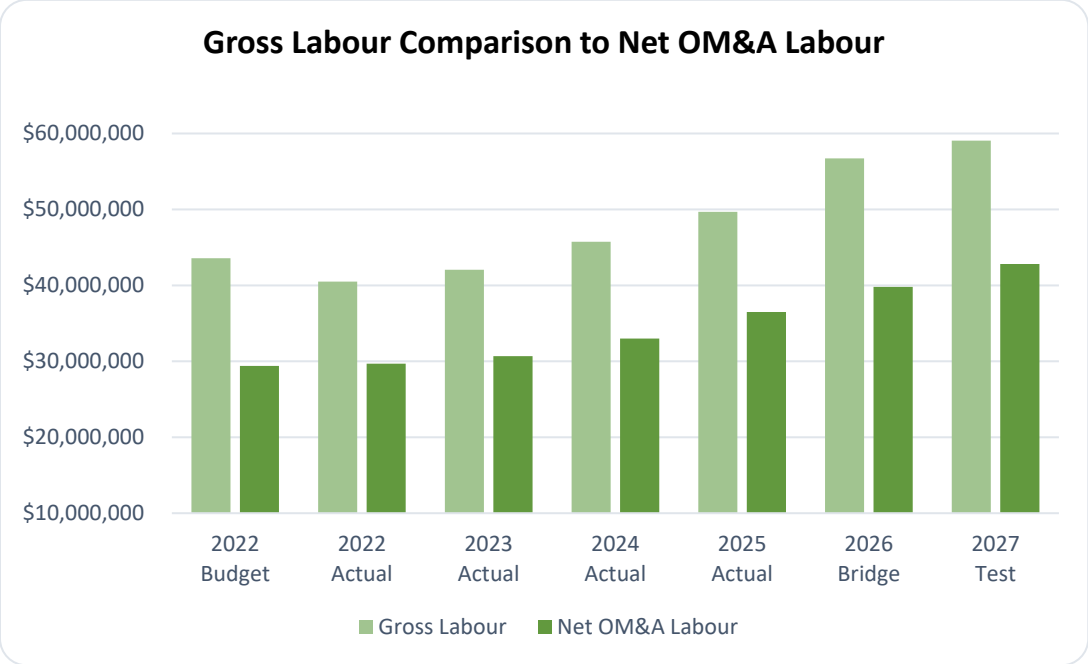
Vacancy Allowance

While temporary vacancies occur naturally due to retirements, resignations, or other transitions, the impact on OM&A costs is not uniform across the workforce. In segments such as Certified & Skilled Trades, vacancies are managed through increased use of contractors, thereby maintaining the capital program with an alternate resource mix. In contrast, vacancies in critical operational areas - particularly the System Operating Centre - typically increase costs, as remaining staff cover shifts at overtime rates until replacements are onboarded, trained and fully operational.

Unanticipated departures in specialized roles may also require engagement of external consultants through the Professional / Contracted Services budget to ensure continuity of planned work. Even where Engineering & Operations or Customer Service & Billing budgets include contingencies for unplanned overtime, not all emergencies are predictable. Additionally, under the Administrative Services Only benefits plan, actual health and dental costs may exceed forecasted amounts, introducing further variability to aggregated, annual *Labour & Benefits* OM&A costs.

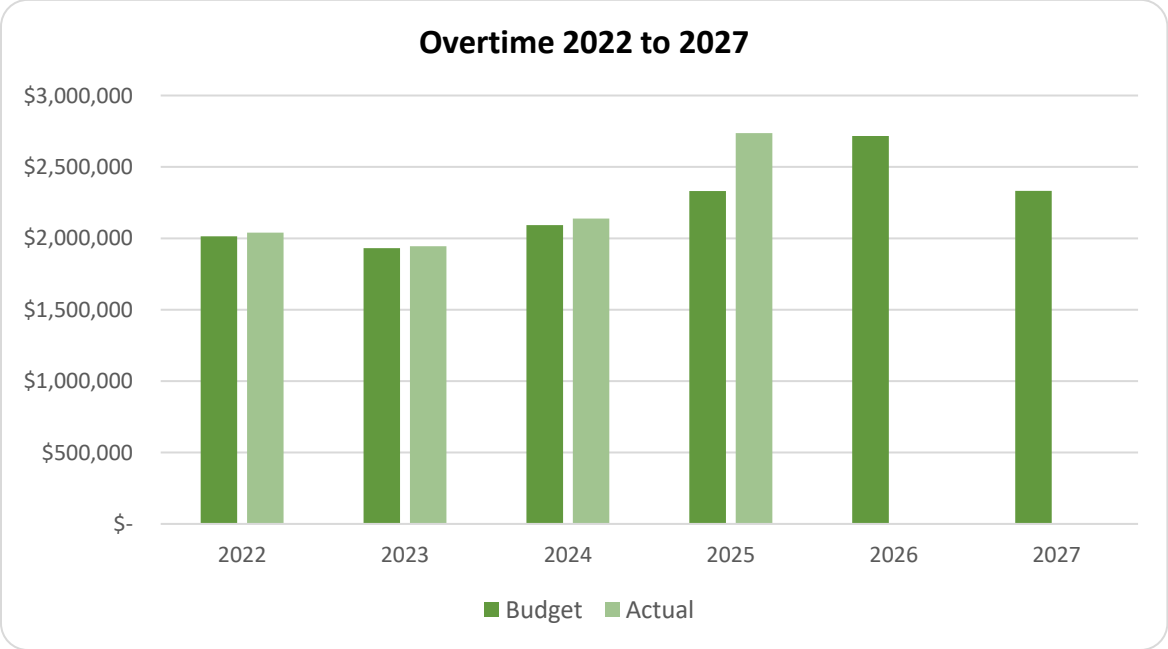
A significant portion of labour costs is allocated to capital activities rather than OM&A. As a result, vacancies in positions with high capital allocation have limited impact on OM&A expenditures, as the associated costs would otherwise be charged primarily to capital accounts. Accordingly, such vacancies do not give rise to material OM&A savings or increased return for the Shareholder from reduced OM&A spending as depicted in the chart below.

Chart 4-21: Gross Labour Comparison to Net OM&A Labour



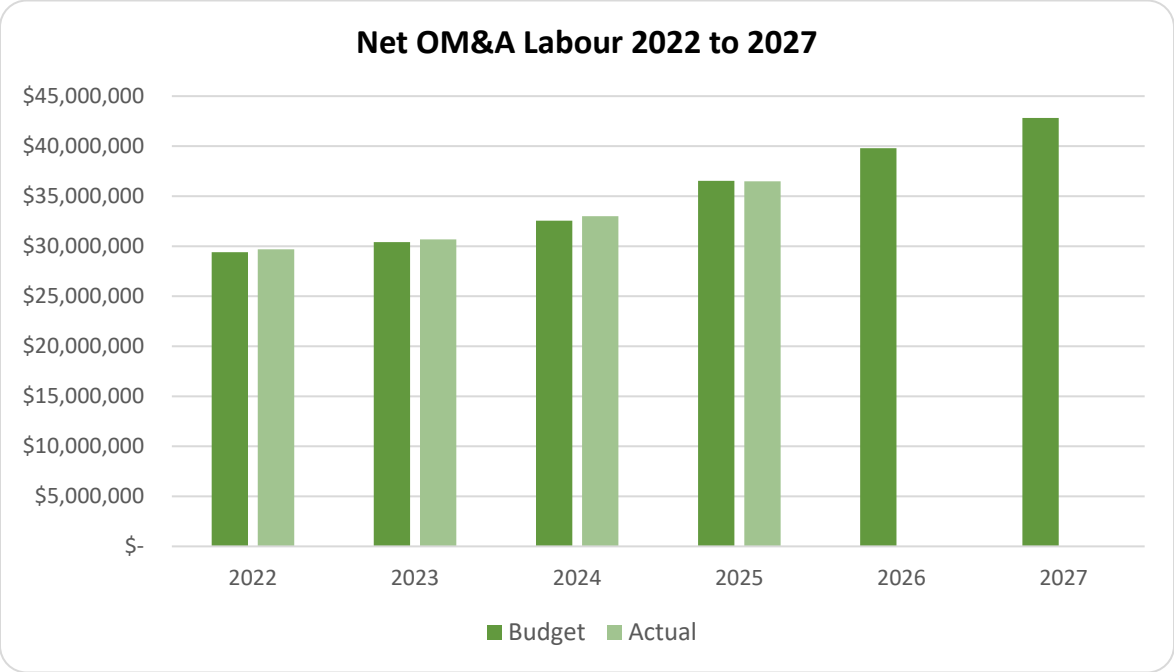
OM&A budgets include reasonable and evidence-based allowances for both planned and unplanned overtime in each rate year. Actual overtime costs exceeded budget in each of 2022 through 2025 as illustrated in the chart below, resulting in a cumulative underage of approximately $500K. This pattern demonstrates that overtime requirements represent a separate and material expenditure and reality, and are an important consideration when assessing perceived vacancy savings.

Chart 4-22: Overtime 2022 to 2027



Actual Net OM&A labour has exceeded the budgeted amount for each of 2022 through 2025 as illustrated in the charts below, with a cumulative excess of approximately $950K. This further clarifies that any vacancy-related offsets were consumed by other labour-related costs and did not result in increased net income.

Chart 4-23: Net OM& Labour Budget vs Actual 2022 to 2027



While headcount may fluctuate and some positions may remain temporarily vacant, these vacancies have not historically resulted in net savings against budget, and in many cases, temporary churn can generate additional costs incremental to any vacancy-related cost avoidance (including overtime) as London Hydro adopts alternative resourcing strategies to maintain service levels, meet regulatory requirements, and advance strategic objectives.

Despite these realities, the budgets include a 3.3 FTE in 2026 ($250,000) and 5.7 FTE in 2027 ($600,000) vacancy allowance to reduce OM&A to account for short-term vacancies resulting from turnover. This allowance is intended to account for typical turnover and time-to-fill considerations, while also recognizing that in certain critical operational areas, alternative coverage decisions, or the use of contractors or consultants, may offset any cost reductions that arise temporarily from unfilled positions.

In the Chart below London Hydro has distinguished between its total approved/requested FTE complement and the number of active, full-time permanent employees. The 319.7 FTEs included in the 2022 rate application included 12.5 temporary and contract FTEs (i.e. students and temporary resources). These positions have therefore been excluded from the comparison of permanent staffing levels. In addition, London Hydro's workforce planning assumptions incorporated a vacancy allowance to recognize that a portion of approved positions will be temporarily vacant due to recruitment lead times, retirements, resignations, internal promotions and other employee turnover. Accordingly, the vacancy allowance is a planning assumption regarding the expected number of positions temporarily unfilled at a point in time; it does not represent a permanent reduction in London Hydro's approved or required staffing complement.

Chart 4-24: Evolution from 2022 FTE Rate Application Proposal

	30-Apr-26	30-May-25	2022
Requested FTEs			319.7
Less Temporary / Contract FTEs			12.5
Subtotal - Full-time FTEs			307.2
Add Open Head Allocation			2.7
Total – Full-time FTEs (Active)	320	310	309.9
Total – Full-time FTEs (Active + Recruitment)	332	323	

As illustrated above, London Hydro prudently managed the pace of workforce growth following the 2022 rate proceeding. While the 2022 application identified a total funding requirement for 310 permanent, full-time FTEs, the approved settlement reduced London Hydro's proposed OM&A envelope by $1.38 million. Given that labour represents a significant component of OM&A, London Hydro appropriately managed recruitment and workforce growth with the financial parameters established through the settlement in mind.

London Hydro's active, full-time permanent complement reached 310 employees in May 2025 and has remained at or above that level since. This demonstrates that London Hydro progressed to, and subsequently beyond, the permanent staffing level contemplated in its 2022 workforce plan. By April 2026, London Hydro had 320 active, full-time permanent employees, with a further 12 positions in active recruitment, demonstrating continued progress toward its 2027 budgeted workforce requirements.

4.3.4 Compensation Strategy

Overview

A sustained, strategic focus on total compensation elements supports London Hydro's ability to employ and retain great people, and to meet current and future workforce requirements in a manner that is cost-effective, responsible, and consistent with the performance and accountability-focused objectives and initiatives of the Strategic Plan.

For unionized employees, the collective bargaining process is the primary avenue for updates to compensation. For all Non-Union/Management employees, in 2027 there will be two components to total cash compensation: base salary, and an outcomes-based pay at risk / short-term incentive program ("STIP").

London Hydro has long considered employee compensation to be integral to its ability to employ, develop, and retain great people and carefully manages pay and benefits to remain competitive within relevant labour markets. An appropriately structured and positioned total compensation framework continues to support and enhance London Hydro's strong employer brand, reinforce its connection with the community, and enable current and prospective employees to view the organization as a place where they can pursue meaningful, long-term careers.

With provincial pay transparency regulations now requiring the publication of salary ranges for most publicly posted vacancies, current and prospective employees will have greater opportunity to assess the competitiveness of London Hydro's compensation practices. This reinforces the need for an ongoing, proactive approach to ensuring compensation remains competitive in relevant markets.

Appropriate investment in this area is critical to London Hydro creating, delivering, and communicating sustained operational excellence and value.

Internal Equity

London Hydro applies consistent approaches to objectively and impartially establish wages for each position in the organization. Unionized positions are managed using a standardized approach appropriate to collective agreement terms, while Non-Union and Management positions are evaluated using a separate, consistent framework. In both cases, established processes:

- Support ongoing pay equity maintenance
- Determine position placement on the appropriate salary grid
- Monitor and uphold internal equity principles
- Enable structured career progression and promotion from within by designing the compensation framework to scale with and reward increases in accountability, responsibility, autonomy, and span of control.

Factors Considered in Compensation Decisions

London Hydro utilizes a multi-faceted approach to compensation planning, to ensure that the Company remains capable of meeting current and future service obligations by retaining a skilled, engaged, and tenured workforce. Compensation decisions are influenced by many considerations, including:

- Inflationary Pressures
- Market Conditions / Benchmarking data / Recent union settlements
- Recruitment Trends
- Undesired Turnover Trends
- Role Type and Criticality / Skill Shortages
- Operational Constraints
- Apprenticeship Matters (e.g. time required in a role to achieve full proficiency, ratios)
- Potential Workforce Mobility / Talent Pool Location (relative to London)

Skills Shortages

Some of the key findings of the Electricity Human Resources Council (EHRC), in their publication *Electricity in Demand: Labour Market Insights 2023-2028*, are:

- The electricity sector is facing recruitment and retention challenges for critical occupations (such as skilled trades, technicians and technologists, and Engineers). Almost half of these occupations are expected to have economy-wide labour shortages.
- Many new employees (equivalent to 25% of the current industry labour force) will be needed in the coming years to meet replacement demand (from retiring employees) and expansion demand (from electrification and economic growth)

As noted in Section 3 (Full Time Equivalents ("FTEs") in 2027 Test Year / Workforce Composition), twenty-five (25) talented and valued employees, including Powerline / Cable Maintainers, Systems Operators and Technologists, had left London Hydro in the past for opportunities with other distributors (several would have access to higher wages), and London Hydro has experienced challenges in filling vacancies.

Market Competitiveness

Compensation decisions are also informed by measured, pragmatic, and periodic assessments against relevant labour markets.

For essential services skilled trades and technical positions (e.g. Systems Operator, Powerline/Cable Maintainer, Technologist), vacancies at any distributor create direct competition for new talent and introduce the risk of employees moving between organizations, even where geographical distances are substantial. These roles are in high demand, require unique competencies, and involve lengthy training and development programs. In some instances, there may be no viable alternatives (i.e. outsourcing) if new resources cannot be secured. Additionally, recent regional changes in the sector have intensified local competition for candidates in essential services roles. The current environment requires London Hydro to maintain a proactive and vigilant approach to compensation.

For all other roles, London Hydro must retain its standing as an employer of choice in the local labour market by offering competitive wages, comprehensive benefits, a defined-benefit pension plan, and, increasingly, a hybrid work option for office-based positions. Certain highly specialized or in-demand roles, including select regulatory, technical and/or professional positions, may require recruitment from a broader geographic area. In some cases, London Hydro has needed to repost positions or engage the passive job market through the use of search firms to secure qualified candidates.

These market realities underscore the importance of maintaining competitive compensation across all roles. By aligning pay with relevant labour markets and recognizing the unique demands of different positions, London Hydro ensures it can employ and retain employees necessary to meet current and future service obligations while supporting a skilled and engaged workforce.

Annual Wage Adjustments for Unionized Employees (PWU)

London Hydro's unionized employees (including skilled trades, technical, customer care, administrative, and operations support) are represented by the Power Workers' Union ("PWU"), CUPE Local 1000. Cost-of-living adjustments (and, if and when deemed necessary by London Hydro, market adjustments) are negotiated during collective bargaining for unionized employees.

Chart 4-25 – Annual Cost of Living Adjustments for Unionized Employees (2020 – 2026)

2020-2023 Agreement				2024-2026 Agreement			Future Agreement		
2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2.10%	2.10%	2.50%	2.50%	4.00%	3.00%	3.00%	TBD	TBD	TBD

The current collective agreement expires on December 31, 2026. Negotiations are scheduled in October-November 2026.

LDC Comparison of Recent Negotiated Annual Increases

The negotiated 2024-2026 cost-of-living adjustments are consistent with settlements reached during the same period between electricity distributors and the Power Workers' Union. Recent and anticipated agreements indicate that similar annual increases are / will be similar, highlighting the importance for London Hydro to maintain its competitiveness in the upcoming negotiations for the renewal collective agreement for 2027 and beyond, scheduled for Fall 2026.

Chart 4-26 – LDC Comparison of Recent Negotiated Annual Increases

	2022	2023	2024	2025	2026	2027	2028	Sum of Most Recent 4 Years
London Hydro	2.50%	2.50%	4.00%	3.00%	3.00%			12.50%
Hydro One		4.50%	4.00%	4.50%	3.50%	3.50%		15.50%
Alectra	3.70% *+1.0% lump sum*	3.00% *+0.75% lump sum*	3.00%	3.10%	3.40%	4.00%		13.50%
Hydro Ottawa		4.50%	3.50%	3.25%	3.25%			14.50%
Elexicon	3.25%	3.00%	2.30%	4.00%	3.25%	3.00%	2.50%	12.75%

Non-Union / Management Employees

Annual cost-of-living adjustments for Non-Union and Management employees are approved by the Board of Directors. In setting adjustments, there is consideration of publicly-available salary surveys, relevant inflation statistics, and measures to preserve the integrity of pay relationships and prevent erosion of Non-Union / Management salaries relative to the union salary grid.

While the Board of Directors considered a range of inputs annually, and notwithstanding circumstances where certain factors might have warranted higher adjustments, the same cost-of-living adjustment was approved for Non-Union and Management employees as that applied to unionized employees for each year from 2022 through 2026.

Compensation Benchmarking

Irrespective of any plan to review Non-Union/Management salary and perquisite information from the annual MEARIE Management salary survey, London Hydro is a standing participant in this exercise in an effort to ensure depth and breadth of data for the industry at large.

In consideration of relative competitiveness, London Hydro benchmarks compensation to the market median (50th percentile) of relevant labour markets.

The appendices include a deliverable from a project supported by Willis Towers Watson in 2025. Willis Towers Watson completed a Non-Executive, Non-Union/Management Compensation Analysis of thirty-eight (38) non-executive Non-Union/Management benchmark positions (40%) and eighty-eight (88) incumbents (63%) against a pre-identified competitive market, reporting on base salary, target short-term incentive, and total compensation, with 25th, 50th and 75th percentiles presented. Generally, London Hydro target total annual compensation was found to be at or below the 50th percentile.

4.3.5 Labour Cost Drivers

To address the expectation that cost drivers be clearly articulated, the approach for OM&A labour-related costs differs intentionally from that used for non-labour components. Rather than embedding labour variance explanations within each individual Program writeup, all labour-related cost drivers have been addressed holistically within this Workforce Planning section. This shift reflects the highly interconnected nature of workforce changes, including vacancies, internal movements, role redesign, and other organizational adjustments, which do not align cleanly to discrete program boundaries. Attempting to attribute these dynamics at the program level would introduce unnecessary complexity and risk obscuring the underlying drivers. Presenting labour cost drivers in a consolidated manner provides a clearer, more accurate view of the factors influencing overall OM&A labour costs.

Factors Affecting Specific Programs

At the individual program level, labour-related cost trends and associated CAGR are influenced by a range of factors that are not directly tied to changes in total FTEs. These include organizational realignments, such as the transfer, repurposing, or reclassification of roles across programs and departments, which can shift costs without reflecting a net change in overall staffing levels. In addition, labour allocations arising from the temporary or ongoing sharing of resources between teams further affect program-level cost profiles.

As part of normal operations, resources are periodically redeployed to support priority work across the organization, or are quasi-permanently shared between business areas. This results in corresponding cost allocations between business areas and programs; programs providing resources may experience reduced labour costs, while receiving programs reflect increased costs. These dynamics are intentional and support efficient use of internal capacity; however, they can create variability at the program level that is not indicative of underlying cost pressures or structural changes. As a result, program-level labour cost comparisons and growth rates should be considered in the context of these broader organizational practices.

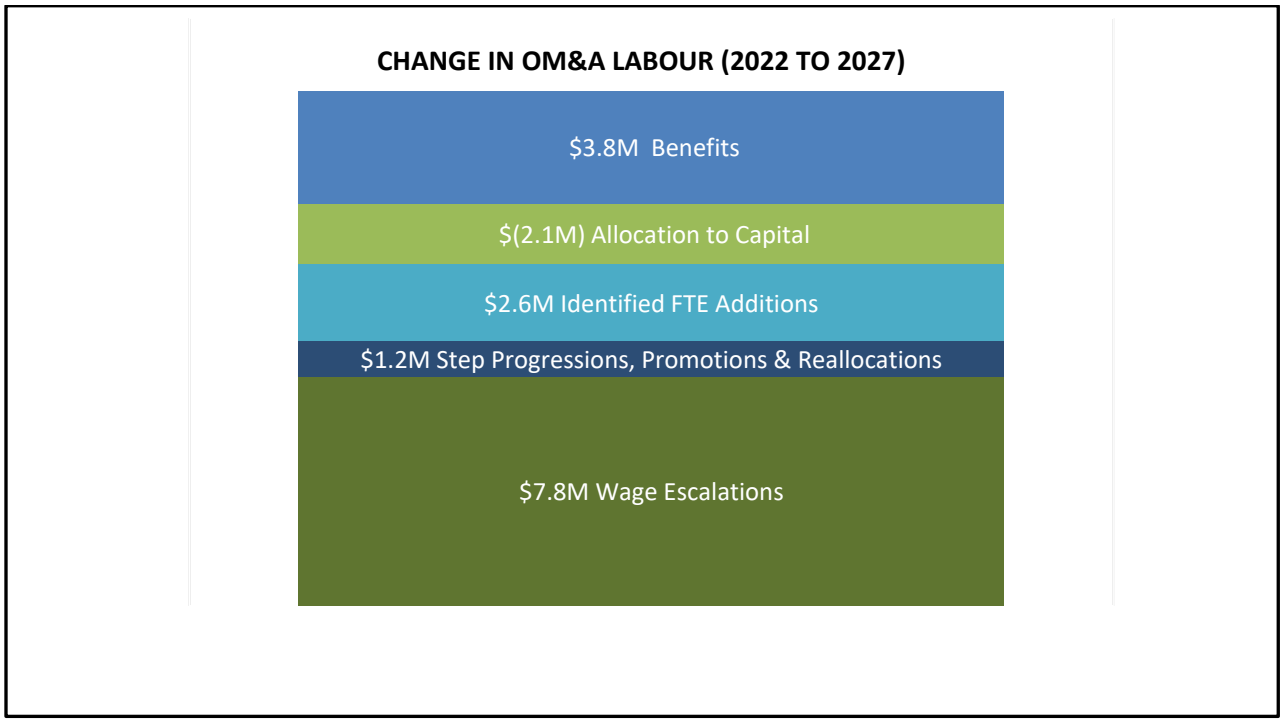
Table 4-19: Net OM&A Labour by Program 2022 to 2027 Test Year

Net OM&A Labour by Program												
				Annual Change					Total Change		Total Change	
Program	2022 Budget	2022 Actual	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Test to 2027 Test		2022 Actual to 2027 Test	
	$	$	$	$	$	$	$	$	$	CAGR	$	CAGR
Operations and maintenance	9,449,100	9,848,600	12,160,500	197,487	125,887	950,989	549,836	487,700	2,711,400	5.2%	2,311,900	4.3%
Asset management	3,908,600	4,062,773	5,632,900	237,303	(303,138)	394,465	573,097	668,400	1,724,300	7.6%	1,570,127	6.8%
Information Technology	3,848,100	4,173,478	6,574,800	132,327	794,444	1,272,436	57,815	144,300	2,726,700	11.3%	2,401,322	9.5%
Customer services and collections	5,210,200	4,568,497	5,951,200	(260,800)	320,209	302,166	907,828	113,300	741,000	2.7%	1,382,703	5.4%
Facilities and environmental services	381,800	363,308	680,700	151,075	84,030	(5,644)	55,431	32,500	298,900	12.3%	317,392	13.4%
Corporate services	3,050,300	3,091,635	5,996,100	25,497	576,488	338,019	966,461	998,000	2,945,800	14.5%	2,904,465	14.2%
Locate services	42,500	35,747	46,200	1,429	7,253	(156)	(273)	2,200	3,700	1.7%	10,453	5.3%
Corporate communications	626,100	647,093	939,900	48,734	19,062	(1,971)	151,682	75,300	313,800	8.5%	292,807	7.8%
Human resources, health and safety	1,309,700	1,385,989	2,330,300	150,022	381,788	199,201	(23,799)	237,100	1,020,600	12.2%	944,311	11.0%
Fleet services	790,000	746,351	1,138,200	46,648	65,452	13,149	56,100	210,500	348,200	7.6%	391,849	8.8%
Materials management	784,200	761,588	1,362,100	263,662	243,039	38,711	6,801	48,300	577,900	11.7%	600,512	12.3%
Total $	**29,400,600**	**29,685,058**	**42,812,900**	**993,384**	**2,314,513**	**3,501,364**	**3,300,981**	**3,017,600**	**13,412,300**	**7.8%**	**13,127,842**	**7.6%**
Annual % change				3.0%	7.5%	11%	9%	8%				

In addition to wage escalations, as outlined in the Changes in OM&A Labour (2022 to 2027) Chart below and described in Section 4 above (Compensation Strategy), four additional factors affect the overall increase and net CAGR:

1. Step Progressions, Promotions and Reallocations
2. Identified FTE Additions
3. Allocation to Capital
4. Benefits

Chart 4-27: Change in OM&A Labour 2022 to 2027 by Component



1 - Step Progressions, Promotions and Reallocations ($1.2M)

Over the rate period, workforce dynamics such as step progressions and internal promotions have also contributed to changes in overall compensation levels. With normal levels of attrition and hiring, a portion of the workforce is consistently progressing through established pay structures. As turnover moderates and tenure increases, a greater proportion of employees reach the upper end of their respective salary ranges, reflecting accumulated experience and organizational continuity. In addition, targeted advancement into supervisory, management, and senior leadership roles between 2022 and 2025 has supported capacity and capability objectives. These factors, occurring within a relatively stable overall headcount, have contributed to upward pressure on compensation costs beyond standard annual adjustments.

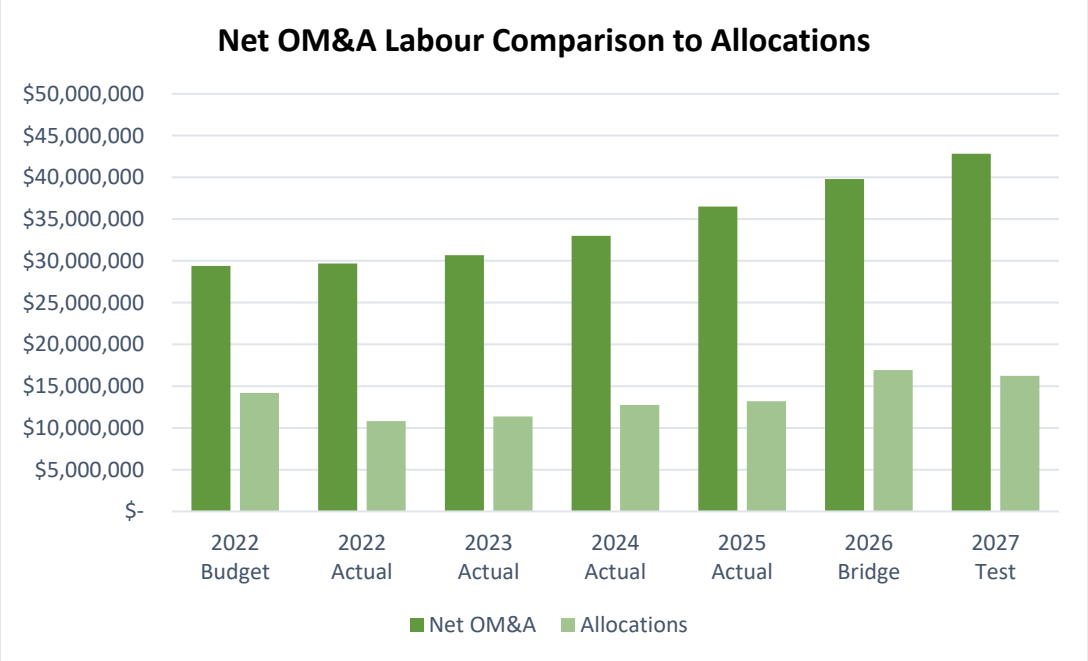
2 —Identified FTE Additions ($2.6M)

The incremental impact of the base salaries for 20 FTE Additions is: $2,600,000.

3 — Allocation to Capital (-$2.1M)

The OM&A labour outlook is influenced in part by the extent to which internal resources are allocated to capital projects. Where work can be capitalized, labour costs are appropriately attributed to capital rather than OM&A. Variability in these allocations can arise due to things such as external factors, vacancies, timing pressures, and operational requirements, which may necessitate the use of external resources for capital work and result in a corresponding increase in OM&A labour costs.

Chart 4-28: Net OM&A Labour Comparison to Allocations



4 — Benefits ($3.8M)

Benefit costs have increased over the period as a result of several interrelated factors, including plan design, economic conditions, and workforce demographics. A portion of benefits is directly linked to salary levels and therefore rises in line with compensation, including pension and long-term disability contributions. In addition, statutory and externally administered programs, such as CPP, EI, and particularly OMERS, are subject to periodic rate adjustments and increasing insurable earnings thresholds, which contribute to overall cost escalation.

For health and welfare benefits delivered through an administrative-services-only (“ASO”) arrangement, costs are primarily driven by claims experience. These include upward pressures from prescription drugs, particularly the growing use of specialty medications, as well as increases in paramedical and dental costs. Inflationary impacts on provider fees and increased utilization have also contributed to higher claims. While the organization actively oversees plan design and the reasonableness of claims adjudication, these costs are largely externally influenced.

Additional variability arises from employee health-related absences, including the self-insured short-term disability program, which cannot be predicted with precision. Over the rate period, benefit cost increases have reflected these combined pressures, with some years experiencing growth above general inflationary levels.

London Hydro provides a comprehensive and competitive benefits package, which includes medical insurance, life insurance, long term disability insurance, vacation entitlement, and a company-sponsored retirement plan, Ontario Municipal Employees Retirement System (“OMERS”). The plans are designed to address the health and welfare needs of employees. Benefit packages are generally consistent across the organization, with only minor differences applicable to non-union and executive employee groups.

Gross benefits and employer costs are forecast to be $12,326,600 for the 2026 Bridge Year and $13,083,300 for the proposed 2027 Test Year as summarized in Table 4-20 below. The 2027 Test Year forecast represents an increase of $4,155,699 relative to 2022 Actuals, representing a CAGR of 7.9%.

Table 4-20: Gross Employee Benefits and Employer Costs 2022 to 2027

GROSS EMPLOYEE BENEFITS AND EMPLOYER COSTS	2022 OEB Approved	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test	2022 Actuals to 2027 Test	CAGR
STATUTORY									
CPP	$ 981,100	$ 1,064,740	$ 1,178,341	$ 1,286,852	$ 1,424,041	$ 1,664,200	$ 1,747,400	$ 682,660	*10.4%*
Employment insurance	350,300	346,174	375,607	400,370	418,067	463,200	477,100	130,926	*6.6%*
Employer's health tax	663,300	643,053	661,254	723,224	796,734	888,800	919,900	276,847	*7.4%*
WSIB premiums	282,900	92,405	199,460	184,966	(55,736)	249,300	256,800	164,395	*22.7%*
	2,277,600	2,146,372	2,414,662	2,595,412	2,583,106	3,265,500	3,401,200	1,254,828	*9.6%*
ACTIVE									
OMERS	3,301,300	3,258,899	3,473,221	3,758,975	4,136,592	4,745,000	5,094,500	1,835,601	*9.3%*
LTD insurance	854,900	982,658	732,414	662,617	639,745	773,300	796,500	(186,158)	*-4.1%*
Life insurance	156,100	138,826	123,283	128,318	136,941	151,200	155,700	16,874	*2.3%*
Health benefits	1,303,100	1,390,286	1,603,117	1,874,071	2,002,449	2,247,500	2,391,100	1,000,814	*11.5%*
EI - employee portion	159,500	149,150	154,130	165,517	171,761	178,800	184,200	35,050	*4.3%*
Employee OHP premiums	220,500	206,801	209,778	211,425	226,326	288,400	297,100	90,299	*7.5%*
Vacation liability change	25,400	(245,885)	(218,907)	(19,740)	185,000	(94,500)	(94,500)	151,385	*-17.4%*
Other	15,000	34,103	114,035	82,743	63,492	100,200	92,600	58,497	*22.1%*
	6,035,800	5,914,838	6,191,071	6,863,926	7,562,306	8,389,900	8,917,200	3,002,362	*8.6%*
RETIREES									
Retiree benefits	867,600	870,656	1,030,383	1,011,133	956,579	1,050,800	1,082,300	211,644	*4.4%*
Employee future benefit costs	99,400	35,000	(209,100)	(275,300)	(443,800)	(250,000)	(180,000)	(215,000)	*-238.8%*
	967,000	905,656	821,283	735,833	512,779	800,800	902,300	(3,356)	*-0.1%*
TOTAL BENEFIT COSTS	**9,280,400**	**8,966,866**	**9,427,016**	**10,195,171**	**10,658,191**	**12,456,200**	**13,220,700**	**4,253,834**	***8.1%***
activities	**(35,700)**	**(39,266)**	**(40,891)**	**(48,951)**	**(143,732)**	**(129,600)**	**(137,400)**	**(98,134)**	***28.5%***
LDC BENEFIT COSTS	**$ 9,244,700**	**$ 8,927,601**	**$ 9,386,125**	**$ 10,146,220**	**$ 10,514,459**	**$ 12,326,600**	**$ 13,083,300**	**$ 4,155,699**	***7.9%***

CPP premiums

CPP premiums have increased due to increases in the maximum pensionable earnings amount as well as the contribution rate. For example, the maximum base CPP contribution for 2022 was $3,499.80 whereas the maximum base contribution for 2026 is $4,230.45, for an increase of $730.65 or 20.9%.

Beginning in 2019, the Government of Canada started making enhancements to the Canada Pension Plan ("CPP"). Prior to 2019, the CPP retirement pension was intended to replace one quarter of an individual's average work earnings upon retirement. The enhancements increased the target income replacement level from one-quarter to one-third of pensionable earnings.

The CPP contribution rate remained unchanged from 2003-2018, at a rate of 4.95%. Contributions are payable on pensionable earnings above $3,500, up to the maximum annual contribution limit which increases each year. Beginning in 2019, the employee and employer contribution rates increased annually until reaching 5.95% in 2023, up from 4.95%, for a total increase of 1.0%.

Effective 2024, a second earnings ceiling was introduced under the CPP enhancement framework. An additional 4% contribution applies to pensionable earnings between the two earnings ceilings.

London Hydro has quantified the estimated impact of employer CPP contributions over the period covered in this Rate Application, and compared it to costs incurred since our last Cost of Service Rate Application in 2022. The enhanced Canada Pension Plan has materially increased London Hydro's benefit costs over the period covered by this Application, as illustrated in the chart below:

Chart 4-29: Summary of CPP Changes to 2027

Year	CPP Rate	CPP Rate on Second Earnings Limit	Maximum Contribution per Employee	CPP Expense
2022	5.70%	-	$ 3,500	$ 1,064,740
2023	5.95%	-	$ 3,754	$ 1,178,341
2024	5.95%	4.00%	$ 4,056	$ 1,286,852
2025	5.95%	4.00%	$ 4,430	$ 1,424,041
2026	5.95%	4.00%	$ 4,646	$ 1,664,200
2027	5.95%	4.00%	$ 4,793	$ 1,747,400

WSIB premiums

WSIB costs are forecast to increase $164,395 between 2022 Actuals and the proposed 2027 Test Year, resulting in a CAGR of 22.9%. Historical amounts reflect surplus distributions received through WSIB rebate programs available to eligible Ontario employers. The budgets for the 2026 Bridge Year and 2027 Test Year are based on per-employee cost estimates, and do not incorporate any assumptions related to surplus rebates, due to the uncertainty and non-recurring nature of such rebates.

OMERS

London Hydro has a pension agreement with OMERS, which is a multi-employer contributory defined benefit plan. Company contributions to the plan are recognized as a pension expense in the period in which they are incurred on an accrual basis. London Hydro's employer contributions to OMERS are forecast to increase by $1,835,601 between 2022 Actuals and the 2027 Test Year, representing a CAGR of 9.3%. The increase to London Hydro's OMERS costs in this Application is primarily attributable to staffing growth and wage escalation over the period.

Health benefits

Extended health and dental care coverage have remained essentially unchanged. The plans are experience-rated, meaning costs are based on actual claims experience. Costs are forecast to increase between the 2022 Actuals and the proposed 2027 Test Year by $1,000,814, representing a CAGR of 11.5%, primarily driven by cost escalation, staffing growth, and claims utilization trends.

Other

The "Other" benefits category includes items such as maternity leave top-up payments. These costs are comparatively minor and may fluctuate from year to year.

Employee future benefit costs

Employee future benefit costs represent the non-cash accrued expense associated with Pensions and Other Post-Employment Benefits ("P&OPEB"). This non-cash expense reflects the actuarially determined annual change in post-retirement benefit obligations recorded on the balance sheet.

London Hydro utilizes an independent advisor and actuary, Mercer, a firm of consultants and actuaries with considerable experience in the field of pensions and benefits. The most recent actuarial report, effective December 31, 2025, has been included in Appendix 4-4 of this Exhibit.

London Hydro continues to use the default accrual method for recovery of pension and OPEB costs and is not proposing any change as part of this Application.

The 2026 Bridge Year and 2027 Test Year post-employment benefits were forecast using historical cost information, estimated inflationary increases, and management assumptions regarding employee participation, benefit utilization, and staffing levels.

A breakdown of Pension and OPEB amounts included in OM&A and Capital is provided below:

Chart 4-30: Breakdown of Pension and OPEB Costs between OM&A and Capital

Breakdown of Pension and OPEB Costs (OM&A and Capital)							
	2022 OEB Approved	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test
Pensions (OMERS)							
OM&A	2,337,300	2,506,094	2,639,648	2,807,954	3,160,356	3,440,100	3,831,100
Capital	964,000	752,805	833,573	951,021	976,236	1,304,900	1,263,400
Total	**3,301,300**	**3,258,899**	**3,473,221**	**3,758,975**	**4,136,592**	**4,745,000**	**5,094,500**
Other Post-Employment Benefits							
OM&A	684,600	696,450	624,175	549,667	391,763	580,600	678,500
Capital	282,400	209,206	197,108	186,166	121,016	220,200	223,800
Total	**967,000**	**905,656**	**821,283**	**735,833**	**512,779**	**800,800**	**902,300**
Total							
OM&A	3,021,900	3,202,544	3,263,823	3,357,621	3,552,119	4,020,700	4,509,600
Capital	1,246,400	962,011	1,030,681	1,137,187	1,097,252	1,525,100	1,487,200
Total	**4,268,300**	**4,164,555**	**4,294,504**	**4,494,808**	**4,649,371**	**5,545,800**	**5,996,800**

4.3.6 Net OM&A Labour Variance Analysis by Program

The table below outlines the material labour variances in Net OM&A in one or any of the date comparison ranges, by Program.

Table 4-21: Material Net OM&A Labour Variances

Material Net OM&A Labour Variances			
Program	2022 Applied to 2022 Actual	2025 Actual to 2027 Test	2022 Applied to 2027 Test
(in thousands)	$	$	$
Asset Management		1,241	1,724
Operations and Maintenance		1,038	2,711
Information Technology			2,727
Human Resources, Health and Safety			1,021
Customer Service and Collections	(642)	1,021	741
Corporate Services		1,964	2,946
Materials Management			578

The remaining programs have no material labour variances in Net OM&A.

Asset Management

Table 4-22: Asset Management Net OM&A Labour

Net OM&A Labour	2022 Actual	2022 Applied	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2022 Applied	2022 Applied to 2027 Test
	$	$	$	$	$	$	$	$	$	$
Asset management										
Gross labour	6,203,410	6,146,300	8,931,300	227,818	174,506	361,166	1,217,100	747,300	(57,110)	2,785,000
Allocations	(2,140,637)	(2,237,700)	(3,298,400)	9,485	(477,644)	33,299	(644,003)	(78,900)	(97,063)	(1,060,700)
Net OM&A labour	4,062,773	3,908,600	5,632,900	237,303	(303,138)	394,465	573,097	668,400	(154,173)	1,724,300

The material increase in Gross Labour is due to a combination of seven (7) FTE additions, increases to compensation and benefits, and step progressions, promotions, and reallocations. As noted above, the FTE additions are:

- Vice-President, Engineering & Construction - 2023
- Electric Engineering Technologist (2) - 2023, 2026
- Engineer in Training (2) - 2025, 2027
- Key Account Supervisor - 2025
- Manager - Customer Electrification - 2025

The ratio of Allocations to Gross Labour is generally consistent throughout the rate period, with a value of 36.4% for 2022 Applied, 37.0% for 2025 Actual, and 36.9% for 2027 Test. Cost increases in allocations are a direct output from the factors influencing Gross Labour.

Operations and Maintenance

Table 4-23: Operations and Maintenance Net OM&A Labour

Net OM&A Labour	2022 Actual	2022 Applied	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2022 Applied	2022 Applied to 2027 Test
	$	$	$	$	$	$	$	$	$	$
Operations and maintenance										
Gross labour	16,561,415	18,176,100	22,053,200	317,041	1,314,846	1,415,697	1,918,401	525,800	1,614,685	3,877,100
Allocations	(6,712,815)	(8,727,000)	(9,892,700)	(119,554)	(1,188,959)	(464,708)	(1,368,564)	(38,100)	(2,014,185)	(1,165,700)
Net OM&A labour	9,848,600	9,449,100	12,160,500	197,487	125,887	950,989	549,836	487,700	(399,500)	2,711,400

The material increase in Gross Labour is due to a combination of increases to compensation and benefits, step progressions, promotions, and reallocations, and one (1) FTE addition as noted above - OT Cybersecurity Supervisor (2026).

Overtime, associated in part with outage response and ensuring adequate coverage for the System Operating Centre on a 24/7/365 basis, increased by 59.7% between 2022 Applied and 2027 Test.

With the exception of the ratio of Allocations to Gross Labour for 2022 Applied (at 48%), the ratio of Allocations to Gross Labour is otherwise fairly consistent throughout the rate period, with actual values

of 40.5% for 2022, 43.3% in 2025, and 44.9% budgeted for 2027 Test. Cost increases in allocations are a direct output from the factors influencing Gross Labour.

Information Technology

Table 4-24: Information Technology Net OM&A Labour

Net OM&A Labour										
	2022 Actual	2022 Applied	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2022 Applied	2022 Applied to 2027 Test
	$	$	$	$	$	$	$	$	$	$
Information technology										
Gross labour	6,152,951	6,840,800	9,777,300	223,044	615,830	1,085,027	1,553,949	146,500	687,849	2,936,500
Allocations	(1,979,473)	(2,992,700)	(3,202,500)	(90,717)	178,614	187,409	(1,496,133)	(2,200)	(1,013,227)	(209,800)
Net OM&A labour	4,173,478	3,848,100	6,574,800	132,327	794,444	1,272,436	57,815	144,300	(325,378)	2,726,700

The material increase in Gross Labour is due to a combination of compensation and benefits, and step progressions, promotions, and reallocations (including the 7.0 FTE program transfer described above). Apart from the transfer, the adjusted change in FTEs for Information Technology between 2022 and 2027 is (2.7).

While the 2022 budgeted allocation ratio was higher at 43.7%, the ratio of Allocations to Gross Labour is consistent for 2022 in comparison to 2027, with respect to 2022 Actual being 32.2% compared to 2027 Test at 32.8%. Cost increases in allocations are a direct output from the factors influencing Gross Labour.

Human Resources, Health & Safety

Table 4-25: Human Resources, Health and Safety Net OM&A Labour

Net OM&A Labour										
	2022 Actual	2022 Applied	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2022 Applied	2022 Applied to 2027 Test
	$	$	$	$	$	$	$	$	$	$
Human resources, health and safety										
Gross labour	1,445,534	1,367,200	2,722,200	112,019	334,194	280,984	279,969	269,500	(78,334)	1,355,000
Allocations	(59,545)	(57,500)	(391,900)	38,003	47,593	(81,783)	(303,768)	(32,400)	2,045	(334,400)
Net OM&A labour	1,385,989	1,309,700	2,330,300	150,022	381,788	199,201	(23,799)	237,100	(76,289)	1,020,600

The material increase in Gross Labour is due to a combination of increases to compensation and benefits, step progressions, promotions, and reallocations, and two (2) FTE additions. As noted above, the FTE additions are:

- Vice-President, Customer & Employee Experience - 2023
- Manager - People & Culture - 2023

Customer Service and Collections

Table 4-26: Customer Service and Collections Net OM&A Labour

Net OM&A Labour										
	2022 Actual	2022 Applied	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2022 Applied	2022 Applied to 2027 Test
	$	$	$	$	$	$	$	$	$	$
Customer services and collections										
Gross labour	4,536,520	5,391,400	5,404,400	160,573	152,841	456,667	772,999	(675,200)	854,880	13,000
Allocations	31,977	(181,200)	546,800	(421,373)	167,367	(154,501)	134,830	788,500	(213,177)	728,000
Net OM&A labour	4,568,497	5,210,200	5,951,200	(260,800)	320,209	302,166	907,828	113,300	641,703	741,000

The material variance in Gross Labour between 2022 Applied and 2022 Actual is due to a high incidence of retirements and resignations, leading to both short-term and lengthier vacancies as a mechanism to manage the impact of the OM&A reduction within the settlement agreement.

For most of the rate period through to 2026, labour allocations were net outflows from the Customer Service Program, reflecting labour charged to Capital (primarily the CIS project, which has now ended). Beginning in 2027, changes to inter-program labour allocations resulted in a net inflow of labour costs to the Customer Service Program. This increase is attributable in part to the use of in-house resources to support year-round commercial disconnection and reconnection activities, as well as to provide additional field support when the third-party contractor is performing residential disconnection and reconnection activities.

Corporate Services

Table 4-27: Corporate Services Net OM&A Labour

Net OM&A Labour										
	2022 Actual	2022 Applied	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2022 Applied	2022 Applied to 2027 Test
	$	$	$	$	$	$	$	$	$	$
Corporate services										
Gross labour	3,088,212	3,035,200	6,072,900	(2,744)	683,511	373,477	977,645	952,800	(53,012)	3,037,700
Allocations	3,423	15,100	(76,800)	28,241	(107,022)	(35,458)	(11,184)	45,200	11,677	(91,900)
Net OM&A labour	3,091,635	3,050,300	5,996,100	25,497	576,488	338,019	966,461	998,000	(41,335)	2,945,800

The material increase in Gross Labour is due to a combination of eight (8) FTE additions, increases to compensation and benefits, and step progressions, promotions, and reallocations. As noted above, the FTE additions are:

- Vice-President, Legal & General Counsel - 2025
- Director - ERM - 2025
- Manager - ERM - 2027
- Legal & Risk Analyst - 2026
- Legal & Risk Analyst - 2027
- Manager - Regulatory - 2024
- Regulatory Analyst - 2026
- Accounting Clerk - 2023

Due to hiring timing, the full cost impact of the 2025 FTE additions (along with 2026 FTE additions) is reflected in the 2026 Budget values. The two (2) FTE additions planned for 2027 impact the increase between 2026 Bridge and 2027 Test.

Materials Management

Table 4-28: Materials Management Net OM&A Labour

Net OM&A Labour										
	2022 Actual	2022 Applied	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2022 Applied	2022 Applied to 2027 Test
	$	$	$	$	$	$	$	$	$	$
Materials management										
Gross labour	760,073	758,300	1,338,900	226,669	264,290	27,914	12,855	47,100	(1,773)	580,600
Allocations	1,515	25,900	23,200	36,993	(21,251)	10,797	(6,054)	1,200	24,385	(2,700)
Net OM&A labour	761,588	784,200	1,362,100	263,662	243,039	38,711	6,801	48,300	22,612	577,900

The material increase in Gross Labour is due to a combination of increases to compensation and benefits, and step progressions, promotions, and reallocations. As described above, costs increased in part due to the Program-to-Program transfer of two (2) Engineering positions and incumbents (with no change in duties or wages) from Asset Management to Materials Management.

4.4 LONDON HYDRO PROGRAMS

4.4.1 OM&A Programs Table - OEB Appendix 2-JC

Pursuant to the Renewed Regulatory Framework for Electricity ("RRFE"), the OEB has moved towards an output focused review which highlights Program outcomes. This approach helps to ensure that outputs are meaningful to customers and that customers are receiving value for their money.

London Hydro has defined its Program structure by consolidating its pre-existing 30+ individual cost centers into different groups or categories. This grouping was assembled with the objective of consolidating similar activities. For example, engineering departments have been captured under the Program "Asset Management," while operations and maintenance cost centres such as the Overhead Line Department and the Forestry Department, have been grouped together under the Program "Operations and Maintenance". For further details regarding cost centres contained under each Program, please refer to Table 4-3 – London Hydro Program Structure.

As requested in Chapter 2 Filing Requirements appendix 2-JC: OM&A Programs Table is provided in Table 4-29 below:

Table 4-29: OM&A Programs Table (OEB Appendix 2-JC)

OM&A Programs Table (OEB Appendix 2-JC)													
								Variance		Change		Total Change	
	2022 Budget	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test	2022 Actual to 2022 Budget		2025 Actual to 2027 Test		2022 OEB Approved to 2027 Test	
	$	$	$	$	$	$	$	$	%	$	CAGR	$	CAGR
Asset Management													
Labour and benefits	3,908,600	4,062,773	4,300,076	3,996,938	4,391,403	4,964,500	5,632,900	(154,173)	-4%	1,241,497	13%	1,724,300	8%
Employee expenses	153,000	115,290	129,276	113,608	134,439	174,100	183,200	37,710	25%	48,761	17%	30,200	4%
Contractor services	140,500	138,070	81,879	114,231	87,742	172,300	188,000	2,430	2%	100,258	46%	47,500	6%
Software and hardware	239,900	254,961	269,121	299,802	319,970	337,800	352,000	(15,061)	-6%	32,030	5%	112,100	8%
Corporate membership dues	97,400	106,498	112,697	117,182	131,350	143,300	147,700	(9,098)	-9%	16,350	6%	50,300	9%
Other	95,300	92,157	89,176	80,034	72,784	90,100	91,900	3,143	3%	19,116	12%	(3,400)	-1%
Total $	**4,634,700**	**4,769,748**	**4,982,226**	**4,721,796**	**5,137,688**	**5,882,100**	**6,595,700**	**(135,048)**	**-3%**	**1,458,012**	**13%**	**1,961,000**	**7%**
Operations and Maintenance													
Labour and benefits	9,449,100	9,848,600	10,046,087	10,171,975	11,122,964	11,672,800	12,160,500	(399,500)	-4%	1,037,536	5%	2,711,400	5%
Employee expenses	349,400	385,984	322,021	366,343	536,739	522,500	478,900	(36,584)	-10%	(57,839)	-6%	129,500	7%
Underground cable services	442,500	402,991	444,855	532,866	719,255	580,500	598,400	39,509	9%	(120,855)	-9%	155,900	6%
Overhead line services	142,600	128,763	120,049	195,870	153,301	313,100	317,500	13,837	10%	164,199	44%	174,900	17%
Tree trimming services	307,500	299,863	249,576	511,395	521,996	700,000	700,000	7,637	2%	178,004	16%	392,500	18%
Substation maintenance services	56,400	26,875	63,392	124,171	88,327	107,500	110,500	29,525	52%	22,173	12%	54,100	14%
Contractor services	139,900	127,303	144,629	139,383	164,383	158,500	163,100	12,597	9%	(1,283)	0%	23,200	3%
Technology and radio licensing	259,000	241,419	263,892	279,452	287,063	295,000	320,700	17,581	7%	33,637	6%	61,700	4%
Software and hardware	335,400	352,406	373,223	399,944	434,267	442,900	464,700	(17,006)	-5%	30,433	3%	129,300	7%
Pole and property leasing	187,100	169,371	133,975	179,225	184,368	200,400	209,200	17,729	9%	24,832	7%	22,100	2%
Vehicles and major equipment	1,059,300	1,079,431	1,092,377	1,086,835	1,139,634	1,231,200	1,208,800	(20,131)	-2%	69,166	3%	149,500	3%
Other	1,321,100	1,382,290	1,353,604	1,379,429	1,469,897	1,475,000	1,537,300	(61,190)	-5%	67,403	2%	216,200	3%
Cost recoveries	(117,800)	(223,043)	(317,960)	(557,179)	(236,701)	(247,200)	(253,200)	105,243	-89%	(16,499)	3%	(135,400)	17%
Total $	**13,931,500**	**14,222,253**	**14,289,721**	**14,809,706**	**16,585,492**	**17,452,200**	**18,016,400**	**(290,753)**	**-2%**	**1,430,908**	**4%**	**4,084,900**	**5%**

OM&A Programs Table (OEB Appendix 2-JC)

	2022 Budget	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test	Change 2022 Actual to 2022 Budget		Change 2025 Actual to 2027 Test		Total Change 2022 OEB Approved to 2027 Test	
	$	$	$	$	$	$	$	$	%	$	CAGR	$	CAGR
Information Technology													
Labour and benefits	3,848,100	4,173,478	4,305,805	5,100,249	6,372,685	6,430,500	6,574,800	(325,378)	-8%	202,115	2%	2,726,700	11%
Contractor services	565,400	1,010,341	797,030	773,216	1,218,358	1,092,700	896,800	(444,941)	-79%	(321,558)	-14%	331,400	10%
Employee expenses	158,200	89,119	143,755	83,645	71,507	202,600	183,600	69,081	44%	112,093	60%	25,400	3%
Software and hardware	881,500	700,452	717,872	815,880	971,358	1,504,900	1,514,500	181,048	21%	543,142	25%	633,000	11%
Business communications	235,500	206,385	191,201	202,652	203,643	299,400	299,400	29,115	12%	95,757	21%	63,900	5%
Insurance	60,600	60,804	74,091	77,603	81,184	87,000	92,900	(204)	0%	11,716	7%	32,300	9%
Other	105,000	82,084	70,581	71,155	69,245	82,900	82,100	22,916	22%	12,855	9%	(22,900)	-5%
Cost recoveries	(483,700)	(468,700)	(495,873)	(495,951)	(527,000)	(527,000)	(527,000)	(15,000)	3%	0	0%	(43,300)	2%
Total $	**5,370,600**	**5,853,962**	**5,804,461**	**6,628,450**	**8,460,979**	**9,173,000**	**9,117,100**	**(483,362)**	**-9%**	**656,121**	**4%**	**3,746,500**	**11%**
Customer Services and Collections													
Labour and benefits	5,210,200	4,568,497	4,307,697	4,627,906	4,930,072	5,837,900	5,951,200	641,703	12%	1,021,128	10%	741,000	3%
Employee expenses	52,500	23,264	36,029	24,559	50,138	105,900	78,400	29,236	56%	28,262	25%	25,900	8%
Contractor services	897,500	749,817	785,642	823,234	963,511	1,172,400	1,226,900	147,683	16%	263,389	13%	329,400	6%
Collection services and fees	49,000	54,597	19,295	38,687	358,804	515,000	534,000	(5,597)	-11%	175,196	22%	485,000	61%
Postage and courier	1,188,000	1,071,801	987,883	986,781	1,194,480	1,222,000	1,259,000	116,199	10%	64,520	3%	71,000	1%
Software and hardware	202,900	179,369	181,310	187,986	98,513	49,100	45,000	23,531	12%	(53,513)	-32%	(157,900)	-26%
Bad debts	900,000	1,604,121	1,842,227	2,448,235	2,999,137	2,500,000	2,200,000	(704,121)	-78%	(799,137)	-14%	1,300,000	20%
Other	238,100	237,762	181,002	195,425	193,472	225,100	228,700	338	0%	35,228	9%	(9,400)	-1%
Cost recoveries	(3,620,400)	(3,572,543)	(3,607,484)	(3,613,911)	(4,043,461)	(4,006,500)	(4,036,500)	(47,857)	1%	6,961	0%	(416,100)	2%
Total $	**5,117,800**	**4,916,686**	**4,733,601**	**5,718,903**	**6,744,667**	**7,620,900**	**7,486,700**	**201,114**	**4%**	**742,033**	**5%**	**2,368,900**	**8%**

OM&A Programs Table (OEB Appendix 2-JC)

	2022 Budget	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test	Change 2022 Actual to 2022 Budget		Change 2025 Actual to 2027 Test		Total Change 2022 OEB Approved to 2027 Test	
	$	$	$	$	$	$	$	$	%	$	CAGR	$	CAGR
Corporate Communications													
Labour and benefits	626,100	647,093	695,826	714,889	712,918	864,600	939,900	(20,993)	-3%	226,982	15%	313,800	8%
Employee expenses	19,600	4,911	11,720	19,354	30,632	56,100	56,100	14,689	75%	25,468	35%	36,500	23%
Advertising and promotion	305,000	302,359	308,768	328,927	451,903	520,000	520,000	2,641	1%	68,097	7%	215,000	11%
Consulting services	170,000	63,671	63,937	65,093	117,043	240,000	240,000	106,329	63%	122,957	43%	70,000	7%
Donation (LEAP)	200,000	200,000	200,000	661,440	650,000	750,000	800,000	-	0%	150,000	11%	600,000	32%
Materials and supplies	34,700	19,414	29,231	27,373	87,257	82,200	82,200	15,286	44%	(5,057)	-3%	47,500	19%
School safety program	33,100	282	-	8,781	1,670	25,500	25,700	32,818	99%	24,030	292%	(7,400)	-5%
Other	11,400	10,484	13,157	10,963	10,103	16,100	24,100	916	8%	13,997	54%	12,700	16%
Total $	**1,399,900**	**1,248,215**	**1,322,640**	**1,836,820**	**2,061,526**	**2,554,500**	**2,688,000**	**151,685**	**11%**	**626,474**	**14%**	**1,288,100**	**14%**
Human Resources, Health and Safety													
Labour and benefits	1,309,700	1,385,989	1,536,011	1,917,799	2,116,999	2,093,200	2,330,300	(76,289)	-6%	213,301	5%	1,020,600	12%
Employee expenses	42,300	14,472	37,063	44,593	69,628	76,200	83,100	27,828	66%	13,472	9%	40,800	14%
Corporate employee expenses	258,100	280,471	317,157	337,066	465,186	513,500	516,100	(22,371)	-9%	50,914	5%	258,000	15%
Training programs	61,500	32,040	51,744	24,868	98,933	145,000	150,000	29,460	48%	51,067	23%	88,500	20%
Consulting and contractor services	103,600	99,369	60,665	94,210	185,486	206,000	228,600	4,231	4%	43,114	11%	125,000	17%
Software and hardware	500	2,062	1,589	5,009	5,508	7,600	45,400	(1,562)	-312%	39,892	187%	44,900	146%
Materials and supplies	40,000	12,507	24,888	21,000	20,234	26,800	30,800	27,493	69%	10,566	23%	(9,200)	-5%
Other	34,800	37,329	18,840	41,056	44,687	49,400	50,700	(2,529)	-7%	6,013	7%	15,900	8%
Total $	**1,850,500**	**1,864,239**	**2,047,956**	**2,485,602**	**3,006,660**	**3,117,700**	**3,435,000**	**(13,739)**	**-1%**	**428,340**	**7%**	**1,584,500**	**13%**

OM&A Programs Table (OEB Appendix 2-JC)

	2022 Budget	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test	Change 2022 Actual to 2022 Budget		Change 2025 Actual to 2027 Test		Total Change 2022 OEB Approved to 2027 Test	
	$	$	$	$	$	$	$	$	%	$	CAGR	$	CAGR
Facilities and Environmental Services													
Labour and benefits	381,800	363,308	514,384	598,413	592,769	648,200	680,700	18,492	5%	87,931	7%	298,900	12%
Insurance	78,200	149,041	234,273	251,595	280,162	374,600	407,100	(70,841)	-91%	126,938	21%	328,900	39%
Property taxes	90,400	97,714	81,660	86,363	92,268	93,700	201,900	(7,314)	-8%	109,632	48%	111,500	17%
Landscaping and snow removal	210,100	245,192	308,895	377,551	486,407	372,000	385,000	(35,092)	-17%	(101,407)	-11%	174,900	13%
Property leasing	139,500	121,834	153,911	130,236	166,166	167,500	175,500	17,666	13%	9,334	3%	36,000	5%
Utilities	546,900	442,532	449,828	398,245	520,956	520,000	550,000	104,368	19%	29,044	3%	3,100	0%
Repairs and maintenance	745,900	749,844	622,056	678,776	754,011	843,500	850,900	(3,944)	-1%	96,889	6%	105,000	3%
Other	938,900	918,694	913,055	994,312	1,001,545	1,037,800	1,056,800	20,206	2%	55,255	3%	117,900	2%
Total $	**3,131,700**	**3,088,159**	**3,278,062**	**3,515,491**	**3,894,284**	**4,057,300**	**4,307,900**	**43,541**	**1%**	**413,616**	**5%**	**1,176,200**	**7%**
Corporate Services													
Labour and benefits	3,050,300	3,091,635	3,117,132	3,693,620	4,031,639	4,998,100	5,996,100	(41,335)	-1%	1,964,461	22%	2,945,800	14%
Employee expenses	102,000	56,892	81,781	127,604	155,142	220,600	221,100	45,108	44%	65,958	19%	119,100	17%
Contractor services and consulting	297,100	445,066	527,984	567,116	447,342	769,300	739,900	(147,966)	-50%	292,558	29%	442,800	20%
Legal services	200,000	256,796	465,173	311,074	337,839	250,000	200,000	(56,796)	-28%	(137,839)	-23%	-	0%
Insurance	420,300	412,977	452,633	422,038	491,764	487,500	515,900	7,323	2%	24,136	2%	95,600	4%
Board of Director services	144,000	127,512	146,899	181,600	147,942	218,800	223,200	16,488	11%	75,258	23%	79,200	9%
Corporate membership dues	130,000	110,950	116,450	120,300	175,091	200,700	205,000	19,050	15%	29,909	8%	75,000	10%
Software and hardware	116,200	108,132	117,688	128,150	133,094	147,000	156,000	8,068	7%	22,906	8%	39,800	6%
Vehicles and major equipment	26,600	26,265	27,939	28,268	33,481	69,200	70,900	335	1%	37,419	46%	44,300	22%
OEB cost assessment fees	719,800	746,508	824,323	958,032	1,040,210	1,225,000	1,300,000	(26,708)	-4%	259,790	12%	580,200	13%
Regulatory application costs	60,000	34,260	34,260	34,260	34,260	34,300	155,300	25,740	43%	121,040	113%	95,300	21%
Other	77,400	57,458	39,725	59,892	44,946	57,600	56,500	19,942	26%	11,554	12%	(20,900)	-6%
Total $	**5,343,700**	**5,474,451**	**5,951,986**	**6,631,954**	**7,072,750**	**8,678,100**	**9,839,900**	**(130,751)**	**-2%**	**2,767,150**	**18%**	**4,496,200**	**13%**
Locate Services													
Labour and benefits	42,500	35,747	37,176	44,429	44,273	44,000	46,200	6,753	16%	1,927	2%	3,700	2%
Contractor services	1,076,300	1,211,542	1,921,889	1,333,357	1,121,611	1,485,000	1,529,600	(135,242)	-13%	407,989	17%	453,300	7%
Other	6,900	2,607	3,318	6,167	4,486	5,500	5,600	4,293	62%	1,114	12%	(1,300)	-4%
Total $	**1,125,700**	**1,249,896**	**1,962,383**	**1,383,953**	**1,170,370**	**1,534,500**	**1,581,400**	**(124,196)**	**-11%**	**411,030**	**16%**	**455,700**	**7%**

OM&A Programs Table (OEB Appendix 2-JC)

	2022 Budget	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test	Change 2022 Actual to 2022 Budget		Change 2025 Actual to 2027 Test		Total Change 2022 OEB Approved to 2027 Test	
	$	$	$	$	$	$	$	$	%	$	CAGR	$	CAGR
Capital Materials Supply Management													
Labour and benefits	784,200	761,588	1,025,249	1,268,288	1,306,999	1,313,800	1,362,100	22,612	3%	55,101	2%	577,900	12%
Employee expenses	6,900	11,760	7,130	17,250	24,499	35,600	35,600	(4,860)	-70%	11,101	21%	28,700	39%
Property leasing	-	-	-	55,344	54,091	60,000	58,400	-		4,309	4%	58,400	
Vehicles and major equipment	27,100	29,498	42,912	51,665	54,595	60,000	61,800	(2,398)	-9%	7,205	6%	34,700	18%
Materials and supplies	43,300	30,973	27,875	42,143	37,738	50,200	63,300	12,327	28%	25,562	30%	20,000	8%
Software and hardware	44,000	46,997	46,236	48,468	57,415	56,000	56,000	(2,997)	-7%	(1,415)	-1%	12,000	5%
Corporate membership dues	-	-	-	12,428	10,465	10,500	10,800	-		335	2%	10,800	
Inventory obsolescence	61,500	72,000	72,000	75,000	80,000	85,000	85,000	(10,500)	-17%	5,000	3%	23,500	7%
Other	39,300	24,642	17,867	28,488	10,667	30,900	31,500	14,658	37%	20,833	72%	(7,800)	-4%
Cost allocations	(490,000)	(482,630)	(686,837)	(1,524,075)	(1,556,469)	(1,617,000)	(1,679,500)	(7,371)	2%	(123,031)	4%	(1,189,500)	28%
Total $	**516,300**	**494,828**	**552,431**	**75,000**	**80,000**	**85,000**	**85,000**	**21,472**	**4%**	**5,000**	**3%**	**(431,300)**	**-30%**
Fleet Services													
Labour and benefits	790,000	746,351	792,999	858,451	871,600	927,700	1,138,200	43,649	6%	266,600	14%	348,200	8%
Repairs and maintenance	511,800	480,296	537,221	414,299	473,369	548,500	562,200	31,504	6%	88,831	9%	50,400	2%
Fuel	348,500	508,153	406,263	385,880	337,285	360,000	370,000	(159,653)	-46%	32,715	5%	21,500	1%
Insurance	89,200	93,268	104,102	106,800	111,622	122,800	135,100	(4,068)	-5%	23,478	10%	45,900	9%
Vehicle leasing	6,300	42,188	-	-	4,945	-	-	(35,888)	-570%	(4,945)	-100%	(6,300)	-100%
Other	324,600	213,225	221,678	220,852	235,129	237,400	248,400	111,375	34%	13,271	3%	(76,200)	-5%
Depreciation	1,158,000	1,107,070	1,240,512	1,281,602	1,328,702	1,389,000	1,527,000	50,930	4%	198,298	7%	369,000	6%
Cost allocations	(3,228,400)	(3,190,551)	(3,302,774)	(3,267,885)	(3,362,652)	(3,585,400)	(3,980,900)	(37,849)	1%	(618,248)	9%	(752,500)	4%
Total $	-	-	-	-	-	-	-	-		-		-	
Total Programs	**42,422,400**	**43,182,436**	**44,925,466**	**47,807,674**	**54,214,415**	**60,155,300**	**63,153,100**	**(760,036)**	**-2%**	**8,938,685**	**8%**	**20,730,700**	**8%**
Cloud services	**1,746,400**	**2,136,284**	**2,947,176**	**3,808,215**	**4,307,090**	**4,409,600**	**3,916,800**	**(389,884)**	**-22%**	**(390,290)**	**-5%**	**2,170,400**	**18%**
Settlement adjustment	**(1,375,000)**	-	-	-	-	-	-	**(1,375,000)**	**100%**	-		**1,375,000**	**-100%**
	42,793,800	**45,318,720**	**47,872,642**	**51,615,889**	**58,521,505**	**64,564,900**	**67,069,900**	**(2,524,920)**	**-6%**	**8,548,395**	**7%**	**24,276,100**	**9%**

4.4.2 ASSET MANAGEMENT

Overview

London Hydro is responsible for the management of the assets that provide customers with a cost effective, reliable and safe electrical distribution system, both now and in the future.

To carry out this responsibility, London Hydro has a dedicated Asset Management team which continuously monitors and assesses the condition of distribution assets to make informed decisions. The Asset Management Program ("AMP") continuously monitors and studies the distribution system to determine when and how an asset should be maintained, repaired, refurbished, or replaced to optimize the total cost of ownership for customers while providing the performance that customers expect.

The Asset Management team's guiding focus includes:

- Quality service to customers – maintaining a safe and reliable system
- City growth – working with customers, developers and the City of London
- Revitalize antiquated systems – renewing/upgrading the 4kV, 13.8kV and 27.6kV supplies
- Designing a smarter grid - investigating, designing and implementing customer-benefiting Smart Grid solutions

The essence of Asset Management is the application of sound engineering principles plus good utility practices to plan asset replacements, enhancements or expansions. The utility industry is challenged to maintain or slightly improve system reliability while being mindful of cost. This approach is achieved when utilities optimize capital spending by anticipating needs rather than reacting to issues. This ultimately results in more consistent (linear) spending rather than year-to-year fluctuations from 'catching up' or fixing problems. On October 3, 2025, the OEB released its Reliability and Power Quality Review ("RPQR") reliability performance targets and London Hydro was one of two large or very large utilities in the province that was not given an improvement target for SAIDI or SAIFI. By taking a longer term, levelized approach, the Company can pace spending to mitigate rate swings while maintaining

reliability and safety. London Hydro outperforms most of its peers in reliability. By investing in appropriate maintenance levels in the short-term, the Company can defer or even avoid some capital costs while continuing to maintain or slightly improve reliability and safety.

The general approach used throughout the Distribution System Plan ("DSP") is to use Asset Management to consider each individual asset (e.g., poles, transformers, switchgear, cables, insulators) and the alternatives available to avoid replacing them until necessary. The Asset Management Program outsources studies when internal resources are unavailable or lack the required expertise.

The health of an asset is assessed using a combination of inspection results, condition testing, historical performance, and asset age. Historically, a third party (Kinectrics) was hired to conduct the asset condition assessment ("ACA") which represented a single snapshot for a given year (most recently 2019). London Hydro has since brought this expertise in-house and uses a software system (ENGIN) to determine asset health on a yearly basis. This change allows London Hydro to update the ACA annually for more current results and to customize the calculations such that there is less reliance on asset age[1]. For major assets – wood poles, large transformers, underground primary cables – the health index is determined primarily through test results and inspection results.

The age of an asset is still an important consideration as the probability of failure continues to increase with age, even when testing and inspections may indicate an asset is still in fair condition. Thus, an "age limiter" is used to ensure that assets that exceed their life expectancy are "flagged for action", which typically means more frequent inspections and testing since their condition will degrade faster as they approach and exceed end of life[2]. To be clear, assets that are "flagged for action" are assessed on a more frequent basis and only replaced if the assessment (inspection, testing, preventative maintenance) indicates replacement is needed due to failure risk and criticality.

When lower voltage (4kV, 8kV or 13.8kV) infrastructure approaches end of life or needs to be relocated to accommodate other work, London Hydro typically takes the opportunity to convert the infrastructure to a higher voltage (27.6kV). The higher voltage reduces losses associated with lines and transformers

[1] As agreed upon the Settlement Agreement EB-2021-0041 page 13

[2] See 2024 Asset Condition Assessment in 2026 Distribution System Plan Appendices

and may eliminate the need for a step-down transformer substation[1]. Voltage conversions also increase the capacity of feeder cables, which results in fewer circuits being needed to supply the same amount of load. Converting the feeders to 27.6kV can more than triple the amount of load that can be supplied by each cable, which means fewer ducts and less space in vaults and chambers. Since the previous 2022 COS filing (EB-2021-0041), London Hydro has converted approximately 10.5 MW of lower voltage assets to 27.6 kV and has eliminated six (6) municipal substations.

Capital Spending Trend

Infrastructure

Replacement of aging infrastructure, system voltage conversions and projects, like the City Rapid Transit investments, have resulted in increased capital requirements and associated engineering activities.

London Hydro is in a significant renewal phase of its asset life cycle as many distribution system assets are coming to the end of their life span on the 4kV, 13.8kV and 27.6kV systems. This increases the need for capital expenditures to refurbish and replace aging assets, as well as accommodating new network operation requirements, including smarter grids. This involves identifying new innovations and integration of current systems with older technologies. Practices during this asset renewal phase need to balance

- Customer costs
- Reliability
- Performance
- Security
- Capacity
- Regional planning
- Safety
- Regulation
- Environmental
- Flexibility
- Lifecycle optimization
- Future changes and strategies
- Sustainability

[1] As agreed upon the Settlement Agreement EB-2021-0041 page 18

London Hydro utilizes robust practices to help optimize asset replacement strategies while considering future operating costs. Engineers aim to keep the system adaptable where possible, recognizing the uncertainty of future conditions. This is important to ensure that investments are long term and that network integrity is maintained into future years.

Infrastructure spending has also been impacted by the City of London's Rapid Transit investments. As the City adjusts the roadways to accommodate the transit requirements, London Hydro infrastructure must often be relocated to new running lines.

Bus Rapid Transit

The City of London's Bus Rapid Transit ("BRT") system represents a significant municipal investment of approximately $454 million. Rapid transit is a high-capacity public transportation system that operates on an exclusive right-of-way – such as bus-only lanes – connecting more people to more places, using frequent and more reliable service. To execute this vision, the City of London, acting as the Road Authority, issued orders for London Hydro to relocate considerable portions of its distribution system, including poles, conductors, manholes, duct banks, and associated devices, which were in direct conflict with the proposed rapid transit infrastructure. This mandated relocation effort spans a critical section of the distribution system covering 14.6 kilometres of roadway.

London Hydro proactively engaged with the City of London to manage and minimize the scope of the mandated relocation. This collaboration focused heavily on design efficiencies and scope reduction, demonstrating a commitment to cost-effectiveness for customers.

The initial cost estimate for London Hydro's capital portion of the work was $60.2 million, projected to be spent over the years 2020 to 2028. Through rigorous collaboration and design refinement, the project scope and timeline were significantly reduced. The final, prudently managed cost was reduced to $21.5 million, and the timeframe was condensed to the years 2021 to 2027. This reduction of nearly 64% from the initial estimate underscores London Hydro's dedication to efficiency and due diligence in managing large, mandated capital programs.

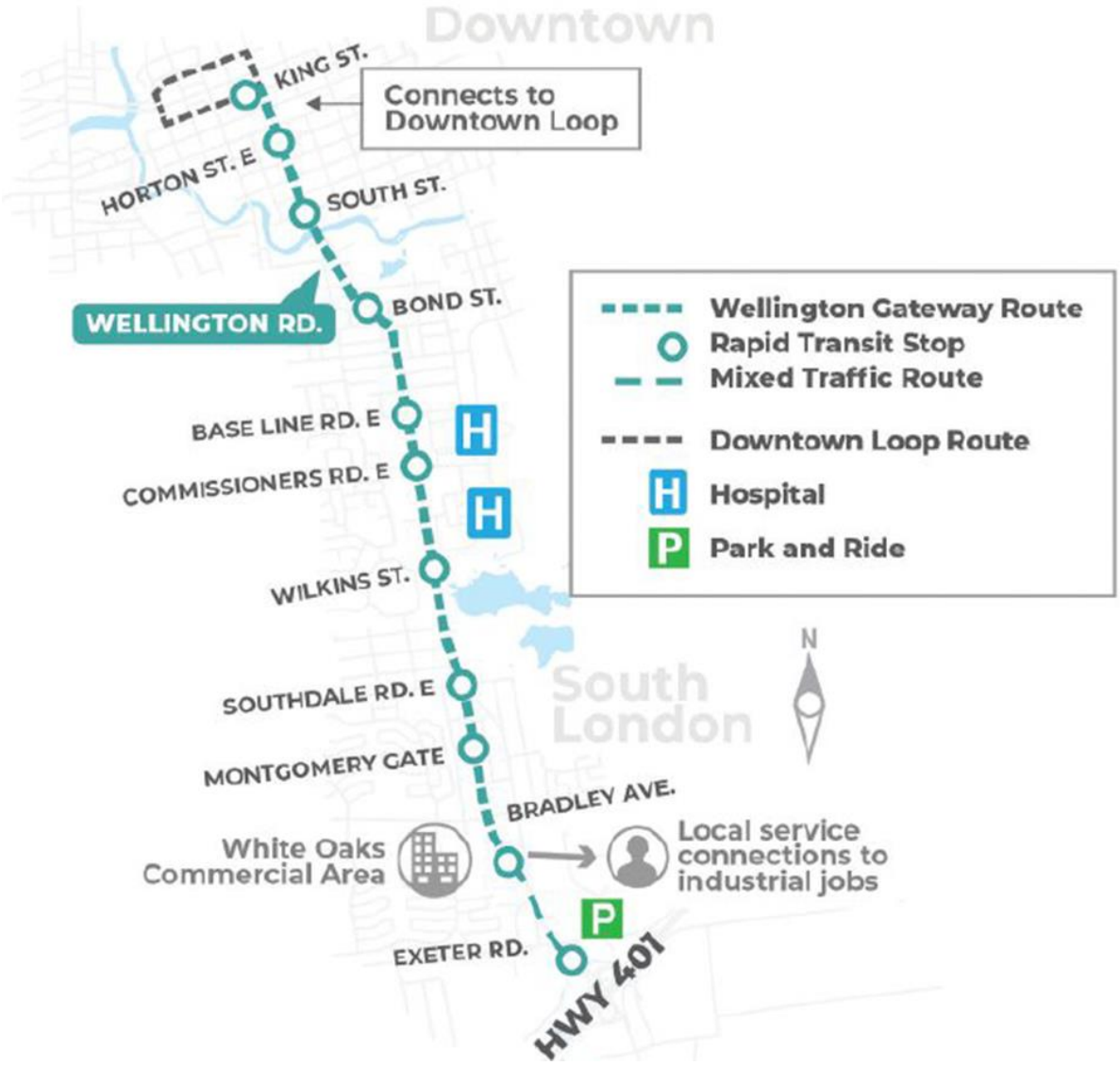
Due to the immense scale and aggressive completion timeline associated with the BRT project, London Hydro recognized that the standard cost recovery provisions of the Public Service Works on Highways Act ("PSWHA") were inadequate for this non-routine, extraordinary undertaking. The default PSWHA terms typically permit a 50% cost sharing on labour and labour-saving devices only. London Hydro successfully negotiated a more favourable cost sharing agreement with the City of London. The Company asserted that the BRT relocation was beyond the standard scope and magnitude of a typical road improvement project and therefore warranted an increased level of cost recovery for the Local Distribution Company ("LDC"). This position resulted in a negotiated cost recovery of 50% or greater on all project elements including material and labour associated with the relocations. This strategic negotiation ensured that the burden on London Hydro customers was significantly mitigated, representing a prudent and effective management of ratepayer interests.

London Hydro employed several measures to ensure the execution of this major relocation project was achieved at the lowest reasonable cost to customers:

- **Joint procurement**: The project was executed through a public joint tender bidding process with the City of London. This competitive bid process leveraged the combined scale of the City's overall BRT needs and London Hydro's relocation requirements, resulting in more favourable, competitive pricing.
- **Shared administrative costs**: The joint procurement and management process allowed for the sharing of administrative overheads, further reducing the overall costs borne by London Hydro customers.
- **Restoration coverage**: The agreement stipulated that the City of London covered all restoration costs associated with the project.
- **Asset modernization**: London Hydro strategically coordinated the replacement of depreciated assets during the relocation window, leveraging the mandated works to efficiently modernize the LDC's infrastructure and avoid future separate capital expenditures.

The comprehensive and coordinated approach undertaken by London Hydro with the Road Authority and other utilities minimized service disruption to customers throughout the 14.6 km corridor. Furthermore, this cooperative execution avoided on-site utility constructor safety issues and conflicts, ensuring the highest standards of worker safety were maintained throughout the project's duration. The figure below provides an illustrative portion of the BRT route.

Figure 4-1: Illustrative Portion of the BRT Project



South leg of the BRT route

Developer and City Driven projects

London Hydro is obligated to connect customers to the distribution system upon request. This includes residential developers as well as government agencies and road authorities. Standard connections are recovered through future revenues from customers, while unusual connection costs are paid by the customer at the time of connection.

During the period from 2022 to 2026, developer projects have exceeded expectations by approximately $16M or 40%. Much of this has been commercial development, multi-residential and high-density housing (apartments and condos). The population growth has exceeded expectations by a significant amount. In 2020, the forecast population for 2026 was 445,600, and as of the end of 2025, the population is now approximately 495,000 — about 11% higher than expected.

Although the London region has seen an increase in population growth, it is important to note that London Hydro's customer growth has been in the area of 3.9% compared to the 2022 Cost of Service Rate Application.

Although there are significant costs directly attributable to capital projects that are capitalized, certain indirect costs associated with these projects must be recognized as OM&A expenses in accordance with IFRS. As a result, OM&A costs can be expected to increase as the number and scale of capital projects increase.

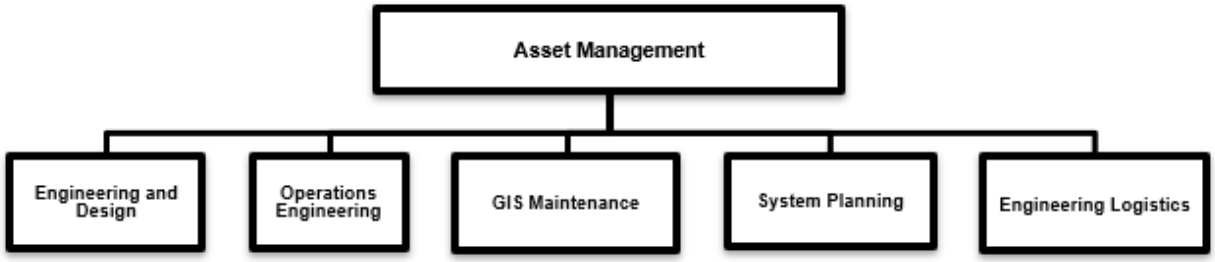
The Asset Management Team

The Asset Management team is comprised of five functional areas – Engineering and Design, Operations Engineering, GIS Maintenance, System Planning and Engineering Logistics.

The Asset Management Program is responsible for the overall coordination of activities to modify, augment and renew the distribution system. This involves approving connection requests from builders and developers, design for distribution system capital projects, system analysis and planning and coordination and allocation of resources.

The Asset Management team works closely with the City of London and associations such as the Electrical Safety Association ("ESA") to ensure compliance with applicable regulation and employee and public safety. This group is also responsible for the management of the Outage Management System ("OMS") and Geographic Information System ("GIS"). The organizational structure of the Asset Management Program is illustrated in Figure 4-2 below:

Figure 4-2: Asset Management Program



Engineering and Design

The Engineering and Design group is responsible for all aspects of distribution system design including overhead, underground, residential, commercial, industrial and downtown core network distribution systems. This work includes, but is not limited to

- designing the system according to specified standards, industry regulations and codes
- estimating the cost and time required for project completion
- issuing work packages
- coordinating the work to be completed with London Hydro operations departments and third parties, including the City of London and developers
- aiding System Planning, Operations Engineering and Finance in the preparation of the Distribution System Plan and other aspects of Ontario Energy Board Rate Applications

The Engineering and Design group typically prepares over 200 project packages each year. This represents over $50 million in gross capital investments for both the 2026 Bridge Year and proposed 2027 Test Year.

As distribution construction projects enter their design phase, the design engineers and technologists work closely with other utilities, builders, government agencies and City planning staff. Community groups are also kept informed. All levels of management and staff are involved in the process related to energy planning and infrastructure development depending on the impact and type of project. Load forecasts, alternatives, options, designs, pictures, and supporting justification are provided as required to support an open participation and consultation process.

To ensure the Asset Management Plan is targeting the assets most at risk of failure, London Hydro conducts analysis of each outage to determine if trends are developing with particular components. The Asset Management team then evaluates if remedial action continues to be effective. This analysis has allowed London Hydro to extend the life of some components (such as wood poles) and accelerated the replacement of others (such as porcelain insulators) that have become problematic.

Operations Engineering

The Operations Engineering group is responsible for providing engineering support to the Overhead Lines, Electrical Underground Systems, and Construction departments as well as the System Operating Centre. With the constant innovation in materials, tools and methods, it is crucial that operating and engineering departments work cohesively in the completion of the various capital and maintenance projects and activities. London Hydro places the safety of its workers and the public above all else - Safety first, Always. In addition to valuing safety, London Hydro is committed to creating a workplace that builds a capacity for innovation and increased efficiencies by supporting operational excellence and reliability for customers.

The Operations Engineering group is also responsible for the Materials Management Program ensuring that proper specifications, quantities and controls are in place for materials and tools used in both capital and maintenance activities. The group also works closely with the Purchasing department to ensure that materials are readily available.

London Hydro can only deliver safe and reliable services to the extent that its equipment allows. It is the role of the Operations Engineering group to ensure that every piece of equipment meets the highest standards for safety, and that each piece of equipment is the best choice. To perform this function, the team must understand all work being performed and the equipment required to do that job most effectively. In addition, this role is involved in working closely with manufacturers to adapt, design and even invent tools and equipment that safely deliver services to customers.

GIS Maintenance

The GIS team is responsible for keeping the Geographic Information System ("GIS") current and accurate and that all plans and designs are based on the most current information available to ensure the distribution system is operated safely. This work involves

- all design related map/drawing update requests from Engineering, Operations, Planning and external consultants (e.g., underground drawings, feeder maps, operations drawings, electric drawings, civil drawings)
- updating and maintaining GIS records from field as-built marked drawings
- responding to external requests for as-built infrastructure, (e.g., City of London, Enbridge, Rogers, Bell, contractors, Ontario One Call)
- importing and maintaining the City land base from the City of London
- maintaining GIS graphics, non-graphics and model connectivity to ensure there are accurate records for operations (e.g., Outage Management System)
- developing, modifying and enhancing GIS functions to meet user and corporate requirements
- provide training and assisting users with the GIS system and Computer-Aided Drafting and Design Tools ("CADD")
- providing installed asset reports as requested
- responding to all other GIS related requests such as Capacity Maps

System Planning

London Hydro's System Planning group develops short, medium and long-term distribution system plans to ensure the electrical system meets the system operating standards and is optimized in terms of cost, performance and reliability. System Planning works with the IESO and Hydro One as part of the Regional Planning Process ("RPP"), the Integrated Regional Resource Plan ("IRRP"), and the Regional Infrastructure Plan ("RIP") to ensure there is adequate supply capacity (i.e. transformer stations or new feeders) when and where it is required to serve the growing energy needs of the City of London.

System Planning monitors and forecasts load growth to determine when and where new infrastructure is required. This area plans for new feeder builds and reconfigurations to optimize the system and performs short-circuit studies and protective device coordination studies so that unexpected failures have a localized impact. The group also determines optimal locations for feeder automation devices to improve reliability for customers by quickly isolating problems and restoring power. Further, this department develops plans to refurbish or upgrade parts of the electrical system that have reached, or are nearing, the end of their useful service life in a reliable and cost-effective manner. For example, the conversion programs of the 4kV and 13.8kV systems that are being upgraded to 27.6kV for greater efficiencies and overall savings.

Workload has been increasing in this area not only due to Regional Planning requirements, but also due to the increase in development, fault study requests, arc flash inquiries and a dramatic increase in the number of potential generators connecting to the system through Distributed Generation requests and connections. Many other planning activities undertaken, which can be considered more short-term and ongoing in nature, are driven by operational, developer or City of London plans. For instance, system plans are required to allow the City to complete their upgrade work to ensure the continuity of the electrical supply to customers while required electrical system upgrades are completed in the area.

While some of the activities relate directly to capital projects, the majority is system-wide in nature and thus is charged to OM&A. Following is a list of tasks performed by System Planning that are usually charged to OM&A

- identifying and documenting system needs for new utility plans to be submitted and included in the project register
- completing regional planning and Southwestern Ontario corridor activities with the Independent System Electricity Operator and Transmitter
- implementing system monitoring and switching automation strategies to be utilized throughout the utility
- executing system planning activities that permit proactive system design in alignment with business objectives to deliver service with high reliability and economic value while adhering to safety, codes, regulations and environmental conditions
- providing system planning guidelines for asset management, system capacity, new development and sustainment projects
- providing information on the selection of capital projects relating to the overall system plan
- providing technical support to Logistics Support, Engineering, Purchasing, Regulatory and Operations departments with regards to feasibility and economic studies, failure and corrective action investigations of material or equipment and development of work methods and standards
- participation in the Engineering budgeting proposals and assisting in the preparation of Ontario Energy Board Rate Applications, and third-party queries and requests

In all activities such as those mentioned, System Planning looks for opportunities and synergies to upgrade the electrical system where required that would result in reliability improvements and cost savings.

Engineering Logistics

Staff in the Engineering Logistics Department provides support services for Engineering and Operations departments including

- project management services
- development and control of Engineering and Operations OM&A budget
- maintaining accurate reporting on annual project deliverables
- ensuring customer driven project timelines are met
- monitoring and reacting to perceived risks
- capital projects budget development
- material and resource planning
- monitoring capital and operating spending variances
- system implementations
- customer damage claims
- improvements to customer service

Program Delivery Costs

The Asset Management Program OM&A expenditures are forecasted to be $5,882,100 for the 2026 Bridge Year and $6,595,700 for the proposed 2027 Test Year. The forecast for 2027 provides an increase over the 2026 Bridge Year of $713,600 and $1,961,000 over 2022 Actual amounts resulting in a CAGR of 7.3%.

Table 4-30: Asset Management Program Delivery Costs

Asset Management Program Delivery Costs												
				Annual Change					Change		Change	
Nature of expenditure	2022 Actual	2022 Applied	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2027 Test		2022 Applied to 2027 Test	
	$	$	$	$	$	$	$	$	$	CAGR	$	CAGR
Gross labour	6,203,410	6,146,300	8,931,300	227,818	174,506	361,166	1,217,100	747,300	2,727,890	7.6%	2,785,000	7.8%
Allocations to capital, billable	(2,140,637)	(2,237,700)	(3,298,400)	9,485	(477,644)	33,299	(644,003)	(78,900)	(1,157,763)	9.0%	(1,060,700)	8.1%
Net OM&A labour	4,062,773	3,908,600	5,632,900	237,303	(303,138)	394,465	573,097	668,400	1,570,127	6.8%	1,724,300	7.6%
Employee expenses	115,290	153,000	183,200	13,987	(15,668)	20,831	39,661	9,100	67,910	9.7%	30,200	3.7%
Contractor services	138,070	140,500	188,000	(56,191)	32,352	(26,489)	84,558	15,700	49,930	6.4%	47,500	6.0%
Software and hardware	254,961	239,900	352,000	14,161	30,681	20,167	17,830	14,200	97,039	6.7%	112,100	8.0%
Corporate membership dues	106,498	97,400	147,700	6,199	4,485	14,168	11,950	4,400	41,202	6.8%	50,300	8.7%
Other	92,157	95,300	91,900	(2,980)	(9,142)	(7,250)	17,316	1,800	(257)	-0.1%	(3,400)	-0.7%
Total $	**4,769,748**	**4,634,700**	**6,595,700**	**212,478**	**(260,430)**	**415,892**	**744,413**	**713,600**	**1,825,952**	**6.7%**	**1,961,000**	**7.3%**
Annual % change				4%	-5%	9%	14%	12%				

Gross labour

Please see Workforce Planning and Employee Compensation, Section 4.3.

Allocations to capital, billable

Engineering labour charged to capital can vary significantly from year to year based on both resource availability and the nature of the work performed. Changes in staffing levels due to vacancies, employee absences, turnover, or the timing of new hires may reduce the engineering resources available to support capital projects, resulting in lower capitalized labour during a given year.

In addition, the proportion of engineering labour eligible for capitalization depends on the specific activities undertaken during the year. In accordance with International Financial Reporting Standards ("IFRS"), only engineering activities that are directly attributable to the design, development, and construction of capital assets may be capitalized. Time spent on operational support, system planning, asset management, regulatory initiatives, investigations, customer support, training, process improvements, or other non-capital activities is appropriately recorded as OM&A.

As a result, year-over-year changes in capitalized engineering labour reflect differences in both resource availability and the mix of work performed during each fiscal year. These fluctuations are expected and are driven by the nature of the engineering activities undertaken rather than changes in engineering staffing levels alone.

Employee expenses

Employee expenses include costs related to training, professional development, professional fees, and travel associated with attending conferences and offsite meetings. The most significant change in this category pertains to training and professional development.

The Asset Management Program has many new staff who have been with London Hydro for less than five years. When London Hydro hires less experienced Technologists and Engineers, the Company's investment in training and development naturally increases. To help new staff become proficient quickly, development programs are more intensive, resulting in a faster rise in training costs.

London Hydro's commitment to employee development encompasses a broad range of activities, including industry conferences, seminars, and courses. These learning opportunities are provided not only for new employees but also for experienced staff who must maintain certifications and remain current with industry developments. Participation in these events enables employees to stay informed about evolving regulations, best practices, and innovations—such as electrification—and enhances their ability to effectively manage capital assets and aging infrastructure.

Contractor services

Contractor services include costs associated with maintaining and enhancing London Hydro's Geographic Information System ("GIS"), consulting services to perform root cause analyses and provide recommendations (e.g., arc flash hazards and switch failures), and services supporting the maintenance and updating of the Distribution System Plan ("DSP").

London Hydro continues to enhance its GIS capabilities to improve operational efficiency and provide more accurate and accessible information to support day-to-day operations. Third-party professional services are engaged to develop, test, and deploy incremental system enhancements. Contractor support is also utilized to maintain compatibility with other operational systems and to support modernization initiatives that rely on accurate and integrated spatial asset data.

This category also includes third-party services associated with the periodic updating and maintenance of the DSP. These services support the ongoing monitoring, management, and reporting of DSP initiatives. As discussed in Section 4.6.3 One-Time Costs, the associated costs have been amortized over a five-year period.

Computer software and hardware

Software and hardware costs primarily relate to the operation of London Hydro's GIS system. The Company continues to expand the use of GIS for online, real-time data capture in the field for underground, overhead, and substation civil structures and electrical equipment. This electronic capture enables faster response times when unsafe conditions or environmental hazards are identified, by providing the information necessary for timely and effective decision-making.

The GIS system tracks the location and attributes of each distribution asset, including age, type, size, easements, inspection history, testing, and connectivity. This information is regularly queried and extracted, as many departments rely on it for both operational and capital planning needs. GIS also manages inspection schedules, supports asset condition assessments, and informs the development of the Asset Management Plan. By capturing inspection data online, the system increases the volume and quality of data points, improving trend analysis to identify potential failure patterns and future capital project requirements.

London Hydro's GIS solution supports distributed generation, system planning, engineering design, compliance with International Financial Reporting Standards (by helping to identify asset removals), asset management (including vegetation management), mobile audits and inspections, and management of third-party telecom joint-use attachments. The system also facilitates the secure sharing of critical information with external professionals, consultants, the City of London, regulators, and customers.

The majority of cost increases in this category stems from broad vendor price escalations. Vendors are adjusting pricing structures to address rising costs, inflationary pressures, workforce challenges, and investments in Artificial Intelligence ("AI"). Software costs are also increasing as some vendors shift toward subscription-based models, phase out outdated technologies, and make compatibility updates to ensure older versions remain functional and secure.

Corporate membership dues

The Asset Management Program maintains memberships in a number of key industry organizations, including The Centre for Energy Advancement through Technological Innovation, Electrical Safety Authority, Canadian Electricity Association, Canada Urban Transit Research and Energy Storage Canada.

These involvements allow London Hydro to actively engage with organizations that address the needs of the electrical utility sector. Through this participation, the Asset Management Program gains valuable industry insights, participates in critical networking and focus groups, and stays informed on regulatory changes, government priorities, and emerging trends. This proactive engagement enables London Hydro to contribute to policy development, share its perspectives, and help shape the future of Ontario's energy sector.

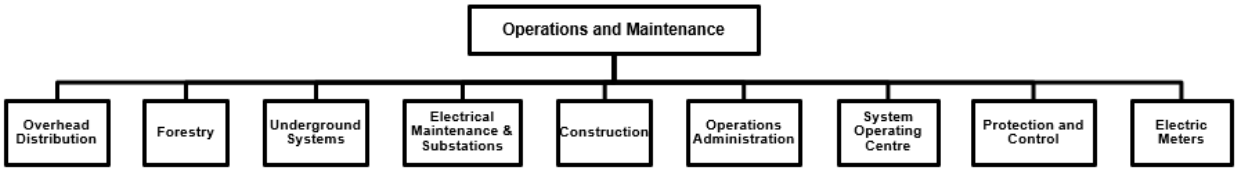
The budget for the 2027 Test Year includes an expenditure for the Company's membership in GridSmartCity. This organization is dedicated to accelerating the energy transition and will directly support the Asset Management Program by providing tools to improve utility operations and manage the transition from legacy infrastructure to smarter energy systems.

4.4.3 OPERATIONS AND MAINTENANCE

Overview

The Operations and Maintenance group consists of nine functional areas - Overhead Distribution (Lines), Forestry, Underground Systems, Electrical Maintenance and Substations, Construction, Operations Administration, System Operating Centre, Protection and Control and Electric Meters. This group is responsible for the completion of capital infrastructure projects and the operations, maintenance and repair of the distribution system assets including automated devices. The organizational structure of the Operations and Maintenance Program is illustrated in Figure 4-3 below:

Figure 4-3: Operations and Maintenance Program



The Operations and Maintenance group is a key component at London Hydro in that this area is responsible for minimizing reactive maintenance by following an effective and proactive planned maintenance program. Appropriate levels of maintenance help to:

- ✓ reduce safety risks
- ✓ increase network reliability
- ✓ increase energy efficiency
- ✓ minimize reactive (emergency) maintenance
- ✓ reduce downtime
- ✓ extend the useful service life of assets
- ✓ decrease total cost of ownership

Preventative maintenance includes planned activities such as tree trimming, network components repairs and replacements, load-break switches, transformers and switchgear maintenance, inspection of underground vaults and maintenance holes, and Tan/Delta cable testing. Predictive maintenance

entails testing and performance analysis on distribution assets to assess their condition and to forecast potential for premature failure. These activities minimize unscheduled downtime, which reduces the overall cost and ensures a reliable, smooth running power distribution infrastructure.

The Operations and Maintenance Program is managed using the Geographic Information System ("GIS") and associated mobile inspection software to meet or exceed the requirements of the Electrical Safety Authority and OEB Distribution System Code. The GIS is utilized to monitor and control all inspection activities, including timelines and infrastructures inspected, and to ensure deficiencies are resolved and recorded. The Operations and Maintenance inspection program has oversight by the Asset Management team. Maintenance activities are performed on an established cycle to reduce the number of unplanned outages by identifying and correcting deficiencies before a failure occurs. By reducing unplanned outages and maximizing equipment lifespan, London Hydro can provide more reliable service to its customers at the lowest cost.

London Hydro uses a combination of defined inspection schedules and defined maintenance activities within its Asset Management Plan to complete inspection requirements and then updates database information regarding the condition of distribution assets. At a minimum, one third of each major asset category is either inspected or has maintenance performed each year. Where equipment is prone to more frequent failure, such as air-insulated switchgear, equipment is inspected on an annual basis. During inspections, minor maintenance and critical items that can be addressed immediately are resolved and reported. Major maintenance that requires more complex coordination is scheduled for completion within the year or planned for future years as defined by the Asset Management Plan.

This group is also responsible for processes surrounding business continuity during a crisis, including overseeing and administering the framework necessary to ensure that customers are supplied with safe and reliable power amid a significant event. The business continuity framework involves identifying potential threats, maintaining emergency preparedness and development of systems essential for prevention and recovery to enable ongoing operations.

London Hydro uses metrics and performance measures to help it understand the effectiveness of its operation and maintenance programs such as,

- studies of equipment failures to determine if current maintenance is sufficient, whether a new maintenance program is required or whether a capital project should be implemented to replace the equipment
- inspection types and quantities are monitored monthly to ensure internal and external requirements are met
- detailed outage analysis by Systems Planning including review of the annual number of failures by equipment type and the overall effect on SAIDI and SAIFI. This helps to determine whether a certain type, manufacturer or model of equipment needs to have a maintenance program created or altered or if a capital program is required to change the equipment out

London Hydro uses management tools to determine ways to perform more maintenance at the lowest cost such as,

- replacement of the fixed year trimming cycles with a hybrid zone model that has longer durations between cycles for lower risk areas (i.e., lower outages, tree densities and distribution circuit densities)
- optimizing allocation of resources to the areas most in need
- enhanced reporting on tree trimming progress through GIS and completeness to ensure alignment with expectations
- reports, tools and apps which have been developed in the Company's GIS system to help field crews determine age, failure statistics, technology type, and loading to enable maintenance and/or replacement decisions
- replacement of paper inspections and tracking processes with a digital platform that leverages the GIS system to reduce gaps and avoid missing data

Overhead Distribution

The Overhead Distribution (Lines) department is responsible for the construction and maintenance involved in ensuring that customers' new overhead services are connected, repaired, replaced or maintained in a prompt and efficient manner and that overhead system maintenance is completed as scheduled. The work of the Overhead Distribution department is critical for minimizing the need for reactive and emergency work through an effective and proactive planned maintenance program (including predictive and preventative actions), which minimizes customer outages and avoids potential costly repairs or replacements should equipment fail catastrophically. Further, when reactive and emergency work is required, it is often performed outside of normal working hours at a higher cost to the customers.

The Lines department follows the maintenance program described above to monitor and track equipment and infrastructure inspection activities. These inspections are complemented by using contractor services to regularly conduct maintenance activities such as pole testing and leverages tools such as infrared scans to identify potential problems.



Pole Transformer Replacement



Train Overpass Rebuild

Forestry

A mature tree canopy has become well established during the past 100 years that the City of London embraces. In fact, the City of London is known as 'The Forest City' due to its heavily treed areas. Tree trimming is vital to maintaining a secure, safe and reliable overhead electrical system. Further, with the increasing frequency of major weather events, proper tree trimming is required to reduce damage to the overhead grid from tree contacts. To maintain appropriate tree clearances and compliance with the Canadian Standards Association ("CSA") and Electrical Safety Authority ("ESA"), London Hydro uses a combination of internal resources and contractors.



Tree Trimming Maintenance



Brush Chipping

Underground Systems

Due to the complexities of the downtown core network system and the size of the commercial and residential underground supply systems in London, the Company has a separate functional area for underground systems – the Electrical Underground Systems department ("EUS"). Personnel in this department are trained in and responsible for all aspects of the unique network electrical supply system, including Paper Insulated Lead Covered ("PILC") conductors, Ethylene Propylene Rubber **("**EPR") conductors, live secondary conductors, the maintenance hole and duct system, the low voltage mesh network (which is unique to London and a few other Ontario utilities) as well as all aspects of commercial and residential underground systems.

The EUS department is responsible for the construction and maintenance required to ensure that customers' underground services are connected, repaired or replaced in a prompt and efficient manner and that system maintenance is completed as scheduled.

The EUS department also uses the maintenance program described earlier for all inspection activities. The department leverages the use of various technologies to increase the effectiveness of inspections performed. These technologies provide a proactive approach to identifying an asset at risk of failure. This includes the use of infrared scanners to detect hot spots and the use of ultrasonic detection equipment to measure corona discharge. Both hot spots and corona discharge are indicators of future equipment failure.



Downtown Network Maintenance



Commercial Services Work



Network Secondary Cable Installation

Electrical Maintenance and Substations

London Hydro's Electrical Maintenance and Substations ("EMS") department is responsible for all municipal substation maintenance and underground cable testing activities, including testing and performance analysis to assess the condition of the assets and predict the possibility of a premature failure. This department maintains 36 substations, including 21 municipal substations along with 15 substations that supply specific customers.

As London Hydro continues to phase out the 13.8kV primary supply and 4kV systems through systematic, extensive capital projects, the reliability of existing distribution substations must be sustained. All the cables originating from the old 13.8kV Nelson transformer station have been removed. The distribution system currently includes 60 main feeders at 27.6 kV. There are 21 substations where

transformation steps down in voltage. The active 4kV distribution substations range in age from 16 to 63 years old.

Since replacement of all substations would not be prudent, maintenance on the older units has increased as they continue to age. Other activities performed by the Electrical Maintenance and Substations department include Tan-Delta cable condition testing, transformer oil analysis (power transformers), partial discharge testing on metal-clad switchgear, vibro-acoustic testing on power transformers and internal resistance testing on substation storage battery sets. This department is also responsible for all switchgear, transformers and switching operations on the downtown core 27.6kV systems and the legacy 13.8kV network system. In addition, this team is responsible for the repair of transformers, reclosers and automated switchgear for both the overhead and underground systems.



27.6 Substation Switchgear



Network Transformer



Outdoor Metal-clad Substation

Construction

The Construction department is responsible for the installation, maintenance and repair of all civil works (such as ducts, transformer bases and maintenance holes) in residential and commercial installations including the downtown core. This department also installs the cable and transformers required for residential and commercial servicing. These installations are completed with a balance of internal staff and third-party contractors.

The Construction department has a crew dedicated to providing underground secondary service cable repairs. As secondary cables age, this crew has become increasingly busy and London Hydro has added third-party contractor resources to keep up with demand. The department also has a crew dedicated to the installation of new home services. With the variable nature of requests for new

residential construction, contracted resources have been added to this function as well. The Construction department also provides 24/7 emergency assistance to the EUS department as required, to repair defective or damaged cables, transformers and switchgear.



Multi-Residential Service Installation



New Townhouse Block

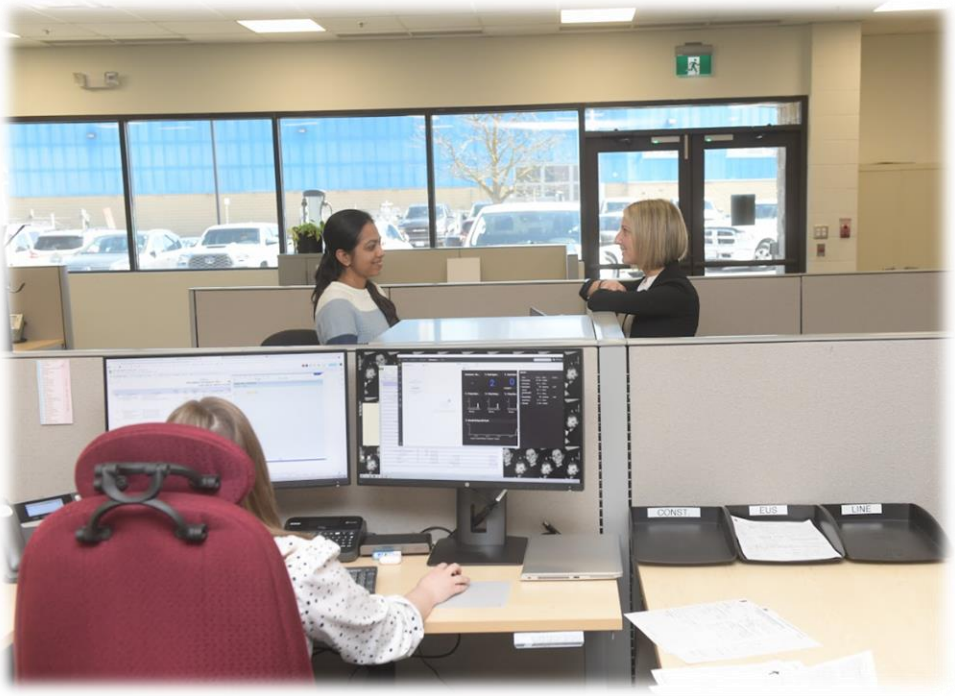
Operations Administration

The Operations Administration department coordinates the issuance of service orders in collaboration with Overhead Line, EUS, and Electric Metering. It also supports the processing of capital work orders, including locate requirements and Permit of Authorized Works ("PAW's") applications for both Engineering and Operations.

The team provides administrative support for easements, liaison requests, developer communications, the Builder's Portal, and the as-built drawing process in coordination with GIS. In addition, it delivers general administrative services across Engineering and Operations and is responsible for collecting, reviewing, and organizing OEB-required reporting data.

The department also supports System Operations Centre dispatch by administering and coordinating the Mobile Workforce Management ("MWFM") and Outage Management System ("OMS"). This includes

handling inbound calls from contractors, customers, and staff, and dispatching related trouble calls to Operations crews during regular hours and in support of after-hours response during major outage events.



Operations Administration

System Operating Centre

The System Operating Centre ("SOC") team is responsible for the monitoring, control and ongoing management of the distribution network with the objective of maintaining a safe and reliable supply of service for customers. This department oversees the configuration of the grid through defined switching operations. This area is also responsible for receiving inbound calls from contractors, customers and London Hydro employees and dispatching related trouble calls to Operations crews.

Operators in the System Operating Centre monitor the distribution system 24 hours per day using the Supervisory Control and Data Acquisition ("SCADA") system and Outage Management System ("OMS").

The SCADA system is employed to monitor and cache real-time data from the London Hydro network and relay that information to Systems Operators for action. System monitoring enhances customer

service, increases utilization efficiency, improves power quality and reduces power losses. By using SCADA, London Hydro is able to act in a more expedient manner in the event of an outage to minimize the disruption to customers. A reliable SCADA system is required to monitor and control the distribution system efficiently. SCADA projects are undertaken annually to enhance components of the system that are either technically obsolete or inefficient to maintain. Specifically, these projects increase the reliability of remote terminal units ("RTU's"), modernize communication protocols and media, secure data against cyber threats and develop system intelligence tools that enable automation.



System Operating Centre

The System Operating Centre team operates the OMS to enhance customer service by providing increased visibility and response to system outages. The OMS system also assists the System Operator by predicting the most probable source of an outage using the data provided. The OMS system provides the System Operating Centre with a near real time view of all electrical circuits without power, in addition to interacting with the Interactive Voice Response ("IVR") phone system.

Protection and Control

The Protection and Control department is responsible for design, testing and implementation of the protection and control systems which are used in London Hydro substations, automated devices and sensors. This department also addresses all communications (interconnections to SCADA), cyber security, maintenance and repairs associated with these devices. Personnel conduct testing and performance analyses to assess the condition of the automated control asset and predict the possibility of a premature failure for any electronically controlled or operated switchgear across the entire electrical system.

As additional (or more intelligent) devices are deployed, London Hydro Operators are able to gather more real-time information through the SCADA system, which is then leveraged to perform more remotely controlled switching operations without the need to dispatch crews. By decreasing the number of times a crew needs to be dispatched, London Hydro has been able to reduce costs and the time needed to restore power for customers. The reliability and security of the SCADA and OMS systems are crucial to the safe and efficient operation of the distribution grid.



Automated Switch Controller



Vault-Style Primary Switchgear

Electric Meters

London Hydro's Electric Meter department ensures accurate, reliable and compliant metering and other services to support accurate billing. Robust metering infrastructure has enabled London Hydro to consistently exceed the OEB performance scorecard target for accuracy. Since the deployment of smart meters between 2009 and 2012, metering systems have also become a critical data source for broader operational and customer-facing functions, including outage and voltage monitoring, as well as customer consumption and demand data. This information is accessible through self-serve online portals, the Green Button Download My Data" ("DMD") tool, and the Interval Data Centre.

The mission of London Hydro's Electric Meter department is to install, maintain and operate utility metering, sensors, information and communications technology to support an elevated utility, industry and end-user customer experience.

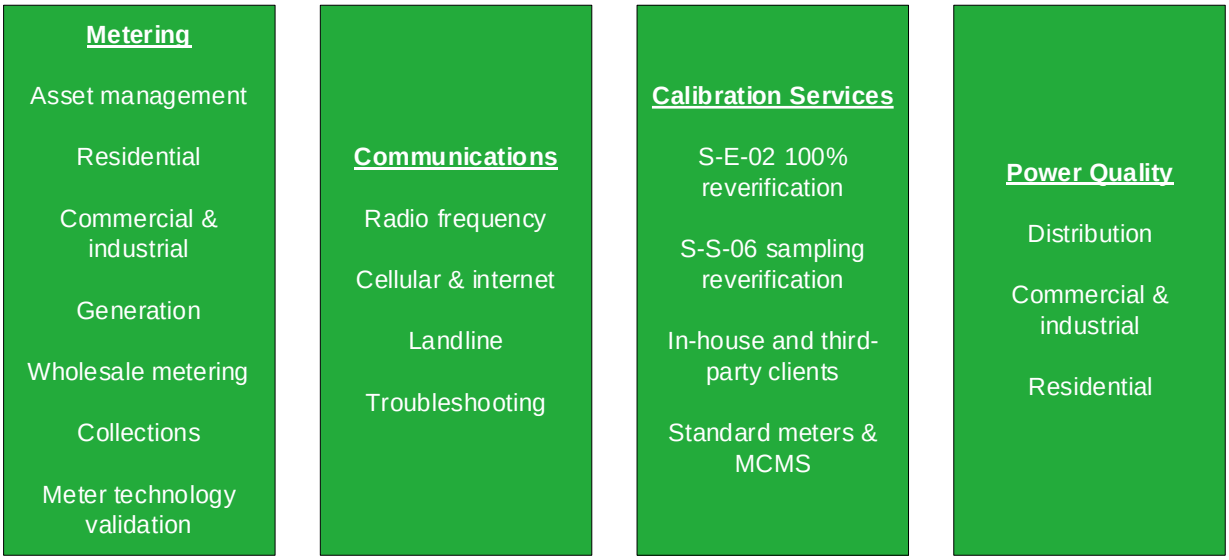
Metering is one of the most fundamental activities for a distribution company. The implementation of 'Smart Meters' has had a profound impact on day-to-day operations. To support a complete transition from an 'analog' to a 'digital' meter environment, the Electric Meter department uses multiple communications systems and networks for reliable performance and cost-effectiveness.

The Electric Meter department touches the full range of the business starting with measuring energy flows within the London Hydro system – load and generation – to using those measured quantities and providing individual customer usage amounts for billing. The data is also used for a wide range of other operational and engineering tasks.

As depicted in Figure 4-4 below, the Electric Metering department has four main categories of activities as their mandate:

- **Metering** - to measure electricity flows accurately
- **Communications** - collection of the meter data through various communications technologies
- **Calibration services** - ensure meters are compliant with Measurement Canada regulations
- **Power quality investigation** - address and resolve utility and customer power quality concerns

Figure 4-4: Electric Metering Scope of Services



The categories above are far more complex and are more involved than the simple titles would imply, and are greatly interconnected with each other. Each activity depends upon the successful operation of the other. None of these activities can be considered fully developed or mature and static, as changes are always being investigated and incorporated by the drive to leverage benefits from 'Smart Meters' and to develop the 'Smart Grid' of the future. Meter technology is evolving at a rapid pace to provide more data for operational efficiencies, engineering analysis and customer awareness.

Metering

The Electric Meter department supports over 170,000 customers within London Hydro's service territory. The department supports new and existing customers with installs, exchanges and removals. London Hydro completes thousands of new meter installations per year, ranging from typical single-phase residential meters to large high-voltage commercial installs. Installations may involve the use of:

- single-phase or three-phase (polyphase) meters depending on the service size
- instrument transformers, both current and voltage ("CT" and "PT"), to step higher currents and voltages down to magnitudes that meters and technicians can safely use
- radio communication through London Hydro's advanced metering infrastructure ("AMI")
- cellular or customer internet communications through edge routers

- underground or overhead high voltage construction setups for large user installations, i.e. ’padmount’ or ’clustermount’ metering

Meter exchanges, removals and disconnections are also a regular daily activity, which are initiated due to a variety of reasons, including:

- customer is reclassified to a different rate class that requires different metering and data (i.e. smart metered GS<50 to interval metered GS>50)
- meter communication failures. In many cases the meter stops communicating and needs to be replaced
- meter exchanges initiated by customer activity such as the need for Electrical Safety Authority (“ESA”) connections and disconnections, electricity theft or tampering, or disconnections for non-payment or lack of a continuous service agreement following a rental tenant move-out
- meter seal expiries. Regular tests and inspections are required to comply with Measurement Canada rules and regulations

As new standards, regulation and technology (i.e. support, obsolescence) emerge, the Electric Meter department aims to keep pace with these advances where appropriate. For instance, London Hydro was one of the first utilities to use voltage monitoring to detect and fix metering and distribution issues before customers became aware or raised complaints.

Turnaround time is important to utility customers. Commercial customers often request that meter related planned outages happen before or after working hours. While this type of operation requires premium labour rates, the customers appreciate not having their business interrupted.

All London Hydro GS>50 customers are using MIST (Metering Inside the Settlement Timeframe) interval meters. These MIST meters have cellular router, internet modem or legacy phone line connections and are remotely read by the MV90 meter reading system.

Metering reverifications increased dramatically over the past few years in order for the meter population to comply with Measurement Canada rules and regulations. The increase in meter reverifications is due to the mass deployment of smart meters in 2009 to 2011, which became due for their 10-year meter seal refresh between 2019 and 2021. Meter sealing is now a regular task to complete year-over-year as meters are purchased annually. London Hydro has been investing in meter sealing capabilities and capacity enhancements to support the meter reverification process. Unlike the steady year-over-year

verification cycles of the past, the mass deployment of smart meters (2009–2011) has created a 'cliff' where the entire population requires re-verification simultaneously. The summary provided in Figure 4-5 below illustrates the years that large meter lots are due for S-S-06 sampling reverification. This does not include meters that require individual 100% reverification or the meter lot pre-sampling program.

Figure 4-5: Meter Compliance Sample Workload Volume

London Hydro - Seal Extension Lots - Summary

Lot ID (SAP Tag)	Meter Type/ Form #	Lot Quantity	Original Seal Year(s)	Sampling Schedule																			
				2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
			Age of Meters (assume 2010)		18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35
12SDUE2019L1	12S	557	2009	8						6				4		2						
12SDUE2020L1	12S	10755	2010		8						6				4		2					
12SDUE2021L1	12S	538	2011			8						6				4		2				
16SDUE20/21L1	16S	5731	2010 & 2011		8						6				4		2					
2SDUE2019L1	2S	10000	2009	8						6				4		2						
2SDUE2019L2	2S	10000	2009	8						6				4		2						
2SDUE2019L3	2S	8227	2009	8						6				4		2						
2SDUE2020L1	2S	10000	2010		8						6				4		2					
2SDUE2020L10	2S	5230	2010		8						6				4		2					
2SDUE2020L2	2S	10000	2010 & 2011	8						6				4								
2SDUE2020L3	2S	10000	2010		8						6				4		2					
2SDUE2020L4	2S	10000	2010		8						6				4		2					
2SDUE2020L5	2S	9999	2010		8						6				4		2					
2SDUE2020L6	2S	9999	2010		8						6				4		2					
2SDUE2020L7	2S	9999	2010		8						6				4		2					
2SDUE2020L8	2S	9996	2010		8						6				4		2					
2SDUE2020L9	2S	9994	2010		8						6				4		2					
2SDUE2021L1	2S	763	2011			8						6				4		2				
36SDUE2020L1	36S	369	2010																			
3SDUE2021L1	3S	527	2011			8						6				4		2				
9SDUE20/21L1	9S	288	2010 & 2011		8						6				4		2					
LH12S Lot 11	12S	518	2013					8						6				4		2		
LH2S Lot 12	2S	1295	2013					8						6				4		2		
LH2S2012LOT1	2S	1558	2012																			
LH12S Lot 14	12S	983	2014																			
LH2S Lot 15	2S	1102	2014																			
LH2S Lot 16	2S	2336	2015 & 2016																			

The Electric Meter Department uses a metering service provider (“MSP”) to operate and maintain their wholesale metering points with Hydro One and other customers. This is a requirement under Independent Electricity System Operator (“IESO”) regulations. This requires constant collaboration with the MSP to address meter trouble reports (“MTR”) issued by IESO, resolve data gaps and communication issues, support IESO metering installation audits, and provide the required metering assets approved by IESO metering standards.

London Hydro has implemented mobile a workforce management system ("WFM") to support the majority of the above activities. WFM has virtually eliminated paper service orders, and provides more reliable workflow processes and data entry, which greatly reduces the risk of customer information and billing issues.

WFM is also heavily integrated with OMS, CIS and GIS, allowing for optimized dispatch of service orders and trouble call events to metering crews to complete on a timely basis. Field work has been categorized into various and distinct types of work, with additional business processes related to the management of that work and other business process automation.

London Hydro's Meter Validation Lab is an innovative facility that enables rigorous testing and validation of new metering technologies and communication systems. It supports in-depth performance analysis of meters that have new features, alarms and communication protocols. The Validation Lab also facilitates the development of tailored customer solutions within the AMI that meet the requirements of London Hydro. Pilot tests can be performed in-house, without the need to deploy resources or external contractors into the field reducing overall testing and development costs.



Meter Validation Lab

AMI refresh

Many of London Hydro's metering assets are nearing the end of their industry recognized lifecycle of 15 years. Consequently, the Company is now in a situation where a near and long-term plan is necessary to ensure meter inventory is maintained, infrastructure can be supported, and customers can be connected in a timely manner. There is also a desire for more data from meters, such as voltage, current, and power quantities for more in-depth engineering analysis and optimization of distribution system operation. Additional capabilities such as DER control and demand response are also valuable tools for wide scale DER penetration.

London Hydro is undergoing an AMI consultation that will provide guidance in the next stages of upgrades to the AMI and other systems relying on AMI. The high-level items to be covered are:

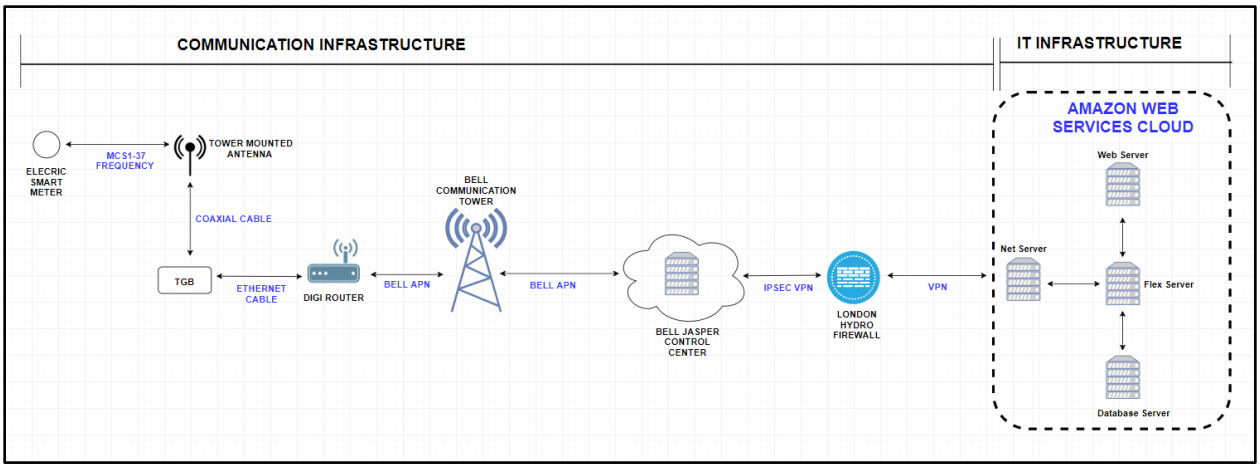
- in-depth analysis of the existing AMI technology being used, and its implementation
- identification of technology and process gaps to enable future AMI use cases
- illustrate London Hydro's needs and requirements out of a new AMI
- complete an industry scan to compare and contrast today's available AMI technology
- provide refined cost estimates and a business case to determine if an AMI refresh project is worthwhile

The consultation will provide valuable insight on how London Hydro can support its innovative vision of being a modern and state-of-the-art utility.

Communications

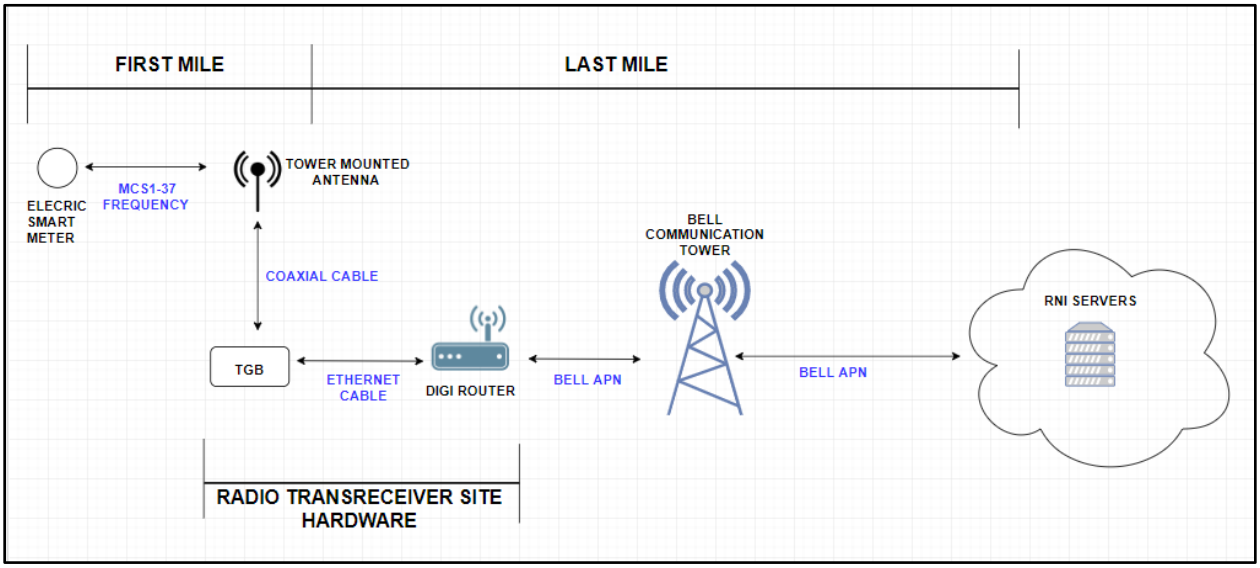
London Hydro has implemented Xylem's Sensus Advanced Metering Infrastructure ("AMI") system as its residential and commercial (GS<50) electric metering system. As depicted in Figure 4-6 below, the system can be broken down into two parts: the Communication Infrastructure (FlexNet Communication Network) and the IT infrastructure (Regional Network Interface). The communication infrastructure consists of all the elements that are required to carry data from electric meters to the head end system and the IT infrastructure which consists of the elements that are required to process the data and deliver it to downstream systems such as CIS, OMS.

Figure 4-6: Sensus Communication & IT Infrastructure



The communication infrastructure that is part of the London Hydro AMI system can be broken down into two parts: the first mile and last mile as depicted in Figure 4-7 below:

Figure 4-7: Sensus Communication Infrastructure



The first mile of the AMI architecture consists of Smart Meters that send and receive data to and from a tower gateway base station ("TGB"). The last mile consists of TGB's that send and receive data to and from the head-end systems.

Meters with Sensus FlexNet communication modules are used for residential and small commercial electric metering.

Meters transmit every 4 to 6 hours. This transmit rate is sufficient for billing purposes but it may not be sufficient for other services such as demand response programs and customer presentment applications (that require near real time data). In order to scale these programs and applications to all London Hydro customers, near real time energy data is required.

London Hydro has nine Transceiver Gateway Base Stations ("TGBs") located throughout the city of London. TGBs are connected to cellular routers, which carry the data to the head end system.

As with any AMI, the system requires constant maintenance and tuning, which London Hydro has trained and qualified technicians to perform the work. The work may involve tuning of individual meters to reduce data congestion or noise, or it may involve maintenance and upgrades at the TGB sites. For instance, tri-sectoring of a site for increased data bandwidth, hardware upgrades or software and firmware upgrades.

Obtaining better and more frequent data provides enhancements for customer billing purposes. Other advantages include better information for other service offerings such as Green Button and London Hydro's mobile application (London Hydro's customer-facing conservation app).

London Hydro plans to continue to invest in the Sensus AMI system. This system provides a number of key advantages that are important to AMI operations at London Hydro. All current challenges can be mitigated by continuing with the Sensus system. New enhancements are being investigated to provide further benefits for customers. Some examples are listed below.

Remote disconnect capabilities

Currently, meter disconnections and reconnections for customers that have defaulted on their bills need to be done manually. This is a time-consuming process that can be costly. There are a number of other use cases for a remote disconnection process such as hot socket alarms and isolating customers with grid-tied distributed energy resources ("DER"). In order to minimise the cost of resources needed for the disconnection and reconnection process, it would be optimal to have a system where meters can be disconnected remotely using the AMI communication network. Once all arrears have been resolved, the meter reconnection could be done remotely. This service would improve reconnection times and

reduce labour costs, since there is potential to eliminate dispatching of service crews to reconnect the service. This is highly dependent on the type of integration within the existing system, and whether it would be exposed to the Customer Portal.

Improved smart meter load profiles and MDM integration

Customers that are on Regulated Price Plan ("RPP") rates are switched to Hourly Ontario Energy Price ("HOEP") rates if their peak usage is greater than 50 kW. In order to accommodate this, the customer's meter needs to be switched to an interval meter. Currently this switch is done manually. In order to reduce the number of resources deployed to make these changes manually, it would be beneficial to have an AMI that can handle both RPP and HOEP.

Improved head end AMI communication network

Currently backhaul communication is achieved by using cellular routers equipped with Bell SIM cards that work over a London Hydro access point network. This system makes the backhaul communication network dependent on telecom communication infrastructure and exposes the system to the risks associated with data pricing change and cellular technology obsolescence. It would be ideal to decouple AMI backhaul communication from this telecom dependent system and evaluate other independent systems such as fiber optic communication (SCADA systems currently use fiber optic backhaul communication).

Providing better outage notifications to larger customers

Customers that are using a MIST meter are not monitored for outage messages due to technology limitations. The OMS is not able to detect outages at these customers. Therefore, developing an AMI and meter data management system that can support the increased data requirements of MIST meters will allow for outage monitoring of larger use customers and improve customer satisfaction and the overall experience.

Calibration services

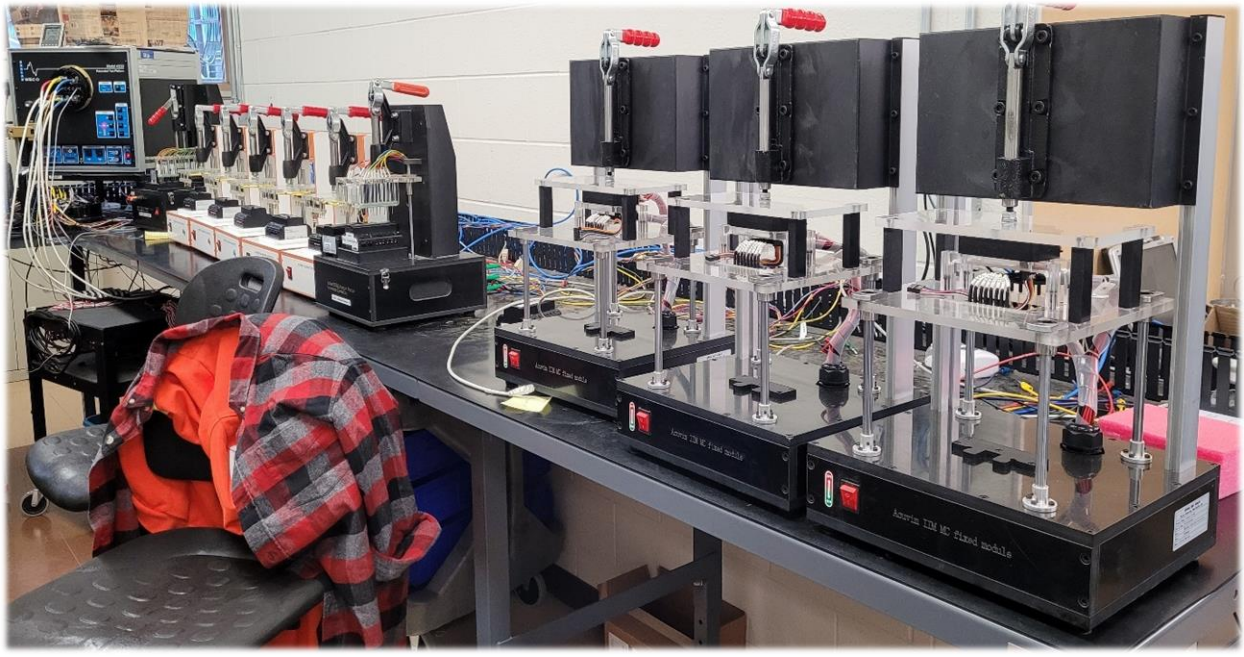
London Hydro's 'in-sourcing' strategy includes developing meter shop capabilities to test, validate and reseal electric meters to Measurement Canada standards. London Hydro is in a unique position in the Ontario local distribution company ("LDC") market where the Company has become an authorized service provider ("ASP") under Measurement Canada's S-A-01 accreditation program for sealing electric meter. Since 1999, operating as an ASP has had tremendous benefits. London Hydro not only performs these services for its own meter population, but also offers this service to other LDCs and third parties, as a shared service, via a cost recovery mechanism.

The types of meters that London Hydro can (re)verify and seal are:

- old electromechanical meters pre-smart meter era
- single-phase and three-phase electronic smart meters
- advanced power quality meters
- suite meters and multiple customer metering systems

Meter Test Console Areas





London Hydro saves approximately $30,000 - $45,000 annually by avoiding external service provider's fees for resealing London Hydro owned meters. In addition, by offering this service to external clients, London Hydro captures cost recoveries, which has seen steady growth over the last 10 years.

New test console

One of the existing test consoles has reached end of life (25 years). London Hydro has procured a replacement console scheduled for implementation in 2026. While the new unit will perform all existing functions, it also introduces several enhanced capabilities that will improve testing accuracy and reliability. In addition, it will support expanded functionality including validation of AMI technologies through testing of meter alarm configurations, setpoints and related parameters.

Power quality

As per the Distribution System Code ("DSC"), London Hydro is responsible for operating and maintaining a safe and reliable distribution system. As such, London Hydro must respond to customer inquiries on power quality concerns. The Electric Meter department has qualified technicians and engineering support to investigate and resolve these inquiries. Troubleshooting a typical investigation includes:

- information and data collection and collaboration with customers
- site inspections and power quality monitoring over a period of time
- repairs to, or maintenance of, electrical connections and equipment, where necessary
- data analytics and reports
- assist with any customer claims of equipment damage

London Hydro is also capable of responding to farm stray voltage concerns.

Program Delivery Costs

The Operations and Maintenance Program OM&A expenditures are forecasted to be $17,452,200 for the 2026 Bridge Year and $18,016,400 for the proposed 2027 Test Year. The forecast for 2027 provides an increase over the 2026 Bridge Year of $564,200 and $3,794,147 over 2022 Actual amounts resulting in a CAGR of 4.8%.

Table 4-31: Operations and Maintenance Program Delivery Costs

Operations and Maintenance Program Delivery Costs												
				Annual Change					Change		Change	
Nature of expenditure	2022 Actual	2022 Applied	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2027 Test		2022 Applied to 2027 Test	
	$	$	$	$	$	$	$	$	$	CAGR	$	CAGR
Gross labour	16,561,415	18,176,100	22,053,200	317,041	1,314,846	1,415,697	1,918,401	525,800	5,491,785	5.9%	3,877,100	3.9%
Allocations to capital, billable	(6,712,815)	(8,727,000)	(9,892,700)	(119,554)	(1,188,959)	(464,708)	(1,368,564)	(38,100)	(3,179,885)	8.1%	(1,165,700)	2.5%
Net OM&A labour	9,848,600	9,449,100	12,160,500	197,487	125,887	950,989	549,836	487,700	2,311,900	4.3%	2,711,400	5.2%
Employee expenses	385,984	349,400	478,900	(63,962)	44,321	170,397	(14,239)	(43,600)	92,916	4.4%	129,500	6.5%
Underground cable services	402,991	442,500	598,400	41,863	88,011	186,389	(138,755)	17,900	195,409	8.2%	155,900	6.2%
Overhead line services	128,763	142,600	317,500	(8,714)	75,821	(42,569)	159,799	4,400	188,737	19.8%	174,900	17.4%
Tree trimming services	299,863	307,500	700,000	(50,287)	261,819	10,601	178,004	-	400,137	18.5%	392,500	17.9%
Substation maintenance services	26,875	56,400	110,500	36,518	60,778	(35,844)	19,173	3,000	83,625	32.7%	54,100	14.4%
Contractor services	127,303	139,900	163,100	17,326	(5,246)	25,000	(5,883)	4,600	35,797	5.1%	23,200	3.1%
Technology and radio licensing	241,419	259,000	320,700	22,474	15,559	7,611	7,937	25,700	79,281	5.8%	61,700	4.4%
Software and hardware	352,406	335,400	464,700	20,817	26,720	34,324	8,633	21,800	112,294	5.7%	129,300	6.7%
Pole and property leasing	169,371	187,100	209,200	(35,396)	45,250	5,143	16,032	8,800	39,829	4.3%	22,100	2.3%
Vehicles and major equipment	1,079,431	1,059,300	1,208,800	12,946	(5,542)	52,799	91,566	(22,400)	129,369	2.3%	149,500	2.7%
Other	1,382,290	1,321,100	1,537,300	(28,686)	25,825	90,468	5,103	62,300	155,010	2.1%	216,200	3.1%
Cost recoveries	(223,043)	(117,800)	(253,200)	(94,918)	(239,219)	320,479	(10,499)	(6,000)	(30,157)	2.6%	(135,400)	16.5%
Total $	**14,222,253**	**13,931,500**	**18,016,400**	**67,468**	**519,984**	**1,775,787**	**866,708**	**564,200**	**3,794,147**	**4.8%**	**4,084,900**	**5.3%**
Annual % change				0%	4%	12%	5%	3%				

Gross labour

Please see Workforce Planning and Employee Compensation, Section 4.3.

Allocations to capital, billable variance

Labour costs within the Operations and Maintenance Program are influenced by the amount of employee time that can be charged to capital projects. The proportion of labour charged to capital varies from year to year based on the level of planned capital construction activities, the operational demands placed on available resources, and employee availability. Vacancies, employee absences, vacation, and other temporary resource constraints may reduce the labour available to support capital projects, resulting in a greater proportion of employee time being charged to OM&A.

Actual labour allocations can also change significantly when unplanned operational events occur. During major storms and other emergency response situations, employees who would normally be assigned to capital construction activities are redeployed to restore electrical service, assess system damage, coordinate field resources, and complete repairs necessary to return customers to service. In accordance with accounting requirements, these restoration activities are recorded as OM&A expenditures rather than capital.

Consequently, years experiencing a greater number or severity of storm events, or periods with increased employee absences or resource constraints, will generally report higher OM&A labour costs and lower capitalized labour than years with fewer emergency response activities and greater staff availability. These year-over-year changes reflect differences in the nature of the work performed and the availability of resources rather than changes in overall staffing levels or labour rates. For example, London Hydro experienced several weather-related service interruptions in 2025, as illustrated in Figure 4-9 found on 183.

Employee expenses

This spending category includes items such as overtime meal allowances, travel expenses, trade and association memberships, and training related costs such as tuition and course materials for apprentices, and continuing education for existing staff. These costs vary based on a number of factors including the number of apprentices and established annual staff training cycles.

The Operations and Maintenance Program is forecasting to have 26 apprentices in the 2026 Bridge Year. As most trade positions require a 3–5-year apprenticeship combining classroom instruction and on-the-job experience, hiring in advance of anticipated retirements is necessary, increasing training and development expenditures.

In trade-intensive departments, where apprenticeships are longer and more complex, London Hydro maintains a balanced, long-term workforce planning approach. This ensures stable staffing levels aligned with the annual business plan and maintains proper apprentice-to-journeyperson ratios. Adequate journeyperson supervision is essential to provide effective training and to ensure workplace safety.

Underground cable services

Services in this category relate to contractors and equipment required as part of maintaining the energized components of the underground electrical system for commercial and residential customers and in the downtown core.

Underground infrastructure

London Hydro's system consists of legacy residential and commercial direct buried primary and secondary cables installed prior to 2014 and ducted cables installed after 2014. London Hydro transitioned to a ducted system in 2014 to increase the longevity of the cable and decrease future maintenance and replacement costs associated with direct buried cables. By ducting the cable, it also decreases disruption to the customers by removing the need for large scale excavations on their properties during replacement. In the event of a fault, the cables in duct can be replaced by simply pulling them out of the ducts compared to digging pits to repair direct buried cables. This saves time and money while also resulting in a more reliable grid. As the legacy direct-buried primary and secondary cables age, London Hydro will continue to see an increase in cable faults. London Hydro's system has more than 1,500 km of direct buried primary cable, and 3,500 km of direct buried secondary conductor in its service territory. The average age of these cables is 40 years, with some as old as 76 years. London Hydro's strategy is to rebuild the entire system in a ducted manner. Over time, this will be completed in a prioritized manner based on the asset conditions.

By design, multiple direct buried primary and secondary cables were installed in a joint trench. When one cable fails it becomes necessary to expose it. Both machine and hand digging has been shown to damage adjacent cables while trying to expose the damaged cable. In order to mitigate this problem and prevent cable damage, any cable faults in joint cable trenches are now typically excavated with a vacuum truck exclusively. This method speeds up the fault repair process, thus restoring the customers' electrical service faster, while avoiding unintentional damage to other adjacent cables. The costs associated with non-destructive vacuum excavation are higher than digging thus incurring incremental restoration charges but damage to the surrounding assets is avoided, typically resulting in a lower total cost of ownership.

Cost pressures

Between 2022 and 2027, asphalt restoration services, vacuum excavation services and contract labour costs associated with secondary cable repairs will each have increased by 26% to 27%.

With the rise in electrification, some customers are intending to upgrade their home services in order to enable additional electrical loads. In order to proceed they contact London Hydro to ensure their service size is adequate. For older homes (more than 40 years old) the records are sometimes missing the size of the low voltage underground conductor supplying the home so it is necessary to dispatch a contract crew to verify the conductor size in the field. London Hydro has received an estimated 250 requests of this nature in the last couple of years. This has increased costs in this section.

Also, London Hydro has experienced an increasing rate of copper theft in manhole and vault systems between the hours of 1:00 am and 5:00 am. Thieves have been gaining access to manholes and vaults with grinders and stealing copper grounding and neutral cables. In addition to various theft prevention measures, London Hydro has been using a contract security company to patrol the downtown core during these hours to deter thieves and detect tampering. The Company has filed multiple reports with the local police authority based on the findings during these patrols.

Testing and analytics

Prior to putting a repaired cable back into service, it is assessed using a Tan-Delta testing device to ensure that the cable insulation is sufficient to perform adequately. This new process decreases the chance of a repeat failure elsewhere on the cable thereby further inconveniencing the customers and resulting in additional repairs and associated costs. If the cable is found to be substandard it is replaced. This practice has identified approximately 5% of the cables as requiring replacement based on their assessed condition.

In order to gain better data analytics on cable fault trends, London Hydro now tracks all cable faults in a digital environment so that the information can be used to prioritize its cable replacement program. This digital analysis helps to ensure that capital refurbishment is executed in an optimal manner.

In order to proactively identify potential cable termination or connection failures, London Hydro performs regular inspections using infrared guns and ultrasonic wands. These devices can help staff pinpoint problems and prevent outages through scheduled repairs or replacements. This information is recorded in London Hydro GIS based maintenance inspection mobile tablets to ensure that identified problems are prioritized and acted upon.

Overhead line services

Contracted services for pole inspections and related testing have increased as a result of higher market rates obtained through the competitive procurement process. The Overhead Lines department relies on specialized contractors to perform pole inspections, infrared thermal testing of distribution equipment, and tool calibration services. Over the past five years, contractor pricing for these services has risen significantly, with the unit cost per pole inspection more than doubling. These market-driven rate increases are the primary contributor to the higher contractor services costs reflected in this area.

Tree trimming services

The City of London Ontario has been known as 'the Forest City' since the 1800's as it was described as the city built in the middle of a forest. For over 100 years, overhead distribution lines have been installed in this heavily treed urban environment. The ongoing challenge is to plant the trees and install the lines in a manner that promotes a healthy urban forest and a safe and reliable distribution network.

London Hydro has adapted pruning practices consistent with ANSI A300 and Dr. Alex Shigo's field pocket guide entitled "Pruning Trees near Electric Utility Lines". By aligning London Hydro's program with these industry standards, London Hydro can ensure best practices are implemented and safety and efficiency of delivery of this program is maintained.

Customer focus

London Hydro has conducted several customer surveys that verify that customers value reliable electricity at an affordable price. Effective vegetation is critical to both these deliverables.

London Hydro takes efforts to inform customers about the Company's vegetation management program through efforts such as the posting on the corporate website called "Keeping the Forest City Powered: Why Tree Trimming Matters" https://www.londonhydro.com/about-us/news/keeping-forest-city-powered-why-tree-trimming-matters. This article describes the efforts taken by London Hydro to keep the supply of electricity reliable.

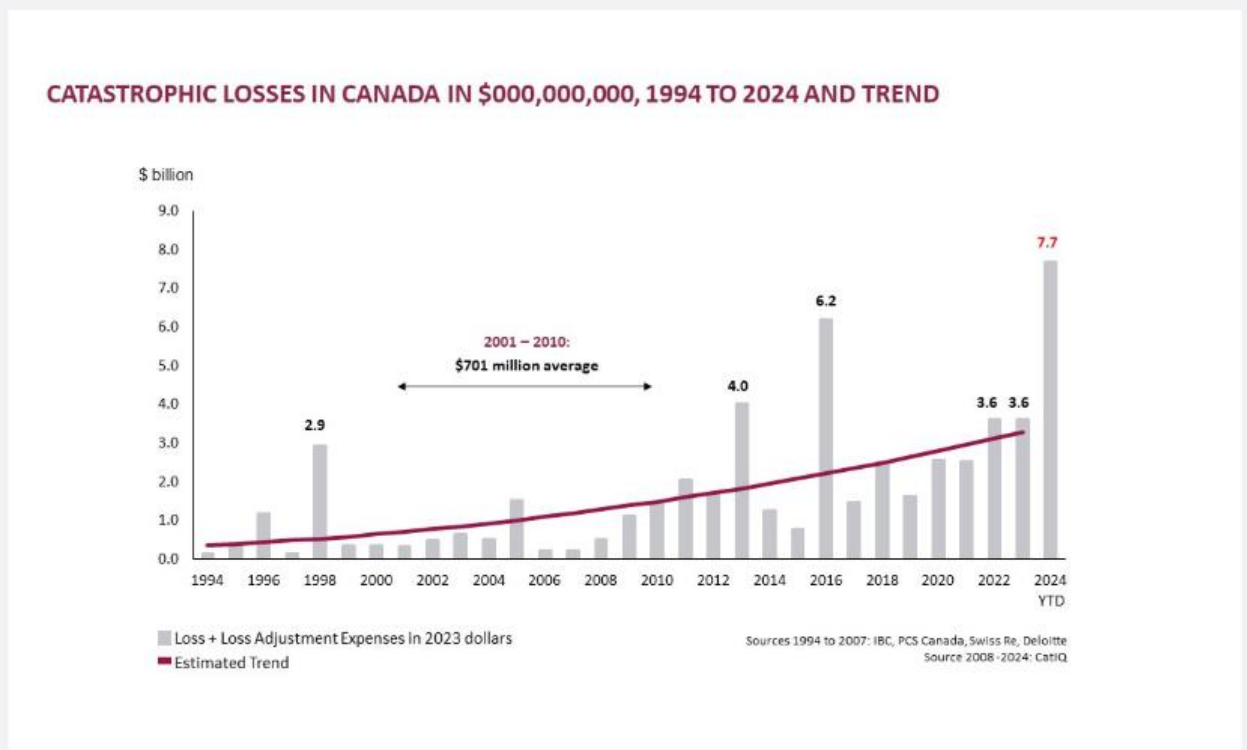
Risk management

Almost one half (44% or 1386 km of circuitry) of London Hydro's grid consists of overhead construction and is susceptible to outages caused by trees and limbs that come in contact with powerlines. When a tree contacts a powerline, it also generates safety hazards by potentially: dragging energized powerlines to the ground in proximity to workers/members of the public resulting in electrocution, starting fires as the downed powerline contacts structures, or creating surges, outages or other power quality issues. An effective vegetation management system is critical to managing these risks.

Climate impact

Severe environmental events are increasingly impacting the grid operation due to their frequency of occurrence and severity. The associated damage trend is illustrated in Figure 4-8 below. These events often include severe weather such as high winds, ice or hail.

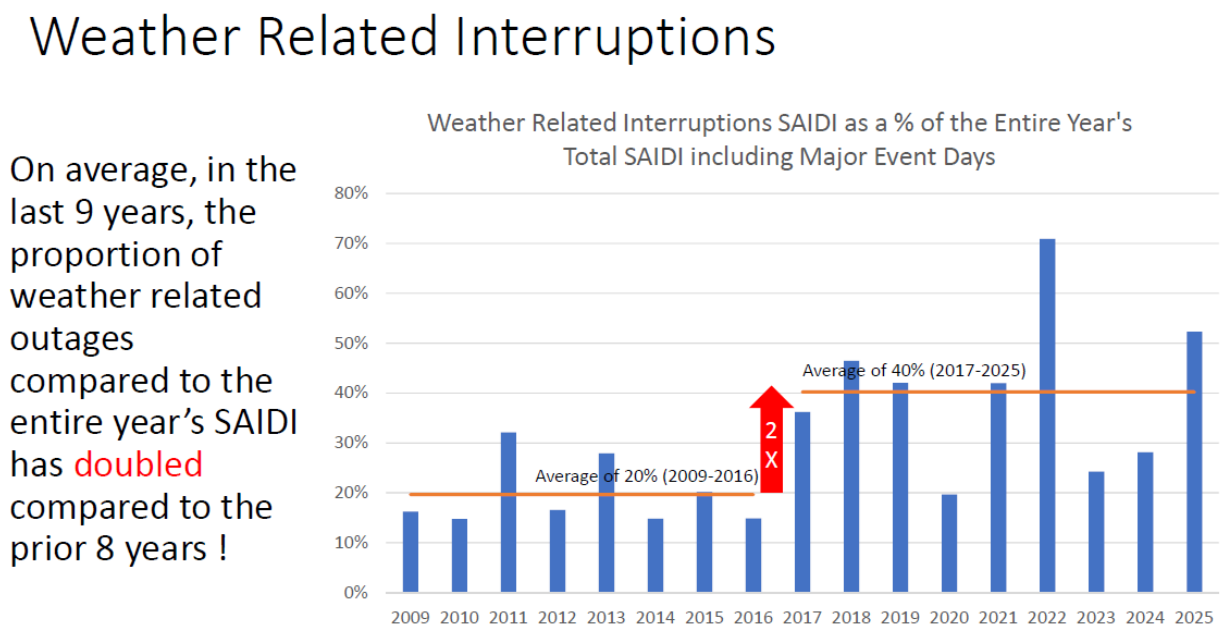
Figure 4-8: Catastrophic Losses in Canada in $000,000,000, 1994 to 2024 and Trend



https://www.ibc.ca/news-insights/news/summer-2024-shatters-records-for-severe-weather-damage-over-7-billion-in-insured-losses-from-floods-fires-and-hailstorms

London Hydro has experienced a notable increase in severe weather-related outages in the last nine years as depicted in Figure 4-9 below making the need for an effective vegetation management program increasingly important.

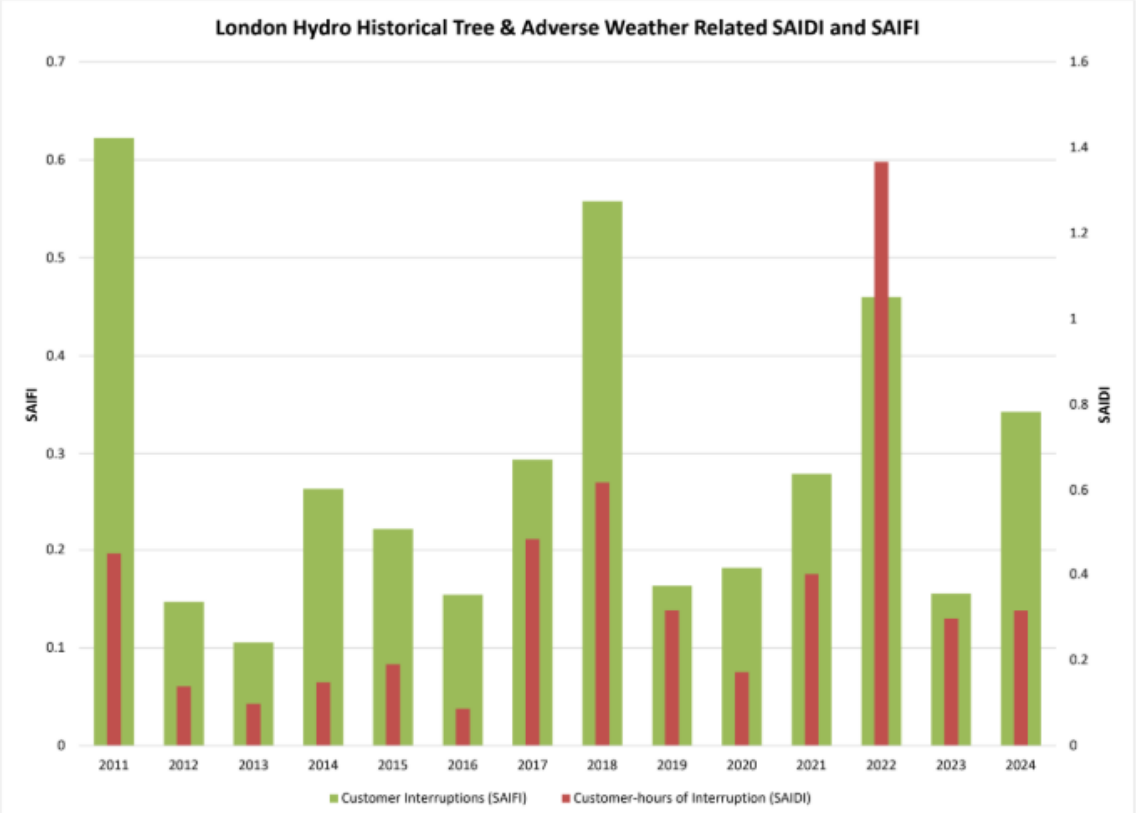
Figure 4-9: Weather Related Interruptions



London Hydro follows a hybrid risk-based approach that is completed on a 3-4-year trimming cycle. London Hydro uses both internal staff and external contractors to execute this program.

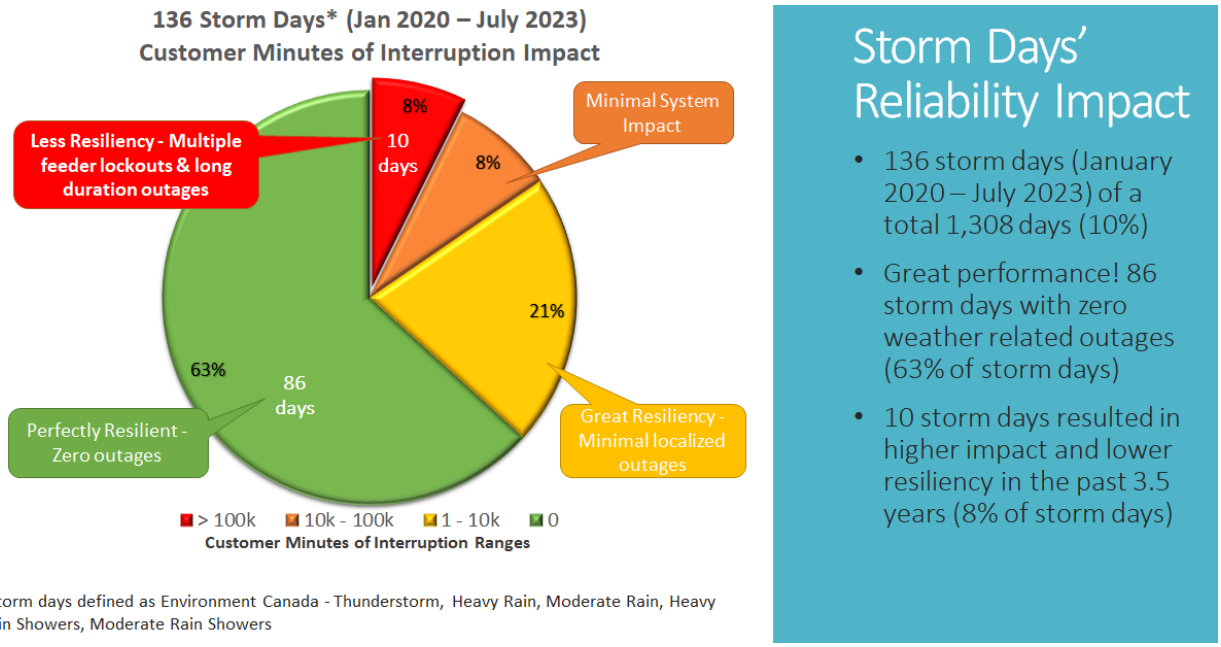
London Hydro's continuing efforts in alignment with the above approach has allowed it to maintain power continuity. Severe weather events such as a derecho is one of the most serious risks to the reliability of the distribution grid. On May 22, 2022 the Canadian Derecho produced winds in excess of 190 km/h, felled thousands of trees and over 1,900 utility poles across southern Ontario. The dramatic impact of such an event on London Hydro customers is illustrated in the chart below in 2022. The graph below depicts the variability in tree/weather related storms. Chart 4-31 below illustrates the need for London Hydro's continued focus on diligent vegetation management in order to try and prevent even more outages and grid damage during these severe weather events.

Chart 4-31: Historical Tree and Adverse Weather Related SAIDI and SAIFI



London Hydro continuously tracks efforts and results to achieve desired results. Environment Canada classifies certain severe weather as a "Storm Day". This is a weather day with a Thunderstorm, Heavy Rain, Moderate Rain, Heavy Rain Showers, Moderate Rain Showers. Chart 4-32 below shows that 63% of Storm Days occurring in London did not result in any customers experiencing a weather-related outage which illustrates that the Company's vegetation management program has had a positive influence in creating a more resilient grid.

Chart 4-32: Storm Days Reliability Impact



*Storm days defined as Environment Canada - Thunderstorm, Heavy Rain, Moderate Rain, Heavy Rain Showers, Moderate Rain Showers

Efficiency gains

To improve the efficiency and effectiveness of the vegetation management program, London Hydro has replaced its paper-based system with digital mobile devices used by crews to inspect and track progress on all trimming work. This digital environment reduces gaps and the potential for missing data. The trimming results are captured in the GIS system. The service territory has been divided into areas having a similar estimated number of trees in each area thereby producing similar volumes of work in each area. The GIS system allows London Hydro to track its progress each year.

In addition, London Hydro has introduced battery operated chainsaws. These chainsaws are lighter, quieter and produce less pollution enabling crew members to be more effective in executing their work by creating a better work environment.

Further, to minimize the impact of future tree planting on overhead powerlines, London Hydro has engaged and worked with the Trees and Forestry Advisory Committee ("TFAC") with a focus on having the Electrical Safety Authority's ("ESA") provincial planting guide incorporated into the City's tree planting approval process. This effort helps to ensure that new trees are planted in appropriate places to eliminate avoidable increases in trimming costs in the future.

London Hydro continues to search out new opportunities for innovation as it is presently piloting a satellite imagery service to proactively detect deteriorated trees for removal before they fail causing a power outage. This is anticipated to decrease the impact of severe weather on the surrounding tree canopy through a targeted tree removal program.

Proposed budget increase

The GIS record has historically shown that London Hydro has been unable to complete the assigned area for the given year with the given labour resources and associated budget. For example, in 2025, London Hydro required two additional months to complete the required annual work. As a result, there is an increase to contracted tree trimming services between 2022 and 2027 of $400,137 to permit completion of the required work. This increase incorporates the 27% increase in contractor labour and equipment hourly rates during the same period. In the absence of this increase, London Hydro would be unable to maintain its trimming cycle which would lead to encroachment of branches on energized conductors and an associated increase in outages. By properly funding this program, London Hydro can ensure a safe, efficient and effective vegetation management program for customers.

Substation maintenance services

Substation Maintenance costs are increasing primarily due to the aging profile of London Hydro's substation assets, the evolving complexity of the distribution system, and the expansion of preventative maintenance and compliance activities. While the Company continues to modernize the system and phase out legacy 13.8 kV and 4 kV infrastructure, many existing substations remain in service, with some units now exceeding 60 years of age. As full replacement is not economically prudent in the near term, enhanced preventative and condition-based maintenance is required to sustain reliability, extend asset life, and mitigate the risk of equipment failure.

Consistent with London Hydro's asset management strategy, the Company has expanded its use of advanced diagnostic testing to better assess the condition of critical substation equipment before failures occur. This includes activities such as cable condition testing, transformer oil analysis, partial discharge testing, vibro-acoustic analysis, battery system testing, and the periodic testing and calibration of protection and control equipment to ensure that relays, instrumentation, and associated devices continue to operate accurately and reliably. These diagnostic and calibration activities support informed maintenance decisions, improve system reliability, and help ensure the safe operation of substations.

The forecast also includes new funding for environmental assessments associated with substation retirement and decommissioning activities. As aging substations are replaced through London Hydro's capital investment program, environmental investigations are required to identify and appropriately manage any potential contamination that may have resulted from decades of operation. These assessments are an important component of responsible asset retirement and regulatory compliance.

Collectively, the increased scope of preventative maintenance, expanded diagnostic testing and calibration requirements, environmental assessment activities, and the continued maintenance of existing switching equipment, transformers, and legacy network systems contribute to the increase in forecast Substation Maintenance expenditures between 2022 and the 2027 Test Year.

Technology and radio licensing

Since the deployment of wireless smart meters in 2009, London Hydro has maintained and operated its own remote wireless meter reading communication systems and related software, and radio licences and equipment. Due to differences in billing requirements, there are two different systems used for meter reading.

For smart metered residential and small commercial customers, London Hydro licenses utility radio spectrum directly, rather than paying ongoing licence and maintenance fees to other service providers to acquire and maintain the radio licences. With additional growth in the City over the last 10 years, there has been additional radio capacity added which required additional base station radio licences. Government of Canada (Innovation, Science and Economic Development Canada) Radio Frequency Spectrum Licence costs are anticipated to increase with inflation.

It is anticipated that additional spectrum and base station radio licenses will be required in the future due to the need for additional data requirements for more accurate load forecasting and advanced distribution management systems ("ADMS"), operational efficiencies that new smart meter technology will bring, and projected rapid growth of the City of London in the near to medium term.

For interval metered commercial and industrial customers, there are heightened requirements on meter collection compared with smart meter customers. Customers with greater than 50 kW demand require an interval meter (EB-2013-0311). During the 2016/2017 timeframe, London Hydro performed a technology evaluation to use licensed spectrum (1.8GHz) to meet this requirement. However, lower cost cellular offerings by public carrier cellular providers became available and were selected for commercial and industrial customers. All London Hydro customers are using the required MIST (Metering Inside the Settlement Timeframe) interval meter. These MIST meters have cellular or internet modem connections and are remotely read by the MV90 meter reading system.

Smart meter technology licence fee rates related to meter reading software are subject to an annual basis to inflationary increases. In addition, license fees are also based on the number of meters and thus the overall fee increases by the growth rate of the number of residential and small commercial customers in London.

Software and hardware

Software and hardware costs largely pertain to operating the SCADA and OMS systems. The SCADA system is employed to monitor and cache real-time data from the London Hydro network and relay that information to Systems Operators for action. System monitoring enhances customer service, increases utilization efficiency, improves power quality and reduces power losses. By using SCADA, London Hydro is able to act in a more expedient manner in the event of an outage to minimize the disruption to customers.

The OMS system provides the System Operating Centre with a near real time view of all electrical circuits without power and it also interacts with the Interactive Voice Response ("IVR") phone system. London Hydro has made significant progress in advancing the reliability of the OMS through algorithm development and integration with several systems such as the Advanced Metering Infrastructure ("AMI"), GIS, SCADA, MWFM, notification services and back-office systems. Notification services provide seamless processing and dissemination of context-based outage messages to customers. Integration with systems such as the GIS and SCADA provides for electrical mapping data which greatly improves customer service during outages.

The majority of cost increases in this spending category are related to changes in vendor pricing. Vendors are changing their pricing structure and increasing prices to cover rising costs, inflation and top-line pressures. Shrinking workforces, higher inflation and investments into Artificial Intelligence ("AI") make software price hikes the norm. Software vendors are also pressed as more users move to subscription-based services, and as technologies become outdated or require compatibility updates for new operating systems or hardware. This means that vendors may need to allocate more resources to ensure that older versions remain functional and secure.

To enhance operational oversight and communication accountability, London Hydro began to use BearCom's voice recording solution within the System Operations Centre, beginning in 2023. This solution accommodates the critical need to document and preserve real-time audio communications that occur during the monitoring and control of the electricity grid. Given the 24/7 nature of system operations, the solution was selected for its ability to provide continuous, secure, and high-reliability audio capture.

The use of this technology supports several key objectives including improving the accuracy of event reconstruction in the event of system disturbances or emergencies, supporting operator training through the review of real scenarios, and strengthening internal investigations and audit capabilities. By recording and securely storing critical communications, London Hydro is better positioned to maintain operational excellence, respond to incidents effectively, and uphold transparency and accountability in the System Operating Centre operations.

Cost recoveries

Cost recoveries relate primarily to revenues generated in the Electric Meter department. This department has been sealing London Hydro meters and those of other clients for over 25 years. London Hydro is an accredited Measurement Canada Authorized Service Provider under S-A-01.

This in-house capability provides significant benefits, including a quicker turnaround time for meter exchanges and replacements by eliminating the long wait times associated with external providers. It also allows London Hydro to reduce meter stock for meter exchanges and replacements.

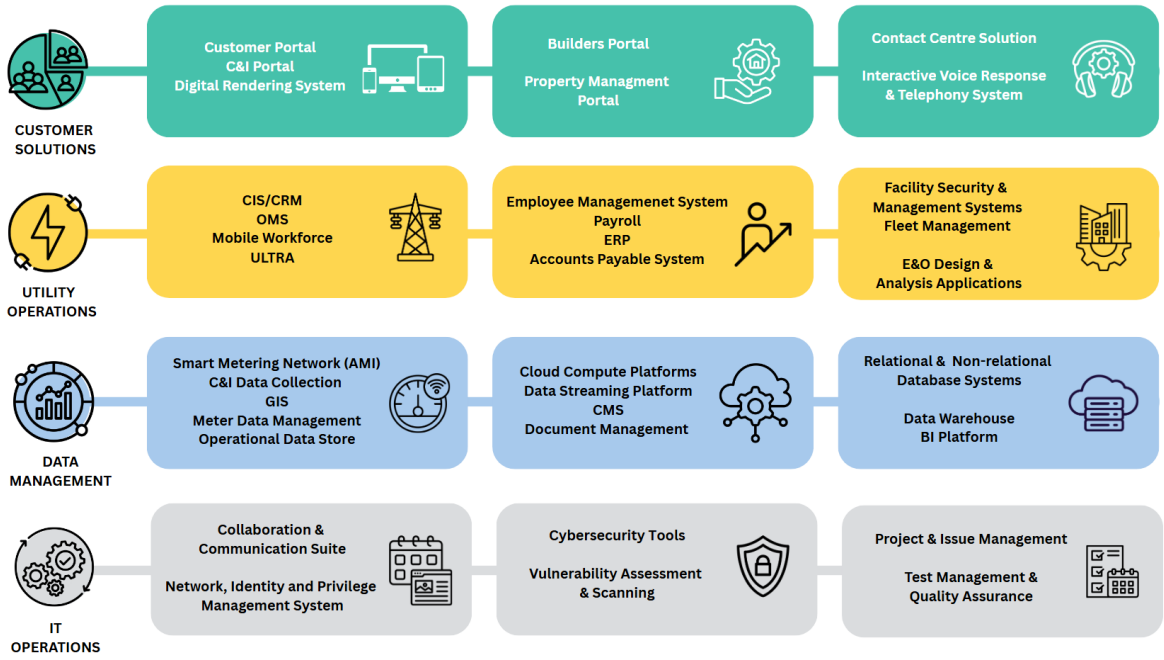
Cost recoveries from meter sealing services budgeted for the 2026 bridge year and the 2027 proposed Test Year are in the amount of $220,000 and $226,000, respectively and are reflective of historical cost recovery trends. Note, however, that these cost recoveries are directly dependent on the client's needs and volume for sealing services. The 2024 fiscal year was an outlier, as a nearby LDC requested a large volume of meters to be resealed, and another client requested a large volume of MCMS meters to be sealed for the Canadian market.

4.4.4 INFORMATION TECHNOLOGY

Overview

The Information Technology ("IT") department provides the core digital infrastructure, applications, data management, cybersecurity, and support services that enable London Hydro's daily operations and customer interactions. This includes the management of enterprise systems used across all of London Hydro's operations depicted in Figure 4-10, including digital customer-facing platforms and self-service portals, and the Company's network, server, and data storage environments.

Figure 4-10: London Hydro Enterprise Systems



London Hydro's IT approach to budgeting and resource management is structured as a rolling five-year plan that aligns system investments with corporate priorities and customer expectations. The strategy balances the use of cloud-based platforms and on-premise systems by selecting deployment models that provide the best combination of cost-effectiveness, cybersecurity, resilience, vendor support, scalability, and system integration.

London Hydro's technology landscape includes a diverse portfolio of enterprise, operational, and customer-facing systems, supported by a modern network and storage environment, robust security controls, Mobile Workforce tools, and web and mobile-based customer engagement solutions.

Major applications include London Hydro's SAP Customer Information System ("CIS"), J.D. Edwards Enterprise Resource Planning ("ERP"), MV90, and Sensus Advanced Metering Infrastructure ("AMI"). Other core systems include the Outage Management System ("OMS"), Geographic Information System ("GIS"), Human Resources Information System ("HRIS"), data management and warehousing, and field mobility tools. More than 100 system interfaces exchange data across platforms to support coordinated operations, billing, customer communication, engineering design, and outage restoration.

Customer Solutions

London Hydro utilizes an in-house, custom development approach for a number of its customer-facing tools, which enables a high degree of control over functionality, user experience, and responsiveness to customer needs. These internally developed platforms can be tailored to reflect the specific expectations of London Hydro's customer base and iteratively enhanced based on direct feedback and observed usage patterns. This approach supports key customer engagement applications, including MyLondonHydro, the Interval Data Centre ("IDC") for commercial and industrial customers, the Green Button Connect My Data ("CMD") and Download My Data ("DMD") platform, the London Hydro Mobile application, Builder's Portal, joint-use portal, and the Property Management Portal designed to support high volumes of move-in/move-out activity.

Customer engagement applications play an important role in service delivery by enabling customers to manage multiple aspects of their energy usage, billing, and account information on a self-serve channel at the time of their choosing. London Hydro's in-house development model has enabled enhanced functionality for commercial and industrial customers. For example, the IDC platform provides increased visibility and control over energy usage, while the Property Management Portal aligns with landlord and property manager workflows to streamline account transitions. These capabilities support a high degree of customer self-service.

These applications are generally hosted on cloud platforms, which provide advantages in scalability, uptime, resilience, cybersecurity monitoring, and vendor-supported upgrades. Cloud hosting enables the rapid introduction of new features without requiring additional on-premise infrastructure and supports independent system availability, ensuring that customers can reliably access services regardless of internal system constraints. This architecture enhances the customer experience by improving system accessibility, performance, and reliability. London Hydro's cloud-based expenditures are described in Section 4.5 of this Exhibit. The functionality of the Company's custom-developed tools support increased customer self-service, more timely interactions, and improved ease of doing business.

The Information Technology department is responsible for oversight of the Customer Information System ("CIS") Refresh Program. The program was initiated to replace London Hydro's legacy CIS platform and associated systems supporting billing, customer service, settlements, and other critical business processes. During implementation, the Company encountered significant challenges that affected the project's timeline and overall delivery. As a result, the project remains in work-in-progress while London Hydro evaluates the most appropriate path forward. Regardless of the future approach ultimately selected, the Company will continue to ensure that its customer information, billing, and settlement systems support billing accuracy, regulatory compliance, customer service, data security, and reliable utility operations. Additional information regarding the CIS Refresh Program can be found in Exhibit 2, Section 2.7.

Utility Operations

The IT department is responsible for business applications that support core utility operations. These include:

- Customer Information System ("CIS")
- Digital Rendering System ("DRS")
- Call centre management and Interactive Voice Response ("IVR")
- Enterprise Resource Planning ("ERP")
- Advanced Metering Infrastructure ("AMI") and Operational Data Store ("ODS")
- Geographic Information System ("GIS")
- Outage Management System ("OMS")
- Mobile Workforce Management ("MWFM")

- Fleet Management System
- Utility Logging, Tracking and Reporting System
- Human Resources Information System ("HRIS")

Collectively, these systems form the backbone of the utility's day-to-day operations and decision-making. They enable London Hydro to safely and reliably deliver electricity, accurately bill customers, respond effectively to outages, manage assets over their full lifecycle, and meet regulatory, financial, and reporting obligations. The availability, integration, and reliability of these systems are critical to maintaining customer service levels, operational efficiency, and regulatory compliance. These systems also support London Hydro's ability to plan for and respond to evolving operational and customer needs.

Network, Servers, and Storage

London Hydro maintains a hybrid computing environment in which on-premise network, server, and storage infrastructure continues to provide the foundational platform for the Company's operations. This infrastructure hosts and connects core business and operational systems used across London Hydro and supports the data exchange required between them. It provides the performance, resiliency, and security needed to support customer service, billing, finance, field mobility, outage response, data management, and other critical utility processes. Even where systems are cloud- or vendor-hosted, the on-premise environment remains essential for connectivity, integration, monitoring, and overall service continuity.

Lifecycle replacement of active network equipment, server, virtualization infrastructure, and storage platforms is necessary to maintain vendor supportability, cybersecurity, performance, and sufficient capacity as business and data requirements continue to grow. These investments help ensure that customer, business, and grid-supporting systems remain available, supportable, and fit for purpose over the planning horizon.

More than 1,200 network-connected devices support field communications and commercial and industrial interval meter reading. These include Digi routers deployed in the field to support communications with meters read through the MV90 platform. By monitoring these IP-connected devices, London Hydro can identify communication issues in near real time, distinguish between communication network issues and meter-related issues, and respond proactively, reducing truck rolls. This improves visibility, supports timely issue resolution, and reduces unnecessary field visits.

Digital and Mobile Environment

Mobile Workforce Management supports the majority of field work orders. Crews receive work orders electronically, record job progress and completion details in real time, and access drawings and network information from remote locations. This reduces travel time and supports streamlined coordination between departments.

Digital workflows also support automation within the distribution grid. Remote switching, sensor-based monitoring, and device automation reduce outage duration and support faster fault diagnosis. These capabilities improve reliability and reduce response times.

Cybersecurity

Cybersecurity is a critical component of London Hydro's IT operations and enterprise risk management approach. London Hydro aligns its cybersecurity program with the Ontario Energy Board's cybersecurity requirements, using the Ontario Cyber Security Framework ("OCSF") as the primary framework for assessing capabilities, identifying gaps, and prioritizing improvement initiatives. This approach ensures cybersecurity governance, processes, and investments are driven by the control objectives, maturity expectations, and risk exposures applicable to the Company's environment.

London Hydro's cybersecurity strategy is risk-based and supports the protection of public and employee safety, reliable utility operations, customer and corporate information, and regulatory compliance. The strategy is aligned with the OCSF outcomes of Identify, Protect, Detect, Respond, and Recover, and is integrated with London Hydro's Enterprise Risk Management function so that cyber risks are assessed, prioritized, treated, and monitored in a structured and measurable way. This allows the Company to align policies, operational controls, roadmap initiatives, and reporting with both business priorities and regulatory expectations.

Current program development is focused on maintaining effective operational controls while continuing to strengthen governance, documentation, accountability, and maturity across the cybersecurity program. This reflects London Hydro's broader strategy of improving repeatability, measurement, and alignment with OEB requirements over time.

In recent years, London Hydro has taken concrete steps to modernize its cybersecurity tools and practices. In 2023, the utility moved from its legacy antivirus platform to a managed comprehensive end point protection solution. This improved visibility across endpoints and related activity, strengthened protection against modern threats, and gave the cybersecurity team better tools to identify and respond to issues more quickly. Building on that foundation, London Hydro is transitioning from its legacy security monitoring model to a modern Security Intelligence and Automation Management platform with managed detection and response services. This change is intended to bring 24x7 threat monitoring and response into a more integrated platform, improve visibility across the environment, reduce reliance on separate tools and vendors, and provide access to around-the-clock expert monitoring and support. This strategy allows London Hydro to satisfy the need for 24x7 monitoring as a critical infrastructure operator without requiring the additional staffing that would otherwise be necessary to operate an internal Security Operations Centre.

Together, these initiatives strengthen London Hydro's ability to detect and respond to cybersecurity events in a more timely and consistent manner. They also support the utility's broader cybersecurity roadmap by improving operational efficiency, increasing visibility into potential threats, and continuing to mature London Hydro's overall security posture.

Program Delivery Costs

IT OM&A expenditures are forecasted to be $9,173,000 for the 2026 Bridge Year and $9,117,100 for the proposed 2027 Test Year. The forecast for 2027 provides a decrease over the 2026 Bridge Year of $55,900 and an increase of $3,263,138 over 2022 Actual amounts resulting in a CAGR of 9.3%.

Table 4-32: Information Technology Program Delivery Costs

Information Technology Program Delivery Costs												
				Annual Change					Change		Change	
Nature of expenditure	2022 Actual	2022 Applied	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2027 Test		2022 Applied to 2027 Test	
	$	$	$	$	$	$	$	$	$	CAGR	$	CAGR
Gross labour	6,152,951	6,840,800	9,777,300	223,044	615,830	1,085,027	1,553,949	146,500	3,624,349	9.7%	2,936,500	7.4%
Allocations to capital, billable	(1,979,473)	(2,992,700)	(3,202,500)	(90,717)	178,614	187,409	(1,496,133)	(2,200)	(1,223,027)	10.1%	(209,800)	1.4%
Net OM&A labour	4,173,478	3,848,100	6,574,800	132,327	794,444	1,272,436	57,815	144,300	2,401,322	9.5%	2,726,700	11.3%
Contractor services	1,010,341	565,400	896,800	(213,311)	(23,814)	445,142	(125,658)	(195,900)	(113,541)	-2.4%	331,400	9.7%
Employee expenses	89,119	158,200	183,600	54,636	(60,110)	(12,138)	131,093	(19,000)	94,481	15.6%	25,400	3.0%
Software and hardware	700,452	881,500	1,514,500	17,420	98,009	155,478	533,542	9,600	814,048	16.7%	633,000	11.4%
Business communications	206,385	235,500	299,400	(15,184)	11,452	990	95,757	-	93,015	7.7%	63,900	4.9%
Insurance	60,804	60,600	92,900	13,287	3,512	3,581	5,816	5,900	32,096	8.8%	32,300	8.9%
Other	82,084	105,000	82,100	(11,503)	574	(1,910)	13,655	(800)	16	0.0%	(22,900)	-4.8%
Cost recoveries	(468,700)	(483,700)	(527,000)	(27,173)	(77)	(31,050)	0	-	(58,300)	2.4%	(43,300)	1.7%
Total $	**5,853,962**	**5,370,600**	**9,117,100**	**(49,501)**	**823,989**	**1,832,529**	**712,021**	**(55,900)**	**3,263,138**	**9.3%**	**3,746,500**	**11.2%**
Annual % change				-1%	14%	28%	8%	-1%				

Gross labour

Please see Workforce Planning and Employee Compensation, Section 4.3.

Allocations to capital, billable variance

Labour costs within the Information Technology Program are influenced by the amount of employee time that is eligible for capitalization. The proportion of labour charged to capital varies from year to year based on employee availability, including vacancies, employee absences, vacation, and other temporary resource constraints, as well as the nature and stage of information technology projects underway.

In accordance with International Financial Reporting Standards ("IFRS"), the capitalization of information technology labour is determined by the stage of the application development lifecycle. Employee time that is directly attributable to the application development stage of a software project may be capitalized, whereas time associated with preliminary planning, operational support, system maintenance, user support, training, and other non-capital activities is appropriately recorded as OM&A.

Consequently, year-over-year changes in capitalized Information Technology labour reflect differences in employee availability and the mix of activities performed during each fiscal year. Years involving a greater proportion of application development activities will generally report higher capitalized labour, while years focused on planning, implementation support, maintenance, or operational activities will report higher OM&A labour costs. These changes reflect the application of IFRS capitalization requirements rather than changes in Information Technology staffing levels or labour rates.

Contractor Services

Information Technology contractor services are utilized to supplement internal resources where specialized technical expertise is required, to provide additional capacity during periods of increased project activity, and to maintain service continuity during employee absences such as vacations or other temporary resource constraints. The use of contractors provides flexibility to respond to changing operational requirements without permanently increasing staffing levels.

The increase in forecast expenditures reflects both higher market rates for specialized information technology resources and the growing complexity of the Company's technology environment. As London Hydro continues to modernize its information systems, strengthen cybersecurity, expand cloud-based technologies, and support an increasing number of business applications, the demand for specialized technical skills has increased. Where these skills are required on a temporary or project-specific basis, engaging external contractors is the most practical and cost-effective approach.

The budget also recognizes the continued escalation in market pricing for information technology consulting and contract resources experienced across the industry. Accordingly, the forecast reflects current market conditions while providing the flexibility necessary to support operational requirements and deliver technology initiatives efficiently.

These services support the Company's broader information technology strategy, including maintaining reliable operations, supporting critical business systems, enhancing cybersecurity, and delivering technology initiatives associated with London Hydro's growing and increasingly complex operating environment.

This category also includes third-party services associated with the periodic updating and maintenance of the DSP. These services support the ongoing monitoring, management, and reporting of DSP initiatives. As discussed in Section 4.6.3 One-Time Costs, the associated costs have been amortized over a five-year period.

Employee Expenses

Employee expenses include training, professional development, professional fees, and travel costs associated with conferences and offsite meetings. Training and development costs have increased as London Hydro invests in building in-house expertise across technology and project management. With technology evolving rapidly and growing more complex, ongoing professional development has become essential.

Travel and accommodation costs in 2022 were atypically low as a result of COVID-19 related restrictions and reduced in-person activity. In the intervening years, with the CIS Refresh project underway, a significant portion of employee time was devoted to project activities, including system configuration, testing, and change management. As a result, discretionary travel and professional development opportunities were temporarily reduced, leading to continued lower employee travel and development expenses. As normal business operations resume, these costs are expected to return to levels that are consistent with pre-COVID years.

As newer employees join the organization, London Hydro is investing in the onboarding, technical training, and job-specific skills necessary to ensure they can perform effectively and safely. Where possible, the IT department also looks for opportunities to upskill existing employees to respond to evolving IT demands, expanded cybersecurity requirements, and continued modernization of enterprise systems and tools. These incremental training investments support operational reliability, reduce long-term risk, and ensure that employees have the competencies to deliver value to customers as technologies and business needs evolve.

Software and Hardware

The proposed budget for the 2027 Test Year reflects ongoing investments in the software, platforms, and support services needed to support London Hydro's core customer, business, operational, and cybersecurity systems. Since 2022, costs have expanded across more than 35 software and hardware line items, reflecting the increasing scale and complexity of the Company's technology environment.

The increase in OM&A is largely driven by higher vendor costs, targeted investments to strengthen London Hydro's cybersecurity posture and expanded requirements associated with Advanced Metering Infrastructure. A summary of IT software and hardware maintenance costs from 2022 actuals to the Proposed 2027 Test Year are provided in Table 4-33 below:

Table 4-33: IT Software and Hardware Maintenance and Support

IT Software and Hardware Maintenance and Support	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge Year	2027 Test Year	2022 Actual to 2027 Test
	$	$	$	$	$	$	$
Customer focus							
SAP Software Maintenance	270,440	283,583	293,233	333,004	392,000	403,200	132,760
AMI Systems	-	-	-	66,371	137,000	137,000	137,000
Database and Middleware	46,711	59,960	61,064	67,894	67,000	67,000	20,289
	317,151	343,543	354,298	467,269	596,000	607,200	290,049
Operational effectiveness							
Document Management	46,759	50,855	55,685	55,438	57,000	57,000	10,241
IT Management Tools	17,039	18,486	20,181	18,295	20,500	20,500	3,461
Other Software	60,871	39,968	44,386	25,832	48,100	48,100	(12,771)
	124,669	109,309	120,252	99,565	125,600	125,600	931
Systems software and hardware							
Workplace Productivity Solutions	108,462	104,514	114,915	133,221	159,100	134,100	25,638
Virtualization Software	9,351	21,449	65,692	91,290	102,000	105,000	95,649
Network Switches Maintenance	39,789	34,513	43,405	39,716	103,700	103,700	63,911
Telephony HW Maintenance	36,192	25,582	47,390	24,530	23,000	28,000	(8,192)
	193,794	186,058	271,403	288,757	387,800	370,800	177,006
Cyber security							
Cyber Security Asset and Endpoint Management	42,734	56,728	43,923	47,872	300,500	315,900	273,166
Firewall	22,104	22,234	22,234	22,643	55,000	55,000	32,896
Cyber Security Back-up and Disaster Recovery	-	-	3,771	45,252	40,000	40,000	40,000
	64,838	78,961	69,928	115,767	395,500	410,900	346,062
	700,452	**717,872**	**815,880**	**971,358**	**1,504,900**	**1,514,500**	**814,048**

A majority of the cost increases in this spending category relate to broad-based increases in vendor pricing. Vendors are changing their pricing structure and increasing prices to cover rising costs, inflation and top-line pressures. There is also a general software industry trend moving away from traditional perpetual license and maintenance towards subscription-based models that better align with the support burden and revenue requirements of those companies.

A notable example of changing pricing structure is VMware. London Hydro utilizes the VMware virtualization platform to efficiently allocate physical hardware resources across the server landscape. In 2024, VMware underwent a significant structural transformation following its acquisition by Broadcom. This transition brought significant changes to VMware's licensing model, shifting from a perpetual license with support subscriptions to an entirely subscription-based model. This change resulted in significantly increased costs for maintaining essentially the same software as depicted in Table 4-33 above under the line item for virtualization software.

The significant increase in London Hydro's cyber security program in the Bridge Year for Endpoint and Asset Management expenditures reflects continued investment in more mature cybersecurity practices consistent with the control objectives of the Ontario Cyber Security Framework and the Company's high-risk profile as a critical infrastructure operator.

These investments strengthen the Company's ability to maintain an accurate inventory of hardware and software assets, enforce secure configuration standards, identify vulnerabilities, deploy security updates in a timely manner, and respond proactively to emerging cyber threats. The program also includes the implementation of a Zero Trust Network Access ("ZTNA") solution, which enhances security by verifying user identity and device health before granting access to corporate applications and systems, regardless of whether users are connecting from within or outside the corporate network.

Together with the managed cybersecurity services identified in Section 4.5, Cloud Services, these technologies improve London Hydro's ability to detect, prevent and respond to evolving cyber threats while supporting the reliable and secure operation of critical electricity infrastructure. These investments are also consistent with the increasing regulatory focus of the Ontario Energy Board, the Ontario Cyber Security Framework, and provincial government initiatives that encourage electricity distributors to strengthen cybersecurity resilience, enhance operational reliability, and protect critical infrastructure against an increasingly sophisticated threat landscape.

A new Backup and Disaster Recovery strategy has been implemented to enhance disaster recovery capabilities and support integration with cloud platforms. The solution provides comprehensive protection and recovery across virtual machines, containers, databases, applications, files, and endpoints through a centralized management view, enabling efficient and secure backup of data and workloads both on-premise and in the cloud. It also includes configurable encryption for data at rest and

in transit, along with storage on disk and tape supported by integrated deduplication. Integration with cloud providers such as Amazon and Google further enhances visibility into backup operations, strengthens disaster recovery readiness, and supports data portability across platforms.

Annual software maintenance fees for SAP have increased relatively in line with inflationary growth, with some utilization true-up expected in the bridge year based on growth in customer volumes. Approximately $67k of the increases in the Bridge and Test Year result from the reallocation of costs for the SAP AMI integration components as part of the transfer of the AMI group into the IT function as discussed in Section 4.3 Workforce Planning and Employee Compensation.

Switch maintenance fees have increased due to the implementation of annual maintenance coverage agreements, driven by the age and condition of existing switching equipment. As the equipment continues to age, the risk of failure and associated operational impacts from unplanned outages increases. The annual coverage provides OEM-supported maintenance, priority response, and replacement support where required, helping to mitigate these risks and ensure continued system reliability, while reducing exposure to costly emergency repairs and service disruptions.

New budget amounts for iTron ODS and MV90 are a result of the transfer of the Advanced Metering Infrastructure group from Customer Services to IT as discussed in Section 4.3 Workforce Planning and Employee Compensation.

Business Communications

Business communications costs include telephone lines, internet connectivity, mobile devices, photocopier maintenance, and related carrier services. Costs in this category are increasing as London Hydro expands the use of mobile devices across the organization, improves access to communication and collaboration tools, and supports a more mobile and connected workforce. As more staff rely on mobile access to business systems, communications platforms, and operational tools, associated costs for devices, service plans, connectivity, and support also increase.

London Hydro is also investing in its communications environment to improve reliability, enable broader access to digital tools, and support future security enhancements. Earlier planning considered a wireless private network approach for certain use cases; however, this direction is evolving toward a

zero-trust network access model that is better aligned with secure remote access, mobile device enablement, and reduced reliance on VPN connectivity. As a result, planned costs in this area reflect not only current communications services, but also the continued modernization of secure access methods for field and mobile users.

Insurance

Insurance costs within the Information Technology department are forecasted to increase annually, primarily due to the growing need for enhanced cybersecurity related insurance coverage. As London Hydro continues to modernize its IT environment, including greater reliance on integrated enterprise systems, cloud-based services, remote access capabilities, and expanded digital interfaces with customers and vendors, its exposure to cyber-related risks has increased. In response to the evolving threat landscape and heightened regulatory, operational, and financial consequences associated with cybersecurity incidents, London Hydro has strengthened its cyber insurance program to provide broader coverage for risks such as data breaches, ransomware events, system outages, and business interruption.

Cost Recoveries

Cost recoveries budgeted for the 2027 Test Year represents amounts recovered from the City of London for water billing services. A full description of this arrangement is provided in the Section 4.6.1 entitled "*Shared Services and Corporate Cost Allocation"*.

4.4.5 CUSTOMER SERVICE AND COLLECTIONS

Overview

The Customer Service Program ensures effective day-to-day operation of the meter-to-cash process, with direct accountability for accurate and timely billing, payment and collection, efficient resolution of complex account issues, and delivering an exceptional customer experience for all aspects of account management, billing, payment and collection. In addition, the leadership team offers operational subject-matter expertise and functions as the primary business owner for relevant aspects of the Customer Information System ("CIS") and associated self-service portals, collaborating with IT, Regulatory, and other key stakeholders on features and enhancements, rates, system configuration, interfaces, workflow design, exception management, reporting and analytics, testing, and deployment.

This collaboration ensures the CIS meets operational, regulatory, and customer service requirements, while allowing the team to provide input on system functionality. All of these efforts are undertaken with both external and internal end-to-end customer experiences in mind - delivering accurate, timely, exceptional service to external customers, and ensuring that the system and portals are intuitive, efficient, and effective for employees for both administrative and customer-facing tasks.

While referenced elsewhere in this application, it is important to emphasize that London Hydro's Strategic Plan and Vision to *Earn Every Customer* are foundational to the Customer Service Program. The Program establishes a clear commitment to delivering exceptional customer service, support, and customer experiences. Treating every customer with empathy, respect, and professionalism is a fundamental principle of the Program. Equally important is providing advocacy and support to customers experiencing affordability challenges, ensuring they are aware of and connected with available assistance programs and resources.

Leadership, Oversight, Strategic Context and Organizational Priorities

The Customer Service function is a strategic area critical to delivering on the promise of the vision, goals, and priorities of London Hydro's Strategic Plan. These business areas are at the centre of the Company's "earning every customer" philosophy with a long-term, strategic focus on customer

satisfaction, stakeholder satisfaction, regulatory compliance, financial performance, operational excellence, enterprise value, risk management, and the organization's reputation and brand.

Having sufficient leadership capacity plays a central role in ensuring that processes are updated, well-governed, data-informed, and aligned with broader organizational objectives. Management oversight is necessary to drive initiatives such as enhancing the customer experience, monitoring affordability and vulnerable customer programs, and continuously evolving service delivery in response to sector trends, technological advancements, and changing regulatory and consumer expectations.

Operational Complexity and Governance Needs

There are several factors that contribute to the scope and complexity of this area:

- **Billing and rate management:** The various (and growing number of) rate plans require accurate implementation, testing, monitoring, and staff training. Billing accuracy is essential to maintain customer trust and regulatory compliance, and for the company's financial purposes.
- **Customer Service delivery:** The internal Contact Centre, with augmented support from the outsourced agency, provides timely, accurate, and high-quality service to customers. Management oversight ensures consistent training, quality assurance, and adherence to existing and emerging customer service standards across all channels, including phone, mail, email, web chat, social media, and self-service platforms.
- **Collections and vulnerable customers:** The resumption of collections (described in more detail below) necessitates careful oversight to manage customer interactions, disconnections, and escalations in full compliance with regulatory requirements. The Collections function has been enhanced to include multi-agent support for vulnerable customers, reflecting both economic realities and London Hydro's strategic priorities.
- **Data, analytics, and continuous improvement:** Effective governance requires robust data collection, research, and reporting to senior department leaders, the Executive team and Board. This includes monitoring service levels, evaluating staff and agency performance, identifying trends, monitoring volumes and available resources, and supporting data-driven decision-making for ongoing service improvement.
- **Regulatory engagement:** The department also supports active engagement in regulatory proceedings and ensures compliance with inquiries from the Ontario Energy Board.

Core Service Functions

The Customer Service Program is responsible for delivering essential customer support and operational services that ensure accurate billing, responsive customer interactions, effective account management, and continuous service quality improvement. The department's core service functions include:

- Utility Data Services and Billing
- Contact Centre
- Collections
- Quality Assurance

Utility Data Services and Billing

Utility Data Services

The Utility Data Services function supports the reliable, timely production of customer bills by managing billing operations, data exceptions, and system controls that sit between validated meter data and automated bill issuance. While the majority of billing is system-generated, this function is responsible for identifying, investigating, and resolving the accounts for which meter data, bill rendering, or print processes have not flowed cleanly through the Customer Information System ("CIS").

This area manages meter and interval data exceptions through CIS case workflows, including identifying missing or anomalous data, correcting meter-to-premise issues, and taking the necessary steps to release bills for processing. Staff are trained to recognize irregular consumption patterns, investigate mixed or mismatched metering scenarios, and perform cancel/rebill activity where required to ensure billing accuracy. Bills that exceed established audit thresholds are reviewed prior to release, and customer correspondence is issued when bills are placed on hold.

Once exceptions are resolved, billing continues to be largely automated, including electronic bill generation and distribution, as well as bill rendering and print production. Utility Data Services also manages bill print exceptions, oversees the monthly billing calendar, and maintains cycle and scheduling controls, including daily print limits, settlement pricing downloads, quantity and volume validation, route considerations, and vacant service identification.

In addition, this function administers electricity retail settlement activities, including retailer enrolments and ongoing settlement processes. It also delivers water billing services on behalf of the City, for which the utility receives compensation, including oversight of the external water meter reading contract and in-house field verification activities. Collectively, this function provides the operational backbone that ensures high-volume billing processes remain accurate, compliant, and dependable.

Billing

The Billing function is responsible for a collection of complex and technical aspects of customer billing that cannot be fully automated within the CIS. This includes manual bill calculations for new or atypical services, some of the large commercial and industrial customers, and scenarios involving billing multipliers, transformer discounts, settlement adjustments, incentive programs, and regulatory rate mechanisms.

This area manages complex cancel/rebill activity, including adjustments arising from metering corrections, Class A settlement changes, RESOP invoices, FIT refunds, and installment plan administration. It is also accountable for annual ICI rate reclassification under the Distribution System Code, customer inquiries related to Global Adjustment, and billing impacts associated with property transfers for generation and net-metered accounts.

Billing staff address a distinct category of exceptions involving CIS configuration, master data integrity, and billing logic, such as missing or duplicate services, account and premise merges, ownership allowances, primary metering credits, and billing configuration errors. The function works closely with the Information Technology department to configure, test, and deploy new rates and price plans, including recently added structures such as Ultra-Low Overnight (“ULO”), ensuring billing readiness prior to implementation.

As the organization advances its data governance, reporting, internal audit, and enterprise risk management capabilities, the Billing function plays a key role in compiling and analyzing billing-related data for leadership oversight. This includes performance indicators such as billing timeliness, accuracy, exception volumes, vacant premises, and trend analysis across billing cycles. Through this work, the Billing function provides both operational assurance and strategic insight into one of the utility’s most critical customer-facing processes.

Contact Centre

The Contact Centre serves as the first point of contact for customers reaching the organization via telephone, web chat, or email to discuss their bill or account. Customer Service Representatives ("CSRs") are responsible for addressing inquiries and resolving issues on first contact whenever possible, with the ability to escalate seamlessly to Leads or management as needed. CSRs act as the face and voice of the organization, serving as brand ambassadors and often representing the only personal interaction a customer may have with the utility over the course of a year—or multiple years. The Contact Centre operates Monday through Friday, 8:30 a.m. to 4:30 p.m.

The Contact Centre receives inquiries, applications, and correspondence across various channels from both residential, commercial, and industrial customers and provides many forms of support, including:

Customer Account Matters

- processing applications for service (Move-In / Move-Out)
- change to contact information
- cancellation or transfer of services
- applications for secondary customers
- LEAP / OESP / Ontario Disability Support Program ("ODSP")/ Ontario Works ("OW")
- retailer enrolment
- special requests, including interaction with lawyers

Billing and Consumption Related Matters

- general billing inquiries
- rates, pricing and billing options
- RPP - change of price plan
- rate classifications and periodic rate changes
- consumption data, usage reduction, energy management
- billing adjustments, adjusted meter reads, mixed meters, refund requests
- final and disconnection notices
- invoice copies

Bill Payment and Collections Matters

- preauthorized payments
- deposit inquiries

- budget billing
- payment arrangements
- arrears-related inquiries and arrears management programs ("AMPs"), late payment charges, disconnections, reconnection fees

Other Contact Centre Work

- Process exceptions generated by the CIS system to resolve issues such as vacant services and changes to owner allocations. Manual exceptions generated by CSRs during calls are also handled by the CSRs
- Process returned mail

First Contact Resolution

London Hydro's Contact Centre operations are grounded in a philosophy of empathy, knowledge, and customer-first service, reflecting the Company's broader strategic goal of building trusted and meaningful relationships with customers and the community.

Supporting Vulnerable Customers

London Hydro supports vulnerable customers seeking access and information about financial programs, ensuring that every interaction is knowledgeably and professionally guided by understanding and responsiveness, and every customer is supported.

While Collections Representatives are formally responsible for assisting customers in resolving arrears and managing non-moratorium disconnections, all team members are trained to help vulnerable customers, including being encouraged to lead with empathy. They receive dedicated training to enhance both technical and interpersonal skills, including understanding energy consumption, interpreting billing cycles, supporting high-bill inquiries, and explaining financial assistance programs (e.g. LEAP, OESP, ODSP, OW) and tactics (budget billing, payment arrangements and installment plans, and pre-authorized debit). Training is continuously updated to reflect evolving regulatory requirements, service enhancements, and best practices in customer engagement.

Agents are highly knowledgeable and empowered to provide comprehensive service. They assist customers with practical guidance on energy use, explain unusual billing periods such as first or final bills, and log detailed notes to ensure continuity across multiple interactions. The team welcomes

newcomers to London Hydro's service area, expresses appreciation to departing customers, and consistently records relevant information so that any follow-up call can be handled seamlessly and knowledgeably.

London Hydro also takes a data-informed approach to performance and quality assurance. Through analytics that categorize calls by primary and secondary reasons for contact, London Hydro is able to distinguish between calls that can be resolved efficiently and those where extended engagement delivers additional value to the customer. Metrics such as average wait times, abandonment rates, first-call resolution, and the number of calls answered within 30 seconds are tracked and inform ongoing operational improvements, reflecting London Hydro's commitment to both efficiency and exceptional service.

Underlying all of these operational practices is a people-first approach. By investing in training, providing meaningful work, and creating a supportive environment, London Hydro ensures that employees are engaged, knowledgeable, and able to maintain empathy in every interaction. This approach not only supports staff retention but also ensures that customers consistently receive considerate, informed, and high-quality service.

Strategic Use of Third-Party Support / Outsourcing

London Hydro augments the internal Contact Centre with a third-party agency, blending internal expertise with external support to maximize availability and cost-efficiency, particularly at times of higher call volumes (e.g. lifting of disconnection moratorium, postal delivery disruption). This approach allows the internal team to focus on complex resolutions, while third-party agents provide support for routine account inquiries.

Collections

The Collections function manages past-due customer accounts in full compliance with OEB rules and regulatory procedures, ensuring arrears are prudently addressed and the risk of bad debt is minimized. Collections activities focus on three areas: active accounts, final billed accounts, and sundry invoices. Active accounts represent the most collectible balances and are managed through a combination of procedural rigor, empathetic customer engagement, and support for available financial assistance programs, including LEAP, OESP, payment arrangements, and budget billing. Final accounts are

managed in collaboration with external collection agencies to recover outstanding balances efficiently. Sundry invoices, which include billable work from Engineering and Operations departments or other business transactions, are actively monitored and collected as part of overall receivables management. Across all account types, Collections balances the need to achieve payment with attentive customer care, pausing disconnections during extreme heat, reconnecting customers promptly, and assisting vulnerable customers in accessing available supports with the objective of helping customers avoid future arrears.

The Company uses data and reports to monitor Collections performance, track arrears and bad debt trends, and flag areas requiring attention. Unusual customer behaviors, challenges with collection agencies, or other emerging issues will be escalated to senior leaders as needed to ensure timely resolution. These insights are used to guide process improvements, validate compliance, and support enterprise risk management. Internal audit and quality assurance activities will further ensure that arrears management is effective, consistent, and aligned with regulatory and customer service expectations.

Quality Assurance

Quality assurance (“QA”) is a long-standing component of the Customer Service Program. During onboarding, the trainer role performs extensive call monitoring to ensure new agents develop the skills, knowledge, and customer focus required for their role. Ongoing QA is then conducted as often as practicable for all agents, with supervisors listening to randomly selected calls and evaluating performance against formalized criteria. Coaching feedback is provided directly to internal staff or to the primary contact at the third-party service provider for follow-up with their teams. Refresher training is incorporated as needed to address observed gaps or reinforce key practices. In addition to call review, the program leverages metrics from the IVR platform, including calls handled per agent, average handle time, and wrap-up time, to monitor operational performance. This approach aligns with the corporate Strategic Plan, which identifies enhancing service quality through close performance monitoring as a key initiative, and represents one of the ways the program ensures consistent, high-quality customer experiences.

Program Delivery Costs

The Customer Service and Collections Program OM&A expenditures are forecasted to be $7,620,900 for the 2026 Bridge Year, and $7,486,700 for the proposed 2027 Test Year. The forecast for 2027 provides a decrease in comparison to the 2026 Bridge Year of $134,200 and $2,570,014 over 2022 Actual amounts, resulting in a CAGR of 8.8%.

Table 4-34: Customer Service and Collections Program Delivery Costs

Customer Service and Collections Program Delivery Costs												
				Annual Change					Change		Change	
Nature of expenditure	2022 Actual	2022 Applied	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2027 Test		2022 Applied to 2027 Test	
	$	$	$	$	$	$	$	$	$	CAGR	$	CAGR
Gross labour	4,536,520	5,391,400	5,404,400	160,573	152,841	456,667	772,999	(675,200)	867,880	3.6%	13,000	0.0%
Labour allocations	31,977	(181,200)	546,800	(421,373)	167,367	(154,501)	134,830	788,500	514,823	76.4%	728,000	-224.7%
Net OM&A labour	4,568,497	5,210,200	5,951,200	(260,800)	320,209	302,166	907,828	113,300	1,382,703	5.4%	741,000	2.7%
Employee expenses	23,264	52,500	78,400	12,766	(11,470)	25,579	55,762	(27,500)	55,136	27.5%	25,900	8.4%
Contractor services	749,817	897,500	1,226,900	35,825	37,592	140,277	208,889	54,500	477,083	10.3%	329,400	6.5%
Collection services and fees	54,597	49,000	534,000	(35,302)	19,392	320,116	156,196	19,000	479,403	57.8%	485,000	61.2%
Postage and courier	1,071,801	1,188,000	1,259,000	(83,919)	(1,101)	207,699	27,520	37,000	187,199	3.3%	71,000	1.2%
Software and hardware	179,369	202,900	45,000	1,941	6,676	(89,473)	(49,413)	(4,100)	(134,369)	-24.2%	(157,900)	-26.0%
Bad debts	1,604,121	900,000	2,200,000	238,106	606,008	550,902	(499,137)	(300,000)	595,879	6.5%	1,300,000	19.6%
Other	237,762	238,100	228,700	(56,760)	14,424	(1,953)	31,628	3,600	(9,062)	-0.8%	(9,400)	-0.8%
Cost recoveries	(3,572,543)	(3,620,400)	(4,036,500)	(34,941)	(6,427)	(429,550)	36,961	(30,000)	(463,957)	2.5%	(416,100)	2.2%
Total $	**4,916,686**	**5,117,800**	**7,486,700**	**(183,085)**	**985,302**	**1,025,764**	**876,234**	**(134,200)**	**2,570,014**	**8.8%**	**2,368,900**	**7.9%**
Annual % change				-4%	21%	18%	13%	-2%				

Gross labour

Please see Workforce Planning and Employee Compensation, Section 4.3.

Labour allocations

Labour costs within the Customer Service Program are influenced by the allocation of employee time between operating and capital activities, as well as organizational changes affecting departmental responsibilities. Actual labour allocations vary from year to year based on employee availability, including vacancies, employee absences, vacation, and the specific initiatives underway.

Customer Service employees support a variety of capital initiatives, including major information technology projects. In accordance with International Financial Reporting Standards ("IFRS"), employee time that is directly attributable to the implementation of capital projects is charged to capital, while time

associated with day-to-day customer service operations, training, business support, and other operational activities is recorded as OM&A. Consequently, the proportion of labour charged to capital varies from year to year depending on the level and stage of project activity.

In addition, year-over-year labour costs are influenced by changes in organizational structure and the allocation of shared management resources across business functions. Labour costs are allocated to the departments receiving the benefit of these services, resulting in changes in reported Customer Service labour costs from one year to the next.

Accordingly, year-over-year changes in actual labour costs reflect differences in employee time charged to capital projects, organizational cost allocations, and employee availability, rather than changes in labour rates or staffing levels alone.

Employee expenses

Employee Expenses include a combination of departmental employee development, professional memberships, meetings, and other department-focused employee costs. Costs now reflect a plan to create meaningful learning and development opportunities for department members, resulting in higher participation in professional development and industry / professional conferences.

Contractor services

The Customer Service Program relies on a combination of internal resources and targeted external support to ensure operational efficiency, service quality, and compliance. The consulting and outsourced support budget reflects several key inputs as discussed below.

Table 4-35: Contractor Services Detail

Customer Service and Collections Contractor Services Detail									
			Annual Change					Total Change	
	2022 Actual	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2027 Test	
	$	$	$	$	$	$	$	$	CAGR
Contractor services	357,572	475,000	(33,844)	(9,881)	60,819	86,335	14,000	117,428	6%
Consulting	-	130,000	-	-	18,092	111,908	-	130,000	
Credit card fees	160,543	345,000	44,145	43,956	48,513	12,842	35,000	184,457	17%
Meter reading services	231,702	276,900	25,524	3,517	12,853	(2,196)	5,500	45,198	4%
	749,817	1,226,900	35,825	37,592	140,277	208,889	54,500	477,083	10.3%

Contractor services — London Hydro continues to utilize a contracted external call centre to provide scalable capacity to accommodate fluctuations in customer demand. The external call centre supports core operations during predictable periods of elevated demand, including seasonal move-in and move-out activity and residential collections campaigns, while also providing additional capacity when internal resources are required to address other operational priorities or unexpected events. This flexible resourcing model allows London Hydro to maintain customer service levels without permanently staffing for peak workloads. The increase in the Test Year budget reflects higher anticipated utilization of contracted services based on operational requirements and recent experience, including higher call volumes during periods of active residential collections.

This budget also addresses the costs for such specialized services as EBT Hub (to facilitate transfer of files between London Hydro and retailers) and land registry searches (to verify property ownership and the registered owner's address in support of collections processes).

Consulting — Funding has been included to support the plan to engage external subject matter experts with specialized expertise in continuous improvement and business process optimization. These engagements will support the identification and implementation of process improvements intended to increase operational efficiency, strengthen service delivery, and improve the overall customer experience across all aspects of the current and future Customer Service Program.

Credit card processing fees — As explained in more detail below, credit card processing fees have increased following the expansion of accepted payment methods and continued growth in customer utilization. The Test Year budget reflects recent payment volumes and associated processing costs.

Meter reading services — This contracted service support a variety of operational meter-reading activities. The Test Year budget reflects higher service volumes and modest contractual rate adjustments, with no material change in the scope of services provided.

Collectively, these inputs support the reliable delivery of customer service, billing, and collections activities while enabling ongoing process improvement, quality assurance, and service optimization.

Credit Card Processing Fees

In 2022, the Company expanded credit card payment options for residential customers to include VISA in addition to Mastercard in accordance with the Company's commitment noted below.

Page 16 No. EB-2021-0041 – Settlement Agreement – OM&A (2022 Decision and Order)

> *As part of its plans going forward {London Hydro} has agreed to, where reasonable, expand its ability to receive credit card payments from customers beyond the use of MasterCard to include other credit card providers. To that end the Parties recognize that {London Hydro} will commit to add the capability to accept payment by VISA card prior to the end of the test year.*

In order to be eligible to pay via credit card, customers must be enrolled in paperless billing. London Hydro's historical analysis demonstrated that the savings from paperless processing approximately offset the cost of credit card processing. With continued upward pressure on postage expense, this continues to be a reasonable comparison.

Total processing fees have increased (as reflected in the 2022 through 2025 Actuals), and therefore was prudently forecasted for the 2026 Bridge Year and 2027 Test Year.

There are two primary contributing factors to rising credit card payment processing fees:

- Higher transaction volumes – from repeat usage by customers and/or increases in paperless enrolment leading to more customers being eligible to pay by Mastercard or VISA; and
- Bill amounts have risen due to higher electricity commodity costs.

The existing costs and upward pressures from the current service offering are largely outside of London Hydro's direct control as they arise from customer payment preferences, and to a degree are offset by avoided costs associated with physical bill production and distribution costs (including printing, materials, and postage).

As part of preparation for this application, and in full awareness of the affordability challenges faced by many of London Hydro's customers, the Company reviewed a planned enhancement to credit card payment functionality whereby recurring credit card payment arrangements would allow customers to store card information and default future payments to a credit card. While such functionality may offer convenience to some customers, it could have also materially increased ongoing processing fees borne collectively by ratepayers. Given the principle that rates should reflect prudent and necessary costs incurred to provide regulated service, London Hydro made a deliberate decision to pause further development of recurring credit card payment functionality. This decision was taken to avoid introducing incremental convenience-driven costs that would be broadly socialized across the customer base and to ensure that payment-related expenditures remain appropriate, proportionate, and consistent with regulatory expectations.

Collection services and fees

The early years of the rate period reflected an atypical operating environment, during which collections activities across the sector were generally moderated in response to the impacts of the COVID-19 pandemic.

In 2025, London Hydro returned to more typical residential collections activities by increasing the use of field disconnection and reconnection activities in accordance with the Company's established collections practices and OEB requirements. To support this effort, London Hydro implemented a pilot program utilizing a qualified third-party contractor to perform disconnection and reconnection services. The contractor's personnel possess the specialized training and expertise required to safely perform

this work while providing flexibility to adjust field resources in response to changing operational requirements.

The pilot demonstrated that the additional field service costs were offset by improved collections performance, including increased customer payments, and reductions in accounts receivable. Based on these results, London Hydro has incorporated the ongoing cost of contracted disconnection and reconnection services into the Test Year budget.

Utilizing a qualified contractor represents a prudent and cost-effective resourcing model. Residential disconnection activity is concentrated during periods when the winter disconnection moratorium is not in effect and fluctuates significantly throughout the year. Contracting these services allows London Hydro to scale field resources to meet operational demand without increasing permanent staffing to accommodate seasonal and variable workloads, avoiding the need to maintain permanent resources for activities that are inherently variable in nature. Customers identified for potential disconnection continue to receive advance notice and are proactively informed of available financial assistance programs, including the Ontario Electricity Support Program (“OESP”) and the Low-income Energy Assistance Program (“LEAP”).

Postage and courier

Canada Post commercial (machinable) rates have increased significantly since London Hydro filed its 2022 Cost of Service Rate Application, with cumulative increases approaching 50% as illustrated in Chart 4-33 below. The most substantial increase occurred in 2025, when the rate for a standard domestic letter rose by 25.5%, from $0.98 to $1.23. These higher postage rates are reflected in 2025 actual costs and contribute directly to the increased postage requirements in both the 2026 Bridge Year and the 2027 Test Year.

Chart 4-33: Change in Postage Rates and Customer Growth (2022–2027)

Postage Rates and Customer Growth					
Year	Pre-Sort ($)	Change ($)	Change ($) %	Cust. Growth	Total
2022	0.91				
2023	0.91	-	0.0%	0.9%	0.89%
2024	0.98	0.07	7.7%	0.7%	8.40%
2025	1.23	0.25	25.5%	0.6%	26.08%
2026 est.	1.29	0.06	5.0%	0.8%	5.84%
2027 est.	1.36	0.06	5.0%	0.9%	5.85%
Total		$ 0.45	49.0%	3.9%	52.9%

Despite these material rate increases and continued customer growth, overall postage costs have remained relatively constrained. This is primarily attributable to increased customer adoption of paperless billing. Customers who transition to paperless billing eliminate the need for physical mail delivery, thereby reducing postage volumes. This shift has helped offset upward cost pressures arising from both inflationary increases in postage rates and the growth in the customer base.

For example, when considering the combined impact of higher postage rates and customer growth between 2022 and the 2027 Test Year — together representing an increase of approximately 53% — postage costs would be expected to rise by approximately $569,000, equivalent to a CAGR of 8.9%. However, due to the continued migration of customers to paperless billing, actual postage cost increases are projected at a CAGR of only 3.3%. This represents avoided costs of over $380,000 over the period.

This demonstrates that London Hydro's efforts to promote paperless billing have been effective in mitigating cost pressures and delivering measurable savings for customers, while also improving operational efficiency.

Software and hardware

Software costs decreased as part of the transfer of the AMI group into the IT function as discussed in Section 4.3 Workforce Planning and Employee Compensation.

Bad Debt

Electricity distributors carry the financial responsibility for all components of the electricity supply chain—generation, transmission, and distribution. When customers fail to pay their bills, including final bills on closed accounts, the full unpaid amount may become a Bad Debt expense incurred by London Hydro. As upstream supply costs continue to rise, and with distribution rates anticipated to increase in 2027, the total value of uncollectible accounts increases proportionally, even without any change in customers' ability to pay. The 2026 budget reflects this cost pressure through an adjusted Bad Debt provision aligned with current trends. A summary of bad debt expenses from 2022 actuals to the Proposed 2027 Test Year is provided in Table 4-36 below:

Table 4-36: Bad Debt Expenses

Bad Debt Expenses											
Nature of Expenditure	2022 Actual	2022 Applied	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test	2022 Actuals to 2022 Applied	Var	2022 Actuals to 2027 Test	CAGR
	$		$	$	$	$	$	$	%	$	%
Bad debts	1,604,121	900,000	1,842,227	2,448,235	2,999,137	2,500,000	2,200,000	(704,121)	-78%	595,879	7%

2022 Test Year Variance

The higher bad debt expense experienced in 2022 reflected the continued financial pressures facing customers in the aftermath of the COVID-19 pandemic. Throughout this period, many households and businesses were managing reduced or uncertain income, employment disruptions, business closures, and increasing household costs. These challenges were compounded by broader economic conditions, including rising inflation and interest rates, which placed additional pressure on household budgets, particularly for customers with lower or fixed incomes.

Consistent with the approach taken by many local distribution companies during this period, London Hydro recognized the exceptional financial hardships being experienced by its customers and adopted a more accommodating approach to collection activities. This included exercising greater flexibility with customers experiencing payment difficulties and undertaking fewer service disconnections than would typically occur under normal operating conditions. While these measures provided customers with additional time and flexibility to manage outstanding balances during a period of significant financial uncertainty, they also contributed to accounts remaining in arrears for longer periods and, ultimately, to higher bad debt exposure.

Bad debt and collections

Bad debt is an unavoidable component of electricity distribution, influenced by economic conditions, customer demographics, regulatory constraints, and the timing and effectiveness of collection activities permitted under Ontario Energy Board ("OEB") rules. The Company's bad debt experience over the 2022–2025 period has been impacted by the post-pandemic operating environment, provincially mandated disconnection moratoria, and management decisions intended to balance customer protection with prudent financial management.

Regulatory and operating context

Throughout and following the COVID-19 pandemic, electricity distributors across Ontario significantly curtailed collection and disconnection activities. In addition to pandemic-related measures, the OEB's annual winter disconnection moratorium limits residential disconnections for non-payment from mid-November through the end of April. As a result, distributors have a constrained and highly seasonal window during which aged receivables can be meaningfully addressed.

The Company's approach to recommencing standard collection practices was measured and deliberate. Management did not consider it unreasonable, in the prevailing economic and social circumstances, to allow additional time for customers to stabilize before reintroducing pre-pandemic disconnection practices. During this period, arrears continued to be monitored and standard collection tools short of disconnection remained in use.

Bad debt levels and cost responsibility

From 2023 to 2024, bad debt expense increased by approximately 33%. While this increase was concerning, management considered that it may have reflected residual post-pandemic effects rather than a structural deterioration in payment behaviour. Accordingly, and in anticipation of resuming full collection activity, the Company set its bad debt budget to $1.8 million for 2025.

Actual bad debt expense in 2025 was $3.0 million. Without appropriate context, this outcome could be interpreted as a lack of effective management. However, when considered alongside the resumption of standard collection practices and the broader economic environment, the 2025 result demonstrates both the scale of arrears and the inherent limitations on recoverability within the current economic environment, even with renewed collection efforts.

Resumption of collection and disconnection activities

In 2025, the Company fully reinstated its standard collection and disconnection processes during the period in which such activities were permitted. As part of this effort, management lowered the arrears threshold required to initiate field disconnections, while remaining mindful that disconnection costs are not directly recoverable through fees and must therefore be economically justified.

Disconnection activities were undertaken using a third-party contractor on a pilot basis. This approach allowed the Company to scale resources in response to fluctuating volumes and avoided the need to maintain internal staffing during periods when disconnections are prohibited or operationally unnecessary. Experience during 2025 confirmed that disconnection volumes are not uniform; activity is typically higher early in the season and declines as customers make payments and become temporarily ineligible for further disconnection action. A fully insourced model would therefore have resulted in higher fixed costs without corresponding benefits.

The Company is seeking approval in this application to update the reconnection fee to better reflect the current cost of reconnection services, ensuring that good-paying customers do not subsidize these costs. Disconnection costs, by contrast, continue to be socialized across the customer base, consistent with current regulatory treatment. In addition, reconnections completed immediately prior to the winter moratorium period are not charged, further limiting cost recovery.

Observed behavioral effects and external factors

Management observed that the reintroduction of disconnection notices, combined with direct engagement by customer service staff and follow-through in the field, appeared to influence customer payment behaviour in 2025. While these efforts did not fully offset bad debt in the year, they are expected to contribute to improved payment discipline in subsequent disconnection windows.

Customer mix and structural challenges

Certain structural characteristics of the Company's customer base present ongoing challenges for bad debt management. The presence of a significant student population increases the likelihood that arrears accumulated during moratorium periods will convert to final bills when customers relocate shortly after service termination. These final bills are often difficult to collect, particularly when customers leave the region.

More broadly, continued economic uncertainty and the potential for additional small business closures represent an ongoing risk. While individual balances may be modest, the cumulative impact can be material. The Company continues to work with external credit agencies to pursue recovery on final accounts where practicable.

Outlook for 2026 and beyond

The Company expects to apply an empathetic, prudent, and data-driven approach to collections during periods when such activity is permitted. This approach will be complemented by continued support for vulnerable customers, including proactive promotion of the Ontario Electricity Support Program and referrals to Low-Income Energy Assistance Program funding administered through community partners.

At the same time, upward pressure on electricity commodity prices and anticipated increases in distribution rates may further strain affordability. The absence of recent updates to LEAP funding thresholds may also limit the effectiveness of available assistance for some customers. These factors underscore the importance of assessing bad debt levels in light of both management actions and broader economic and regulatory conditions.

Cost recoveries

Cost recoveries represent amounts recovered for activities associated with water billing services provided to the City of London (including customer enquiries and account collections) and customer collection and reconnection charges (OEB 5330). The largest item in this line pertains to the City of London services and a full description of this arrangement is provided in the Section 4.6.1 entitled "*Shared Services and Corporate Cost Allocation"*.

The increase in cost recoveries beginning in fiscal 2025 reflects the renewal of London Hydro's Service Level Agreement with the City of London. The renewed agreement became effective January 1, 2025, and extends through December 31, 2027, resulting in higher recoveries over the term of the agreement. Collection and reconnection charges recovered directly from London Hydro's customers (i.e. OEB 5330, Collection Charges) are netted against collection costs under the Customer Service and Collections Program for the Rate Application presentation as required to be consistent with the OEB Uniform System of Accounts ("USoA").

4.4.6 CORPORATE COMMUNICATIONS

Overview

The Public Relations, Corporate Communications, and Marketing department is responsible for timely and accurate communications and outreach with both internal and external audiences, for strengthening the Company's brand, and for showcasing London Hydro's commitment to making a difference locally through a focus on reliability, affordability, sustainability, economic growth, customer experience, and community and stakeholder engagement. Against a backdrop of heightened customer expectations for timely, valuable information and real-time communication across multiple channels, the team is focused on earning every customer's trust by delivering the right message, to the right audience, on the right channel, at the right time.

As noted under the *Creating and Communicating* Value and *Serving Our Customers and Community* strategic priorities of the Strategic Plan, this department supports the achievement of the Company's stated goals to:

- Create and carry out a plan to better serve key customer groups
- Support vulnerable customers and promote energy education
- Build trust and raise awareness in the community
- Continue to improve the customer experience through regular engagement and feedback, and
- Clearly communicate London Hydro's value to the community and stakeholders.

The external communications and community engagement program includes strategic customer and stakeholder outreach, integrated communications across traditional, digital, and social media channels, community event delivery, targeted and informative advertising, campaigns, and surveys.

The Test Year budget reflects the increased focus on a long-term, concerted, and managed effort to heighten the company's presence in the community which was implemented with the new strategic plan**.** Through disciplined research, planning, and execution, the program communicates the value of the Company and establishes London Hydro as a visible, credible, and trusted community partner. This sustained presence and consistency of messaging reinforces brand recognition and ensures the Company remains top of mind for customers and stakeholders across all segments.

As a result, when customers have questions, needs, or are making decisions related to electricity, they are more likely to proactively engage with London Hydro as a trusted advisor. This approach supports informed customer decision-making, strengthens public trust, and demonstrates a clear and ongoing commitment to the community's economic growth, resilience, and long-term success.

Public Relations

Public Relations focuses on shaping and maintaining the company's reputation, and fostering trust with customers, stakeholders, and the broader community. Key elements include:

- **Social media engagement** – LinkedIn, X, Google Reviews, and Reddit content support and enhance the Company's brand, engage audiences who are interested in the Company's activities and leadership, and, as required, enable the provision of informative, helpful feedback that the entire community can consume.
- **Press releases and media relations** – Preparing announcements for major initiatives, projects, or events; developing talking points; coordinating with reporters; and strategically managing media interactions.
- **Spokesperson support** – Preparing executives for media interviews, supporting crisis communications, and ensuring consistent messaging.
- **Stakeholder and shareholder relations** – Engaging elected officials, senior City representatives, and key accounts to communicate updates and solicit feedback on projects, outages, and strategic initiatives and supporting economic development initiatives.

- **Community partnership communications** – Proactively conveying the Company's role in community projects, safety programs, affordability initiatives, and other contributions that demonstrate value to customers and local stakeholders.
- **Awards and recognition support** – Preparing submissions for industry and community awards that highlight achievements and leadership; recognition through credible industry awards provides independent validation of the Company's performance and values, reinforcing customer and stakeholder confidence, strengthening trust, and enhancing London Hydro's reputation as an innovative, reliable, and community-focused service provider.

Corporate Communications

- **External communications** – Educating, informing, and engaging the public, customers, and key stakeholders. Examples include:
    - Website, radio, print, and social media
    - Outage communications
    - Capital project communications
    - Customer and stakeholder events
    - School Safety Program

- **Internal communications** – Supporting the People and Culture strategic priority within the Strategic Plan through a comprehensive communication program designed to keep employees informed, foster engagement, and reinforce organizational culture through various media (including newsletters, intranet content, corporate signage, and digital displays) and culture and engagement events.

Marketing

Marketing amplifies these efforts with high-quality materials, signage, promotional items, and community relations activities that communicate the Company's vision, commitments, and contributions to the community, reinforce messaging, and expand brand awareness.

Corporate website

The corporate website is the primary, authoritative channel through which customers and stakeholders can access timely, accurate, and regulated information, ranging from outage updates, rate notices, and OEB-mandated communications to news releases, corporate reporting, and self-service tools. The website reinforces London Hydro's commitment to being an engaged and trusted community partner, as it functions as a centralized information hub, anchoring credibility, enabling transparency, and ensuring audiences can easily find, understand, and act on information that affects their day-to-day interactions and experience.

Supporting Vulnerable Customers: LEAP and OESP Education and Outreach Campaigns

A central component of the strategy to support vulnerable customers is to achieve broad awareness and optimize the uptake of bill support programs among eligible customers, enabling timely and appropriate access to assistance and helping to mitigate energy-related financial hardship.

LEAP and OESP programs that assist customers in need of bill support are actively promoted through a multi-channel approach, utilizing both digital and traditional media to ensure extensive community reach.

London Hydro's efforts have included engaging with local post-secondary students, promoting programs at the City of London's Outdoor Movie Nights in neighborhoods across the city, collaborating with organizations that specialize in supporting individuals experiencing financial challenges and share a common commitment to customer well-being.

Additional outreach includes leveraging various media channels, including press releases, community-embedded placements (e.g. library and community centre information boards), and local TV ads, as well as geo-targeted TV ads across streaming services.

The approach prioritizes high-visibility, high-trust environments where customers are most likely to engage. Where feasible, QR codes and other tracking initiatives are utilized in order to evaluate outreach effectiveness and quantify the impact of each program element to refine and optimize future campaigns.

London Hydro has been proactively engaged in campaigns to make customers aware of the various assistance programs available such as LEAP and OESP. The campaigns continue to be successful as the number of individuals aware of and taking advantage of the programs continue to rise each year.

In addition, London Hydro proactively reaches out to customers who are currently on OESP when their funding is set to expire unless an application is resubmitted and approved. This proactive approach supports continuity of assistance, helps customers avoid service disruptions, and ensures they can continue to meet their essential energy needs.

LEAP

In 2025, 1,068 applicants received a total of $575,858 in bill payment support from the LEAP program.

OESP

At the end of 2024, there were 11,774 customers receiving OESP support. By the end of 2025, participation had increased to 12,634 customers, representing a 7% year-over-year increase. In 2025, 15,876 London Hydro customers received $8.9 million in bill payment support through the OESP. This growth is particularly notable given the program's natural attrition, as OESP approvals are limited to 24 months and not all customers re-enroll upon expiry, even when they may remain eligible. At the end of May 2026, the total net number of recipients had increased to 14,198. The number of recipients has increased by 12% in the first five months of 2026. This represents one of the most significant paybacks to customers from London Hydro's increased focus on Corporate Communications.

Program Delivery Costs

The Corporate Communications OM&A expenditures are forecasted to be $2,554,500 for the 2026 Bridge Year, and $2,688,000 for the proposed 2027 Test Year. The forecast for 2027 provides an increase over the 2026 Bridge Year of $133,500 and $1,439,785 over 2022 Actual amounts, resulting in a CAGR of 16.6%.

Table 4-37: Corporate Communications Program Delivery Costs

Corporate Communications Program Delivery Costs												
				Annual Change					Change		Change	
Nature of expenditure	2022 Actual	2022 Applied	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2027 Test		2022 Applied to 2027 Test	
	$	$	$	$	$	$	$	$	$	CAGR	$	CAGR
Gross labour	711,591	698,700	944,900	50,804	(4,826)	(43,641)	154,872	76,100	233,309	5.8%	246,200	6.2%
Labour allocations	(64,498)	(72,600)	(5,000)	(2,070)	23,889	41,669	(3,190)	(800)	59,498	-40.0%	67,600	-41.4%
Net OM&A labour	647,093	626,100	939,900	48,734	19,062	(1,971)	151,682	75,300	292,807	7.8%	313,800	8.5%
Employee expenses	4,911	19,600	56,100	6,809	7,634	11,279	25,468	-	51,189	62.8%	36,500	23.4%
Advertising and promotion	302,359	305,000	520,000	6,409	20,159	122,976	68,097	-	217,641	11.5%	215,000	11.3%
Consulting services	63,671	170,000	240,000	266	1,155	51,950	122,957	-	176,329	30.4%	70,000	7.1%
Donation (LEAP)	200,000	200,000	800,000	-	461,440	(11,440)	100,000	50,000	600,000	32.0%	600,000	32.0%
Materials and supplies	19,414	34,700	82,200	9,817	(1,858)	59,883	(5,057)	-	62,786	33.5%	47,500	18.8%
School safety program	282	33,100	25,700	(282)	8,781	(7,111)	23,830	200	25,418	146.5%	(7,400)	-4.9%
Other	10,484	11,400	24,100	2,673	(2,194)	(860)	5,997	8,000	13,616	18.1%	12,700	16.2%
Total $	**1,248,215**	**1,399,900**	**2,688,000**	**74,426**	**514,179**	**224,706**	**492,975**	**133,500**	**1,439,785**	**16.6%**	**1,288,100**	**13.9%**
Annual % change				6%	39%	12%	24%	5%				

Net OM&A Labour

Please see Workforce Planning and Employee Compensation, Section 4.3.

Employee expenses

Employee Expenses include a combination of departmental employee development, professional memberships, meetings, and other department-focused employee costs. The notably low spend in 2022 is a COVID-related anomaly. Costs now reflect a plan to create meaningful learning and development opportunities for department members, resulting in higher participation in professional development and industry / professional conferences.

Advertising and promotion

The increase for 2026 onwards in the Advertising and Promotion budget reflects the Company's strategic evolution and the need to maintain strong brand presence, ensure comprehensive coverage

across the City's diverse demographics and critical sectors, and build awareness amid ongoing changes in the energy sector and evolving customer needs. Targeted outreach and promotional initiatives are essential to ensuring London Hydro remains top of mind for customers, reinforcing trust and credibility through repetition.

The increase for 2026 onwards in the Advertising and Promotion budget reflects the Company's strategic evolution and the need to maintain strong brand presence, ensure comprehensive coverage across the City's diverse demographics and critical sectors, and build awareness amid ongoing changes in the energy sector and evolving customer needs. Targeted outreach and promotional initiatives are essential to ensuring London Hydro remains top of mind for customers, reinforcing trust and credibility through repetition. These outreach efforts also play an important role in informing customers, particularly those experiencing financial hardship, about available affordability and assistance programs, helping to ensure eligible customers are aware of and able to access the support resources available to them.

In addition to these strategic initiatives, the budget supports core advertising, including regulatory notices, rate change communications, available affordability programs, and targeted customer communications (e.g. potential service disruptions). These investments are prudently focused on initiatives that support customer confidence, community relationships, and long-term organizational reputation. The Company is investing in the data, strategy, and channels required to listen, communicate effectively, and earn the trust of London Hydro's customers.

Consulting services

The Consulting budget supports the engagement of specialized advisors on a project basis to complement internal capabilities with expertise in campaigns, content, audience, and data analytics that align with evolving corporate and community priorities. Consultants will also assist in operational initiatives, assessing the effectiveness of initiatives designed to encourage customer engagement (e.g. paperless billing), and identifying opportunities to optimize customer impact and cost efficiency. Consultants are accessed both for subject-matter expertise and for staff augmentation. The budget will also cover the execution of various customer surveys, providing critical insights for future planning.

Low Income Energy Assistance Program (LEAP) Outcomes

London Hydro proposes to increase its LEAP funding allocation for the 2027 Test Year to $800,000.

Table 4-38 below shows London Hydro's annual LEAP contributions from 2022 to 2027:

Table 4-38: LEAP Contributions 2022 to 2027

	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge Year	2027 Test Year
Requested Funding Amount 2022-2026 COS Application	**$ 200,000**	**$ 200,000**	**$ 661,440**	**$ 650,000**	**$ 750,000**	**$ 800,000**
Amount Funded by London Hydro - Base	$ 200,000	$ 200,000	$ 200,000	$ 200,000	$ 200,000	$ 800,000
Amount Funded by London Hydro - AVC - EB-2023-0346			11,440			
Amount Funded by London Hydro - OEB Supplement (2021)	233,481					
Amount Funded by London Hydro - Deferral Account			450,000	450,000	550,000	
Total Amount Funded By London Hydro	433,481	200,000	661,440	650,000	750,000	800,000
Less: Agency Administration Fee	65,022	30,000	99,216	97,500	112,500	120,000
Amount Available for Disbursement	368,459	170,000	562,224	552,500	637,500	680,000
Plus: Carry Over Disbursement Available from Prior Year	49,061	290	0	32,661	9,304	
Total Amount Available for Disbursement	417,520	170,290	562,224	585,161	646,804	
Less: Amount Disbursed	417,230	170,290	529,562	575,858		
Amount Carried Forward to Subsequent Year	$ 290	$ -	$ 32,661	$ 9,304		
Month LEAP Funds Depleted	August	June	N/A	N/A		
Maximum Amt per Applicant (Base / Electric Heat)	500/600	500/600	650/780	650/780	650/780	
# of Applications (Total)	723	562	1,341	1,409		
# of Applicants Assisted	608	381	983	1,068		
# of Payments	701	452	1,070	1,253		
Average Amount per Applicant	$686.23	$446.96	$538.72	$539.19		
% Increase Disbursed			211%	9%		
% Increase in Budget					15%	7%

The Low-income Energy Assistance Program ("LEAP") provides emergency financial assistance to eligible low-income customers who are unable to pay their electricity bills due to extenuating circumstances. LEAP grants are a vital safety net to prevent disconnection and maintain access to electricity for those most at risk. London Hydro has long been committed to supporting its most vulnerable customers through LEAP and other programs. LEAP funds are disbursed on behalf of eligible London Hydro customers by the Salvation Army Centre of Hope.

Consistent with OEB direction, while the amounts in the deferral account are listed above for information purposes only donations eligible for recovery have been included. The submitted budget for LEAP reflects not only compliance with the Ontario Energy Board's (OEB) guidelines, but a deliberate, concerted, and compassionate commitment to maximize the effective use of available program tools and outreach recognizing the importance of affordability for London Hydro's community and anticipating sustained need.

2022

In the last Cost of Service Rate Application, London Hydro forecasted $200,000 in LEAP contributions for the 2022 Test Year. These funds were augmented by an OEB direction in late 2021.

2023

In 2023, the $200,000 in budgeted funds (less the Salvation Army's administration fee) were fully disbursed in early June.

2024

OEB changes to the LEAP Emergency Financial Assistance ("EFA") program in 2024 via EB-2023-0135, including expanded income eligibility thresholds and increased maximum grant values, have significantly increased funding accessibility to those in need and broadened program reach. All of the funds noted above (less the administration fee) were fully disbursed to customers, and incremental LEAP EFA contributions beyond the amounts embedded in rates were recorded in the deferral account.

2025

In 2025, the funds noted above ($575,858 - after the administration fee and not including the small carry-forward amount of $9,304) were disbursed to customers; the value of the incremental LEAP EFA contributions beyond the $200,000 amount embedded in rates ($450,000) was recorded in the deferral account.

2026

At the end of 2025, there was $900,000 in the LEAP deferral account, and London Hydro is forecasting that the deferral account balance could grow to $1,450,000 by the end of the 2026 Bridge Year.

The OEB noted in the Rate Order that it did not expect balances to be material for most distributors. This is a material amount for London Hydro which was prudently incurred, and it is being brought forward to disposition with this application.

2027 and Beyond

A number of factors were considered in establishing the LEAP funding request for the 2027 Test Year:

- The evolving economic landscape and persistent local need
- High unemployment rates within the City of London[1]
- The relaxing of requirements, where an applicant does not have to be in threat of disconnection or have been disconnected to be eligible for emergency LEAP assistance, and applicants can receive assistance more than once per year (subject to the relevant, annual household maximum)
- the impact of London Hydro's collections and disconnection activities since the summer 2025 on LEAP funding requests
- the additional impact arising from community relations advertising and outreach initiated by Corporate Communications
- The potential impact of increased rates being requested by London Hydro in this application and increased generation and transmission rates affecting the total electricity bill
- London Hydro's commitment in the Strategic Plan to support vulnerable customers and raise awareness about affordability programs

London Hydro is confident in the need for the budgeted amount of $800,000 in LEAP funding for the 2027 Test Year.

[1] https://www.cbc.ca/news/canada/london/london-unemployment-9.7159071

The Company acknowledges that this surpasses the calculated 0.12% benchmark, but is in keeping with the OEB direction, supported by Stakeholders, that no eligible LEAP EFA applicant should be denied the emergency grant due to lack of funding.

In line with the Company's strategic commitment to *Earn Every Customer*, London Hydro views LEAP not only as an emergency grant mechanism, but as a key element of its customer care philosophy. Customer Service team members proactively identify customers in distress and connect them directly to program coordinators for rapid support. This early intervention reduces the risk of disconnection, alleviates hardship, and helps prevent bad debt write-offs for the benefit of all ratepayers.

By strengthening partnerships and prudently establishing an appropriate level of LEAP funding, London Hydro is demonstrating its belief that affordability is a shared responsibility, and that every customer deserves help to keep the lights on.

Materials and supplies

Planned expenditures include:

- Banners and signage for events, reinforcing the company's brand and messaging.
- Brochures, postcards, and booklets.
- Promotional items and branded merchandise for community and stakeholder events.

With costs managed prudently, these investments strengthen brand awareness, demonstrate professionalism and partnership, and support long-term customer confidence in London Hydro.

School Safety Program

While purchasing requirements were temporarily reduced due to availability of program inventory and materials from prior years, the budgeted amounts for 2026 and 2027 reflect the annual cost of procuring program materials.

4.4.7 HUMAN RESOURCES, HEALTH AND SAFETY

Overview

Human Resources (People & Culture)

Customers experience an organization through its people. Every customer interaction, every outage response, and every operational decision is delivered by people. It is for this reason that employees are London Hydro's greatest asset. Investing wisely and strategically in people and culture directly improves the quality of the service customers experience - today and in the future - as employee engagement and subject-matter expertise translates directly into commitment, care, responsiveness, trust, and exceptional service quality and customer experiences.

As the coming years reflect a period of meaningful change within a dynamic industry and corporate landscape, active alignment and adjustment of organizational design and work execution will be required. In this context, the People & Culture team assists in ensuring the Company is prepared to operate effectively in the evolving environment. This includes continued focus on engagement and retention, continued excellence in recruitment, strengthening organizational capacity and capability, enabling the development of new competencies, and supporting the evolution of roles and structures required to meet future operational demands.

As London Hydro advances formalized risk management, internal audit, continuous improvement practices, and outcomes-based monitoring of organizational effectiveness, the People & Culture team will support these efforts as a strategic business partner by aligning talent, leadership, and organizational practices to these emerging requirements. A deliberate and forward-looking approach to workforce planning and development is therefore essential to sustain service excellence while positioning the Company for long-term success.

As strategic internal business partners, the People & Culture team enables operational excellence, mitigates risk, and supports London Hydro's Strategic Plan and long-term objectives. The People & Culture team members have established a reputation for being professional, caring, approachable, collaborative, knowledgeable and responsive. Consistent commitment to the departmental program (elements summarized below) is crucial to delivering exceptional customer service to employees and

leaders, fostering a high-performing and engaged workforce, and ensuring the Company's resilience, preparedness, and responsiveness to customer and stakeholder needs in a rapidly evolving landscape.

People & Culture Program Elements:

- Talent Acquisition
- New Hire Orientation and Onboarding
- Career Coaching
- Performance and Progression Management Framework and Processes
- Succession Planning and Leadership Programming
- Skills and Compliance, Training and Development Program Delivery
- Apprenticeship Program Administration
- Compensation Management and Oversight
- Resource Planning and Job Evaluation
- Employee Engagement and Recognition
- Supporting the Organization's Corporate Culture Commitments
- Employee Well-being and Belonging / Psychological Health & Safety in the Workplace
- Internal Communications
- Labour Relations (including Collective Agreement Interpretation, Administration and Negotiation)
- Payroll, Pension, and Benefits Administration
- Attendance, Disability/WSIB, and Leave Management
- Corporate Policy Administration
- Regulatory and Legislative Compliance
- Organizational Design, Effectiveness, and Change Leadership
- Talent Management and Retention
- Leadership and Business Partner Support
- People & Culture Project and Change Management
- Metrics, Reporting, and Analytics
- Surveys and Benchmarking
- Employee Records Management and Record Retention Compliance
- HRIS Technology Maintenance, Enhancements, and Employee Data Governance

People & Culture Team Rebrand

To align more closely with London Hydro's Strategic Plan commitments to earning every customer and strengthening people and culture, in 2026 Human Resources was officially rebranded as the People & Culture team. During the project, the team captured the strategic, enabling role they would continue to fulfil with this departmental purpose statement:

> *To empower people through an engaging workplace culture, supporting exceptional teams to develop, thrive, and deliver outstanding service*.

For many years, the team has prided itself on being seen as subject matter experts capable of providing strategic business partnership to the various departments and employees that extends beyond simple transaction processing and information services. Moving forward, there will be an even greater emphasis on culture and employee experience, business partnership and strategy, long-term careers, and purposeful, meaningful work.

Emerging Trends

Talent Scarcity and Mobility

In an environment of talent scarcity, increased transparency of market compensation data, and increased willingness of employees to switch employers to pursue new roles, London Hydro needs to focus on securing, growing, and retaining the workers and leaders that it needs for today and the future.

While mobility within the sector does allow utilities to recruit experienced talent from one another, in practice this dynamic is not always evenly balanced. At times, London Hydro's location presents practical constraints to accessing the talent pool for specialized roles. Relocation can be complex, particularly for established households with multiple earners and strong community ties. Even where interest can be generated, retention risk remains a material consideration. Roles within the Company require significant onboarding, training, and the gradual development of utility-specific knowledge and experience. When individuals do not remain long enough to fully realize that progression, London Hydro incurs both the direct cost of replacement and the loss of accumulated expertise.

London Hydro's approach is, therefore, not predicated on the presumption of being able to source experienced talent from peer utilities, whether at the time such resources are required or over the longer term, but rather reflects a focus on developing and retaining the staff complement and capabilities required to meet its operational and strategic needs.

Evolving Skillset Requirements

Technological innovations in the electricity sector and strategic corporate initiatives will influence required skillsets, demanding ongoing upskilling and reskilling of the workforce.

Managing a Multi-Generational Workforce

The challenge of effectively managing and engaging a diverse, multi-generational workforce requires tailored approaches to training, development, and cultural initiatives.

Increasing Complexity of People-Centric Programs and Functions

As the Company grows, prepares for the future, and places greater emphasis on robust, data-driven, and risk-informed decision making, the scope and complexity of the function (e.g. recruitment, onboarding, workforce design, and employee and leadership support functions) increases. These activities require more structured processes, enhanced data analysis, and greater coordination and partnership across the organization. As a result, additional capacity and more specialized analytical and advisory capabilities within the People & Culture team are required, supported by appropriate technology solutions, to ensure effective, consistent, and timely delivery.

Efficiency, Continuous Improvement and Productivity

Optimizing departmental design and program responsibilities and investing prudently in enduring technology, automation and analytics solutions that enable insights, streamline processes, and support organizational.

Talent Attraction and Retention

Leads and Ladders

The Leads and Ladders program, launched in 2025, is an example of the team's strategic support to the Company. The program provides employees with transparent career pathways across professional, technical, administrative, skilled trades, and leadership job streams. It empowers employees to see and pursue clear career pathways across all job streams, supporting both growth within a role and exploration of new opportunities within the Company. By documenting pathways and bridges, offering career counselling, integrating upskilling strategies, and providing flexible qualification options, the People and Culture team helps employees explore pathways and opportunities to develop skills, advance their careers, and remain engaged and committed to their employer for the long term. This approach strengthens workforce capability, supports retention, and ensures the organization has the talent and expertise needed to deliver reliable, high-quality service.

Employer of Choice

London Hydro was recognized as one of Southwestern Ontario's Top Employers in both 2025 and 2026 by Mediacorp Canada, organizers of the annual Canada's Top 100 Employers project. In the press release, Mediacorp stated that the winners "demonstrate a strong commitment to employee well-being, professional development, and family-friendly workplace policies. Many prioritize wellness through increased investments in mental health support, which is an encouraging trend".

Organizations are evaluated on nine criteria:

- Workplace
- Work Atmosphere
- Health
- Financial & Family Benefits
- Vacation / Time Off
- Employee Communications
- Performance Management
- Training & Skills Development, and
- Community Involvement.

Being chosen as a top employer exemplifies the focus and purpose of the People and Culture team, reflecting the commitment, values, and daily efforts that guide everything the team does to support employees and London Hydro's ability to attract and retain a stable and experienced workforce essential for reliable service delivery. Engaged and well-supported staff drive operational efficiency, reduce errors, and enable effective decision-making, all of which benefit customers immediately and over time. Employee turnover creates both direct and indirect costs, including recruitment and onboarding effort, lost productivity during transition periods, and the loss of role-specific knowledge and experience. The costs and impacts are amplified in specialized and/or senior / utility-specific roles, where proficiency is developed over time and is critical to maintaining operational continuity and service quality.

Future Focused

Over the next five years, the People and Culture team will continue to support London Hydro, the leadership team, and employees to deliver exceptional service to customers and the community, through a continued focus on:

- Attracting and Retaining Great People
- Fostering a People-focused, Collaborative, Respectful, High-Retention Culture
- Creating Remarkable Employee Experiences
- Upholding London Hydro's Purpose, Vision, and Shared Values
- Delivering Collaborative and Professional Labour Relations
- Strengthening Operational Efficiency (Empowerment, Accountability, and Productivity)
- Advancing Leads and Ladders Career Pathways and Coaching
- Increasing Training and Development Opportunities and Supporting Reskilling and Upskilling for Future Roles
- Building Future Leaders
- Promoting Organizational Effectiveness, Workforce Planning, Capacity, and Capability
- Integrating risk-informed thinking into people practices
- Ensuring Competitive and Equitable Compensation
- Expanding Data-Driven Decision Making / Advancing Analytics and Reporting
- Showcasing London Hydro's Brand as an Employer of Choice
- Automating and Streamlining People Processes

These initiatives reflect the Company's long-term commitment to a high-impact people and culture program focused on ensuring a resilient, future-ready workforce and measurable organizational excellence.

Productivity Improvement

SuccessFactors Recruitment and Onboarding

Since adopting SAP SuccessFactors HRIS in 2015, London Hydro has regularly expanded its capabilities to improve end user experience, efficiency and service delivery, most recently with the launch of Recruitment and Onboarding modules in 2025. This marks a significant step in transforming London Hydro's approach to attracting, engaging, and onboarding top talent, and embeds decades of People & Culture expertise and best practices directly into system workflows, ensuring consistent, efficient, and high-quality recruitment and onboarding processes while reducing reliance on individual team member knowledge and experience or manual intervention.

In today's competitive hiring landscape, a seamless, mobile-friendly experience optimizes the candidate experience and reinforces London Hydro's brand as an industry leader and employer of choice. It also adds convenience and improves the application process for existing employees seeking easy access to internal opportunities and career growth. A refreshed Careers page and a new External Career Site showcase the Company's culture and available opportunities.

Importantly, the new system introduces automation and centralized workflows, eliminating manual tasks, reducing delays, and empowering hiring teams to focus on strategic decision-making. From requisition creation to onboarding, every step has been designed to consistently apply internal practices, reduce errors, save time, support collaborative decision-making, and optimize outcomes.

The new solution significantly improves speed, accuracy, and consistency across the recruitment lifecycle through powerful automation features:

- **Posting Positions**
  - **Integrated job descriptions:** Job descriptions are directly linked to requisitions, removing the need for manual uploads or PDF attachments and ensuring consistency across postings.
  - **Smart staff requisition automation:** The system auto-populates the majority of the posting requisition form, eliminating repetitive data entry, reducing manual errors, and accelerating the approval process.
  - **Dynamic approval workflows:** Based on the role, the system intelligently identifies and routes job requisitions to the appropriate leaders and People & Culture stakeholders, streamlining approvals and reducing delays.

- **Applicant Review and Shortlisting**
  - **Real-time notifications:** Automated alerts keep hiring managers and the People & Culture team informed at every step, ensuring transparency and timely action throughout the recruitment process, and reducing the need for manual updates from recruiters. The system also provides timely, automated notifications to candidates throughout the recruitment process.
  - **Centralized candidate shortlisting:** Resumés and candidate profiles are housed in a single collaborative space, eliminating the need to download emails or store documents on external drives. Hiring managers and the People & Culture team can now review, and shortlist candidate profiles together in real time, creating a more transparent and efficient selection process.
  - **Strategic talent pooling:** Candidates who may be a better fit for future roles can be organized into talent pools, allowing the People & Culture team to maintain a database of potential candidates for proactive recruitment and expedite the process when new opportunities arise. This could allow the Company to fill positions more quickly, and is especially valuable for critical, hard-to-fill roles.
- **Hiring and Onboarding**
  - **Offer letter templates and automation:** Pre-approved templates within the system save time and ensure consistency. Offer letters are routed directly through the platform, following pre-defined workflows, eliminating the need for PDFs or external e-signature tools. Each document is stored in a secure repository with full audit tracking for compliance and traceability.
  - **Streamlined onboarding documents:** Candidates complete onboarding forms directly within the system, eliminating the need for the People & Culture team to send manual emails. All documents are digital and securely stored and accessible.
  - **Automated data transfer to candidate profiles:** Once onboarding is complete, candidate information is automatically transferred to their employee profile. The People & Culture team validates the data, saving time and reducing manual entry errors.

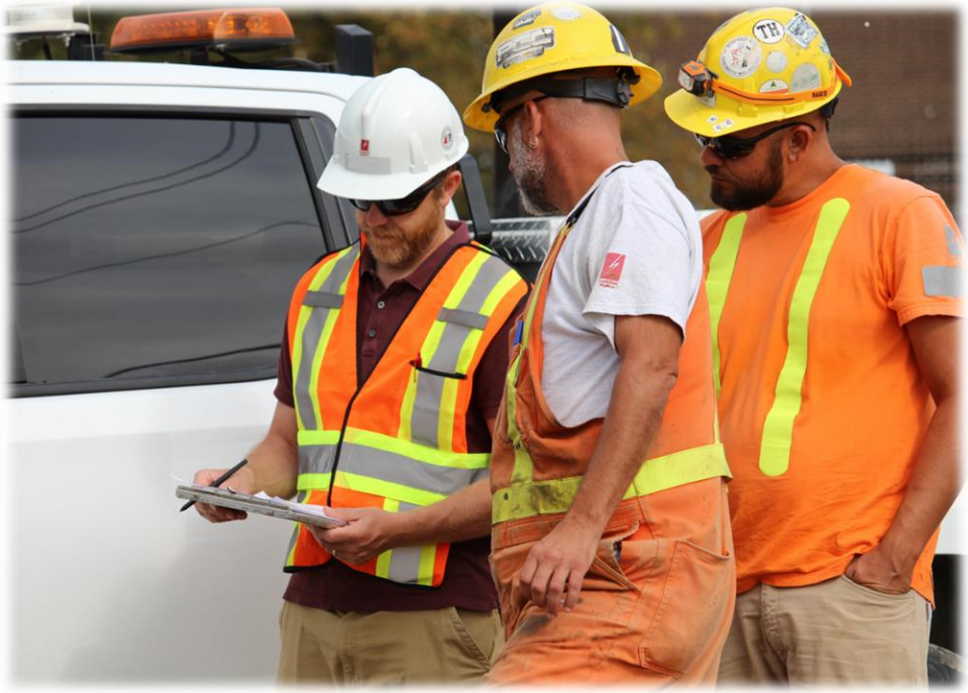
- **Analytics:**
  - **Reporting Insights:** Manual tracking spreadsheets have been replaced with built-in system reports for better visibility and efficiency.

This launch marks a pivotal step in modernizing London Hydro's talent acquisition processes. By embracing automation and centralization, London Hydro is not only saving time but also elevating the entire recruitment and selection experience for candidates, managers, and the People & Culture team alike.

The addition of the Recruitment and Onboarding module enhances the efficiency and effectiveness of these processes, ensuring London Hydro can attract and secure the most qualified candidates in a competitive, complex industry. By automating time-intensive administrative tasks, the system reduces the need to consider additional departmental resources and allows hiring managers to focus on strategic and value-added activities. With all recruitment and onboarding activities managed online within the system, the risks associated with manual paperwork are eliminated, the likelihood of errors is reduced, and time-consuming rework is avoided, further enhancing efficiency and reliability. London Hydro customers are the ultimate beneficiaries, as cost efficiencies are generated through streamlined processes that support sustainable departmental operations and effective workforce planning leads to a stronger and more capable workforce to provide exceptional customer service.

Health and Safety

Together, the People & Culture and Health, Safety & Wellness functions form an integrated framework supporting workforce capability, safety, and organizational resilience. London Hydro's Health, Safety, and Wellness (“HSW”) Program is a strategic business function, directly aligned with the Company’s core corporate value of "Safety First, Always." This comprehensive program integrates safety into every aspect of how employees work and extends beyond regulatory compliance to reduce corporate risk, secure the talent required to manage a modern electricity distribution grid, drive operational effectiveness, and foster innovation to meet the growing complexity of London Hydro’s operations and data-driven safety management systems.



Risk Management

The HSW Program is a core element of London Hydro's Enterprise Risk Management (“ERM”) framework, proactively mitigating operational, financial, and reputational exposures inherent in the LDC business. Through structured governance, data-driven programs, and continuous improvement, the HSW Program strengthens the organization’s ability to deliver safe, reliable, and cost-effective electricity service to customers.

Robust Health and Safety Management System - COR 2020 Certification

London Hydro has achieved and maintains certification under the Certificate of Recognition ("COR") standard, which validates that the Company's Health and Safety management system is comprehensive, audited both internally and externally, and focused on continuous improvement. This Certification ensures that hazards are systematically identified and controlled, resulting in fewer injuries, reduced disruptions to operations, and lower overall risk to the public, employees and the Company as a whole.

Enhanced Internal and External Audit Program

To ensure compliance with all applicable health and safety legislation, regulations, and rules (e.g. OHSA, Electrical Utility Safety Rules, Ontario Traffic Manual Book 7, Utility Work Protection Code), London Hydro has expanded both the type and frequency of internal and third-party audits. These audits verify that controls are functioning as intended, identify improvement opportunities, and provide assurances that safety-related obligations are consistently being met or exceeded.

Implementation of the Safety Classification and Learning ("SCL") Model

London Hydro has begun adoption of the SCL Model, a science-based framework for safety management that shifts focus from traditional lagging indicators to the prevention of serious injuries and fatalities. The model emphasizes building organizational capacity – ensuring high energy hazards are directly controlled, and promotes learning from both successes and failures through a collaborative approach. This approach encourages proactive reporting, strengthens the learning culture, and improves the identification of systemic risks. By moving from a reactive to a learning organization, London Hydro reduces its exposure to high consequence events, mitigates potential workforce and reputational disruptions, and enhances overall corporate resilience.

Preventing Public and Employee Safety Hazards

Adherence to industry safety standards (CSA, IEEE, and O.Reg. 22/04), combined with rigorous inspection and maintenance programs, ensures that London Hydro's grid infrastructure remains structurally sound and safe to operate. London Hydro continues to address emerging trends such as copper theft by implementing tamper-resistant hardware, monitoring systems, alarms, and enhanced hazard labeling. These measures protect the public, employees and contractors from injury and prevent costly service disruptions.

Talent Attraction and Retention

London Hydro leverages its best-in-class Health, Safety and Wellness Program to attract, retain, and develop the skilled and specialized workforce required to operate and maintain a modern distribution system. The Company's commitment to employee well-being, professional growth, and continuous learning positions London Hydro as an employer of choice within Ontario's electricity sector and directly supports reliable, cost-effective service delivery for customers.

Comprehensive Health, Wellness, and Development Offerings

As a recipient of 2025 Canada's Safest Employer Award for "Best Wellness Program," London Hydro's demonstrated commitment to employee well-being is a key differentiator in a competitive labour market. The three pillars of the Wellness Program—Physical Well-Being, Mental and Emotional Well-Being, and Social and Workplace Well-Being address the holistic needs of staff and contribute to a culture where employees feel valued and supported.

On-site exercise facilities, an annual Wellness Fair, an active Ergonomics Program, and dedicated external partners like Telus, Greenshield, and Employee Wellness Solutions Network provide critical physical and mental health supports. These initiatives are complemented by a strong focus on technical and leadership development through London Hydro's apprenticeship and safety training programs. This combination of wellness and professional growth enhances employee satisfaction, engagement and retention, preserving critical organizational knowledge and maintaining a resilient workforce capable of adapting to evolving operational demands.

Culture of Learning and Capacity Building

The implementation of the Safety Classification and Learning ("SCL") Model has reinforced London Hydro's transition toward a learning-based organization that emphasizes knowledge sharing, coaching and continuous improvement. By developing employee capacity and promoting a psychologically safe environment where individuals can learn from both successes and setbacks, the Company strengthens its ability to attract and retain high-performing talent seeking meaningful work.

Community Engagement

London Hydro's active participation in educational outreach, community fundraising initiatives by employees, and emergency preparedness enhances the Company's reputation as a trusted and socially responsible employer. This visible commitment to community well-being and corporate citizenship strengthens London Hydro's employment brand and supports recruitment of value-aligned professionals.

Customer Focus

A robust HSW Program directly supports London Hydro's commitment to its customers by ensuring the reliability, safety, and integrity of the electricity distribution system. By maintaining a healthy, skilled, and safety-conscious workforce, the HSW Program helps prevent service disruptions, protects the public, and builds community trust—core outcomes that are paramount to Customer Focus.

Reliable Service Delivery

Safe, trained, and healthy field crews can execute system maintenance, capital work, and emergency response efficiently and effectively. This ensures system reliability and contributes to lower service interruption metrics (SAIDI/SAIFI), directly benefiting customers through consistent and dependable service.

Public and Community Safety Outreach

London Hydro's award-winning school education programs and community outreach sessions—delivered to contractors and developers, proactively raise awareness of electrical hazards. These initiatives help prevent third-party contact incidents, minimize equipment damage, and reduce injury risk, reinforcing London Hydro's commitment to public safety and community well-being.

Crisis Response Readiness

Active engagement and partnership in emergency preparedness exercises and planning with the City of London, the IESO, and other emergency response entities ensures a coordinated, safe, and effective response to major events. This readiness supports rapid service restoration where possible, minimizes impacts to customers during emergencies, and strengthens community resilience.

Productivity Improvement

The HSW Program directly contributes to operational effectiveness by minimizing downtime, strengthening workforce capability, and ensuring the efficient, safe execution of work. Through prevention, training, innovation, and continuous improvement, the Program supports reliable, cost-effective service delivery and maximizes the return on investment in people and infrastructure.

Efficient Work Execution

Training that meets or exceeds industry regulations ensures a skilled and knowledgeable workforce capable of executing complex work safely and efficiently. London Hydro's field auditing program and third-party compliance audits under O.Reg 22/04, Utility Work Protection Code, Electrical Utility Safety Rules, and other standards close the loop on the Plan-Do-Check-Act ("PDCA") cycle. This approach verifies the effectiveness of training, identifies skill or procedural gaps, and ensures that lessons learned are incorporated back into operations, driving continuous improvement and maintaining high service quality.

Ergonomics and Job Demands Optimization

A comprehensive Ergonomics Program and Job Demands Analyses have been completed for all operational roles, ensuring that physical job requirements are clearly defined and aligned with employee capabilities. This proactive approach reduces the risk of strain and overexertion injuries and supports the effective accommodation and redeployment of employees, preserving valuable experience and skill within the organization. The introduction of ergonomically designed, battery operated, and remote-assist tools, such as the Remote Boom Derrick and other equipment upgrades, further enhances safety, reduces physical fatigue, and expands the operational reach and efficiency of field crews in challenging environments.

New Technologies and Innovation

Technology and digital innovation are transforming how London Hydro manages health, safety, and wellness. By digitizing key safety processes, enhancing data analytics, and modernizing program management tools, the HSW Program is improving how safety information is captured, analyzed, and applied. These advancements provide clearer insight into trends, gaps, and corrective actions; improve documentation and accountability; and strengthen the Company's ability to learn from field experience.

Collectively, these tools support a safer, more informed, and more efficient workforce—reducing incidents, enhancing compliance, and contributing to overall operational reliability.

Digital Job Planning

The introduction of a digital job plan (tailboard) has replaced paper-based processes and significantly enhanced the quality and consistency of field-level risk assessments. The digital platform ensures that job plans are complete, legible, and securely stored while allowing real-time tracking of completion rates, trends, and hazard identification data. These insights provide valuable feedback for supervisors and trainers, enabling targeted improvements in safe work practices and verification of procedural compliance. The system also reduces administrative time, minimizes compliance gaps, and supports transparent documentation for Ministry or regulatory review—all of which improve operational reliability and efficiency.

Modernization of the Health and Safety Management System

London Hydro is evolving its health and safety program management software to better support data integration, analytics, and the Company's adoption of the SCL Model. This evolution will enable more dynamic analysis of incidents and near misses, improve workflow management for corrective actions, and strengthen the linkage between leading indicators and high-energy hazard controls. By enhancing data accessibility and visualization, the platform will allow London Hydro to identify systemic risks more quickly and direct resources where they will have the greatest impact—ultimately supporting safer, more reliable operations.

Field-Accessible Safe Work Practices & Procedures

The digitization of Safe Work Practices and Procedures ensures field staff have remote access—via mobile devices—to the most current, version-controlled safety information at any time. This capability is critical for safely executing complex or infrequent tasks, responding to emergent system conditions, and adapting to new technologies such as distributed energy resources, advanced metering, and automation equipment.

Program Delivery Costs

The Human Resources, Health and Safety Program OM&A expenditures are forecasted to be $3,117,700 for the 2026 Bridge Year and $3,435,000 for the proposed 2027 Test Year. The forecast for 2027 provides an increase over the 2026 Bridge Year of $317,300 and $1,570,761 over 2022 Actual amounts resulting in a CAGR of 13.0%.

Table 4-39: Human Resources, Health and Safety Program Delivery Costs

Human Resources, Health and Safety Program Delivery Costs												
				Annual Change					Change		Change	
Nature of expenditure	2022 Actual	2022 Applied	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2027 Test		2022 Applied to 2027 Test	
	$		$	$	$	$	$	$	$	CAGR	$	CAGR
Gross labour	1,445,534	1,367,200	2,722,200	112,019	334,194	280,984	279,969	269,500	1,276,666	13.5%	1,355,000	14.8%
Labour allocations	(59,545)	(57,500)	(391,900)	38,003	47,593	(81,783)	(303,768)	(32,400)	(332,355)	45.8%	(334,400)	46.8%
Net OM&A labour	1,385,989	1,309,700	2,330,300	150,022	381,788	199,201	(23,799)	237,100	944,311	11.0%	1,020,600	12.2%
Employee expenses	14,472	42,300	83,100	22,591	7,531	25,034	6,572	6,900	68,628	41.8%	40,800	14.5%
Corporate employee expenses	280,471	258,100	516,100	36,685	19,910	128,120	48,314	2,600	235,629	13.0%	258,000	14.9%
Training programs	32,040	61,500	150,000	19,704	(26,876)	74,065	46,067	5,000	117,960	36.2%	88,500	19.5%
Consulting and contractor services	99,369	103,600	228,600	(38,704)	33,545	91,276	20,514	22,600	129,231	18.1%	125,000	17.2%
Software and hardware	2,062	500	45,400	(473)	3,420	499	2,092	37,800	43,338	85.6%	44,900	146.4%
Materials and supplies	12,507	40,000	30,800	12,381	(3,888)	(767)	6,566	4,000	18,293	19.8%	(9,200)	-5.1%
Other	37,329	34,800	50,700	(18,489)	22,215	3,631	4,713	1,300	13,371	6.3%	15,900	7.8%
Total $	**1,864,239**	**1,850,500**	**3,435,000**	**183,718**	**437,645**	**521,059**	**111,039**	**317,300**	**1,570,761**	**13.0%**	**1,584,500**	**13.2%**
Annual % change				10%	21%	21%	4%	10%				

Net OM&A labour

Please see Workforce Planning and Employee Compensation, Section 4.3.

Employee expenses

Employee expenses include a combination of departmental employee development, professional memberships, meetings, and other department-focused employee costs. The notably low spend in 2022 is partially due to a COVID-related anomaly. Since that time, costs have returned to pre-pandemic levels and have increased in line with the needs of the department.

Further, London Hydro has begun to send senior Health and Safety staff to industry conferences. This increase includes the cost to send two employees to conferences which led to implementation of a new approach to Health and Safety incidents (i.e. the Safety Learning Classification model) described above. This approach is considered an emerging best practice focused on reducing injuries and was a product of attendance at industry conferences.

Corporate employee expenses

Corporate employee expenses capture company-wide costs administered by the People & Culture team, primarily recruitment and employee experience, recognition, and engagement initiatives. Expenditures have increased steadily as staffing levels, hiring activity, and investments in employee experience have grown.

The most significant driver of the increase in this category is the employee experience and recognition program, which employees consistently identify as a valued and differentiating aspect of the Company. These networking, celebration, and appreciation events are a core component of London Hydro's culture and directly support the strategic priority of Strengthening People and Culture by fostering connection, engagement, recognition, and retention. Sustained, prudent investment in organizational culture supports higher employee engagement and retention, and the associated costs are modest when compared to the significant financial and operational impacts and risks of employee turnover and replacement.

Training programs

The People & Culture corporate training budget is designed to support enterprise-wide learning initiatives that go beyond job-specific skills. These initiatives target core professional aptitudes such as strategic planning, effective supervision and leadership, organizational culture, customer service excellence, performance management, accountability and communication; both group and individual format development programs are utilized.

Corporate training program costs were unusually low in 2022 due to COVID-related constraints and increased to more typical levels in 2023 before intentionally increasing, beginning in 2025. The planned increase reflects a deliberate shift enabled by additional People & Culture team capacity to advance the Company's strategic commitment to learning and development, particularly in support of technical and professional contributors, new and emerging leaders at multiple levels, and employees pursuing future senior leadership roles. These investments directly support the Strategic Plan's Building for the Future pillar, including the commitment to invest in workforce development to ensure the skills and flexibility required to lead the energy transition, as well as the Strengthening People and Culture pillar, which emphasizes personal growth and rewarding career pathways as core elements of the organization's culture.

From 2025 through 2027, London Hydro has placed a renewed and intentional emphasis on the training and development of Company teams. This strategic focus reflects London Hydro's commitment to cultivating a high-performance culture, equipping employees with the skills, abilities, and knowledge required to thrive in a rapidly evolving utility landscape. London Hydro is equally committed to empowering the Company's leaders with the competencies they need to lead with confidence, clarity, and impact, ensuring they are prepared to guide their teams through change and deliver results at the highest level.

This investment is not only a reflection of London Hydro's values, it is a critical pillar of the Company's Risk Management and Succession Planning strategy. By proactively developing talent across all levels of London Hydro, the Company is building a resilient workforce capable of adapting to future challenges and sustaining operational excellence. London Hydro's long-term commitment to training and knowledge transfer is essential to ensuring the Company remains future-ready. By investing in people, the Company is investing in the capacity to innovate, lead, and deliver exceptional service to the London community.

The HSW Program has seen value in increasing the Company's focus on employee wellness and has increased expenditures to educate and train employees (including but not limited to a Wellness fair and industry speakers) and provide for a moderate increase associated with the Company's external wellness partner.

Consulting and contractor services

The consulting and contractor services budget supports the engagement of specialized advisors to provide value-added services, enhance the Company's people management capabilities and maximize the value of London Hydro's Human Resources Information Systems. Their contributions are instrumental in supporting London Hydro's continued focus on human capital, fostering an engaged and high-performing workforce, and reinforcing London Hydro's commitment to a strong culture.

Consultants provide deep subject matter expertise to support best practice adoption, system configuration, training, and process optimization, enabling the People & Culture Team to streamline operations, reduce reliance on manual spreadsheets, and implement initiatives such as updated performance reviews aligned with the Strategic Plan. These consultants are primarily accessed for time-bound and project-specific subject-matter knowledge, expertise and advisory capabilities, rather than for departmental staff augmentation.

London Hydro engages third-party providers on an as-needed basis to supplement internal People & Culture resources with specialized expertise that is not required on a full-time basis. These services support activities such as culture initiatives, employee surveys, disability adjudication, and the assessment of new tools and technologies to enhance employee experience and operational efficiency.

External consultants are also used for targeted studies and analysis to support strategic decision-making. Maintaining this expertise in-house would be inefficient and cost-prohibitive given its intermittent need. Leveraging external resources allows London Hydro to access leading practices, manage costs effectively, and maintain operational flexibility while delivering value to customers.

The line item also includes external audit services required to ensure Certificate of Recognition ("COR"). COR™ provides the Health and Safety department with a nationally recognized tool for assessing and enhancing London Hydro's Health and Safety Management System – it is a key measurement tool that ensures the Company continues to not only meet, but also exceed the industry standards.

Computer software and hardware

The increase in 2027 is tied to the introduction of a new analytics and reporting solution that consolidates workforce information from three separate systems enabling the People and Culture team to access, analyze, and interpret workforce data efficiently and accurately. By integrating these data sources, the solution will assist with the creation of meaningful insights across a wide range of areas, including absenteeism, vacation usage, recruitment activity, learning and development, and resource planning such as headcount and position management.

This approach significantly reduces reliance on manual spreadsheets and fragmented reporting, allowing for trend and KPI monitoring, and informing data-driven decision-making. As the Company's needs evolve, this solution will support the team's ability to maintain a current, flexible, and comprehensive view of workforce metrics, supporting strategic planning, risk management, operational effectiveness and efficiency, and alignment with broader corporate goals.

4.4.8 FACILITIES AND ENVIRONMENTAL SERVICES

Overview

London Hydro's Facilities Services department is responsible for maintaining the London Hydro facilities, including all equipment attached to the facilities, and for ensuring that London Hydro not only remains compliant with environmental legislation, but also considers efficiency and environmental sustainability in all decision-making.

London Hydro operates out of one main facility at 111 Horton Street in London and 36 active substations with 5 substation buildings, located throughout the City of London. The main facility consists of 3 major buildings constructed at various times dating back to 1931 with the newest building being built in 1987. These buildings are situated on 13.7 acres of land leased from the City of London. London Hydro owns the buildings on the land; the land is owned by the City of London. London Hydro pays rent to the City on an annual basis to use the property. The buildings require ongoing upgrading and major component replacements to maintain their value and functionality.



London Hydro Facilities

The original building, built in the 1931, houses Engineering, System Planning and the Materials Management departments; a second building constructed in 1981, houses Operations, Fleet Services and Facilities and Environmental Services departments; a third building constructed in 1987, houses Customer Service, Information Technology, Health and Safety, Human Resources, Corporate Communications, Finance and Executive offices, for a total gross area of 194,363 square feet. The Facilities and Environmental Service department is responsible for maintaining each of these buildings while accommodating London Hydro's staff with the necessary office space, furnishings, meeting and training rooms, as well as cafeteria and parking facilities. This department has a staff of four who are responsible for the administration of all operating and maintenance contracts, the development of requirements and preparation of both operating and capital budgets while ensuring London Hydro continues to reduce its impact on the environment.

Responsibilities for this department include coordinating the inspection of the buildings on a monthly, quarterly or annual basis and developing capital and operating budgets to repair, maintain or upgrade the buildings and environmental systems as required. London Hydro engages outside contractors for most building-related inspections, maintenance and repairs. Some of London Hydro's buildings are either designated heritage properties or have significant historical elements requiring increased and specialized maintenance or repairs.

When certain equipment reaches end of life or is deemed to be too costly or inefficient to repair, a review is undertaken to determine if replacement of similar equipment is necessary. If so, upon Executive approval, a capital project is budgeted and initiated to replace the equipment. London Hydro endeavors to keep the scope of annual projects relatively small to maintain the buildings and property efficiently, while ensuring environmental responsibility and keeping spending consistent year over year.

Program Delivery Costs

Facilities and Environmental Services expenditures are forecasted to be $4,057,300 for the 2026 Bridge Year and $4,307,900 for the proposed 2027 Test Year. The forecast for 2027 provides an increase in comparison to the 2026 Bridge Year of $250,600 and is $1,219,741 over 2022 Actual amounts resulting in a CAGR of 6.9%.

Table 4-40: Facilities and Environmental Services Program Delivery Costs

Facilities and Environmental Services Program Delivery Costs												
				Annual Change					Change		Change	
Nature of expenditure	2022 Actual	2022 Applied	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2027 Test		2022 Applied to 2027 Test	
	$	$	$	$	$	$	$	$	$	CAGR	$	CAGR
Gross labour	300,535	295,400	668,100	179,129	99,657	(27,564)	84,542	31,800	367,565	17.3%	372,700	17.7%
Labour allocations	62,773	86,400	12,600	(28,054)	(15,628)	21,919	(29,111)	700	(50,173)	-27.5%	(73,800)	-32.0%
Net OM&A labour	363,308	381,800	680,700	151,075	84,030	(5,644)	55,431	32,500	317,392	13.4%	298,900	12.3%
Insurance	149,041	78,200	407,100	85,232	17,322	28,566	94,438	32,500	258,059	22.3%	328,900	39.1%
Property taxes	97,714	90,400	201,900	(16,054)	4,703	5,905	1,432	108,200	104,186	15.6%	111,500	17.4%
Landscaping and snow removal	245,192	210,100	385,000	63,703	68,656	108,856	(114,407)	13,000	139,808	9%	174,900	12.9%
Property leasing	121,834	139,500	175,500	32,077	(23,675)	35,930	1,334	8,000	53,666	8%	36,000	4.7%
Utilities	442,532	546,900	550,000	7,296	(51,582)	122,711	(956)	30,000	107,468	4%	3,100	0.1%
Repairs and maintenance	749,844	745,900	850,900	(127,788)	56,719	75,235	89,489	7,400	101,056	3%	105,000	2.7%
Other	918,694	938,900	1,056,800	(5,639)	81,257	7,233	36,255	19,000	138,106	3%	117,900	2.4%
Total $	**3,088,159**	**3,131,700**	**4,307,900**	**189,902**	**237,429**	**378,792**	**163,017**	**250,600**	**1,219,741**	**6.9%**	**1,176,200**	**6.6%**
Annual % change				6%	7%	11%	4%	6%				

Net OM&A labour

Please see Workforce Planning and Employee Compensation, Section 4.3.

Insurance

London Hydro uses insurance as a risk transfer mechanism to manage exposure to specific risks. The insurance portfolio is reviewed annually to ensure an appropriate balance between risk transfer and premium costs is maintained. The insurance program addresses risk exposures, including general liability, Directors' and Officers' liability, crime, and cyber/privacy risks, with the majority of coverage placed through the primary insurance provider for Ontario local distribution companies.

In recent years, the insurance landscape has witnessed rising premiums. Factors contributing to this trend include the impact of inflation on replacement costs, heightened frequency and severity of weather-related events and an uptick in cyber intrusion incidents. For instance, premiums for commercial property have surged over 130% since London Hydro's last Cost of Service Rate Application. The growing number and cost of catastrophic weather events across Canada have been a key contributor to this trend. An illustration of catastrophic losses in Canada between 1994 and 2024 can be found under Section 4.4.3 Operations and Maintenance in Figure 4-8 on page 183.

Property taxes

This line item includes property taxes for London Hydro's 36 existing substations and the planned purchase of additional property. The new parcel of land is projected to be purchased in July of the 2027 Test Year. This land is designated for the construction of a future transformer station, with construction anticipated to take place between 2027 and 2031. Further details regarding the MTS-1 transformer station can be found in London Hydro's Distribution System Plan under Section 5.4.1.2.

Landscaping and snow removal

Operating costs for snow removal are largely determined by negotiated contract prices and fluctuate with the severity of winter conditions. Snow removal and salting are carried out regularly throughout the winter to ensure safety and accessibility for employees, contractors, and the public.

In 2022/2023, and again in 2025 London Hydro engaged a new snow plowing contractor through a competitive tender process. The contracted snow plowing company is chosen based on their rates as well as the ability to respond in a timely manner to snow and precipitation events. Snow plowing costs are driven by the number of snow and/or icing events.

The pricing for snow plowing increases each year due to higher market pricing for contracted labour, vehicles, equipment and material costs such as treated salt and sand. While historical pricing adjustments under multi-year contracts generally averaged approximately 4–5% annually, more recent competitive tenders have reflected significantly greater cost escalation across several service categories. To protect commercially sensitive vendor pricing information, Chart 4-34 presents the percentage change in representative tendered costs between 2022 and 2027 rather than the underlying bid prices.

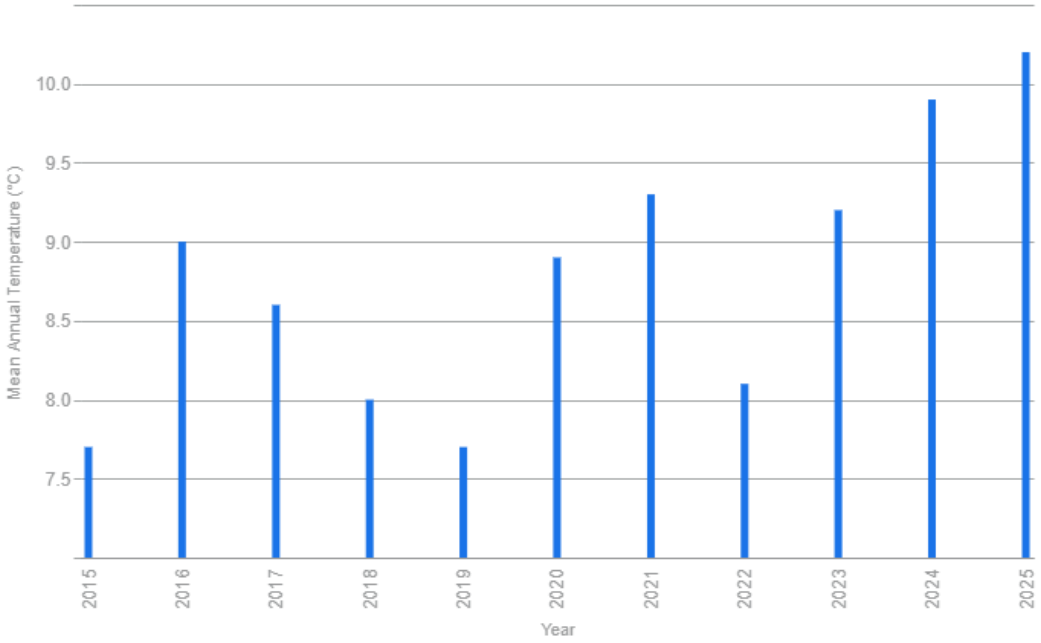
Chart 4-34: Sample Tendered Cost Changes (2022-2027)

Cost Item	Change from 2022 to 2027
Tractor backhoe and operator	31.5%
General labour	60.3%
Pickup truck with plow and operator	187.3%
Road salt and labour to apply	-8.5%

Climate impact

Increased precipitation and melting cycles require additional salting and sanding before and after each event. Parts of Southwestern Ontario are losing more than two weeks of sub-zero days each winter due to climate change as illustrated below.

Figure 4-11: Mean Annual Temperature in London, Ontario (2015-2025)



Warming temperatures lead to more climate related severe weather such as ice storms[1]. Above-freezing days December to February may lead to more ice storms and flooding. These weather conditions lead to more snow and ice removal incidents and related de-icing material.

Based on analysis of official reports from Environment and Climate Change Canada ("ECCC") and climate data for London, Ontario there is an increase in winter temperatures, with recent winters being exceptionally mild. Precipitation trends are less linear, showing a pattern of high year-to-year variability and swings between wet and dry periods. The winters of 2022-23 and 2023-24 were warmer than average. Winter 2023-2024 was the warmest winter on record for the Great Lakes/St. Lawrence region, which includes London. This winter trend is supported by annual data. The "Mean of Min/Max" temperature for the entire year in London has shown a general upward trend over the decade.

[1] https://www.simcoereformer.ca/news/local-news/how-southwestern-ontario-is-losing-its-winter-and-why-that-should-worry-you

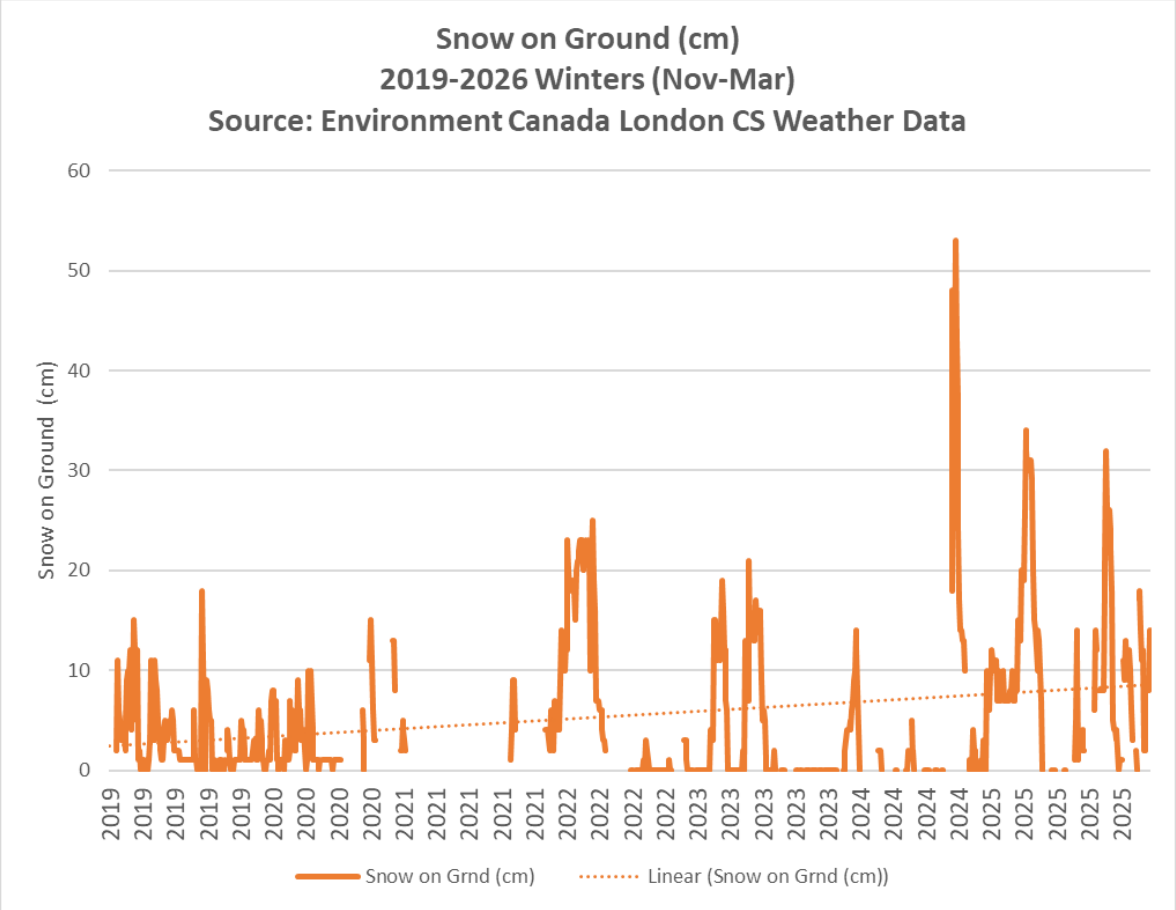
Weather events and expenditures

Unlike the clear warming trend, the precipitation trend for the past decade has been highly variable[1]. This pattern of precipitation falling in more intense, concentrated bursts, rather than as consistent, gentle snow or rain, is a key characteristic of the recent trend. These trends impact the frequency and intensity of the snow removal and ice treatments London Hydro uses to keep people safe and ensure the continuity of operations in all weather conditions.

The graph below shows a summary of Environment Canada weather data with the measure of “Snow on Ground”.

[1] london.weatherstats.ca, based on ECCC data.

Figure 4-12: Snow on Ground Climate Data[1]



The winters of each year from November 2019 until January of 2026 are shown. Each year in between is shown from November to March winter weather period. As can be seen, the increasing amount and variability of the snow on the ground has been changing significantly. This change in weather is a cost driver as additional effort, time and material is required to respond to manage the snow and ensure safe operational continuity.

The number of snowfalls or storms per year have a direct effect on the total seasonal costs. Typically, there are 8-10 major weather events per winter. Thus, the addition of a single storm in a winter period can add an additional 10% of cost to maintain the snow removal outcomes. Also, the severity of a winter

[1] https://climate.weather.gc.ca/climate_data/daily_data_e.html

snowfall or storm event drives the level of response from London Hydro's snow removal contractor. More snow takes longer to remove and storm events can require more salt and sand materials. To assist in illustrating the size and variability impact on winter storm cleanup costs the following instances are provided:

Chart 4-35: Sample of Winter Storm Cleanup Costs

Cost Component	Heavy Snowfall (Dec 14, 2025)	Ice Storm (Dec 26-29, 2025)
Conditions	25-30 cm of snow	4-day icing event
Heavy equipment (trucks/plows)	$10,412	$3,071
Support labour (loaders/shoveling)	$9,250	$3,312
Materials (salt/sand)	$2,999 (16 tonnes)	$6,372 (34 tonnes)
Total Event Cost	$22,661	$12,755

While the snow event in this example was more expensive overall due to the heavy machinery required to move volume, the ice storm required more than double the salt, demonstrating how "mild" but icy winters can rapidly deplete material budgets.

Property leasing

London Hydro leases property to accommodate employee parking, having transitioned away from on-site parking to facilitate an increase in equipment inventory storage. Relocating employee parking offsite reduces both security and safety risks. Previously, congestion left employees vulnerable to injury, made it difficult for security staff to identify unauthorized vehicles, and created traffic conditions that increased the risk of accidents. It also restricted large vehicles, such as bucket trucks and RBDs, from accessing "pull-through" spaces, forcing them to reverse long trailers into confined areas.

Since the submission of the 2022 Cost of Service Rate Application, London Hydro has adjusted its parking arrangements and relocated employees to new facilities. The primary parking site now operates on a pay-per-park basis, with fees fluctuating based on usage. Parking demand has varied since 2022, initially declining due to COVID-19 impacts, and continues to be influenced by hybrid work models, employee staffing levels, and contractor volumes.

Utilities

Utility costs have remained generally stable over the period. Variations in spending are primarily driven by weather conditions, which influence heating, cooling, and facility energy requirements, as well as changes in electricity commodity prices, including fluctuations in Global Adjustment rates.

Repairs and maintenance

The Facilities and Environmental Services Department maintains the head office and municipal substations, ensuring compliance with heritage, building, electrical, and safety codes. Because these facilities date back to 1931, they require ongoing preventive maintenance and major component replacements to remain functional. A detailed summary of facilities repairs and maintenance costs from 2022 Actuals to the Proposed 2027 Test Year is provided in Table 4-41 below:

Table 4-41: Facilities Repairs and Maintenance

Facilities Repairs and Maintenance									
			Annual Change					Total Change	
Nature of expenditure	2022 Actual	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2027 Test	
	$	$	$	$	$	$	$	$	CAGR
HVAC expenses	218,694	236,900	(19,761)	37,801	(57,254)	50,520	6,900	18,206	2%
Contractor services	82,915	224,500	39,485	10,569	35,822	61,210	(5,500)	141,585	22%
Electrical	144,876	98,000	(53,692)	6,838	14,306	(16,328)	2,000	(46,876)	-8%
Standby generator maintenance	79,150	26,000	(65,349)	(2,172)	19,068	(5,698)	1,000	(53,150)	-20%
Fire protection	52,396	48,000	(35,946)	15,824	21,007	(7,281)	2,000	(4,396)	-2%
Plumbing/sewer	37,582	41,000	(1,274)	(7,023)	17,033	(6,317)	1,000	3,418	2%
Elevator maintenance	18,831	15,500	(6,338)	193	6,605	(3,791)	-	(3,331)	-4%
Interior landscape	20,364	22,000	930	1,519	(4,221)	3,408	-	1,636	2%
Fencing and gates	5,862	25,000	19,019	(7,631)	8,102	(352)	-	19,138	34%
Keys and locks	3,683	4,000	2,357	(3,822)	(0)	1,782	-	317	2%
Other	85,491	110,000	(7,217)	4,624	14,768	12,335	-	24,509	5%
Total $	**749,844**	**850,900**	**(127,788)**	**56,719**	**75,235**	**89,489**	**7,400**	**101,056**	**3%**
Annual % change			-17%	9%	11%	12%	1%		

Annual costs vary by asset lifecycle. While the department operates within a planned capital envelope, emerging needs require constant prioritization. Recently, some projects were deferred to focus resources on renovating office spaces. Historically, these offices lacked major updates and proper insulation. Since 2016, a comprehensive renovation plan has optimized disjointed layouts to accommodate more staff.

Other

Other costs in the Facilities department consist of various items such as materials and supplies, janitorial services, security services and office supplies.

4.4.9 CORPORATE SERVICES

Overview

The Corporate Services program includes activities and expenditures associated with London Hydro's

- Executive group and Board of Directors
- Finance and Regulatory Affairs Department
- Legal and Enterprise Risk Management
- Purchasing Department

Executive Services

The Executive group is responsible for corporate governance and leadership, as well as the development and execution of the Company's Strategic Plan. This office consists of the CEO, the CEO's Executive Assistant and the Director of Stakeholder Relations. Responsibilities include reviewing and approving all matters before submission to the Board related to legal matters, enterprise risk management, financial affairs, policies, new initiatives, customer service, safety, reliability, capital investments, operating procedures, regulatory requirements and filings and human resource matters.

All matters are reviewed within the context of London Hydro's Purpose, Vision and Values as outlined in Exhibit 1, Section 1.2.3.

Financial Services

The Finance Department is responsible for all financial compliance and for all day-to-day, monthly, quarterly and annual reporting to various stakeholders and under diverse formats including London Hydro's internal MIFRS presentation, the OEB functional chart of accounts and the Company's IFRS external financial statements. Ongoing activities are detailed in Figure 4-13 below:

Figure 4-13: Finance Department Ongoing Activities

Transaction Processing	Reporting and Compliance
▪ customer payment processing ▪ automated accounts payable ▪ cash flow management ▪ sundry billing ▪ statutory remittances ▪ property taxes and payments in lieu of property taxes ▪ account refunds including retailers, MFIT and FIT ▪ signing authorities management ▪ fraud protection ▪ subsystem integration and interfacing ▪ exception processing and reporting	▪ budget development ▪ monthly internal financial statements ▪ quarterly external IFRS financial statements ▪ MD&A and Key Performance Indicators ▪ web-based reporting ▪ budget to actual variance analysis by type ▪ budget to actual variance analysis by employee position ▪ debt financing and covenants ▪ credit rating ▪ deferral and variance accounts ▪ rate application development
Financial Analysis	**Corporate Governance and Streamlining**
▪ accounts receivable analysis ▪ inventory activities and analysis ▪ monitoring and analyzing capital projects ▪ fixed assets life cycle ▪ labour and benefits ▪ cost allocations (Materials Management, Fleet, Benefits) ▪ bank monitoring and reconciling ▪ ERP system monitoring	▪ audit ▪ process mapping ▪ policies and procedures development ▪ new system implementations ▪ commitments and contingencies ▪ income and withholding taxes ▪ vendor insurance certification ▪ WSIB certification

This Department is highly committed to safeguarding London Hydro's assets and works to continuously improve operational efficiency, both within the department and throughout the organization. The Finance Department works closely with other departments to assist in decision-making and to review and understand departmental financial results. The Department is responsible for establishing policies and procedures related to meeting compliance requirements and for ensuring that associated activities under various programs are in harmony. The Finance Department liaises with the Engineering and IT groups on a regular basis to ensure timely and efficient execution of London Hydro's capital programs.

Regulatory Affairs

Regulatory Affairs is responsible for overseeing regulatory compliance with the various energy-related legislative requirements and applicable codes to which London Hydro must adhere. This group also serves as a liaison with other functional areas, ensuring that all OEB regulations and information are disseminated to the relevant groups and departments within London Hydro.

Operationally, Regulatory Affairs is responsible for

- revenue and cost of power budgeting, forecasting, reporting and variance analysis
- the Gross Load Billing submission
- IESO settlement filing submissions
- Class A customer analysis, communication and submission
- RPP self-certification
- the collection of delivery point meter data
- the reconciliation and analysis of regulatory deferral and variance accounts
- the development and preparation of rate filings including the Distribution System Plan
- OEB Reporting and Record Keeping Requirements (“RRRs”)
- implementation of new regulations into the utility
- monitoring proposed changes in the industry
- the maintenance and updating of reports for submissions as required
- Stakeholder participation in energy-related policy proceedings
- cooperation with energy-related regulatory audits, inspections and examinations
- handling all MOE, MOF, OEB, and IESO compliance-related matters

Legal and Enterprise Risk Management

London Hydro faces a wide range of risk exposures with the potential for adverse effects arising from both internal and external events. Legal provides support across all departments with compliance, legal guidance, contractual negotiations and dispute resolution, as well as managing insurance claims, collections, and privacy. Enterprise Risk Management ("ERM") works to provide assurance that the Company is operated prudently, that assets are appropriately safeguarded, and that ratepayer funds are protected from avoidable risks.

This newly established department's primary responsibility is to support the governance framework that defines how decisions are made, how risks are identified and controlled, and how London Hydro protects itself and the customers it serves, from liability. Through a disciplined and systematic approach to strategy, governance, and risk management, the Company is better positioned to achieve its core objectives including reliability, safety, and fiscal responsibility. This proactive oversight helps shield ratepayers from avoidable service degradation and the cost volatility associated with unmanaged or unexpected risks.

This mandate was identified by the Board as a priority in the Strategic Plan pillar labelled as "Pursuing Operational Excellence". The core responsibilities include:

- **Strategic planning:** Support the Board and Executive on the oversight and maintenance of London Hydro's Strategic Plan and Business Planning processes.
- **Governance:** Establish and maintain the institutional framework for corporate governance, assuring that organizational decision-making is transparent, ethical, and strictly aligned with London Hydro's strategic objectives and legislative and regulatory mandates.
- **Fiduciary and Board oversight:** Provide the Board of Directors and its Committees with general legal and risk advice to support the fulfillment of fiduciary duties and the protection of both shareholder and ratepayer interests.
- **Enterprise Risk Management:** Maintain a standardized framework to identify, assess, manage, monitor, and communicate enterprise-wide risks, considering uncertainty and its potential impact on the Company's strategic and operational objectives.

- **Legal counsel:** Provide in-house legal expertise to navigate complex energy sector regulations, manage significant and complex contractual arrangements, and resolve disputes. This capability supports sound business decision-making while reducing reliance on external legal services.
- **Internal assurance and controls:** Serve as a key line of defense by performing quality control on internal processes, verifying that governance, operational, and financial controls are appropriately designed and operating effectively.
- **Continuous improvement and efficiency:** Conduct structured process reviews to streamline workflows and optimize resource utilization, ensuring services are delivered efficiently without compromising safety and system reliability.
- **Business continuity and crisis management:** Develop and maintain response playbooks for major disruption scenarios, including natural disasters and cyber-attacks, to assure operational resilience and timely restoration of service.
- **Insurance and risk transfer:** Manage the corporate insurance portfolio to strategically transfer high-impact financial risks, reducing the likelihood that the financial consequences of major losses are borne by ratepayers.
- **Internal audit (oversight):** Provide functional oversight of the Internal Audit program. While execution is outsourced to an independent third party to ensure independence and objectivity, the Legal & ERM team ensures the program remains aligned with the London Hydro's evolving risk profile.
- **Statutory reporting:** Coordinate and oversee the preparation, review, and submission of required filings to Statistics Canada and other regulatory or governmental bodies, ensuring accuracy, completeness, and timeliness. This function supports transparency, maintains compliance with statutory obligations, and reinforces the integrity of the Company's external reporting.

Purchasing Services

The Purchasing Department ensures that the Company follows a disciplined approach to the procurement of goods and services. Adherence to written policies ensures competitive prices for products and services are obtained in a consistent and unbiased manner and that transparent selection criteria guide the bid evaluation process. Purchasing transactions are initiated and processed in accordance with the authorization levels detailed in the London Hydro's Procurement Manual and approved signing authority register.

London Hydro makes use of purchasing cooperatives and provincial government-related buying groups to reduce costs by obtaining price discounts through volume purchasing of commonly used products, such as fuel and office supplies. Supplier alliances have also been established with many vendors, representing a substantial percentage of the product being used in the Company's distribution system, including transformers, concrete products and cable and wire. All such supplier alliances have helped manage costs during a challenging period, and have also reduced administrative efforts.

Supplier alliances provide improved security of supply for critical materials and improved supplier relationships by allowing information to be shared regarding historical and projected volume requirements. This proved vital during the supply challenges faced during and after the COVID pandemic.

The majority of purchases for London Hydro are made through the Purchasing Department who work collaboratively with internal departments to ensure compliance with London Hydro's purchasing and tendering policies and procedures. Competitive procurement processes are structured around clearly defined evaluation criteria, with cost as a key component of the overall scoring matrix. Contracts are awarded to the proponent achieving the highest evaluated score, representing the best overall value to the utility and its customers. Ongoing activities include managing the tender process (including obtaining quotes, evaluating proposals, and awarding tenders), preparing purchase orders, overseeing corporate credit card purchases, managing vendor relations and contracts and reporting on activities to department managers and the Executive Committee.

Program Delivery Costs

Corporate Services OM&A expenditures are forecasted to be $8,678,100 for the 2026 Bridge Year and $9,839,900 for the proposed 2027 Test Year. The forecast for 2027 provides an increase over the 2026 Bridge Year of $1,161,800 and $4,365,449 over 2022 Actual amounts resulting in a CAGR of 12.4%.

Table 4-42: Corporate Services Program Delivery Costs

Corporate Services Program Delivery Costs												
				Annual Change					Change		Change	
Nature of expenditure	2022 Actual	2022 Applied	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2027 Test		2022 Applied to 2027 Test	
	$	$	$	$	$	$	$	$	$	CAGR	$	CAGR
Gross labour	3,088,212	3,035,200	6,072,900	(2,744)	683,511	373,477	977,645	952,800	2,984,688	14.5%	3,037,700	14.9%
Labour allocations	3,423	15,100	(76,800)	28,241	(107,022)	(35,458)	(11,184)	45,200	(80,223)	-286.3%	(91,900)	-238.4%
Net OM&A labour	3,091,635	3,050,300	5,996,100	25,497	576,488	338,019	966,461	998,000	2,904,465	14.2%	2,945,800	14.5%
Employee expenses	56,892	102,000	221,100	24,889	45,823	27,538	65,458	500	164,208	31.2%	119,100	16.7%
Contractor services and consulting	445,066	297,100	739,900	82,918	39,132	(119,774)	321,958	(29,400)	294,834	10.7%	442,800	20.0%
Legal services	256,796	200,000	200,000	208,377	(154,098)	26,765	(87,839)	(50,000)	(56,796)	-4.9%	-	0.0%
Insurance	412,977	420,300	515,900	39,656	(30,595)	69,726	(4,264)	28,400	102,923	4.6%	95,600	4.2%
Board of Director services	127,512	144,000	223,200	19,387	34,701	(33,658)	70,858	4,400	95,688	11.8%	79,200	9.2%
Corporate membership dues	110,950	130,000	205,000	5,500	3,850	54,791	25,609	4,300	94,050	13.1%	75,000	9.5%
Software and hardware	108,132	116,200	156,000	9,556	10,461	4,944	13,906	9,000	47,868	7.6%	39,800	6.1%
Vehicles and major equipment	26,265	26,600	70,900	1,673	329	5,213	35,719	1,700	44,635	22%	44,300	21.7%
OEB cost assessment fees	746,508	719,800	1,300,000	77,815	133,709	82,178	184,790	75,000	553,492	12%	580,200	12.6%
Regulatory application costs	34,260	60,000	155,300	-	-	-	40	121,000	121,040	35%	95,300	20.9%
Other	57,458	77,400	56,500	(17,733)	20,168	(14,946)	12,654	(1,100)	(958)	0%	(20,900)	-6.1%
Total $	**5,474,451**	**5,343,700**	**9,839,900**	**477,535**	**679,968**	**440,796**	**1,605,350**	**1,161,800**	**4,365,449**	**12.4%**	**4,496,200**	**13.0%**
Annual % change				9%	11%	7%	23%	13%				

Net OM&A labour

Please see Workforce Planning and Employee Compensation, Section 4.3.

Employee expenses

Employee expenses include items such as training, professional development, professional fees, and travel expenditures associated with attending conferences and offsite meetings. These costs have risen primarily due to the addition of full-time employees in the Corporate Services Program since filing the 2022 Cost of Service Rate Application. Increasing complexity and rapid changes within the electricity industry as a result of electrification and new regulation are also having an impact. The proposed 2027 Test Year budget provides for greater participation in industry conferences, seminars, and training opportunities to ensure staff remain informed and engaged on regulatory developments, emerging best

practices, technological innovations, and new approaches for effectively managing London Hydro's operations.

Contractor services and consulting

This line item includes financial services and consulting related to the Scientific Research and Experimental Development ("SR&ED") tax credit application, the external year-end audit, post-employment liability actuarial valuation, Standard & Poor's analytical services, as well as consulting in the areas of Strategy, Enterprise Risk Management ("ERM"), and Environmental, Social and Governance ("ESG").

The Corporate Services program consulting budget increased in the 2026 Bridge Year to support London Hydro's Enterprise Risk Management department, specifically for internal audit and control testing. While ERM staff are responsible for the design and ongoing monitoring of internal controls, third-party support provides an essential level of independence and objectivity.

The use of external consultants for internal audit testing is considered best practice for organizations of London Hydro's size and complexity, as it avoids self-assessment of controls and strengthens overall governance. Third-party reviewers also bring specialized expertise and current insight into regulatory expectations and industry practices. Independent testing confirms that controls are operating effectively, identifies gaps, and enhances assurance that key risks—such as financial reporting, customer privacy, cybersecurity, and regulatory compliance—are being appropriately managed. This approach allows the ERM function to scale efficiently without requiring additional permanent resources.

Third-party consulting also increased in the 2026 Bridge Year to support London Hydro's ongoing strategic planning. Independent input offers objective perspectives in a period of significant industry change and ensures that the Company's five-year rolling Strategic Plan remains responsive to shifting customer preferences, regulatory requirements, and industry standards. This process helps align annual business targets with long-term corporate objectives and reinforces London Hydro's commitment to prudent, forward-looking decision making.

Legal services

To protect the Company and the interests of ratepayers, London Hydro retains legal services to manage regulatory, operational, and corporate risks in a prudent and cost-effective manner. Legal support addresses matters such as corporate governance, human resources, contractual negotiations and dispute resolution, financing, claims, collection of arrears, and compliance. In 2025, London Hydro strengthened its in-house legal capacity with the addition of a VP Legal & General Counsel, which is expected to reduce reliance on external counsel.

Legal service fees in the 2023 fiscal year were higher than typical due to several important and complex business, regulatory, financing and labour relations matters that required input, advice and/or carriage from external legal counsel. While every effort is made to minimize external legal costs, it is also prudent to proactively secure legal assistance when and as warranted.

Insurance

London Hydro uses insurance as a risk transfer mechanism to manage exposure to specific risks. The insurance portfolio is reviewed annually to ensure an appropriate balance between risk transfer and premium costs is maintained. The insurance program addresses risk exposures, including general liability, Directors' and Officers' liability, crime, and cyber/privacy risks, with the majority of coverage placed through the primary insurance provider for Ontario local distribution companies.

Board of Director services

London Hydro's Board of Directors is composed of seven members (six at large, independent, directors, and one representative from City Council) appointed by City Council. Board compensation is set by City Council in accordance with the Shareholder Declaration, which places the authority for determining Board compensation solely within the hands of the shareholder. The Declaration was amended in 2025 to clarify that the Board can make a recommendation to the shareholder on its compensation, which recommendation shall be based on the advice of an independent consultant with expertise on director compensation at comparable organizations. Otherwise, Board members receive an annual increase in compensation based on inflation, in keeping with the policy of the City of London entitled 'Remuneration for Elected Officials and Appointed Citizen Members".

Board Compensation remains unchanged since the inception of London Hydro in the year 2000 and has, since approximately 2016, only been adjusted by an inflationary increase. London Hydro has budgeted for a modest increase in Board compensation in 2026 in anticipation of a potential increase given the new mechanism introduced to the Shareholder Declaration for the Board to request a market-based adjustment in compensation. The primary driver of fluctuations in total Board of Director costs from year to year shown in the Table 4-43 below have been driven primarily by changes in the number of meetings in each year. The number of meetings in a year can vary depending upon issues faced by the Board in that year. For example, those years in which active recruitment of Board members are taking place necessitates meeting for interviews, and likewise the recruitment of a new CEO drove additional meetings in 2024. In addition, the number of committee meetings increases as necessary to ensure appropriate governance oversight when significant operational, regulatory, strategic, financial, or risk-related matters arise.

Table 4-43: Board of Director Services

Board of Director Services								
Nature of Expenditure	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test	2022 Actuals to 2027 Test	CAGR
	$	$	$	$	$	$	$	%
Board of Director services	127,512	146,899	181,600	147,942	218,800	223,200	95,688	11.8%

Corporate membership dues

The proposed 2027 Test Year budget includes an increase in corporate membership fees primarily driven by new membership with the Ontario Energy Association and expansion of London Hydro's participation with the Centre for Energy Advancement through Technological Innovation. The Corporate Services Program maintains memberships in a number of key industry organizations, including the Electricity Distributors Association.

These memberships provide significant value by allowing London Hydro to actively engage with organizations dedicated to addressing the needs and issues of the electrical utility sector. Through this engagement, London Hydro gains access to a wide range of industry knowledge, and participation in networking and focus groups focused on industry regulations and best practices. These organizations are instrumental in keeping members informed about regulatory changes, government priorities, and

emerging industry trends. By maintaining a proactive presence, London Hydro benefits from timely insights and contributes to policy development that directly impacts the Company's operations and its customers. By participating in these forums and working groups, London Hydro can share its perspectives and help shape the future of Ontario's energy sector.

Computer software and hardware

Budgeted amounts for computer software and hardware include expenditures associated with London Hydro's financial accounting system (J.D. Edwards), the Company's financial reporting tool (Hubble) and London Hydro's automated accounts payable system ("APA").

J.D. Edwards supports a wide range of core business functions, including the general ledger, accounts payable, procurement, inventory, time and labour management, fixed assets, and work orders. The APA system streamlines the accounts payable process from end to end by automating the intake, validation, verification, and approval of vendor invoices. This reduces manual data entry through the use of scanning and character recognition software, while routing invoices through predefined approval workflows. This saves time in the Finance Department and throughout the Company by streamlining the processing of invoices from receipt to payment.

Cost increases in this area are primarily driven by vendor price adjustments. Software providers are restructuring pricing models and raising rates in response to rising costs, inflationary pressures, and investments in Artificial Intelligence ("AI"). In addition, widespread adoption of subscription-based licensing, combined with the need for ongoing compatibility updates and security enhancements for older versions, places further pressure on software costs.

Vehicles and major equipment

Vehicle expenditures relate to vehicles that are made available to staff in the Corporate Services Program to attend offsite meetings, conferences, and seminars.

OEB cost assessment fees

The Ontario Energy Board (“OEB”) cost assessment fees levied under Ontario Regulation 16/08, have risen significantly since 2022, reflecting a compound annual growth rate (CAGR) of 11.7%. The OEB's 2025-2028 business plan (page 30 and 31) identifies a $13 million (22.6%) increase in expenses for 2025/2026 over the 2024/2025 budget. The increase is required to "maintain and enhance our ability to deliver on both ongoing and new initiatives" and is due to "the increased volume and complexity of work". The number of permanent staff is projected to increase by 32 (from 228 to 260). The OEB plans to hire throughout the year with staggered start dates. As a result, the full year impact of the additional staff will be higher the following year. The OEB is forecasting (page 33) that its 2026/2027 and 2027/2028 expenses will be 30.2% and 33.6% higher than the 2024/2025 budget. Amounts forecasted for the 2027 Test Year of $1,300,000 reflect the OEB's business plan expense projections.

Regulatory application costs

Regulatory application costs represent one-time expenditures related to the engagement of external consultants and legal support for the preparation of Cost of Service Rate Applications, as well as costs associated with intervener reviews. These costs also include services retained to complete the cost allocation study for Green Button Services, as required under the full settlement of the 2022 Cost of Service Rate Application (EB-2021-0041, Section 5.4).

For additional details, please refer to the Section 4.6.3 One-Time Costs.

4.4.10 LOCATE SERVICES

Overview

Homeowners and contractors are required by law (under the Occupational Health and Safety Act of Ontario) to ascertain the location of buried utilities before breaking ground.

This same Act along with the Ontario Underground Infrastructure Notification System Act 2012 ("OUINS"), the Getting Ontario Connected Act 2022, and regulations O. Reg 136/24 and O. Reg 87/23, require London Hydro to provide location services for all utility-owned underground plant installed as part of the electrical system in the City of London. Providing accurate and timely locates also supports public policy initiatives such as the Building Broadband Faster Act 2021 and Building Infrastructure Safely Act 2024.

The volume of requests for location services increased throughout Ontario since 2022, as significant infrastructure projects took place in response to the broadband and housing initiatives. This resulted in an overwhelming demand for locate services, which increased the market rate for locate service providers. Since 2014, London Hydro has outsourced the provision of locate services due to the variable and seasonal nature of the work, and currently works through the Locate Alliance Consortium ("LAC") to secure locate service providers ("LSPs") through a competitive bid process that provides discounts when the LSP provides locates for multiple asset owners.

To mitigate the increasing volume and the cost of locates, London Hydro encourages excavators to use a dedicated locator (for large capital projects), or an Alternate Locate Agreement ("ALA") for shallow excavations and excavations done using a vacuum excavator. In 2024, London Hydro began engaging a third party to provide "office clearance" of locates whereby trained personnel determine if a field locate can be avoided based on information provided by the excavator and London Hydro.

The volume of locate requests decreased in 2024 and 2025, as most of the broadband projects were completed and housing development slowed significantly. The forecast for the Bridge and Test Year are expected to return to average levels.

Program Delivery Costs

Locate Services expenditures are forecasted to be $1,534,500 for the 2026 Bridge Year and $1,581,400 for the proposed 2027 Test Year. The forecast for 2027 provides an increase in comparison to the 2026 Bridge Year of $46,900 and is $331,504 over 2022 Actual amounts resulting in a CAGR of 4.8%.

Table 4-44: Locate Services Program Delivery Costs

Locate Services Program Delivery Costs												
				Annual Change					Change		Change	
Nature of expenditure	2022 Actual	2022 Applied	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2027 Test		2022 Applied to 2027 Test	
	$	$	$	$	$	$	$	$	$	CAGR	$	CAGR
Gross labour	-	-	-	-	-	-	-	-	-		-	
Labour allocations	35,747	42,500	46,200	1,429	7,253	(156)	(273)	2,200	10,453	5.3%	3,700	1.7%
Net OM&A labour	35,747	42,500	46,200	1,429	7,253	(156)	(273)	2,200	10,453	5.3%	3,700	1.7%
Contractor services	1,211,542	1,076,300	1,529,600	710,346	(588,531)	(211,746)	363,389	44,600	318,058	4.8%	453,300	7.3%
Other	2,607	6,900	5,600	711	2,849	(1,681)	1,014	100	2,993	17%	(1,300)	-4.1%
Total $	**1,249,896**	**1,125,700**	**1,581,400**	**712,487**	**(578,430)**	**(213,583)**	**364,130**	**46,900**	**331,504**	**4.8%**	**455,700**	**7.0%**
Annual % change				57%	-29%	-15%	31%	3%				

Net OM&A labour

The modest amount for labour and benefits in this Program relates to labour allocations for the supervision of locate contractors.

Contractor services

Costs related to contracted locate services are captured in this line item and vary based on the volume of locate requests, which is largely driven by development and construction activity. As discussed above, due to the increase in volumes, the seasonal fluctuation of demand, the necessary expertise and legislated timeline requirements, London Hydro contracts a third party to perform all locate services. Service providers are selected via an RFP process issued jointly by several asset owners including London Hydro, Enbridge, and Hydro One.

Leading up to and including 2023, customers were having difficulty obtaining timely locate services. This was largely caused by province-wide labour shortages and increased demand for services in connection with government priorities such as housing, better public transit systems and in support of broadband internet expansion across rural Ontario. Consequently, Bill 93, the Getting Ontario Connected Act was put into law and brought in by Ontario One Call effective April 2023 with monetary penalties when a formal complaint has been lodged beginning in May 2024. This new regulation helps ensure that the asset owner meets requirements for service request timelines by subjecting them to a penalty for non-compliance in the event that they cannot meet the regulated timeline for completion.

Bill 93 motivates asset owners to work with their locate services providers to attract and retain the necessary resources needed to complete requests on a timely basis. Obtaining these incremental resources adds increased costs for the LSP that needs to be recovered from their customers. For this reason, London Hydro, along with other distributors across Ontario, have seen a significant increase in the per unit cost of a locate.

As a result of this substantial increase, the OEB established the Getting Ontario Connected Act ("GOCA") variance account to track the incremental cost of locates arising from Bill 93 effective April 1, 2023. London Hydro has tracked monthly variances from April 2023 up until December 2026 under this established deferral account for future rate recovery. Actual results presented in Table 4-44 above include variance amounts captured under the GOCA variance account to provide for better comparative information.

To help mitigate rising locate service costs, London Hydro implemented a strategic initiative in the spring of 2024 to introduce a third-party digital screening service at a reduced per-unit rate. London Hydro receives, on average, more than 25,000 locate requests annually. Each request must undergo an initial assessment to determine whether a physical site visit is required or whether the request can be cleared remotely based on available system records.

Under this model, the third-party locate screening service performs an initial digital review of each locate request using mapping and asset information to determine whether the proposed excavation area has the potential to impact London Hydro's infrastructure. Where the review confirms that no infrastructure is present within the proposed dig area, the ticket can be cleared remotely and a physical site visit is not required.

The implementation of this digital screening service provides an immediate unit cost reduction of approximately $1.00 per locate request. In addition, the enhanced screening capability enables more locate requests to be cleared remotely, reducing the number of field locates required. Together, these efficiencies help reduce overall locate program costs by over $400k annually while maintaining compliance with locate obligations and continuing to deliver cost savings that directly benefit customers.

4.4.11 MATERIALS MANAGEMENT

Overview

The Materials Management department warehouses inventories and supplies materials used in capital projects, billable services and operating and maintenance activities. Stock is kept on hand so that it is readily available in an efficient and timely manner. Inventories include (for example) poles, cable, wire, reels, concrete products, transformers and other distribution equipment that is collectively valued at over $20,000,000. Approximately 10% of the value of goods is used in operating and maintenance activities, with the remaining 90% being used in billable services and capital projects.

Over the past five years, the supply chain has become more volatile and to ensure adequate stock is available for planned and unplanned work, the volume of material in inventory has increased significantly. In addition, the amount of inventory earmarked for emergency replacements (due to unexpected failures, vandalism, or storms) has also increased based on recent trends. With the increased volume of inventory and the additional work associated with managing the supply chain, the cost to provide the materials management program has also increased.

To recognize expenditures associated with keeping required stock on hand, costs captured under this cost centre are allocated out to other activities as an indirect overhead. This is done through an overhead “burden” by attaching a percentage markup to the value of materials issued.

Program Delivery Costs

The Materials Management department gross OM&A expenditures (before cost allocations of 'overhead burden') are forecasted to be $1,702,000 for the 2026 Bridge Year and $1,764,500 for the proposed 2027 Test Year. The forecast for 2027 provides an increase in comparison to the 2026 Bridge Year of $62,500 and $787,043 over 2022 Actual amounts resulting in a CAGR of 12.5%.

Table 4-45: Materials Management Program Delivery Costs

Materials Management Program Delivery Costs												
				Annual Change					Change		Change	
Nature of expenditure	2022 Actual	2022 Applied	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2027 Test		2022 Applied to 2027 Test	
	$	$	$	$	$	$	$	$	$	CAGR	$	CAGR
Gross labour	760,073	758,300	1,338,900	226,669	264,290	27,914	12,855	47,100	578,827	12.0%	580,600	12.0%
Labour allocations	1,515	25,900	23,200	36,993	(21,251)	10,797	(6,054)	1,200	21,685	72.6%	(2,700)	-2.2%
Net OM&A labour	761,588	784,200	1,362,100	263,662	243,039	38,711	6,801	48,300	600,512	12.3%	577,900	11.7%
Employee expenses	11,760	6,900	35,600	(4,630)	10,120	7,249	11,101	-	23,840	24.8%	28,700	38.8%
Property leasing	-	-	58,400	-	55,344	(1,253)	5,909	(1,600)	58,400		58,400	
Vehicles and major equipment	29,498	27,100	61,800	13,414	8,754	2,930	5,405	1,800	32,302	15.9%	34,700	17.9%
Materials and supplies	30,973	43,300	63,300	(3,098)	14,269	(4,405)	12,462	13,100	32,327	15.4%	20,000	7.9%
Software and hardware	46,997	44,000	56,000	(762)	2,232	8,947	(1,415)	-	9,003	3.6%	12,000	4.9%
Corporate membership dues	-	-	10,800	-	12,428	(1,963)	35	300	10,800		10,800	
Inventory obsolescence	72,000	61,500	85,000	-	3,000	5,000	5,000	-	13,000	3.4%	23,500	6.7%
Other	24,642	39,300	31,500	(6,775)	10,621	(17,821)	20,233	600	6,858	5.0%	(7,800)	-4.3%
Total $	**977,457**	**1,006,300**	**1,764,500**	**261,811**	**359,807**	**37,394**	**65,531**	**62,500**	**787,043**	**12.5%**	**758,200**	**11.9%**
Cost allocations	(482,630)	(490,000)	(1,679,500)	(204,207)	(837,238)	(32,394)	(60,531)	(62,500)	(1,196,871)	28.3%	(1,189,500)	27.9%
Net cost center balance	494,828	516,300	85,000	57,603	(477,431)	5,000	5,000	-	(409,828)	-29.7%	(431,300)	-30.3%
Annual % change				27%	37%	4%	7%	6%				

Net OM&A labour

Please see Workforce Planning and Employee Compensation, Section 4.3.

Property leasing

The property leasing expense beginning in 2024 relates to securing an additional facility for inventory storage. This expense arises from the significant increase in inventory levels driven by recent supply chain challenges. To accommodate the expanded stock, London Hydro is leasing a neighboring property for use as extra storage space for poles.

Maintaining adequate inventory ensures that materials are readily available for capital projects and emergencies, enabling the Company to respond efficiently and reliably to customer needs.

Corporate memberships dues

In 2024, London Hydro became a member of the Utilities Standards Forum ("USF"), a collaborative organization of Ontario electricity distributors focused on common design standards, best practices, and technical training. Participation allows London Hydro to leverage shared industry expertise to address regulatory, safety, and technical requirements efficiently, while supporting consistent, cost-effective approaches to materials and equipment.

USF members also collaborate to share common inventory items to address temporary shortfalls due to storm damage or supply chain disruptions.

Net cost centre balance

The significant decrease in the net cost centre balance in Table 4-45 is the result of a revision to London Hydro's overhead allocation practice for Materials Management, effective January 1, 2024 as discussed in Section 4.2.5.2.

Following a review of its overhead capitalization practices, London Hydro determined that certain incremental costs—specifically within Materials Management and capital-supporting labour—were not being capitalized despite being essential to the construction of infrastructure assets.

To better align with the principle of reflecting the full cost of self-constructed assets, London Hydro now allocates all Materials Management department costs, with the exception of inventory obsolescence. These reclassified costs include labour, waste disposal, supplies, barcoding software, third-party inventory services, and vehicle expenses. Notably, facilities-related fixed and variable costs remain excluded from this cost centre.

4.4.12 FLEET SERVICES

Overview

London Hydro's Fleet department manages the maintenance, repair, licensing and inspection requirements for all vehicles and equipment required to build and maintain the Company's distribution system infrastructure. Fleet Services ensure that vehicles are operating safely and are available when needed for prompt outage response for customers and efficient completion of new and rebuilt capital projects. London Hydro's rolling stock assets consist of over 180 units including small and large trucks, RBDs, sedans, backhoes, forklifts and other pieces of equipment. The Fleet Department also maintains and repairs smaller gas-powered equipment such as generators, water pumps, chainsaws, etc.



All repairs and maintenance activities are performed in accordance with Manufacturers' recommended guidelines, Ministry of Transportation ("MTO") Regulations and industry best practices while looking to reduce equipment lifecycle costs, operational costs and environmental impacts.

Vehicle replacement program

London Hydro's Replacement Schedule outlines a schedule of 12 years for large vehicles (Classes 6, 7 and 8 such as bucket trucks and RBD vehicles), 15 years for crane trucks (Class 8) and 10 years for smaller vehicles such as pickup trucks and SUVs. Trailers are on a 20-year replacement schedule which usually translates into running them to the point of structural failure or when the trailer no longer passes MTO inspection protocols.

Specialty equipment, such as line-tensioners and cable-winch trailers, are replaced on a 15-year schedule due to the complex hydraulics, controls and motors used in this equipment. Usually, this type of equipment is run to the point at which annual repair costs exceed 20% of the cost of a replacement or the equipment can no longer be operated safely. Other fuel-motorized equipment, such as chainsaws, gas drills and pumps are usually run to failure. The illustration below shows a sample Service Summary report that can illustrate the total allocated costs of maintenance of a vehicle.

Figure 4-14: Fleetio Cost Report Example

Service Summary Report

2 records

Report generated on 04/14/2026 10:25

Parts	Labor	Total
$10,643.72	$28,978.34	$44,772.92

Vehicle	Group	Type	Status	Last Service Date	# Service Entries	# Service Tasks	Duration	Parts	Tax	Total
103	EUS	Cut Away Van - F350-F550	Active	12/15/2025	24	38	102d 13h 52m	$3,034.30	$2,464.55	$21,422.62
18	EUS	Cut Away Van - F350-F550	Active	12/09/2025	23	35	22d 11h 0m	$7,609.42	$2,686.31	$23,350.30

Vehicle maintenance and fuel costs are tracked by individual units and are summarized annually to determine cost trends. When a vehicle comes due for budgeted replacement, an overall assessment of the vehicle's mileage, engine hours, repair history and future intended usage is performed by the Fleet Supervisor. The process includes, but is not limited to:

- A review of the vehicle's role and need in the operating department;
- Using mileage, hours and age as determining factors in vehicle replacement;
- Flagging vehicles for replacement consideration when maintenance on the specific vehicle for two consecutive years exceeds 20% of the cost of a replacement of the vehicle;
- Availability of repair parts and supply chain dependability;

- The resale value which can have an impact on total cost of ownership; and
- Considering current MTO requirements, Infrastructure Health and Safety Association ("IHSA"), third-party engineering analysis or reports and departmental needs that might necessitate major modifications for the vehicle to remain in service.

If the life of a vehicle can be extended based on these criteria, the vehicle will also be inspected in relation to any applicable government regulations to ensure it will still meet requirements if it is to remain in service. In addition, the department that uses the vehicle is consulted to determine whether the vehicle still performs as required or, if replacement with a newer vehicle with enhanced features would provide better efficiencies. This assessment may result in the vehicle replacement being deferred to the next year; at which time the vehicle would be assessed again to see if a replacement is necessary. In some cases, a vehicle may be rotated through another department if the departmental needs change.

Finally, the Director of Engineering Services reviews the London Hydro Vehicle Replacement Schedule and associated vehicle maintenance costs annually. This review results in a prioritized list of vehicles and equipment to be replaced in the following year's capital budget.

Rising prices

London Hydro faces challenges in the procurement of large vehicle replacements, such as bucket trucks, crane trucks or radial boom derricks ("RBDs"). This challenge stems from the American market supply of truck chassis and fewer available manufacturers. Exacerbating the issue is the increased demand for these units. Delivery times have risen from 10 to 12 months in 2019 and prior to the current timeline of 18 to 24 months or more since 2024.

Manufacturers have also streamlined available vehicle configurations, meaning new orders require modifications by external contractors to meet London Hydro's specific safety and operational requirements. While staff consultations are conducted to better align needs with available designs, some modifications remain unavoidable, adding to the final capital cost and extending the time required to place a vehicle into service. Consequently, aging vehicles must be kept in service longer—driving up maintenance costs—or new vehicles must be ordered and paid for well in advance of their in-service date.

Manufacturers for new vehicles have increased costs by 20 - 35% or more in the last five years. London Hydro's tendering process revealed that a single axle bucket truck was $391k in 2022 while an identical truck procured in 2024 reached $510k. That is equivalent to a compound annual growth rate ("CAGR") of 14%.

In addition to the cost of vehicle purchase, the costs to maintain London Hydro's fleet of vehicles has also increased. Vehicle parts, shop supplies and lubricants have increased year over year. As an example, a litre of 15W40 engine oil costing $2.81 in 2018 costs $4.63 in 2024. This is almost a CAGR of 9%.

The costs of maintenance and repairs has also increased due to the purchase price of replacement parts as well as external mechanic technician rates. To assist in mitigating this, London Hydro has been maintaining vehicles with more of an internal focus rather than contracting out. However, decisions to maintain internally versus externally are made on a per case basis and evaluated on a cost and opportunity basis such as to meet in-service timelines.

Program Delivery Costs

Fleet Services expenditures are forecasted to be $3,585,400 for the 2026 Bridge Year and $3,980,900 for the proposed 2027 Test Year. The forecast for 2027 provides an increase over the 2026 Bridge Year of $395,500 and $790,349 over 2022 Actual amounts resulting in a CAGR of 4.5%.

Table 4-46: Fleet Services Program Delivery Costs

Fleet Services Program Delivery Costs												
				Annual Change					Change		Change	
Nature of expenditure	2022 Actual	2022 Applied	2027 Test	2022 Actual to 2023 Actual	2023 Actual to 2024 Actual	2024 Actual to 2025 Actual	2025 Actual to 2026 Bridge	2026 Bridge to 2027 Test	2022 Actual to 2027 Test		2022 Applied to 2027 Test	
	$	$	$	$	$	$	$	$	$	CAGR	$	CAGR
Gross labour	744,969	873,000	1,138,200	56,059	59,463	12,022	55,187	210,500	393,231	8.8%	265,200	5.4%
Labour allocations	1,382	(83,000)	-	(9,411)	5,989	1,127	913	-	(1,382)	-100.0%	83,000	-100.0%
Net OM&A labour	746,351	790,000	1,138,200	46,648	65,452	13,149	56,100	210,500	391,849	8.8%	348,200	7.6%
Repairs and maintenance	480,296	511,800	562,200	56,925	(122,921)	59,070	75,131	13,700	81,904	3.2%	50,400	1.9%
Fuel	508,153	348,500	370,000	(101,890)	(20,383)	(48,595)	22,715	10,000	(138,153)	-6.1%	21,500	1.2%
Insurance	93,268	89,200	135,100	10,833	2,699	4,821	11,178	12,300	41,832	7.7%	45,900	8.7%
Vehicle leasing	42,188	6,300	-	(42,188)	-	4,945	(4,945)	-	(42,188)	-100.0%	(6,300)	-100.0%
Other	213,225	324,600	248,400	8,452	(826)	14,278	2,271	11,000	35,175	3.1%	(76,200)	-5.2%
Total before depreciation	**2,083,482**	**2,070,400**	**2,453,900**	**(21,220)**	**(75,979)**	**47,668**	**162,449**	**257,500**	**370,418**	**3.3%**	**383,500**	**3.5%**
Depreciation	1,107,070	1,158,000	1,527,000	133,442	41,090	47,099	60,298	138,000	419,930	6.6%	369,000	5.7%
Total $	**3,190,551**	**3,228,400**	**3,980,900**	**112,223**	**(34,889)**	**94,768**	**222,748**	**395,500**	**790,349**	**4.5%**	**752,500**	**4.3%**
Cost allocations	(3,190,551)	(3,228,400)	(3,980,900)	(112,223)	34,889	(94,768)	(222,748)	(395,500)	(790,349)	4.5%	(752,500)	4.3%
Net cost center balance	-	-	-	-	-	-	-	-	-		-	
Annual % change				4%	-1%	3%	7%	12%				

Net OM&A labour

Please see Workforce Planning and Employee Compensation, Section 4.3.

Repairs and maintenance

Vehicle repair and maintenance costs fluctuate annually as London Hydro's fleet progresses through different stages of its lifecycle. The unpredictable nature of motor vehicle accidents further contributes to this variability. Although London Hydro has insurance for vehicles, the Company is still responsible for payments up to the deductible amount. Maintenance activities encompass a variety of units, including vehicles, heavy and small equipment, and trailers.

As units near the end of their service lives, repair and maintenance costs tend to rise. These costs have also been affected by the increased pricing for vehicle parts. Prolonging a vehicle's service life beyond its planned replacement schedule typically results in higher repair expenses. London Hydro has experienced challenges in replacing large vehicles, which has caused delays in fleet renewal. Consequently, older vehicles remain in operation longer, leading to additional repair and maintenance costs.

Fuel

Fuel costs fluctuate based on vehicle usage and associated fuel consumption as well as changes in fuel prices. Vehicle usage fluctuates in response to maintenance and storm repair activities and capital distribution assets construction. Over the period, average regular unleaded fuel prices have ranged from a high of $2.06 per litre in June 2022 to a low of $1.26 in December 2025, reflecting market volatility and the impact of the removal of the consumer carbon tax.

To help mitigate fuel expenditures, London Hydro prioritizes fuel-efficient engines in new vehicle procurements. The Company also purchases fuel in bulk and utilizes company-owned fueling infrastructure to reduce exposure to short-term retail price fluctuations. Notwithstanding these measures, fuel pricing remains subject to external factors, including changes in government policy and geopolitical supply disruptions, which cannot be reasonably forecasted.

Vehicle leasing

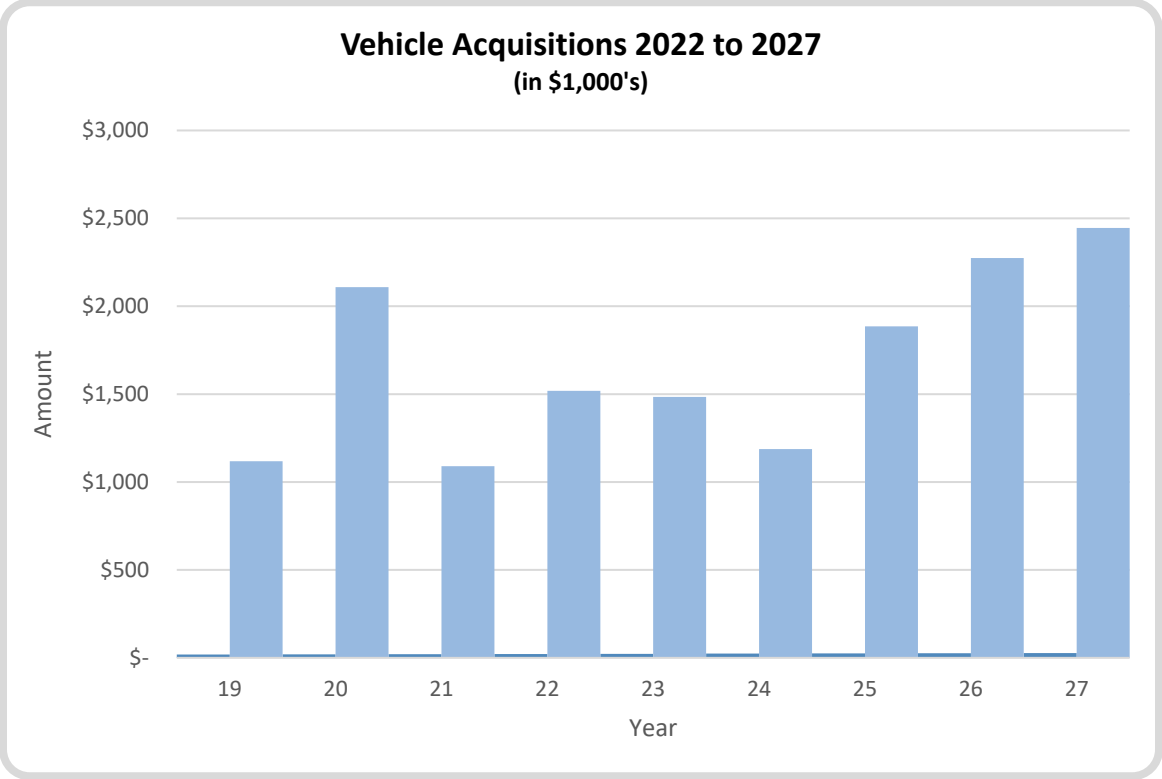
Vehicle leasing expenses were higher in the 2022 Test Year because the Company temporarily leased additional vehicles to ensure that no more than one employee traveled per vehicle. This measure was part of a broader set of initiatives implemented during the pandemic to support physical distancing.

As an essential service, London Hydro remained fully operational throughout the COVID-19 outbreak, making every effort to maintain business continuity while prioritizing the health and safety of employees. The Company developed policies and guidelines to keep staff safe, emphasizing strict physical distancing requirements along with enhanced hygiene and sanitation standards.

Depreciation expense

Depreciation on vehicles and major equipment is forecasted to be $1,527,000 in the proposed 2027 Test Year, representing an increase of $419,930 over 2022 Actual amounts and a CAGR of 6.6%. Depreciation levels generally fluctuate with the timing and cost of vehicle acquisitions, as illustrated below.

Chart 4-36: Vehicle Acquisitions 2022 to 2027



In recent years, however, the sharp rise in depreciation expense has been driven by the surge in vehicle prices following the COVID-19 pandemic. As the Company replaces vehicles reaching end of life, the cost of newer models has been substantially higher, directly increasing depreciation expense.

The pandemic created significant supply chain disruptions in the automotive sector, including microchip shortages and early plant closures, which severely impacted production schedules. As a result, new vehicle availability declined sharply, pushing prices upward. For example, the average price of a new vehicle rose by more than 40% between 2020 and 2025.

Fleet Cost Allocations

London Hydro's fleet is used for capital, billable and OM&A activities. In order to recognize expenditures associated with the cost of vehicles and equipment used during daily activities, costs captured under the Fleet department cost centre are allocated out to the various activities. This is done by charging a fixed hourly rate, dependent upon the vehicle type and based on actual usage data tracked through London Hydro's HRIS time entry system. Capital and billable activities account for approximately 60% of total vehicle usage, with the remaining 40% attributable to OM&A activities.

4.5 CLOUD SERVICES

Overview

London Hydro's forecast OM&A includes increased costs associated with the use of cloud-based computing services. These increases reflect the evolving role that cloud technologies play in supporting core utility operations, regulatory compliance, cybersecurity, and digital service delivery. London Hydro applies a disciplined approach to cloud computing, implementing cloud solutions where they are demonstrably fit-for-purpose and provide operational, security, or cost advantages relative to traditional on-premise alternatives.

Cloud services are used selectively to support business applications and infrastructure that benefit from scalability, resilience, enhanced security controls, and the ability to integrate with modern vendor-supported platforms. In many cases, cloud deployment is driven by external factors, including vendor product roadmaps that prioritize cloud-based solutions, evolving cybersecurity expectations, and the need to support increasingly data-intensive and customer-facing systems. As a result, utilization of cloud services has become an enabling component of maintaining reliable, secure, and compliant utility operations.

London Hydro continues to actively manage cloud costs through governance controls, vendor management practices, and regular reviews of system utilization. Decisions to migrate workloads to the cloud, retain on-premise solutions, or adopt hybrid architectures are made based on total cost of ownership, solution availability, operational risk, system criticality, and long-term sustainability considerations.

The delivery of cloud solutions and related capital programs is governed by London Hydro's IT Asset Management Framework, which establishes standardized processes for planning, acquisition, deployment, lifecycle management, and performance monitoring. This framework ensures that technology investments are aligned with business needs, optimized over their lifecycle, and subject to consistent oversight, supporting cost discipline and effective program delivery. A copy of London Hydro's IT Asset Management Framework can be found in the Company's Distribution System Plan ("DSP") under Appendix F.

Cloud services expenditures are forecasted to be $4,409,600 for the 2026 Bridge Year and $3,916,800 for the proposed 2027 Test Year. The forecast for 2027 provides a decrease in comparison to the 2026 Bridge Year of $492,800 and is $1,780,516 over 2022 actual results. This increase is primarily driven by the continued adoption and expanded use of cloud-based technologies to support core business, customer, operational, and cybersecurity functions, as well as a broader shift toward scalable, subscription-based service delivery models.

Table 4-47: Cloud Service Costs - 2022 Actual to 2027 Test Year

Cloud Services								
							Total Change	
	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test	2022 Actual to 2027 Test	
	$	$	$	$	$	$	$	CAGR
Infrastructure Services								
Customer Information System	101,148	197,469	800,069	1,136,872	830,400	-	(101,148)	-100%
Cyber Security - Backup & Disaster Recovery	74,345	123,915	169,949	219,527	220,000	210,000	135,655	23%
Smart Meter AMI Hosting	199,554	207,268	202,648	184,482	275,000	302,500	102,946	9%
	375,047	**528,652**	**1,172,666**	**1,540,881**	**1,325,400**	**512,500**	**137,453**	**6%**
Platform Services								
Customer Self-Service Portals	307,428	398,126	435,203	534,912	523,200	575,200	267,772	13%
Data Warehouse & Analytics	294,703	450,210	363,347	343,599	397,500	437,300	142,597	8%
Customer Bill Print	228,023	347,650	150,047	202,054	235,000	235,000	6,977	1%
	830,155	**1,195,986**	**948,597**	**1,080,566**	**1,155,700**	**1,247,500**	**417,345**	**8%**
Software Sevices								
Cyber Security Solutions	27,728	83,183	96,483	105,833	198,000	203,000	175,272	49%
ENGIN Asset Management	-	-	62,000	62,000	67,000	160,000	160,000	
Desktop Productivity Solutions	65,329	95,326	161,799	204,335	206,000	220,000	154,671	27%
IT Management Tools	58,596	65,846	93,376	113,405	175,000	175,000	116,404	24%
Work Management Systems	142,579	178,288	220,731	246,648	250,000	250,000	107,421	12%
Digi Device Management	-	58,874	58,874	58,874	59,700	61,500	61,500	
HR Information System	174,370	181,997	196,065	203,195	212,800	227,800	53,430	5%
Customer Contact Centre	115,813	98,822	127,283	156,384	140,000	140,000	24,187	4%
Board Management	25,389	26,575	30,713	47,837	47,000	48,000	22,611	14%
Health and Safety Management	30,890	34,299	38,060	41,724	43,500	53,500	22,610	12%
Utility Map Sharing	1,179	16,613	14,609	14,354	15,400	15,800	14,621	68%
Corporate Website	75,000	75,000	70,417	71,283	73,000	73,000	(2,000)	-1%
Implementations and Configurations (IFRIC)	195,273	277,696	451,408	264,939	378,700	465,000	269,727	19%
Other	18,937	30,021	65,135	94,831	62,400	64,200	45,263	28%
	931,083	**1,222,538**	**1,686,952**	**1,685,643**	**1,928,500**	**2,156,800**	**1,225,717**	18%
	2,136,284	**2,947,176**	**3,808,215**	**4,307,090**	**4,409,600**	**3,916,800**	**1,780,516**	**13%**

Infrastructure Services ("IaaS")

This category of cloud investments includes the core technology platforms and supporting systems required to securely operate, maintain, and support the utility's digital environment as an alternative to on-premise hardware deployments. Key components include the Smart Metering Advanced Metering Infrastructure ("AMI") hosting services, and enterprise cybersecurity capabilities designed to provide a virtual disaster recovery facility. Together, these investments support reliable system operations, protect sensitive data, and enable the continued delivery of essential customer and grid services.

The significant increase in this cost category between 2024 and the 2026 Bridge Year relates to third-party Infrastructure-as-a-Service ("IaaS") fees associated with the SAP S/4HANA cloud environment. These costs include computing capacity, data storage, system processing, and other infrastructure resources required to maintain the hosted application.

As discussed in Exhibit 2, Section 2.7, London Hydro has paused the CIS Refresh Project and is evaluating alternative options for its customer information system strategy. While the Company continues to incur certain third-party IaaS costs associated with maintaining the cloud-hosted environment during this evaluation period, these costs have been removed from the 2027 Test Year revenue requirement. Accordingly, London Hydro is not seeking recovery of these costs from ratepayers while the future direction of the project is being determined.

During development of the CIS Refresh Project, a cloud-based infrastructure solution was selected because the anticipated SAP S/4HANA environment required specialized computing resources beyond those supported by London Hydro's existing on-premise infrastructure. Given the Company's lack of production operating experience with the system, sizing an on-premise hardware deployment presented a significant implementation risk. A cloud-based deployment was therefore considered the most appropriate approach to provide flexibility in managing computing resources and associated costs.

Infrastructure-as-a-Service costs associated with the CIS Refresh Project that are captured in the OEB's Incremental Cloud Computing Arrangement Implementation Costs deferral account, established under Accounting Order 003-2023 (issued November 2, 2023), have been presented in Table 4-47 above to provide better comparative information.

Since 2022, London Hydro has undertaken development of a cloud-based backup and disaster model, offering a cost-effective option for addressing the Company's disaster recovery and continuity needs. The Company does not currently have an alternate data centre location or maintain redundant secondary hardware for disaster purposes. The cloud-based strategy enables London Hydro to minimize OM&A expenses for disaster recovery and only incur the full running cost of a disaster recovery environment in the event that a disaster is actually declared.

Platform Services ("PaaS")

These investments include the enterprise platforms and applications that enable customer-facing services, data management, and advanced analytics across the organization. Key components include Platform-as-a-Service ("PaaS") solutions that support the development, integration, and operation of business applications. This category also includes systems that support customer bill print and delivery services. Together, these platforms enhance the customer experience, enable data-driven decision-making, and provide the scalable digital foundation required to support evolving utility operations and customer expectations.

Customer self-service portals allow customers to manage accounts, view usage, and access billing and service information online. Platform services for London Hydro's portals are predominantly utilization driven with the overall cost increases resulting directly from ongoing growth in customer use of these services as the Company continues to develop and offer more online capabilities for customers. A significant increase in cloud utilization costs occurred in 2025 was the result of development work to integrate new capabilities and an overhaul of the technical frameworks utilized in the platform to mitigate cybersecurity and maintenance risks.

Data warehouse and analytics platforms consolidate operational and customer data to support reporting, forecasting, and business insights. The primary cost drivers in this area are continued integration of additional data, growth of existing data sets and implementation of a new data reporting and visualization platform to better expose data to internal staff without extensive training.

Software Services ("SaaS")

These investments include the enterprise software applications and tools that support day-to-day business operations, workforce management, and customer service delivery across the organization. These investments include the corporate website and utility map sharing tools that provide public access to key information; board management platforms that support governance and decision-making; and the Human Resources Information System ("HRIS") used to manage employee records, payroll, and workforce administration. This category also includes desktop productivity solutions, cybersecurity software, and IT management tools that enable employees to work efficiently while ensuring secure and reliable system operations. In addition, Software Services support operational systems such as work management platforms, health and safety management tools, customer contact centre applications, field device management, and distribution asset management systems that track and manage the condition and performance of critical grid assets. Together, these software solutions enable effective business operations, strengthen cybersecurity, and support the reliable management of customer services and distribution system assets.

Development of London Hydro's cybersecurity posture in line with Ontario Cyber Security Framework controls has been a significant cost driver in the software services area, reflected clearly in Cyber Security Solutions with the Company moving from traditional antivirus software to a proactive managed endpoint security solution aligned with 24/7 monitoring and vulnerability remediation. Increases in IT Management Tools also result from the improved cybersecurity posture with additional services to support security scanning of the custom code developed as part of the Company's customer self-service portals in addition to management services for cellular devices deployed to support connectivity to field assets.

London Hydro's Distribution Asset Management system supports ongoing Asset Health and Condition Monitoring capabilities to enable reporting of distribution system health. The ENGIN platform providing these capabilities allows for an updated approach, placing greater emphasis on condition-based inputs relative to age, resulting in more representative asset health scoring. In the Test Year, the Company's proposed plan is to extend this system with additional module subscriptions of $93k to enable risk and investment planning capabilities, facilitating more effective prioritization of system investments.

Desktop Productivity Solutions represents general office productivity systems. Cost drivers in this space are predominantly a move in 2024 to a new enterprise plan for the Company's Google Workspace office suite. This was driven partly by an increase in user counts exceeding limits for the previous plan, but also by a need for additional data governance capabilities necessary to address risk remediation, improve cybersecurity controls and support mobile device management. Additionally, with the end of life for London Hydro's internal office phone system a transition was made to a more modern and flexible cloud-based telephony solution.

The Company has seen increasing costs in Work Management Systems as a result of consolidating IT and administrative work tracking and project management on a single platform over the 2022-2025 period. In the Test Year a new work management solution is planned for implementation to provide additional capabilities including project artifact consolidation and enhanced automation and AI-assisted workflow capabilities with the same ongoing cost structure.

Implementations and Configurations

This line item reflects costs associated with the implementation and configuration of Software-as-a-Service ("SaaS") solutions. SaaS arrangements provide the Company with access to cloud-based application software over the term of the contract. In accordance with IFRS, implementation activities, including the configuration and customization of cloud-based applications, as well as ongoing subscription fees, are recognized as operating expenses as the related services are received.

These costs have not been recorded in the OEB's deferral account for Incremental Cloud Computing Arrangement Implementation Costs established under Accounting Order 003-2023 (issued November 2, 2023), as the associated project costs do not meet London Hydro's materiality threshold when assessed at the individual project level.

Since the 2022 Test Year, London Hydro has undertaken several cloud implementation initiatives, including the integration of Genesys Pure Cloud with the Company's Customer Information System ("CIS"), the deployment of Webex Calling, and the implementation of SAP e-Recruiting. Projects planned for the 2026 Bridge Year and 2027 Test Year include enhancements to cyber security capabilities through Privileged Access Management ("PAM") and Security Information and Event

Management ("SIEM") solutions, as well as improvements to the Human Resources Information System ("HRIS").

London Hydro also plans to replace its existing health and safety management platform to better support its safety program, operational requirements, and broader digital transformation objectives. The current system has experienced low user adoption due to usability, performance, and mobile accessibility limitations, resulting in manual workarounds, increased administrative effort, and limited visibility into key safety information. A modern cloud-based platform will provide streamlined digital workflows, enhanced mobile functionality, real-time reporting and analytics, improved supervisor oversight, and stronger management of training records, incidents, corrective actions, contractors, and safety-related assets. This investment will enhance London Hydro's ability to proactively identify and mitigate workplace risks, improve operational efficiency, strengthen regulatory compliance, and support its commitment to maintaining a strong safety culture under its guiding principle of "Safety First. Always."

Foreign Exchange

Foreign exchange costs, particularly between Canadian and US dollars, have presented a challenge in recent years relating to cloud computing costs. Many cloud services, including those hosted within Canada are priced on a US Dollar basis. While London Hydro actively manages its cloud service utilization, a weakened Canadian dollar has created additional cost growth independent of service utilization. For example, the Company's largest cloud provider for 2025 accounts for approximately $1.99M of the overall cloud computing costs, primarily in the Infrastructure Services category - the same utilization at 2022 average exchange rates would have resulted in a $140k lower cost. Through the Bridge Year, exchange rates have remained relatively stable, maintaining the weaker position established in the previous cycle.

4.6 ADDITIONAL DETAILS ON OM&A EXPENSES

4.6.1 Shared Services and Corporate Cost Allocations

4.6.2 Purchases of Non-Affiliate Services

4.6.3 Regulatory One-Time Costs

4.6.4 Low-income Energy Assistance Programs (LEAP)

4.6.5 Charitable and Political Donations

4.6.6 Cost of Non-Wires Solutions and Conservation and Demand Management

4.6.7 Funding Options for Future Non-Wires Solutions

4.6.1 Shared Services and Corporate Cost Allocations

Shared Corporate Services

The City of London seeks to establish London Hydro Holdings Inc.("LHHI") in 2026, which corporation will sit as a sister company to London Hydro Inc., the licensed LDC. LHHI is being established by the City of London for the purpose of holding investments in non-regulated activities. At the time of filing this application, the creation of LHHI has been delayed from its intentional creation date in June of 2026. Accordingly, the affiliate does not yet exist and its scope of interests is unknown at the time of filing.

During the Test year, there will be a Management Services Agreement between London Hydro and LHHI to allow for the sharing of corporate services. Those services include preparation of annual financial statements, executive support to the Board of LHHI, and Corporate Secretary services. There was $12,000 in cost recovery budgeted in the year 2026 that will not likely be realized due to delays. Corporate Services are anticipated to increase in 2027 and the budget for London Hydro includes $23,000 in cost recovery from LHHI under the Management Services Agreement. The proposed Management Services Agreement is provided in draft as Appendix 4-5.

There are no Board-related costs for any affiliates included in London Hydro's own costs. During the Test Year, it is anticipated that the two board members from London Hydro Inc. will sit on the Board of LHHI. The affiliate will be responsible for all fees incurred for Board members to attend LHHI meetings.

Services Provided to an Affiliate

By virtue of the definition under the Ontario *Business Corporations Act*, the sole shareholder of London Hydro, The Corporation of the City of London, is also an affiliated body corporate.

London Hydro provides certain services to the City of London. These services are provided on a fully-allocated cost or at market rates, where market pricing is available and the market price higher than the fully-allocated cost. There is no cross-subsidy of costs with respect to services provided to the shareholder affiliate.

The total cost allocation for each of the following services is provided in Table 4-48 Shared Services and Corporate Cost Allocation (OEB Appendix 2-N) below.

Water billing services

Water billing services (water meter reading, billing, collection, and customer services for the City's water, sanitary sewer and storm drainage accounts) are provided to the City of London at an annual fee that is based on the fully-allocated cost. The fully allocated includes labour, benefits, overhead, materials, equipment, billing services, mailing and postage, and all other identifiable costs. Cost recoveries for water billing services are captured under the Customer Services and Collections and the Information Technology Programs.

The most recent Service Level Agreement ("SLA") between the City of London and London Hydro was effective January 1, 2025 and continues in effect until December 31, 2027. The agreement indicates that the City will pay $4,495,621 annually for the water billing services while London Hydro retains any late payment charges incurred from water billings. The increase from the 2022 OEB-approved amount ($3,998,000) is $497,621 (an increase of 12.4%).

The SLA also includes authorization for provisional services up to $150,000, which creates the authority for London Hydro to charge for additional services requested by City staff from time-to-time. This amount is, essentially, a contingency for additional charges related to out-of-scope services.

London Hydro utilized a third-party analysis of the services it provides to the City of London as the basis for determining the fully-allocated, as well as the incremental cost, of water billing services. At the same time, the City of London retained its own independent expert to provide an analysis of the fully-allocated cost and the Market Price for similar services. Those two independent reports were utilized as the basis of negotiations between the two parties in the year 2012, and those negotiations led to an increase in the fees charged to the City during the 2013 renewal of the Water Billing SLA. The conclusion reached in those negotiations was that London Hydro was not charging the higher of the fully-allocated cost and the market price, as required by the Affiliate Relationships Code ("ARC"), so the contract value was increased to the fully-allocated cost with the agreement of City Council.

Detailed and thoughtful negotiations were repeated in the year 2015, 2019 and 2024 based on third-party independent reviews. In the year 2015, the City's consultant, BMA Management Consulting Inc. concluded that the amount charged by London Hydro as the fully-allocated cost was 30% higher than the market rate determined through BMA's benchmarking exercise; the difference in the price paid by

the municipalities was driven by savings enjoyed by other municipalities through bi-monthly vs. monthly billing services provided by London Hydro. The City of London accepted that higher market price in order for London Hydro to receive the agreed-upon higher level of service and to be compliant with the Affiliate Relationships Code.

The most recent renewal of the Water Billing SLA for the year 2025 was based on a City of London staff report to the Infrastructure and Corporate Services Committee dated December 9, 2024. That report recommended approval of the revised contract value of “$4,495,621 per annum with no escalation”. The staff report references the BMA Report, noting that "other similar-sized municipalities in Ontario have costs for these services that range between $3.13 per bill and $3.36 per bill."

The monthly service fee does not represent the full compensation received by London Hydro under the Water Billing SLA. As part of the negotiated commercial arrangement, London Hydro retains Late Payment Penalty ("LPP") revenues associated with water accounts. When this component of compensation is included, the total consideration received is approximately $3.79 per bill per month, calculated as the monthly service fee of $2.88 plus approximately $0.91 per bill from annual LPP revenues of $1.6 million (based on approximately 166,000 customer accounts). On this basis, the total compensation exceeds the upper end of the benchmark range cited in the BMA Report.

More broadly, the history of negotiations over the past 15 years demonstrates that the Water Billing SLA has been established through arm's-length negotiations between London Hydro and the City of London, with both parties acting independently and negotiating in good faith. The resulting agreement reflects the overall commercial terms negotiated by the parties, rather than the monthly service fee in isolation.

For purposes of Appendix 2-N (Table 4-48), the “Price for the Service” represents the contracted annual fees charged to the City of London, which is the fully-allocated cost. The “Cost for the Service” is a calculation based on the incremental cost determined previously, increased by inflation. For example, the “Cost of Service” in each year is the amount shown in the 2022 Cost Service application for the 2022 Test Year inflated at an average annual rate of 7.9%; the increase of 7.9% corresponds with the CAGR in total OM&A expenditures between 2022 OEB Approved Amounts and amounts proposed for the 2027 Test Year (See Table 4-7 of this Exhibit).

Accordingly, the amounts in Appendix 2-N are accurate reports of the fully allocated cost being charge to the City in accordance with the ARC, as well as the incremental cost to London Hydro of providing that service. The large differential between "Price for the Service" and "Cost of the Service" as evidence of the value of economies of scope achieved through Water Billing to the significant benefit of electricity ratepayers. The annual fee collected and retained by London Hydro from the City of London for this service provides an excess over incremental costs of $2,436,600 ($4,495,600 - $2,059,000) in the 2027 Test Year. This excess amount represents the City of London's contribution towards fixed costs incurred by the Company and, thus, the savings that benefit the electricity rate payers of London Hydro.

Water billing services late payment fees

London Hydro will also collect fees in connection with City of London water customers' late payments. These charges and services are covered by the SLA, but represent cost recovery above the annual fee of $4,495,621 included in the SLA. The recoveries for these amounts are expected to be an additional $1,544,400 for 2026 and $1,621,700 for 2027 as forecasted in Exhibit 6 "Other Revenues". The actual 2025 late payment charges for water were $1,467,281. It is important to note that the risk of uncollectable accounts associated with water bills is retained by the City of London. Accordingly, these late payment charges earned by London Hydro represent a further offset to the revenue requirement to the benefit of electricity ratepayers.

Water meter services

London Hydro's Meter Data Management department provides water meter reading services to the City of London. London Hydro supported the City of London's transition to Drive-by water meter reading technology, as well as performing customer appointment scheduling, and validation of meter data. London Hydro also provides customer contacts regarding high or low usage, or as needed for property entry, on behalf of the City of London.

These services are included in the fees charged to the City under the Water Billing SLA.

Rental of surplus office and shop space

London Hydro rents out a small portion of its office space to the City's Waterworks Department. A rental rate, currently $21.50 per square foot, has been established as the negotiated rate based upon the actual operating cost per square foot of owning and maintaining the facilities and exceeds the estimated fair market value for similar facilities. The operating cost element is determined from actual operating expense accounts including depreciation, insurance, staffing costs, security, taxes, etc. London Hydro is not aware of any plans for the City of London to vacate this rental space. Office space rentals have been projected at $29,600 for the 2026 Bridge Year and $30,000 for the 2027 Test Year.

Other shared services

The operation centre and business offices of London Hydro, located at 111 Horton Street, are located on lands that are owned by the City of London. Consistent with an agreement entered into in 1994 between the City of London and London Hydro, London Hydro previously paid $100,000 annually to the City of London for the use of the land.

In 2024, the City of London obtained an appraisal of the value of the land under a ground rent arrangement. The appraisal determined the value to be $225,750 annually. It was agreed that effective January 1, 2025 in the amount of $225,000 annually, subject to an annual increase being the greater of (a) three percent (3%) OR (b) in an amount equal to the percentage change in the Canadian Consumer Price Index for the immediately preceding year. For budget purposes, we have set the rent in the amount of $231,750 for 2026 Bridge Year and $238,702 for the 2027 Test Year.

London Hydro does not purchase any other services from, or provide any other services to, The Corporation of the City of London, other than those at posted third-party rates; examples include property taxes, electricity bills, public parking rates, etc.

Table 4-48: Shared Services and Corporate Cost Allocation (OEB Appendix 2-N) [1]

2022 ACTUAL					
Name of Company		Service Offered	Pricing Methdology	Price for the Service	Cost for the Service
From	To			$	$
London Hydro	City of London	Water billing services	Fully allocated cost	3,998,000	1,408,000
London Hydro	City of London	Rental of office space	Market Value	29,520	27,200
City of London	London Hydro	Land rental	Contractual	100,000	n/a

2023 ACTUAL					
Name of Company		Service Offered	Pricing Methdology	Price for the Service	Cost for the Service
From	To			$	$
London Hydro	City of London	Water billing services	Fully allocated cost	3,998,000	1,519,000
London Hydro	City of London	Rental of office space	Market Value	29,595	28,200
City of London	London Hydro	Land rental	Contractual	100,000	n/a

2024 ACTUAL					
Name of Company		Service Offered	Pricing Methdology	Price for the Service	Cost for the Service
From	To			$	$
London Hydro	City of London	Water billing services	Fully allocated cost	3,998,000	1,639,000
London Hydro	City of London	Rental of office space	Market Value	29,811	28,900
City of London	London Hydro	Land rental	Contractual	100,000	n/a

2025 ACTUAL					
Name of Company		Service Offered	Pricing Methdology	Price for the Service	Cost for the Service
From	To			$	$
London Hydro	City of London	Water billing services	Fully allocated cost	4,495,621	1,768,000
London Hydro	City of London	Rental of office space	Market Value	30,011	29,500
City of London	London Hydro	Land rental	Market Value	225,000	n/a

2026 BRIDGE					
Name of Company		Service Offered	Pricing Methdology	Price for the Service	Cost for the Service
From	To			$	$
London Hydro	City of London	Water billing services	Fully allocated cost	4,495,600	1,908,000
London Hydro	City of London	Rental of office space	Market Value	29,600	30,200
City of London	London Hydro	Land rental	Market Value	231,750	n/a
London Hydro	London Hydro Holdings Inc.	Management services	Fully allocated cost	12,000	12,000

2027 TEST					
Name of Company		Service Offered	Pricing Methdology	Price for the Service	Cost for the Service
From	To			$	$
London Hydro	City of London	Water billing services	Fully allocated cost	4,495,600	2,059,000
London Hydro	City of London	Rental of office space	Market Value	30,000	30,900
City of London	London Hydro	Land rental	Market Value	238,703	n/a
London Hydro	London Hydro Holdings Inc.	Management services	Fully allocated cost	23,000	23,000

[1] Rental of office space pertains to a room occupied by the City of London Water Works department and should be considered in conjunction with water billing services when reviewing OEB Appendix 2-N.

Reconciliation of Appendix 2-N

Table 4-49 below summarizes the costs allocated by London Hydro as seen in Appendix 2-N and provides the location of the cost recoveries, other revenues and OM&A expenditure throughout the Rate Application. The variations reflect the changes in revenue driven by contracts negotiated with the City of London.

Table 4-49: Reconciliation of Corporate Cost Allocation

RECONCILIATION OF APPENDIX 2-N									
Service	Exhibit	Program	2022 OEB Approved	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test
Location breakdown:									
Water billing services	#4 - Cost Recoveries	Information Technology	468,700	468,700	468,700	468,700	527,000	527,000	527,000
Water billing services	#4 - Cost Recoveries	Customer Services and Collections	3,437,400	3,437,400	3,437,400	3,437,400	3,865,221	3,865,200	3,865,200
Rental of office space	#6 - Revenue Deficiency or Sufficiency	n/a	30,100	29,520	29,595	29,811	30,011	29,600	30,000
Water billing services	#4 - Cost Recoveries	Metering and Data Management	91,900	91,900	91,900	91,900	103,400	103,400	103,400
Land rental	#2 - Rate Base	n/a	100,000	100,000	100,000	100,000	225,000	231,750	238,703
Management services	#6 - Revenue Deficiency or Sufficiency	n/a	-	-	-	-	-	12,000	23,000

Variance analysis

Table 4-50 below shows the variances between the following:

- Test Year vs. last OEB-approved
- Test Year vs. most recent actuals

Table 4-50: Variance Analysis of Shared Services

SHARED SERVICE AND CORPORATE COST ALLOCATION VARIANCE ANALYSIS			
Service Offered	**2022 OEB APPROVED**	**2027 TEST YEAR**	**VARIANCE**
Water billing services	3,998,000	4,495,600	497,600
Rental of office space	30,100	30,000	(100)
Land rental	100,000	238,703	138,703
Management services	-	23,000	23,000
Service Offered	**2025 ACTUALS**	**2027 TEST YEAR**	**VARIANCE**
Water billing services	4,495,621	4,495,600	(21)
Rental of office space	30,011	30,000	(11)
Land rental	225,000	238,703	13,703
Management services	-	23,000	23,000

Revenue from Shared Services in the 2027 Test Year is projected to exceed the 2022 OEB-Approved levels. The variance is driven by the increase in revenue from the Water Billing SLA inline with contract negotiations, as well as the introduction of Management Services revenue earned from the newly proposed affiliate.

Revenue from Shared Services in the 2027 Test Year is projected to be in line with 2025 Actual levels. The only variance being the introduction of Management Services revenue earned from the newly proposed affiliate.

4.6.2 Purchases of Non-Affiliate Services

London Hydro Procurement Policy

The London Hydro Procurement Policy is provided in this Exhibit as Appendix 4-6, as required by the Filing Requirements. The key guiding principles of the procurement program can be described as follows:

a. **Open and competitive processes:** Transparency is achieved through an open and competitive process, governed by the financial thresholds set out below and the remaining guiding principles.

b. **Best Value:** The primary goal of procurement will be the pursuit of the "best value" for the corporation, defined as the lowest price for comparable products and services, with price consideration to include both entry price and consideration of life cycle costs.

c. **Variation from Best Value:** Only permitted with consideration of delivery time, ensuring a diversity of supply within prescribed limits, and other considerations from time-to-time, such a "Buy Canadian" provision.

d. **Pre-qualification of Vendors**: London Hydro performs a formal pre-qualification process for a wide range of services, which results in established vendors and identified unit pricing. This list is utilized for routine purchases, and thresholds are established to govern circumstances where firm pricing is required from pre-qualified vendors before proceeding on significant projects.

e. **Long-Term Asset Roadmaps:** When seeking approval for long-term relationships (such as software with maintenance fees or hardware with service fees), the award of the contract shall include consideration of the projected lifecycle and the replacement roadmap. Renewals laid out in the roadmap may be considered pre-approved only within that defined lifecycle.

f. **Exercising Business Judgment:** It is recognized that rigid adherence to process can obstruct proper business judgment; the Procurement Manual outlines the process to obtain Executive approval of sole source procurement, to be supported by written justification.

Fundamental to the Procurement Manual are the financial thresholds that guide the procurement process for London Hydro. The first threshold relates to the process through which a procurement takes place, and can generally be described as follows:

- Purchases less than $25,000: Vendor on approved list or informal quotes obtained.
- Purchases from $25,000 to $75,000: 3 quotes required from qualified bidders
- Purchases greater than $75,000: Public tendering required

In all cases, the approval required in order to initiate a procurement is governed by the London Hydro Signing Authority Policy, which offers significant control for both the procurement process and the payment of vendors. The Finance Department is responsible to maintain the Signing Authority Registry. The following are the current signing authority levels under the policy.

Chart 4-37: Signing Authority Levels

Level (position)	Approval limit
Administrative Assistant	$1,000
Supervisor	$5,000
Manager	$15,000
Director	$50,000
Vice President	$150,000
Chief Financial Officer	$200,000
Chief Executive Officer	$250,000

There are also unique authorities for large, recurring items such as power purchases from the IESO, PILS, payroll deductions, etc. All procurements or payments greater than the thresholds set out above, must be signed by two Executives or authorized by the Executive Committee of management.

As discussed in the section entitled COVID Impacts and Inflationary Pressures (Exhibit 1, Section 1.11), London Hydro has faced inflationary pressures well beyond the OEB approved inflation factor. London Hydro has managed those increases through stringent procurement practices that are now supported by an in-house legal department and the revamped Procurement Manual referred to above. London Hydro has also committed to work in cooperation with our cohorts and the Company recently joined Grid Smart City, and continues to be active in the buying groups listed below. These are all efforts to find savings in order to manage the significant pressure from cost increases in goods and services. Current buying groups include the following:

- Grid Smart City for a broad range of electrical equipment
- Elgin-Middlesex-Oxford Public Purchasing Cooperative for bulk fuel, as well as Waste/Recycling Bin Collection
- Ontario Government Vendor of Record Program for servers and courier services
- Ontario Education Collaborative Marketplace program for office suppliers, telecommunications, IT Hardware and Software
- Kinetic Group Purchasing Organization for general marketplace supplies

London Hydro confirms that all non-affiliate purchases are made in compliance with the policies discussed in this section.

4.6.3 Regulatory One-Time Costs

With the exception of costs related to the preparation of this Cost of Service Rate Application, including the Distribution System Plan, London Hydro is not proposing to recover any additional other one-time costs in this Application. As discussed below, London Hydro proposes to amortize these one-time costs over a five-year period.

In accordance with the OEB Filing Requirements, one-time costs related to the preparation of this Application and the Distribution System Plan have been listed in OEB Appendix 2-M, together with on-going OEB Cost Assessments.

Costs associated with this Application have been forecasted in the amount of $977,805. This forecast excludes internal labour costs and is based on actual costs incurred for the 2022 rebasing year. It also reflects anticipated increases for legal, consulting, and intervenor expenses, as well as new requirements. Additionally, the forecast includes services engaged in support of the cost allocation study related to Green Button Services, as directed in the full settlement of the 2022 Cost of Service Rate Application (EB-2021-0041, Section 5.4).

Table 4-51: Regulatory One-Time Costs

RATE APPLICATION FILING AND DISTRIBUTION SYSTEM PLAN UPDATE							
	2022 Rebasing			2027 Rebasing			
Description	2019 - 2021 Actual	2022 Actual	2019 to 2022 Actual	2024 - 2025 Actual	2026 Bridge	2027 Test	2024 Actuals to 2027 Test
Legal costs for regulatory matters	34,400	4,800	39,200	25,647	150,000	50,000	225,647
Incremental costs related to submission	171,200	-	171,200	46,373	195,000	-	241,373
Intervenor costs	-	-	128,505	4,000	-	200,000	204,000
Green Button study (EB-2021-0041)	-	-	-	306,785	-	-	306,785
Total one-time costs	**205,600**	**4,800**	**338,905**	**382,805**	**345,000**	**250,000**	**977,805**
Prorated		(5 years)	**67,780**			(5 years)	**195,560**

London Hydro proposes to amortize these one-time costs over a five-year period. Accordingly, $195,560 has been included in the total OM&A expenditures for the proposed 2027 Test Year. These amortized costs have been allocated to the delivery costs for the following programs: Corporate Services ($155,300), Information Technology ($13,300), and Asset Management ($27,000).

The amounts above represent the expected costs associated with achieving a full settlement proposal. If the proceeding advances to an oral hearing, London Hydro requests the ability to update its OM&A evidence to reflect higher related regulatory proceeding costs.

4.6.4 Low Income Energy Assistance Program ("LEAP")

Only donations qualifying for recovery have been included in this submission and represent annual donations made to the Low-income Energy Assistance Program ("LEAP"). The LEAP program provides low-income customers with one-time grants to assist them in paying their electricity bills in an emergency situation. London Hydro's annual LEAP contributions for 2022 Actual to the proposed 2027 Test Year are listed in Table 4-52 below.

London Hydro's last Cost of Service Rate Application forecasted LEAP contributions of $200,000 for the 2022 Test Year. Subsequently, there were changes to the Low-Income Energy Assistance Program Emergency Financial Assistance that included reducing income eligibility thresholds so that more households are eligible for the LEAP EFA while increasing the maximum grant.

To help ensure that no eligible LEAP EFA applicant is denied assistance due to lack of funding, the OEB established a generic deferral account for rate-regulated electricity distributors to record incremental contributions and pursuant to Rate Order EB-2023-0135 effective March 1, 2024. Incremental LEAP donations recorded in the generic deferral account, are listed in the schedule below.

Table 4-52: Contributions to LEAP

LEAP Donations	
Year	Amount ($)
2022	200,000
2023	200,000
2024	661,440
2025	650,000
2026 (Bgt)	750,000
2027 (Bgt)	800,000

LEAP funds are disbursed by the Salvation Army on behalf of London Hydro to eligible customers who are unable to pay their electricity bills. London Hydro will continue its commitment to the LEAP program and has forecasted donations at $750,000 for the 2026 Bridge Year and $800,000 for the proposed 2027 Test Year, reflecting the estimated funding needs within the community.

London Hydro acknowledges that these donations surpass the calculated 0.12% benchmark which is $131,679 for the Proposed 2027 Test Year as illustrated in Chart 4-38 below. However, donations are in keeping with the OEB direction that no eligible LEAP EFA applicant should be denied the emergency grant due to lack of funding.

Chart 4-38: LEAP: Revenue Requirement @ 0.12%

	2022 OEB Approved	2027 Test Year
	($)	($)
Distribution revenue requirement	76,889,400	109,732,300
LEAP commitment @ .12%	92,267	131,679

Factors considered when developing the LEAP funding budget for the proposed 2027 Test Year can be found under the Corporate Communications program starting on page 233.

4.6.5 Charitable and Political Donations

Table 4-53 below lists charitable donations paid by year from the last OEB-Approved rebasing application in 2022 until and including the proposed 2027 Test Year. These charitable donations do not include those made under LEAP. London Hydro has excluded these charitable donations for the purpose of setting rates so as to not seek recovery for these amounts from customers.

London Hydro also confirms that no political contributions have been included for recovery.

Table 4-53: Charitable Donations (Excluding LEAP)

Charitable Donations (excluding LEAP)	
Year	Amount ($)
2022	5,000
2023	5,560
2024	5,100
2025	5,100
2026 (Bgt)	100,000
2027 (Bgt)	100,000

Donation amounts forecasted for 2026 and 2027 have been increased to support London Hydro's enhanced focus on community outreach as part of its strategic objective to strengthen the Company's presence within the community. As noted above, these donations have been excluded for rate-making purposes.

4.6.6 Costs of Non-Wires Solutions and Conservation and Demand Management

London Hydro confirms that it is not seeking recovery of any costs associated with Non-Wires Solutions ("NWS"), Conservation and Demand Management ("CDM"), or electricity Demand Side Management ("eDSM") activities in the revenue requirement for the Test Year.

London Hydro further confirms that no costs related to supporting IESO-funded CDM or eDSM programs under the provincial electricity Demand Side Management Framework—including dedicated staffing, program delivery, customer outreach, or related activities—have been included in OM&A expenses or otherwise incorporated into the revenue requirement.

In addition, London Hydro is not proposing any distribution rate-funded NWS initiatives as part of this Application.

4.6.7 Funding Options for Future Non-Wires Solutions

London Hydro is not proposing any future Non-Wires Solutions ("NWS") projects for inclusion in the revenue requirement for the forecast period. Furthermore, London Hydro is not proposing treatment similar to an Advanced Capital Module ("ACM") for any future NWSs at this time.

4.7 PRESCRIBED TABLES

As per the Filing Requirements, London Hydro has completed the required tables listed below in connection with OM&A Expenditures. To assist with navigation, the location of this information throughout the Application is provided as follows:

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

- Exhibit 4, Appendix 4-1
- 2027 Filing Requirements Chapter 2 Appendices (Excel workbook)

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

- Exhibit 4, Table 4-16, page 59
- 2027 Filing Requirements Chapter 2 Appendices (Excel workbook)

Appendix 2-JC: OM&A Programs Table

- Exhibit 4, Table 4-29, page 131
- 2027 Filing Requirements Chapter 2 Appendices (Excel workbook)

Appendix 2-K: Employee Costs

- Exhibit 4, Appendix 4-2
- 2027 Filing Requirements Chapter 2 Appendices (Excel workbook)

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

- Exhibit 4, Table 4-6, page 30
- 2027 Filing Requirements Chapter 2 Appendices (Excel workbook)

Appendix 2-M: Regulatory Costs (One-Time)

- Exhibit 4, Table 4-51, page 314
- 2027 Filing Requirements Chapter 2 Appendices (Excel workbook)

Appendix 2-N: Shared Services and Corporate Cost Allocation

- Exhibit 4, Table 4-48, page 308
- 2027 Filing Requirements Chapter 2 Appendices (Excel workbook)

4.8 APPENDICES LISTING

Appendix items provided at the end of this Exhibit include:

- 4-1: OEB 2-JA Summary of Recoverable OM&A Expenses
- 4-2: OEB 2-K Employee Costs
- 4-3: Willis Towers Watson Benchmarking Study
- 4-4 Post Retirement Benefits Actuarial Valuation December 2025
- 4-5: Management Services Agreement
- 4-6: Purchasing Department Policies and Procedures

APPENDIX 4-1:
OEB 2-JA SUMMARY OF RECOVERABLE OM&A EXPENSES

Appendix 2-JA

Summary of Recoverable OM&A Expenses

	2022 Last Rebasing Year OEB Approved	2022 Last Rebasing Year Actuals	2023 Actuals	2024 Actuals	2025 Actuals	2026 Bridge Year	2027 Test Year
Reporting Basis							
Operations	$ 11,763,646	$ 12,328,090	$ 12,127,784	$ 11,762,979	$ 13,232,208	$ 14,208,615	$ 16,718,246
Maintenance	$ 8,391,297	$ 9,387,379	$ 9,110,863	$ 9,096,626	$ 9,865,473	$ 10,794,756	$ 11,208,832
SubTotal	**$ 20,154,943**	**$ 21,715,469**	**$ 21,238,647**	**$ 20,859,605**	**$ 23,097,681**	**$ 25,003,370**	**$ 27,927,077**
%Change (year over year)			-2.2%	-1.8%	10.7%	8.3%	11.7%
%Change (Test Year vs Last Rebasing Year - Actual)							38.6%
Billing and Collecting	$ 6,125,822	$ 6,073,362	$ 6,011,196	$ 6,882,888	$ 8,387,872	$ 9,329,756	$ 9,192,400
Community Relations	$ 166,212	$ 128,431	$ 167,783	$ 196,967	$ 261,556	$ 280,000	$ 280,000
Administrative and General	$ 16,346,823	$ 17,401,458	$ 18,795,421	$ 21,452,596	$ 24,017,377	$ 27,066,487	$ 29,670,423
SubTotal	**$ 22,638,857**	**$ 23,603,251**	**$ 24,974,401**	**$ 28,532,451**	**$ 32,666,806**	**$ 36,676,243**	**$ 39,142,823**
%Change (year over year)			5.8%	14.2%	14.5%	12.3%	6.7%
%Change (Test Year vs Last Rebasing Year - Actual)							72.9%
Total	**$ 42,793,800**	**$ 45,318,720**	**$ 46,213,047**	**$ 49,392,056**	**$ 55,764,487**	**$ 61,679,613**	**$ 67,069,900**
%Change (year over year)			2.0%	6.9%	12.9%	10.6%	8.7%

APPENDIX 4-2:
OEB 2-K EMPLOYEE COSTS

OEB Appendix 2-K Employee Costs Gross Labour Costs and Full-Time Equivalents (FTEs) Before allocations to Capital, Billable, Other	2022 OEB Approved	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test
Number of Employees (FTEs including PT)							
Management (including executive)	64.0	67.7	69.7	71.2	75.0	91.5	94.0
Non-Management (union and non-union)	255.7	228.3	231.5	225.6	240.1	258.1	245.5
	319.7	**296.0**	**301.2**	**296.8**	**315.1**	**349.6**	**339.5**
Total Salary and Wages (incl. OT and incentive pay)							
Management (including executive)	9,226,000	9,705,198	10,075,493	11,724,052	12,875,387	15,824,000	17,343,500
Non-Management (union and non-union)	25,111,700	21,872,412	22,594,006	23,879,663	26,301,837	28,568,600	28,624,600
	34,337,700	**31,577,610**	**32,669,499**	**35,603,715**	**39,177,224**	**44,392,600**	**45,968,100**
Total Benefits (Current and Accrued)							
Management (including executive)	2,261,163	2,496,256	2,615,154	2,986,604	3,107,441	3,946,400	4,418,000
Non-Management (union and non-union)	6,983,537	6,431,344	6,770,970	7,159,615	7,407,018	8,380,200	8,665,300
	9,244,700	**8,927,600**	**9,386,124**	**10,146,219**	**10,514,459**	**12,326,600**	**13,083,300**
Total Compensation (Salary, Wages and Benefits)							
Non-Management (union and non-union)	11,487,163	12,201,454	12,690,647	14,710,656	15,982,828	19,770,400	21,761,500
Non-management (non union)	32,095,237	28,303,756	29,364,976	31,039,278	33,708,855	36,948,800	37,289,900
	43,582,400	**40,505,210**	**42,055,623**	**45,749,934**	**49,691,683**	**56,719,200**	**59,051,400**
Total Compensation Breakdown (Capital, OM&A)							
OM&A	29,400,600	29,685,058	30,678,443	32,992,956	36,494,319	39,795,300	42,812,900
Capital	14,181,800	10,820,152	11,377,180	12,756,978	13,197,364	16,923,900	16,238,500
Total	**43,582,400**	**40,505,210**	**42,055,623**	**45,749,934**	**49,691,683**	**56,719,200**	**59,051,400**

APPENDIX 4-3:
WILLIS TOWERS WATSON BENCHMARKING STUDY



LONDON HYDRO

Compensation Benchmarking Review

July 16th, 2025

© 2025 WTW. Proprietary and confidential. For WTW and WTW client use only.

Introduction & Background

- London Hydro has requested WTW's support in understanding the competitiveness of its non-union/management compensation structure (excluding executives), based on the benchmarking target total annual compensation of 38 roles across London Hydro's non-union / management job families and levels
  - Union roles have been excluded in this review
  - The 38 roles out of 97 total roles (40%) covers 88 incumbents (63% of London Hydro's non-union / management population).
    - WTW generally considers benchmarking samples of 60% to be highly representative in the utility industry
- Roles have been matched to survey benchmarks with a similar level of functional specialty and accountability within WTW's 2024 Middle Management, Professional and Support Survey (MMPS Survey) based on the underlying skills and responsibilities
  - London Hydro provided job descriptions and WTW discussed the roles with Human Resources to ensure a thorough understanding of the role and its responsibilities
- Comparator groups are developed based on underlying selection criteria to minimize potential biases and to provide an approach that can be replicated over time. Following these best practices, the competitive market data reflect participants in WTW's MMPS Survey meeting the following criteria:
  - Organizations classified within the Energy Services industry and/or government entities, as well as related organizations with over 50% of their workforce based in Ontario
  - See Appendix for list of organizations included in the comparator group and further details regarding WTW's methodology

© 2025 WTW. Proprietary and confidential. For WTW and WTW client use only.

Executive Summary

- Overall, base salaries at London Hydro are positioned competitively with the 50th percentile of the market
- When short-term incentives offered in the market are taken into account, London Hydro's target total annual compensation positioning [redacted]
  - Detailed market data by level are provided on the following pages
- WTW, consistent with standard methodologies, defines competitive market positioning as +/-10% of the target market position
  - This market range reflects the natural variability in market data and allows organizations to manage compensation on a competitive basis over time
  - We note that it is common for individual benchmark data to vary from year to year based on factors such as sample size and individual compensation program changes

Compensation Element	London Hydro Average Positioning Based on Average Actual Compensation			London Hydro Average Positioning Based on Structure Midpoint		
	25P	50P	75P	25P	50P	75P
Base Salary	[redacted]					
Target Total Annual Compensation *(Base Salary + Target STI)*						

© 2025 WTW. Proprietary and confidential. For WTW and WTW client use only.

Summary Table – Base Salary

- The following table presents the existing salary structure (minimum, midpoint and maximum) for the various levels at London Hydro, along with the average salary for benchmarked roles at London Hydro and the corresponding market data for these positions
- Generally, London Hydro salary midpoints and average salaries are positioned competitively around the 50th percentile of the market
  - At level 1, London Hydro is positioned between the [redacted] percentiles
  - Structure midpoints and the average salaries for levels 9 through 13 are positioned between the [redacted] percentiles

London Hydro					2025 Competitive Market Data ($000s) *London Hydro midpoint and average salary as a % above /below*		
Level	London Hydro Structure ($000s)			Average of Benchmark Jobs	25P	50P	75P
	Min	Mid Point	Max				
1	[redacted]						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
Average Positioning Based on Average Actual Compensation							
Average Positioning Based on Structure Midpoint							

© 2025 WTW. Proprietary and confidential. For WTW and WTW client use only.

Summary Table – Short-term Incentive

- In addition to base salary, roles are typically eligible for short-term incentive (STI) in the market
  - Consider introducing a formal short-term incentive program for levels 10 through 13
    - Currently, London Hydro has a discretionary bonus plan that provides employees a modest amount depending on company performance, individual performance and job level
  - Consider STI target opportunities of
    - [redacted] of base salary for managers (levels 10 and 11)
    - [redacted] of base salary for directors (levels 12 and 13)

London Hydro		2025 Target STI (% of salary)		
London Hydro Level	Average of Benchmark Jobs	25P	50P	75P
1	[redacted]			
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

*WTW notes that Levels 1 – 9 receive a discretionary bonus that amounts to less than [redacted] of base salary

© 2025 WTW. Proprietary and confidential. For WTW and WTW client use only.

Summary Table – Target Total Annual Compensation (TTAC)

- The following table presents the compensation structure range and the average target total annual compensation (TTAC) for benchmarked roles at London Hydro relative to the corresponding market data for these positions
- Generally, London Hydro target total annual compensation is positioned [redacted] of the market,
  - At lower compensation ranges (levels 1 to 7, excluding level 3), London Hydro is positioned [redacted] percentile
- London Hydro provides a discretionary bonus that provides some additional compensation

London Hydro					2025 Competitive Market Data ($000s) *London Hydro midpoint and average TTAC as a % above /below*		
Level	London Hydro Structure ($000s)			Average of Benchmark Jobs	25P	50P	75P
	Min	Mid Point	Max				
1	[redacted]						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
Average Positioning Based on Average Actual Compensation							
Average Positioning Based on Structure Midpoint							

© 2025 WTW. Proprietary and confidential. For WTW and WTW client use only.

Appendix

© 2025 WTW. All rights reserved.

Benchmarking Methodology

Survey Source

- Competitive data have been sourced as follows for the compensation benchmarking analysis:

Market Data Source	WTW's 2024 General Industry and Energy Services Middle Management and Professional Survey
Data Adjustment	Market data have been adjusted to April 2025 using an aging factor of [redacted] (reflecting 2025 salary increase sourced from WTW's 2025 Salary Budget Planning Survey)
Target Market Reference Point	50th percentile

© 2025 WTW. Proprietary and confidential. For WTW and WTW client use only.

Benchmarking Methodology

In-Scope Compensation Elements

- The 25th, 50th and 75th percentiles of the following compensation components are presented, where sufficient data exist

Compensation Element	London Hydro	WTW Survey
Base Salary	2025 Annualized Regular Salary	Actual salaries effective April 2024 and adjusted by [redacted]
Target Short-term Incentive (STI) *(% of Salary)*	Holiday Bonus (% of Salary)	Target Bonus (% of Salary)
Target Total Annual Compensation (TTAC)	Salary + Target STI	Salary + Target STI

- Raw data percentiles are presented and calculated as follows when the actual data points are arranged from highest to lowest:
  - 25th percentile: The point at which 25% of the sample values are lower and 75% are higher
  - 50th percentile (median): The point at which 50% of the sample values are lower and 50% are higher
  - 75th percentile: The point at which 75% of the sample values are lower and 25% are higher

© 2025 WTW. Proprietary and confidential. For WTW and WTW client use only.

Benchmarking Methodology

Peer Group (1/2)

London Hydro Peer Group Organizations (n=171)			
3M	Bruce Power	ConocoPhillips	Fugro
Alberta Electric System Operator	Buckman Laboratories	Danaher	Gerdau Long Steel North America
Alberta Health Services	Business Development Bank of Canada	Definity Insurance Company	Gibson Energy
Alcoa	Cabot	Deutsche Bank	Government of Alberta
Algonquin Power & Utilities	Canada Life	Dow Chemical	Greene, Tweed and Co.
AltaGas	Canada Mortgage and Housing	Draslovka	Hexion
Altex Energy	Canadian Imperial Bank of Commerce	Drax Power Group	HF Sinclair
American Express Global Business Travel	Canadian Natural Resources	DuPont	Home Trust Company
Anglo American	Canadian Nuclear Laboratories	Ecolab	Hydro One
Apellis Pharmaceuticals	Canadian Tire Corporation	EDF Renewables	Hydro-Québec
ARC Resources	Capital Power	Element Fleet Management	Imperial Oil
Argenx	Celanese	Emera	Independent Electricity System Operator
Arlanxeo	Celestica	Empire Life	Innergex Renewable Energy
Atkore International	Cenovus Energy	Enbridge	Insurance Corporation of British Columbia
Axalta Coating Systems	CF Industries	Enerkem	Irving Oil
Baker Hughes	Chartwell Retirement Residences	Enmax Corporation	Jamieson Wellness
Bank of America	Choice Properties Real Estate Investment Trust	EPCOR Utilities	JP Morgan Chase
Barrick Gold	Church & Dwight	Equitable Bank	Kao Brands
BASF	Citigroup	Estée Lauder	Keyera Corp.
Bell Canada	City of Calgary	Export Development Canada	Kinross Gold
Block	CLEAResult	ExxonMobil	Kronos Worldwide
BMO Financial Group	Cleveland-Cliffs	Fortis	LNG Canada
Boralex	CNOOC Petroleum	FortisAlberta	Loblaw Companies
British Columbia Hydro and Power Authority	Compass Minerals International	Framatome	L'Oréal
Brookfield Asset Management	Computershare Loan Services	FuelCell Energy	Loto-Québec

© 2025 WTW. Proprietary and confidential. For WTW and WTW client use only.

Benchmarking Methodology

Peer Group (2/2)

London Hydro Peer Group Organizations (n=171)		
LyondellBasell	PAC (Roper)	Sun Life Financial
Magna International	Pembina Pipeline	Suncor Energy
Manulife	Plains Midstream Canada	TC Energy
Maple Leaf Foods	PPG Industries	TD Bank Financial Group
Marsh McLennan	PQ	Teck Resources
MEG Energy	PRA Group	Thomson Reuters
Messer Americas	Precision Castparts	TMX Group
Methanex	Precision Drilling	Trans Mountain
Mohawk Industries	PTC Therapeutics	University Health Network
Morgan Stanley	RBC Financial Group	University of Saskatchewan
Morton Salt	Restaurant Brands International	UPL
Mosaic	Rio Tinto	Valero Energy
Mueller Water Products	S&P Global	Veralto
NAES	Sagen Mortgage Insurance Company	Veren Inc.
NCR Voyix	Saint John LNG	Verisk Analytics
Newfoundland Power	Scotiabank	Visa
Newmont Mining	Scott Bader	W.R. Grace
Nexus Water Group	SGI Canada	WildBrain
NOVA Chemicals	Shell	Workplace Safety and Insurance Board
Nova Scotia Power	Siegwerk Druckfarben	Yara
Novelis	SoFi	Zekelman Industries
Nutrien	Solenis	
Obsidian Energy Ltd.	State Street	
Ontario Power Generation	Strathcona Resources	
Ovintiv	Sun Chemical	

© 2025 WTW. Proprietary and confidential. For WTW and WTW client use only.

APPENDIX 4-4:
POST RETIREMENT BENEFITS ACTUARIAL VALUATION
DECEMBER 2025

Mercer

welcome to brighter

IAS 19
Actuarial Valuation Report as at December 31, 2025

Non-Pension Post Retirement Benefit and Post Employment Plans

London Hydro Inc.

February 5, 2026

Note to reader regarding actuarial valuations:

This valuation report may not be relied upon for any purpose other than those explicitly noted in this report nor may it be relied upon by any party other than the parties noted in this report. Mercer is not responsible for the consequences of any other use. Its content may not be modified, incorporated into or used in other material, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's permission. All parts of this report, including any documents incorporated by reference, are integral to understanding and explaining its contents; no part may be taken out of context, used or relied upon without reference to the report as a whole.

A valuation report is only a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a plan's future financial condition or its ability to pay benefits in the future and does not provide any guarantee of future financial soundness of a plan. Over time, a plan's total cost will depend on a number of factors, including the amount of benefits a plan pays, the number of people paid benefits, the period of time over which benefits are paid, plan expenses and the amount earned on any assets invested to pay benefits. These amounts and other variables are uncertain and unknowable at the valuation date. Because modelling all aspects of a situation is not possible or practical, we may use summary information, estimates, or simplifications of estimates to facilitate the modelling of future events in an efficient and cost-effective manner. We may also exclude factors or data that, if used, in our judgment, would not have significantly affected our results. Use of such simplifying techniques does not, in our judgment, affect the reasonableness of valuation results for a plan. Valuations do not affect the ultimate cost of a plan, only the timing of when benefit costs are recognized. Cost recognition occurs over time. If the costs recognized over a period of years are lower or higher than necessary, for whatever reason, normal and expected practice is to adjust future expense levels with a view to recognizing the entire cost of a plan over time.

To prepare the valuation report, assumptions are used in a forward looking financial and demographic model to present a single scenario from a wide range of possibilities; the results based on that single scenario are included in the valuation. The future is uncertain and actual experience will differ from those assumptions; these differences may be significant or material because these results are sensitive to the assumptions made and, in some cases, to the interaction between the assumptions. Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. As a result of the uncertainty inherent in a forward looking projection over a very long period of time, no one projection is uniquely 'correct' and many alternative projections of the future could also be regarded as reasonable. Two different actuaries could, quite reasonably, arrive at different results based on the same data and different views of the future. A 'sensitivity analysis' shows the degree to which results would be different if alternative assumptions are substituted within the range of possibilities for those utilized in this report. An indication of the sensitivity of the results to changes in the most material assumptions may be included in this report. Assumptions may also be changed from one valuation to the next because of changes in mandated requirements, plan experience, changes in expectations about the future and other factors. A change in assumptions is not an indication that prior assumptions were unreasonable when made.

Decisions about benefit changes, granting new benefits, funding policy, benefit security and/or benefit-related issues should not be made solely on the basis of this valuation, but only after careful consideration of alternative economic, financial, demographic and societal factors.

The calculations have been made in accordance with our understanding of applicable laws and regulations. Mercer is providing the valuation report in its capacity as actuary and as such, the report is not a substitute for advice from an accountant or lawyer. Mercer is not an accountant or auditor and is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. Mercer is also not a law firm, and the analysis presented in this report is not intended to be a legal opinion. A user of this report should consider securing the advice of legal counsel with respect to any legal matters related to this report.

Contents

1. Report highlights 1

2. Statement of opinion 5

Appendix A. Disclosure information 6

Appendix B. Estimated defined benefit cost information 10

Appendix C. Actuarial assumptions 11

Appendix D. Actuarial methods 19

Appendix E. Plan assets and cashflows 23

Appendix F. Plan provisions 24

Appendix G. Membership data 52

Appendix H. Employer certification 57

Appendix I. Additional information 58

Section 1

Report highlights

Mercer has prepared this report for London Hydro Inc. (the ‘Company’) to present actuarial estimates of liabilities as at December 31, 2025 (the ‘Year End’) to be incorporated, as the Company deems appropriate, in the financial statements prepared under International Financial Reporting Standards, and to provide an actuarial estimate of the defined benefit cost for the fiscal year ending on December 31, 2026 (the 'Following Year End') for the following plans (collectively, the ‘Plan’):

- Non-pension post retirement benefits (“Post Retirement”)
- Post employment retirement gift/bonus (“Retirement Allowance”)
- Medical/dental benefits paid while on long term disability (“Medical/Dental on LTD”)
- Long Term Service Awards (“Service Awards”)

All figures in this report are expressed in Canadian dollars, unless otherwise stated.

Summary of results

Below are highlights of the results as at the Year End compared to the corresponding figures as at December 31, 2024 (the 'Prior Year End'). Please refer to the remainder of the report for more information about these summary numbers.

	Fiscal Year Ending on the Year End				
	Post Retirement	**Retirement Allowance**	**Medical/Dental on LTD**	**Service Awards**	**Total**
P&L charge/(credit)	$523,300	$2,800	($25,100)	$8,900	$509,900
Other comprehensive (income)/loss	($4,100)	$0	$0	$0	($4,100)
Defined benefit cost	**$519,200**	**$2,800**	**($25,100)**	**$8,900**	**$505,800**
Benefit obligation	$6,433,500	$38,700	$49,600	$82,900	$6,604,700
Fair value of assets	$0	$0	$0	$0	$0
Net liability/(asset) at the end of the year	**$6,433,500**	**$38,700**	**$49,600**	**$82,900**	**$6,604,700**
Discount rate at year-end[1]	4.80% per year	4.80% per year	4.80% per year	4.80% per year	4.80% per year
Assumed health care trend rates at year-end					
Immediate trend rate	4.60% per year	N/A	N/A	N/A	4.60% per year
Ultimate trend rate	4.00% per year	N/A	N/A	N/A	4.00% per year
Year the rate reaches ultimate trend rate	2040	N/A	N/A	N/A	2040

[1] Based on the CIA discount rate model as at December 31, 2025

	Fiscal Year Ending on the Prior Year End				
	Post Retirement	**Retirement Allowance**	**Medical/Dental on LTD**	**Service Awards**	**Total**
P&L charge/(credit)	$674,700	$3,400	$37,400	$9,900	$725,400
Other comprehensive (income)/loss	($1,860,400)	$0	$0	$0	($1,860,400)
Defined benefit cost	**($1,185,700)**	**$3,400**	**$37,400**	**$9,900**	**($1,135,000)**
Benefit obligation	$6,854,400	$39,200	$74,700	$84,300	$7,052,600
Fair value of assets	$0	$0	$0	$0	$0
Net liability/(asset) at the end of the year	**$6,854,400**	**$39,200**	**$74,700**	**$84,300**	**$7,052,600**
Discount rate at year-end[2]	4.60% per year	4.60% per year	4.60% per year	4.60% per year	4.60% per year
Assumed health care trend rates at year-end					
Immediate trend rate	4.71% per year	N/A	N/A	N/A	4.71% per year
Ultimate trend rate	4.00% per year	N/A	N/A	N/A	4.00% per year
Year the rate reaches ultimate trend rate	2040	N/A	N/A	N/A	2040

The defined benefit cost for the fiscal year ending on the Year End includes no charges/credits due to special events.

The estimated defined benefit cost included in P&L for the Post Retirement/Service Awards/Retirement Allowance plans for the fiscal year ending on the Following Year End is a charge of $526,700. The estimated defined benefit cost for Medical/Dental on LTD depend on claims and re-measurements in 2026 and will be determined at the end of the year.

Please note that the actual defined benefit cost for the fiscal year ending on the Following Year End may be substantially different from the estimate due to the remeasurement component, which includes gains and losses and may also be revised if liabilities are remeasured during the year due to a significant event and/or cash flows are updated.

[2] Based on the CIA discount rate model as at December 31, 2024

Subsequent events

We have not been notified by the Company nor are we aware of any events subsequent to the Year End, which in our opinion would have a material impact on the results of the valuation.

Changes since the Prior Year End

The following summarizes the changes made since the Prior Year End. To our knowledge there have been no other changes since the Prior Year End that affect the valuation results.

Changes in actuarial methods or accounting policies

There have been no changes to the actuarial methods or accounting policies since the Prior Year End. These are described in the actuarial methods section of this report.

Changes in actuarial assumptions

There have been changes to the actuarial assumptions since the Prior Year End. The approach used for setting the assumptions is similar to the prior year. These are described in the actuarial assumptions section of this report.

Changes in data

We have relied on the actual benefit payments provided by the Company for the fiscal year ending at the Year End. We have not incorporated new census data since the last actuarial valuation as at 31 August 2023 for the post-retirement benefits, retirement allowance and service award benefits We have also not incorporated new census data for the long-term disability benefits, however, the membership data is adjusted by prorating the number of disabled participants as of December 31, 2025. This is described in the plan assets and cashflows and participant data sections of this report.

Changes in plan provisions

There were no changes in plan provisions since the Prior Year End. These are described in the plan provisions section of this report.

Section 2

Statement of opinion

Mercer has prepared this report exclusively for the Company; subject to this limitation, the Company may direct that this report be provided to its auditors in connection with the audit of its financial statements. Mercer is not responsible for use of this report by any other party.

The Company is ultimately responsible for selecting the Plan's accounting policies, methods, and assumptions. This information is referenced or described in this report. The Company is solely responsible for communicating to Mercer any changes required to those policies, methods, and assumptions.

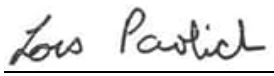
The Company should notify Mercer promptly after receipt of this valuation report if the Company disagrees with anything contained herein or is aware of any information that would affect the results of this report that has not been communicated to Mercer or incorporated therein. The valuation report will be deemed final and acceptable to the Company unless the Company promptly provides such notice to Mercer.

The preparers of the financial statements have selected the assumptions and methods used in the valuations of the plan obligations and determination of plan costs. The assumptions are Management's best estimate assumptions, selected for accounting purposes, in accordance with International Financial Reporting Standards.

In our opinion, for the purposes of the valuations:

- The membership data on which the valuations are based are sufficient and reliable.
- The assumptions are appropriate.
- The calculation have been made in accordance with our understanding of the International Financial Reporting Standards, reflecting application of the Company's accounting policies described in this report.

This report has been prepared, and our opinion given, in accordance with accepted actuarial practice in Canada.



Lois Pavlich
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries

Date



Patrick Diep
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries

Date

Appendix A
Disclosure information

The following pages provide fiscal year disclosure information.

Plan name	Post Retirement		Retirement Allowance		Medical/Dental on LTD		Service Award		All Plans	
Fiscal year ending on	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024
A. Change in defined benefit obligation										
1. Defined benefit obligation at end of prior year	6,854,400	9,029,600	39,200	39,500	74,700	37,300	84,300	81,900	7,052,600	9,188,300
2. Service cost										
a. Current service cost	227,400	279,900	1,700	1,700	-	-	6,300	6,300	235,400	287,900
b. Past service cost	-	-	-	-	-	-	-	-	-	-
c. (Gain) / loss on settlements	-	-	-	-	-	-	-	-	-	-
3. Interest expense	295,900	394,800	1,700	1,700	-	-	3,600	3,600	301,200	400,100
4. Cash flows										
a. Benefit payments from plan assets	-	-	-	-	-	-	-	-	-	-
b. Benefit payments from employer	(940,100)	(989,500)	(3,300)	(3,700)	-	-	(10,300)	(7,500)	(953,700)	(1,000,700)
c. Settlement payments from plan assets	-	-	-	-	-	-	-	-	-	-
d. Settlement payments from employer	-	-	-	-	-	-	-	-	-	-
e. Participant contributions	-	-	-	-	-	-	-	-	-	-
f. Administrative expenses included in the DBO	-	-	-	-	-	-	-	-	-	-
g. Taxes included in the DBO	-	-	-	-	-	-	-	-	-	-
h. Insurance premiums for risk benefits	-	-	-	-	-	-	-	-	-	-
5. Other significant events										
a. Increase (decrease) due to effect of any business combinations / divestitures / transfers	-	-	-	-	-	-	-	-	-	-
b. Increase (decrease) due to plan combinations	-	-	-	-	-	-	-	-	-	-
6. Remeasurements										
a. Effect of changes in demographic assumptions	-	(1,955,100)	-	-	-	-	-	-	-	(1,955,100)
b. Effect of changes in financial assumptions	(102,300)	-	(600)	-	(200)	-	(1,000)	-	(104,100)	-
c. Effect of experience adjustments	98,200	94,700	-	-	(24,900)	37,400	-	-	73,300	132,100
7. Effect of changes in foreign exchange rates	-	-	-	-	-	-	-	-	-	-
8. Defined benefit obligation at end of year	**6,433,500**	**6,854,400**	**38,700**	**39,200**	**49,600**	**74,700**	**82,900**	**84,300**	**6,604,700**	**7,052,600**
B. Change in fair value of plan assets										
1. Fair value of plan assets at end of prior year	-	-	-	-	-	-	-	-	-	-
2. Interest income	-	-	-	-	-	-	-	-	-	-
3. Cash flows										
a. Total employer contributions										
(i) Employer contributions	-	-	-	-	-	-	-	-	-	-
(ii) Employer direct benefit payments	940,100	989,500	3,300	3,700	-	-	10,300	7,500	953,700	1,000,700
(iii) Employer direct settlement payments	-	-	-	-	-	-	-	-	-	-
b. Participant contributions	-	-	-	-	-	-	-	-	-	-
c. Benefit payments from plan assets	-	-	-	-	-	-	-	-	-	-
d. Benefit payments from employer	(940,100)	(989,500)	(3,300)	(3,700)	-	-	(10,300)	(7,500)	(953,700)	(1,000,700)
e. Settlement payments from plan assets	-	-	-	-	-	-	-	-	-	-
f. Settlement payments from employer	-	-	-	-	-	-	-	-	-	-
g. Administrative expenses paid from plan assets	-	-	-	-	-	-	-	-	-	-
h. Taxes paid from plan assets	-	-	-	-	-	-	-	-	-	-
i. Insurance premiums for risk benefits	-	-	-	-	-	-	-	-	-	-
4. Other significant events										
a. Increase (decrease) due to effect of any business combinations / divestitures / transfers	-	-	-	-	-	-	-	-	-	-
b. Increase (decrease) due to plan combinations	-	-	-	-	-	-	-	-	-	-
5. Remeasurements										
a. Return on plan assets (excluding interest income)	-	-	-	-	-	-	-	-	-	-
6. Effect of changes in foreign exchange rates	-	-	-	-	-	-	-	-	-	-
7. Fair value of plan assets at end of year	-	-	-	-	-	-	-	-	-	-

Plan name	Post Retirement		Retirement Allowance		Medical/Dental on LTD		Service Award		All Plans	
Fiscal year ending on	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024
C. Amounts recognized in the statement of financial position										
1. Defined benefit obligation	6,433,500	6,854,400	38,700	39,200	49,600	74,700	82,900	84,300	6,604,700	7,052,600
2. Fair value of plan assets	-	-	-	-	-	-	-	-	-	-
3. Funded status	**6,433,500**	**6,854,400**	**38,700**	**39,200**	**49,600**	**74,700**	**82,900**	**84,300**	**6,604,700**	**7,052,600**
4. Effect of asset ceiling/onerous liability	-	-	-	-	-	-	-	-	-	-
5. Net defined benefit liability (asset)	**6,433,500**	**6,854,400**	**38,700**	**39,200**	**49,600**	**74,700**	**82,900**	**84,300**	**6,604,700**	**7,052,600**
D. Components of defined benefit cost										
1. Service cost										
a. Current service cost	227,400	279,900	1,700	1,700	-	-	6,300	6,300	235,400	287,900
b. Reimbursement service cost	-	-	-	-	-	-	-	-	-	-
c. Past service cost	-	-	-	-	-	-	-	-	-	-
d. (Gain) / loss on settlements	-	-	-	-	-	-	-	-	-	-
e. Total service cost	**227,400**	**279,900**	**1,700**	**1,700**	**-**	**-**	**6,300**	**6,300**	**235,400**	**287,900**
2. Net interest cost										
a. Interest expense on DBO	295,900	394,800	1,700	1,700	-	-	3,600	3,600	301,200	400,100
b. Interest (income) on plan assets	-	-	-	-	-	-	-	-	-	-
c. Interest (income) on reimbursement rights	-	-	-	-	-	-	-	-	-	-
d. Interest expense on effect of (asset ceiling)/onerous liability	-	-	-	-	-	-	-	-	-	-
e. Total net interest cost	**295,900**	**394,800**	**1,700**	**1,700**	**-**	**-**	**3,600**	**3,600**	**301,200**	**400,100**
3. Remeasurements of Other Long Term Benefits	-	-	(600)	-	(25,100)	37,400	(1,000)	-	(26,700)	37,400
4. Administrative expenses and/or taxes (not reserved within DBO)	-	-	-	-	-	-	-	-	-	-
5. Defined benefit cost included in P&L	**523,300**	**674,700**	**2,800**	**3,400**	**(25,100)**	**37,400**	**8,900**	**9,900**	**509,900**	**725,400**
6. Remeasurements (recognized in other comprehensive income)										
a. Effect of changes in demographic assumptions	-	(1,955,100)	-	-	-	-	-	-	-	(1,955,100)
b. Effect of changes in financial assumptions	(102,300)	-	-	-	-	-	-	-	(102,300)	-
c. Effect of experience adjustments	98,200	94,700	-	-	-	-	-	-	98,200	94,700
d. (Return) on plan assets (excluding interest income) *	-	-	-	-	-	-	-	-	-	-
e. (Return) on reimbursement rights (excluding interest income)	-	-	-	-	-	-	-	-	-	-
f. Changes in asset ceiling/onerous liability (excluding interest income)	-	-	-	-	-	-	-	-	-	-
g. Total remeasurements included in OCI	**(4,100)**	**(1,860,400)**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,100)**	**(1,860,400)**
7. Total defined benefit cost recognized in P&L and OCI	**519,200**	**(1,185,700)**	**2,800**	**3,400**	**(25,100)**	**37,400**	**8,900**	**9,900**	**505,800**	**(1,135,000)**

Plan name	Post Retirement		Retirement Allowance		Medical/Dental on LTD		Service Award		All Plans	
Fiscal year ending on	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024
E. Net defined benefit liability (asset) reconciliation										
1. Net defined benefit liability (asset) at beginning of year	6,854,400	9,029,600	39,200	39,500	74,700	37,300	84,300	81,900	7,052,600	9,188,300
2. Defined benefit cost included in P&L	523,300	674,700	2,800	3,400	(25,100)	37,400	8,900	9,900	509,900	725,400
3. Total remeasurements included in OCI	(4,100)	(1,860,400)	-	-	-	-	-	-	(4,100)	(1,860,400)
4. Other significant events										
a. Net transfer in/(out) (including the effect of any business combinations/divestitures)	-	-	-	-	-	-	-	-	-	-
b. Amounts recognized due to plan combinations	-	-	-	-	-	-	-	-	-	-
5. Cash flows										
a. Employer contributions	-	-	-	-	-	-	-	-	-	-
b. Employer direct benefit payments	(940,100)	(989,500)	(3,300)	(3,700)	-	-	(10,300)	(7,500)	(953,700)	(1,000,700)
c. Employer direct settlement payments	-	-	-	-	-	-	-	-	-	-
6. Credit to reimbursements	-	-	-	-	-	-	-	-	-	-
7. Effect of changes in foreign exchange rates	-	-	-	-	-	-	-	-	-	-
8. Net defined benefit liability (asset) at end of year	**6,433,500**	**6,854,400**	**38,700**	**39,200**	**49,600**	**74,700**	**82,900**	**84,300**	**6,604,700**	**7,052,600**
F. Defined benefit obligation										
1. Defined benefit obligation by participant status										
a. Actives	2,792,500	2,936,700	38,700	39,200	49,600	74,700	82,900	84,300	2,963,700	3,134,900
b. Vested deferreds	-	-	-	-	-	-	-	-	-	-
c. Retirees	3,641,000	3,917,700	-	-	-	-	-	-	3,641,000	3,917,700
d. Total	**6,433,500**	**6,854,400**	**38,700**	**39,200**	**49,600**	**74,700**	**82,900**	**84,300**	**6,604,700**	**7,052,600**

Plan name	Post Retirement		Retirement Allowance		Medical/Dental on LTD		Service Award		All Plans	
Fiscal year ending on	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024
G. Significant actuarial assumptions										
Weighted-average assumptions to determine defined benefit obligation										
Discount rate	4.80%	4.60%	4.80%	4.60%	4.80%	4.60%	4.80%	4.60%	4.80%	4.60%
Duration used to set discount rate (in years)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect on total SC & IC trend	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.00%	0.00%
Health care cost trend rates										
Immediate trend rate	4.60%	4.71%	N/A	N/A	N/A	N/A	N/A	N/A	4.60%	4.71%
Ultimate trend rate	4.00%	4.00%	N/A	N/A	N/A	N/A	N/A	N/A	4.00%	4.00%
Year rate reaches ultimate trend rate	2040	2040	N/A	N/A	N/A	N/A	N/A	N/A	2040	2040
Mortality assumption	CPM2014 Private with scale CPM-B	CPM2014 Private with scale CPM-B	CPM2014 Private with scale CPM-B	CPM2014 Private with scale CPM-B	GLTD	GLTD	CPM-RPP2014 Private with scale CPM-B	CPM-RPP2014 Private with scale CPM-B		
Weighted-average assumptions to determine defined benefit cost										
Discount rate	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%
Effect on total SC & IC trend	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.00%	0.00%
Health care cost trend rates										
Immediate trend rate	4.71%	5.02%	N/A	N/A	N/A	N/A	N/A	N/A	4.71%	5.02%
Ultimate trend rate	4.00%	4.00%	N/A	N/A	N/A	N/A	N/A	N/A	4.00%	4.00%
Year rate reaches ultimate trend rate	2040	2040	N/A	N/A	N/A	N/A	N/A	N/A	2040	2040
Mortality assumption	CPM2014 Private with scale CPM-B	CPM2014 Private with scale CPM-B	CPM2014 Private with scale CPM-B	CPM2014 Private with scale CPM-B	GLTD	GLTD	CPM-RPP2014 Private with scale CPM-B	CPM-RPP2014 Private with scale CPM-B		
H. Sensitivity analysis										
Present value of defined benefit obligation										
Discount rate - 100 basis points	6,980,700	7,418,900	42,200	42,700	N/A	N/A	N/A	N/A	7,022,900	7,461,600
Discount rate + 100 basis points	5,965,400	6,370,400	35,700	36,200	N/A	N/A	N/A	N/A	6,001,100	6,406,600
Effect on total SC & IC trend - 100 basis points	N/A	N/A.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect on total SC & IC trend + 100 basis points	N/A	N/A.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Health care cost trend rates - 100 basis points	6,171,500	6,570,700	N/A	N/A	N/A	N/A	N/A	N/A	6,171,500	6,570,700
Health care cost trend rates + 100 basis points	6,735,500	7,181,700	N/A	N/A	N/A	N/A	N/A	N/A	6,735,500	7,181,700
Mortality assumption - 1 year life expectancy	6,398,900	6,820,400	38,600	39,100	N/A	N/A	N/A	N/A	6,437,500	6,859,500
Mortality assumption + 1 year life expectancy	6,463,800	6,886,400	38,800	39,300	N/A	N/A	N/A	N/A	6,502,600	6,925,700
I. Expected cash flows for following year										
1. Expected employer contributions	766,600		3,400		-		16,400		786,400	
2. Expected contributions to reimbursement rights	-		-		-		-		-	
3. Expected total benefit payments										
Year 1	766,600		3,400		-		16,400		786,400	
Year 2	725,900		3,400		-		10,700		740,000	
Year 3	656,600		3,600		-		8,400		668,600	
Year 4	611,000		3,600		-		7,400		622,000	
Year 5	557,600		3,000		-		9,500		570,100	
Next 5 years	2,168,900		15,600		-		39,800		2,224,300	

Appendix B
Estimated defined benefit cost information

The following page provides the estimated defined benefit cost for the fiscal year ending on the Following Year End.

Plan name	Post Retirement	Retirement Allowance	Medical/Dental on LTD	Service Award	All Plans
Country	Canada	Canada	Canada	Canada	
Fiscal year ending on	31 Dec 2026	31 Dec 2026	31 Dec 2026	31 Dec 2026	31 Dec 2026
Currency information					
Local currency	$CDN	$CDN	$CDN	$CDN	
Reporting currency	**$CDN**	**$CDN**	**$CDN**	**$CDN**	
Units of local currency equal to 1 unit of reporting currency	1.00000	1.00000	1.00000	1.00000	
A. Components of projected defined benefit cost					
1. Service cost					
a. Current service cost	223,000	1,600	-	6,300	230,900
b. Reimbursement service cost	-	-	-	-	-
c. Past service cost	-	-	-	-	-
d. (Gain) / loss on settlements	-	-	-	-	-
e. Total service cost	**223,000**	**1,600**	**-**	**6,300**	**230,900**
2. Net interest cost					
a. Interest expense on DBO	290,400	1,800	-	3,600	295,800
b. Interest (income) on plan assets	-	-	-	-	-
c. Interest (income) on reimbursement rights	-	-	-	-	-
d. Interest expense on effect of (asset ceiling)/onerous liability	-	-	-	-	-
e. Total net interest cost	**290,400**	**1,800**	**-**	**3,600**	**295,800**
3. Remeasurements of Other Long Term Benefits	-	-	-	-	-
4. Administrative expenses and/or taxes (not reserved within DBO)	-	-	-	-	-
5. Defined benefit cost included in P&L	**513,400**	**3,400**	**-**	**9,900**	**526,700**
6. Remeasurements (recognized in other comprehensive income)	-	-	-	-	-
7. Total defined benefit cost recognized in P&L and OCI	**513,400**	**3,400**	**-**	**9,900**	**526,700**
B. Expected cash flows used to determine defined benefit cost					
1. Employer contributions	-	-	-	-	-
2. Participant contributions	-	-	-	-	-
3. Benefit payments from plan assets	-	-	-	-	-
4. Benefit payments from employer	766,600	3,400	-	16,400	786,400
5. Settlement payments from plan assets	-	-	-	-	-
6. Settlement payments from employer	-	-	-	-	-
7. Administrative expenses	-	-	-	-	-
8. Taxes	-	-	-	-	-
9. Insurance premiums for risk benefits	-	-	-	-	-
10. Employer contributions to reimbursement rights	-	-	-	-	-
11. Reimbursements to employer	-	-	-	-	-
C. Weighted-average assumptions to determine defined benefit cost					
Discount rate	4.80%	4.80%	4.80%	4.80%	4.80%
Effect on total SC & IC trend	N/A	N/A	N/A	N/A	0.00%
Health care cost trend rates					
Immediate trend rate	4.60%	N/A	N/A	N/A	4.60%
Ultimate trend rate	4.00%	N/A	N/A	N/A	4.00%
Year rate reaches ultimate trend rate	2040	N/A	N/A	N/A	2040
Mortality assumption	CPM2014 Private with scale CPM-B	CPM2014 Private with scale CPM-B	GLTD	CPM-RPP2014 Private with scale CPM-B	

Appendix C
Actuarial assumptions

These assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date and the defined benefit cost for the following year. The principal financial and demographic assumptions used at the Year End and the Prior Year End are shown in the table below.

Non-Pension Post Retirement Benefits Plan

The following assumptions were used in valuing the benefit obligations under the non-pension post-retirement benefits plan.

Fiscal Year Ending on the Year End and Prior Year End			
Discount rate	4.60% per annum as of the Prior Year End and 2025 benefit cost 4.80% per annum as of the Year End and projected 2026 benerfit cost		
Age 65 per capita claims costs		March 31, 2024 Mid-point	
		Pre-65 Plan	**Post-65 Plan**
	Semi-private hospital	$70	$70
	Prescription drugs	1,640	1,200
	Other medical	360	300
	Vision care	110	80
	Out of Province	636	636
	Dental care	800	900
	Total	**$3,616**	**$3,186**

Administrative expenses as a percentage of paid claims	Medical	8.05% (not applied to OOP as valuing fully pooled premium)[3]
	Dental	8.05%[4]
	Life Insurance	18.6%
Pooling Charge as a percentage of non-pooled claims plus claims admin	9.48%	
Taxes	8% of claims and administrative expenses for all benefits. 1.99% premium tax on claims and administration expenses[4].	
Increases in pensionable earnings	4.00% per annum	
Health care cost trend rates	Hospital	4.00% per annum
	Prescription drugs	5.96% per annum in 2025 grading down to 4.00% per annum in and after 2040
	Other Medical	4.00% per annum
	Vision Care	4.00% per annum
	Dental	4.00% per annum
Mortality	100% of the rates of the 2014 Private Sector Canadian Pensioners Mortality Table (CPM2014Priv) with generational improvement scale CPM-B	

[3] Exclusive of premium tax

[4] Based on weighted average of premium tax rates across Canada

<table>
<tr><td>Withdrawal</td><td colspan="3">Mercer “Ontario Light” Termination table
Rates at sample ages are shown below:</td></tr>
<tr><td></td><td>Age</td><td>Male</td><td>Female</td></tr>
<tr><td></td><td>20</td><td>18.8%</td><td>18.8%</td></tr>
<tr><td></td><td>30</td><td>5.6%</td><td>5.6%</td></tr>
<tr><td></td><td>40</td><td>2.2%</td><td>2.2%</td></tr>
<tr><td></td><td>50</td><td>1.2%</td><td>1.2%</td></tr>
<tr><td></td><td>60</td><td>0.0%</td><td>0.0%</td></tr>
<tr><td></td><td colspan="3">No withdrawal assumed after attainment of eligibility for retirement.</td></tr>
<tr><td>Retirement rates</td><td>Age</td><td colspan="2">Rate</td></tr>
<tr><td></td><td>55 – 59</td><td colspan="2">7%</td></tr>
<tr><td></td><td>60 – 62</td><td colspan="2">11%</td></tr>
<tr><td></td><td>63</td><td colspan="2">12%</td></tr>
<tr><td></td><td>64</td><td colspan="2">13%</td></tr>
<tr><td></td><td>65+</td><td colspan="2">100%</td></tr>
<tr><td>Dependent coverage</td><td colspan="3">80% of active members are assumed to elect dependant coverage upon retirement.
Actual coverage data provided by the client is used for retired members.</td></tr>
<tr><td>Age difference</td><td colspan="3">For active members, a male is assumed to be 3 years older than his spouse.
Actual data provided by the client is used for retired members.</td></tr>
</table>

Aging factors	The change in claiming levels from one age to the next are shown below for sample ages:					
	Age	**Prescription drugs**	**Semi-private hospital**	**Other medical**	**Vision care**	**Dental care**
	55	3.8%	7.0%	(0.2%)	(0.5%)	(0.4%)
	60	2.8%	7.8%	(0.6%)	(0.6%)	(0.7%)
	65	2.1%	10.0%	(0.5%)	(0.6%)	(0.9%)
	70	1.1%	9.5%	1.2%	(0.5%)	(1.1%)
	75	0.5%	9.3%	1.7%	(0.6%)	(1.3%)
	80	(0.2%)	8.2%	2.2%	(0.6%)	(1.8%)
	85	(0.3%)	6.8%	2.3%	(0.7%)	(2.9%)
Participation – Pre-65	100% of members assumed to participate in the pre-65 retiree health plan					
Participation – Post-65	N/A					

	Fiscal Year Ending on the Year End	**Fiscal Year Ending on the Prior Year End**
Company subsidy %[5]	0%	0%

[5] Estimated company subsidy for post-65 benefits, provided by London Hydro

Post Employment Retirement Allowances

The following assumptions were used in valuing the benefit obligations for the post-employment retirement allowances.

	Fiscal Year Ending on the Year End and Prior Year End		
Discount rate	4.60% per annum as of the Prior Year End 4.80% per annum as of the Year End		
Mortality	100% of the rates of the 2014 Private Sector Canadian Pensioners Mortality Table (CPM2014Priv) with generational improvement scale CPM-B		
Withdrawal	Mercer “Ontario Light” Termination table. Rates at sample ages are shown below:		
	Age	**Male**	**Female**
	20	18.8%	18.8%
	30	5.6%	5.6%
	40	2.2%	2.2%
	50	1.2%	1.2%
	60	0.0%	0.0%
	No withdrawal assumed after attainment of eligibility for retirement.		
Retirement rates	**Age**	**Rate**	
	55 – 59	7%	
	60 – 62	11%	
	63	12%	
	64	13%	
	65+	100%	
Taxes	No load used		
Option to choose Retirement Allowance vs. Paid up Life	100% of participants choose Retirement Allowance		

Other Long Term Benefits

The following assumptions were used in valuing the benefit obligations for other long term benefits (medical/dental benefits while on long term disability).

Fiscal Year Ending on the Year End and Prior Year End			
Discount rate	4.60% per annum as of the Prior Year End 4.80% per annum as of the Year End		
Premiums		**Single**	**Family**
	Medical	$4,365	$7,146
	Dental care	$741	$1,715
	Total	**$5,106**	**$8,861**
Mortality	100% of the rates of the 2014 Private Sector Canadian Pensioners Mortality Table (CPM2014Priv) with generational improvement scale CPM-B		
Health care cost trend rates	Medical	5.96% per annum in 2025 grading down to 4.00% per annum in and after 2040	
	Dental	4.00% per annum	
Premium development	The per capita claim costs are based on the group's healthy premium rates multiplied by a disabled factor of 3 for all medical benefits (except vision)		
Taxes	8% of claims and administrative expenses for all medical and dental benefits. 2% premium tax (included in premiums)		
Recovery assumption	Mortality and recovery rate assumptions for medical and dental benefits provided to disabled employees are based on Canadian Group LTD Termination Experience 2009-2015. Modification factors vary by age and time since disability and are available upon request.		

Long Term Service Awards

The following assumptions were used in valuing the benefit obligations for the service awards.

	Fiscal Year Ending on the Year End and Prior Year End		
Discount rate	4.60% per annum as of the Prior Year End 4.80% per annum as of the Year End		
Mortality	100% of the rates of the 2014 Private Sector Canadian Pensioners Mortality Table (CPM2014PR) with generational improvement scale CPM-B		
Withdrawal	Mercer “Ontario Light” Termination table. Rates at sample ages are shown below:		
	Age	**Male**	**Female**
	20	18.8%	18.8%
	30	5.6%	5.6%
	40	2.2%	2.2%
	50	1.2%	1.2%
	60	0.0%	0.0%
	No withdrawal assumed after attainment of eligibility for retirement.		
Retirement rates	**Age**	**Rate**	
	55 – 59	7%	
	60 – 62	11%	
	63	12%	
	64	13%	
	65+	100%	
Taxes	Award amount is inclusive of tax		

Claims cost development – Non-Pension Post Retirement Benefits Plan

The 2023 age 65 per capita claim costs are based on the group's claims experience from August 1, 2020 to July 31, 2023 trended to the mid-point of the valuation period, adjusted to age 65 and loaded for administrative expenses and taxes. Claims costs were developed separately for Pre-65 and Post-65 retirees based on the experience for each of these groups.

This claims experience was collected and analysed separately for Semi-private hospital, Prescription drugs, Other medical, Vision care, Out of province and Dental benefits.

A description of the process used to set the "Age 65 per capita claims costs" (shown in Appendix C – Actuarial Assumptions) is as follows:

- For each calendar year of claims, a cost per covered member was developed by dividing the total annual claims by the total number of eligible retirees, and dependents covered during the year.
- This cost per person has been adjusted to the cost per covered member at age 65 based on the individual ages of the covered members using the "Aging factors" assumptions shown in Appendix C – Actuarial Assumptions).
- These costs have been increased to include the cost of insurance company administrative expenses and provincial taxes charged on the claims.
- The costs are then increased with assumed health care cost trend rates from the claims experience year to the midpoint of the valuation year (March 31, 2024).
- Claims costs are developed with retiree claims experience from all 4 billing divisions (7998, 7999, 3282 and 1983) combined. Although there are some minor difference in plan design dependent on retirement date and collective agreement, the average is used to determine claims costs for all retirees. Due to the credibility of experience in each collective agreement, the different plan provisions in the claims experience as a whole is expected to be accounted for by applying the average to all retirees.
- For any members who are pre-65, their post-65 claims costs are modified by 50%, as 50% of members are expected to elect hospital, vision and, dental. Members who are post-65 are valued based on their actual elections.
- Out of province claim costs are based on January 1, 2023 premium rates.

Appendix D
Actuarial methods

Valuations and extrapolations for Non-Pension Post Retirement Benefits, Post Employment Retirement Allowance Benefits and Long Term Service Award Benefits

Benefit obligations are estimated using the Projected Unit Credit method. Under this method each participant's benefits under the Plan are attributed to years of service, taking into consideration projection of benefit costs. Thus, the estimated total benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

If an employee's service in later years will lead to a materially higher level of benefit than in earlier years, these benefits are attributed on a straight-line basis. A description of the calculation follows:

- An individual's estimated accrued benefit for valuation purposes is the projected benefit at full eligibility date, or current age if later, multiplied by the ratio of service at the valuation date over service at full eligibility date. Service for this purpose is measured from date of hire.
- Full eligibility for the Post Retirement Benefits Plan is age 55.
- The benefit attributed to an individual's service during a plan year is the excess of the attributed benefit for valuation purposes at the end of the plan year over the attributed benefit for valuation purposes at the beginning of the plan year. Both attributed benefits are estimated from the same projections to the various anticipated separation dates.
- An individual's estimated benefit obligation is the present value of the attributed benefit for valuation purposes at the beginning of the plan year, and the service cost is the present value of the benefit attributed to the year of service in the plan year. If multiple decrements are used, the benefit obligation and the service cost for an individual are the sum of the component benefit obligations and service costs associated with the various anticipated separation dates. Such benefit obligations and service costs reflect the estimated attributed benefits and the probability of the individual separating on those dates.

In all cases, the benefit obligation is the total present value of the individuals' attributed benefits for valuation purposes at the measurement date, and the service cost is the total present value of the individuals' benefits attributable to service during the year.

Valuations and extrapolations for Medical/Dental Benefits paid while On Long Term Disability

The benefit obligation for Post-Employment benefits is determined on a terminal accounting basis. For each disabled employee on long-term disability, the benefit obligation is equal to the present value of future benefit payments (continuation of life insurance, health, and dental coverage) until the earlier of recovery, death or age 65.

Valuations procedures for Non-Pension Post Retirement Benefits, Post Employment Retirement Allowance Benefits and Long Term Service Award Benefits

The following approximations have been made in applying this method:

- The benefit obligations at the Year End have been based on a projection of the results of the August 31, 2023 accounting valuation. This projection involves rolling forward the results at the earlier date allowing for interest on the liabilities, the accrual of further benefits by active members, the expected benefits paid out and an estimate of the effect of any changes in the actuarial assumptions. We have assumed that all other experience during the projection, has been in line with the assumptions made at the start of the year.

Funding policy

The non-pension post retirement benefits, retirement allowance benefits and medical/dental benefits while on LTD are funded on a pay-as-you-go basis. The Company funds on a cash basis as benefits are paid. No assets have been segregated and restricted to provide the non-pension post retirement benefits.

Accounting policies

The accounting policies in cases where the Company has a choice of policy are set out below.

There have been no changes to the accounting methods or accounting policies since the prior valuation.

Materiality threshold: The Company has not instructed us to make any adjustments to the valuation procedures described in order to satisfy its materiality threshold.

Discretionary benefits: No allowance is made in the benefit obligation for discretionary benefits on the grounds that there is no constructive obligation to provide such benefits. Therefore, any benefit increases that are awarded on a discretionary basis are accounted for as a past service cost.

Significant events: No significant events have occurred during the reporting period that require accounting policy decisions.

Non-Pension Post Retirement Benefits, Post Employment Retirement Allowance Benefits and Long Term Service Award Benefits

In accordance with IAS 19, past service costs/(credits) will be recognized immediately in the P&L defined benefit cost and gains and losses are recognized immediately in OCI.

Defined benefit cost measurement: The defined benefit cost charged to profit or loss is budgeted for at the start of each reporting period using actuarial assumptions fixed at the start of the period, including assumptions about expected benefit payments that will be made during the period. It is only updated to allow for subsequent experience in the event of material changes or special events.

Interest on service cost: The current service cost includes all interest on the service cost during the reporting period.

Medical/Dental Benefits paid while on Long Term Disability

The Company recognizes the full change in this benefit obligation during the period as the benefit cost for the period. Our report does not address actual benefit payments as we do not have information on these amounts. This method of accounting assumes that the actual payments are expensed outside of the accounting shown in this report.

For interim valuation years, the Company prorates the benefit obligation by the number of members on LTD.

Actuarial estimates

Rounding of discount rates: The benefit obligation, service cost and interest cost are determined using the single equivalent discount rates which were rounded to the nearest 10 basis points.

Medical/Dental Benefits paid while on Long Term Disability

Discount rate setting process: The discount rate is estimated using a duration approach for the Long Term Disability Plan benefit using the yield curve from the CIA discount rate model.

Non-Pension Post Retirement Benefits, Post Employment Retirement Allowance Benefits and Long Term Service Award Benefits

Discount rate setting process: The discount rate is estimated as the single equivalent rate such that the present value of the Non-Pension Post Retirement, Post Employment Retirement Allowance and Long Term Service Award Plans' benefit obligation cash flows using the single rate equals the present value of those cash flows using the yield curve from the CIA discount rate model.

Determination of benefit obligations and service cost: The benefit obligations and service cost are calculated using the discount rate described above.

Calculation of interest: Interest on benefit obligations for purposes of determining the interest cost and interest on the service cost is calculated by applying interest to the benefit obligation and to the current service cost. For this purpose, interest is determined using the discount rate used to determine the benefit obligation.

Appendix E

Plan assets and cashflows

The benefits of the Plan are paid by the Company as they come due.

To prepare this report Mercer has used and relied on actual Plan cashflows for the Post Retirement Benefits Plan submitted as at the measurement date without further audit. Customarily, this information would not be verified by a plan's actuary. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.

Appendix F
Plan provisions

Non-Pension Post Retirement Benefits Plan

Mercer has summarized below our interpretations of plan provisions, supplied by the Company. The Company is solely responsible for the validity, accuracy and comprehensiveness of this information. If any plan provisions supplied are not accurate and complete, the valuation results may differ significantly from the results that would be obtained with accurate and complete information. Moreover, plan documents may be subject to different interpretations, each of which could be reasonable, and the results under each of the different interpretations could vary.

Hourly and Salaried employees who retire from active service after age 55 are entitled to paid-up life insurance and continued health and dental benefit coverage for themselves and their eligible family until age 65.

In general, retirees are entitled to $10,000 paid-up life insurance. The majority of current retirees are entitled to non-paid up life insurance amounts under previous plan provisions equal to flat dollar amounts, 50% of their pre-retirement annual base earnings, or 70% of their pre-retirement life benefit.

Additionally, as of January 1, 2016, salaried employees have the option for $10,000 retiring allowance in lieu of $15,000 in paid up life and unionized employees have the option for $5,000 retiring allowance in lieu of $10,000 in paid up life. Most employees are choosing the retiring allowance option so we have valued this benefit as an allowance, rather than as a paid up life benefit. This benefit is still included the Post Retirement benefit plan.

Retiree divisions

Upon retirement, pre-age 65 hourly retirees are placed in Division 7999 and salaried retirees are placed in Division 7998. Upon the attainment of age 65, hourly and salaried retirees are classified as Division 1983 and 3282 respectively.

Please note that the plan provisions below are a sample of all plan provisions for specific subdivisions. Plan provisions within the same Billing Divisions are generally similar, with the exception to some maximums under paramedical, vision and dental. When a new contract is negotiated, the plan provisions for those that retire under that subdivision will receive the maximums applicable to the benefits applicable at that time. Due to the many different benefit amounts, claim costs are based on the entire subdivision at that time and used as an average for all retiree's.The plan provisions for all divisions are summarized below.

Division 7999-00 - 100% Company Paid Benefits

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $350/calendar year All other practitioners (including physiotherapy): $500/calendar year combined
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $250 maximum every 24 months per person
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,000 / year maximum per person
Major Restorative	50% coverage to $1,000 / year maximum per person
Orthodontia	50% coverage to $1,250 / lifetime maximum per person

Division 7999-01 - 100% Company Paid Benefits

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $350/calendar year Physiotherapist: $750/calendar year All other practitioners: $500/calendar year combined
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $300 maximum every 24 months per person
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,000 / year maximum per person
Major Restorative	50% coverage to $1,200 / year maximum per person
Orthodontia	50% coverage to $1,500 / lifetime maximum per person

Division 7999-05 - 100% Company Paid Benefits

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $350/calendar year Physiotherapist: $750/calendar year All other practitioners: $500/calendar year combined
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $350 maximum every 24 months per person
Hearing Aids	100% standard coverage to a maximum of $500 every 3 years
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,275 / year maximum per person
Major Restorative	50% coverage to $1,350 / year maximum per person
Orthodontia	50% coverage to $2,000 / lifetime maximum per person

Division 7999-91 - 100% Company Paid Benefits

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $350/calendar year Physiotherapist: $750/calendar year All other practitioners: $500/calendar year combined
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $300 maximum every 24 months per person includes eye exam
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,250 / year maximum per person
Major Restorative	50% coverage to $1,350 / year maximum per person
Orthodontia	50% coverage to $2,000 / lifetime maximum per person

Division 7999-92 - 100% Company Paid Benefits

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $300/calendar year Physiotherapist: No maximum All other practitioners: Various cost per visit and/or calendar year maximums
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative No dispensing fee cap
Vision Care	100% coverage to $200 maximum every 24 months per person
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,000 / year maximum per person
Major Restorative	50% coverage to $1,000 / year maximum per person
Orthodontia	50% coverage to $1,000 / lifetime maximum per person

Division 7999-96 - 100% Company Paid Benefits

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $300/calendar year Physiotherapist: No maximum All other practitioners: Various cost per visit and/or calendar year maximums
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $200 maximum every 24 months per person
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,000 / year maximum per person
Major Restorative	50% coverage to $1,000 / year maximum per person
Orthodontia	50% coverage to $1,000 / lifetime maximum per person

Division 7998-02 - 100% Company Paid Benefits

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $350/calendar year Physiotherapist: $750/calendar year All other practitioners: $575/calendar year combined
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $525 maximum every 24 months per person
Hearing Aids	100% standard coverage every 5 years
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,500 / year maximum per person
Major Restorative	50% coverage to $1,500 / year maximum per person
Orthodontia	50% coverage to $2,500 / lifetime maximum per person

Division 7998-04 - 100% Company Paid Benefits

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $350/calendar year Physiotherapist: $750/calendar year All other practitioners: $575/calendar year combined
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $525 maximum every 24 months per person includes eye exams
Hearing Aids	100% standard coverage every 5 years
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,600 / year maximum per person
Major Restorative	50% coverage to $1,600 / year maximum per person
Orthodontia	50% coverage to $2,500 / lifetime maximum per person

Division 7998-10 - 100% Company Paid Benefits

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $350/calendar year Physiotherapist: $750/calendar year All other practitioners: $575/calendar year combined
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $525 maximum every 24 months per person includes eye exams
Hearing Aids	100% standard coverage every 3 years
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,625 / year maximum per person
Major Restorative	50% coverage to $1,600 / year maximum per person
Orthodontia	50% coverage to $2,500 / lifetime maximum per person

Division 7998-82 - 100% Company Paid Benefits

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $300/calendar year Physiotherapist: No maximum All other practitioners: Various cost per visit and/or calendar year maximums
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative
Vision Care	100% coverage to $525 maximum every 24 months per person
Hearing Aids	100% standard coverage every 5 years
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,500 / year maximum per person
Major Restorative	50% coverage to $1,500 / year maximum per person
Orthodontia	50% coverage to $2,000 / lifetime maximum per person

Division 7998-86 - 100% Company Paid Benefits

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $300/calendar year Physiotherapist: No maximum All other practitioners: Various cost per visit and/or calendar year maximums
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $525 maximum every 24 months per person
Hearing Aids	100% standard coverage every 5 years
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,500 / year maximum per person
Major Restorative	50% coverage to $1,500 / year maximum per person
Orthodontia	50% coverage to $2,000 / lifetime maximum per person

Division 7998-90 - 100% Company Paid Benefits

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $350/calendar year All other practitioners (including physiotherapy): $575/calendar year combined
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $525 maximum every 24 months per person
Hearing Aids	100% standard coverage every 5 years
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,500 / year maximum per person
Major Restorative	50% coverage to $1,500 / year maximum per person
Orthodontia	50% coverage to $2,500 / lifetime maximum per person

Division 7998-SL3 - 100% Company Paid Benefits

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $450/calendar year Physiotherapist: $750/calendar year Psychologist/Counsellor of Social Work/Psychotherapist: $650/calendar year All other practitioners: $575/calendar year combined
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $550 maximum every 24 months per person, excluding eye exams 100% coverage to $100 maximum every 24 months per person for eye exams
Hearing Aids	100% standard coverage every 5 years
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,500 / year maximum per person
Major Restorative	50% coverage to $2,000 / year maximum per person
Orthodontia	50% coverage to $3,000 / lifetime maximum per person

Division 1983-00 – Retiree Benefits post age 65[6]

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $350/calendar year All other practitioners (including physiotherapy): $575/calendar year combined
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $450 maximum every 24 months per person
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,000 / year maximum per person
Major Restorative	50% coverage to $1,000 / year maximum per person
Orthodontia	50% coverage to $1,250 / lifetime maximum per person

[6] Mostly retiree paid with a small company subsidy as detailed in the assumption section

Division 1983-01 - Retiree Benefits post age 65[7]

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $350/calendar year Physiotherapist: $750/calendar year All other practitioners: $575/calendar year combined
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $450 maximum every 24 months per person
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,000 / year maximum per person
Major Restorative	50% coverage to $1,200 / year maximum per person
Orthodontia	50% coverage to $1,500 / lifetime maximum per person

[7] Mostly retiree paid with a small company subsidy as detailed in the assumption section

Division 1983-11 - Retiree Benefits post age 65[8]

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $350/calendar year Physiotherapist: $750/calendar year All other practitioners: $575/calendar year combined
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $450 maximum every 24 months per person
Hearing Aids	100% standard coverage to a maximum of $500 every 3 years
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,275 / year maximum per person
Major Restorative	50% coverage to $1,350 / year maximum per person
Orthodontia	50% coverage to $2,000 / lifetime maximum per person

[8] Mostly retiree paid with a small company subsidy as detailed in the assumption section

Division 1983-94 - Retiree Benefits post age 65[9]

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $350/calendar year Physiotherapist: $750/calendar year All other practitioners: $575/calendar year combined
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $450 maximum every 24 months per person includes eye exam
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,250 / year maximum per person
Major Restorative	50% coverage to $1,350 / year maximum per person
Orthodontia	50% coverage to $2,000 / lifetime maximum per person

[9] Mostly retiree paid with a small company subsidy as detailed in the assumption section

Division 1983-96 - Retiree Benefits post age 65[10]

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $300/calendar year Physiotherapist: No maximum All other practitioners: Various cost per visit and/or calendar year maximums
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $450 maximum every 24 months per person
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,000 / year maximum per person
Major Restorative	50% coverage to $1,000 / year maximum per person
Orthodontia	50% coverage to $1,000 / lifetime maximum per person

[10] Mostly retiree paid with a small company subsidy as detailed in the assumption section

Division 1983-98 - Retiree Benefits post age 65[11]

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $300/calendar year Physiotherapist: No maximum All other practitioners: Various cost per visit and/or calendar year maximums
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative No dispensing fee cap
Vision Care	100% coverage to $450 maximum every 24 months per person
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,000 / year maximum per person
Major Restorative	50% coverage to $1,000 / year maximum per person
Orthodontia	50% coverage to $1,000 / lifetime maximum per person

[11] Mostly retiree paid with a small company subsidy as detailed in the assumption section

Division 3282-88 - Retiree Benefits post age 65[12]

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $300/calendar year Physiotherapist: No maximum All other practitioners: Various cost per visit and/or calendar year maximums
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative No dispensing fee cap
Vision Care	100% coverage to $525 maximum every 24 months per person
Hearing Aids	100% standard coverage every 5 years
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,500 / year maximum per person
Major Restorative	50% coverage to $1,500 / year maximum per person
Orthodontia	50% coverage to $2,000 / lifetime maximum per person

[12] Mostly retiree paid with a small company subsidy as detailed in the assumption section

Division 3282-86 - Retiree Benefits post age 65[13]

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $300/calendar year Physiotherapist: No maximum All other practitioners: Various cost per visit and/or calendar year maximums
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $525 maximum every 24 months per person
Hearing Aids	100% standard coverage every 5 years
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,500 / year maximum per person
Major Restorative	50% coverage to $1,500 / year maximum per person
Orthodontia	50% coverage to $2,000 / lifetime maximum per person

[13] Mostly retiree paid with a small company subsidy as detailed in the assumption section

Division 3282-90 - Retiree Benefits post age 65[14]

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $350/calendar year All other practitioners (including physiotherapy): $575/calendar year
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $525 maximum every 24 months per person
Hearing Aids	100% standard coverage every 5 years
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,500 / year maximum per person
Major Restorative	50% coverage to $1,500 / year maximum per person
Orthodontia	50% coverage to $2,500 / lifetime maximum per person

[14] Mostly retiree paid with a small company subsidy as detailed in the assumption section

Division 3282-02 - Retiree Benefits post age 65[15]

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $350/calendar year Physiotherapist: $750/calendar year All other practitioners: $575/calendar year combined
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $525 maximum every 24 months per person
Hearing Aids	100% standard coverage every 5 years
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,500 / year maximum per person
Major Restorative	50% coverage to $1,500 / year maximum per person
Orthodontia	50% coverage to $2,500 / lifetime maximum per person

[15] Mostly retiree paid with a small company subsidy as detailed in the assumption section

Division 3282-10 - Retiree Benefits post age 65[16]

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $350/calendar year Physiotherapist: $750/calendar year All other practitioners: $575/calendar year combined
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative $7.00 dispensing fee cap
Vision Care	100% coverage to $525 maximum every 24 months per person includes eye exams
Hearing Aids	100% standard coverage every 3 years
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,625 / year maximum per person
Major Restorative	50% coverage to $1,600 / year maximum per person
Orthodontia	50% coverage to $2,500 / lifetime maximum per person

[16] Mostly retiree paid with a small company subsidy as detailed in the assumption section

Division 3282 - Retiree Benefits post age 65[17]

Benefit	Coverage Summary
Life/ Retirement Allowance	Option of $10,000 Paid Up Life (100% paid for by Company) or $5,000 Retirement Allowance
Extended Health Care	$10 Single Annual Deductible $20 Family Annual Deductible
Paramedical	Chiropractor: $450/calendar year Physiotherapist: No maximum Psychologist/Counsellor of Social Work/Psychotherapist: $650/calendar year All other practitioners: Various cost per visit and/or calendar year maximums
Hospital	100% Semi-Private coverage, unlimited maximum 100% Private coverage, $5,000 / 5 years maximum (subject to Extended Health Care deductible)
Drugs	100% coverage, Paid Direct Drug Card - prescription drugs Coverage limited to lowest priced generic alternative No dispensing fee cap
Vision Care	100% coverage to $550 maximum every 24 months per person, excluding eye exams 100% coverage to $100 maximum every 24 months per person for eye exams
Hearing Aids	100% standard coverage every 5 years
Out of Country	100% coverage for Emergency Care to a maximum $1,000,000 180 day trip maximum Referral coverage to maximum of $50,000
Basic Dental	100% coverage to $1,500 / year maximum per person
Major Restorative	50% coverage to $2,000 / year maximum per person
Orthodontia	50% coverage to $3,000 / lifetime maximum per person

[17] Mostly retiree paid with a small company subsidy as detailed in the assumption section

Post Employment Retirement Allowance provisions

The Company will pay bonus amounts upon retirement prior to tax impact to retiree.

Service Level Attained	Value of Gift Amount
Retirement	$500

Medical/Dental Benefits paid while on LTD plan provisions

The Company shall continue the payment of medical premiums in Article 24:01 for twelve (12) months after expiration of the Corporation sick leave plan.

After twelve (12) months, further payments shall be prorated according to length of service as determined by the posted seniority list as follows:

- Less than five (5) years of service - no further payment
- For each year of service over five (5) - six (6) months payment
- In no case shall payment be continued past age sixty-five (65).

When the employee is no longer eligible for Corporation payment of premiums, they may remain in the Corporation group and make across-the-counter payments to continue these benefits.

If payment of medical premiums can be secured from other sources, such as spouse's employment or premium assistance, the Corporation is not obligated for these payments.

Long Term Service Award Plan provisions

The Company will pay bonus amounts upon the attainment of specific service levels prior to tax impact of employee. Service attainments and the corresponding bonus amounts are shown below:

Service Level Attained	Value of Gift Amount
5 years	$60
10 years	$110
15 years	$150
20 years	$250
25 years	$300
30 years	$400
35 years and above (5 year increments)	$450

Appendix G
Membership data

Mercer has used and relied on participant data as supplied by the Company.

The Company is responsible for ensuring that such participant data provides an accurate description of all persons who are participants under the terms of the Plan or otherwise entitled to benefits that is sufficiently comprehensive and accurate for the purposes of this report. If the data supplied are not sufficiently comprehensive and accurate for the purposes of this report, the valuation results may differ significantly from the results that would be obtained with such data; this may require a later revision of this report. We have applied tests for internal consistency, as well as for consistency with the data used for the previous valuation. These tests were applied to membership reconciliation and basic information (date of birth, date of hire, date of membership, gender, etc.). The results of these tests were satisfactory.

The actuarial valuations for the plans are based on membership data as at August 31, 2023. Plan membership data are summarized below. For comparison, we have also summarized corresponding data from the previous valuation.

Analysis of membership data

Non-Pension Post Retirement, Post Employment Retirement Allowance Benefits and Long-Term Service Awards

	08.31.23
Active Members – Not Fully Eligible	
Number	236
Average years of service	8.4 years
Average age	38.3
Active Members – Fully Eligible	
Number	63
Average years of service	21.2 years
Average age	59.0

	08.31.23
Active Members – Total	
Number	299
Average years of service	11.1 years
Average age	42.7

	08.31.23
Retirees and Surviving Spouses (Post Retirement Benefits only)	
Total number	
Pre-65	67
Post-65	144
Average age	
Pre-65	60.8
Post-65	78.9
Number with life insurance	
Pre-65	0
Post-65	63
Number with a medical or dental coverage	
Pre-65	67
Post-65	120
Number with family coverage	
Pre-65	55
Post-65	66
Average age of spouse	
Pre-65	60.0
Post-65	71.3

	08.31.23
Retired Members with Pre 65 Hospital, Drug, EHC, Vision, OOC and Dental	
Single Enrolment	12
Family Enrolment	55
Total	67
Average age of retiree + widow	60.8
Average age of spouses	60.0
Retired Members with Post 65 Hospital	
Single Enrolment	20
Family Enrolment	11
Total	31
Average age of retiree + widow	83.0
Average age of spouses	71.7
Retired Members with Post 65 Drug, EHC, OOC	
Single Enrolment	66
Family Enrolment	54
Total	120
Average age of retiree + widow	77.5
Average age of spouses	71.3

	08.31.23
Retired Members with Post 65 Vision	
Single Enrolment	23
Family Enrolment	15
Total	38
Average age of retiree + widow	79.4
Average age of spouses	69.5
Retired Members with Post 65 Dental	
Single Enrolment	33
Family Enrolment	45
Total	78
Average age of retiree + widow	75.9
Average age of spouses	69.2
Retired Members with Post 65 Life	
Number	63
Average age	84.6
Average insurance amount	$36,997

Medical/Dental Benefits paid while on Long Term Disability

The actuarial valuations for the medical/dental benefits paid while on long term disability benefit plans are based on membership data as at August 31, 2023 with an effective date of December 31, 2023. In the interim years, membership data is adjusted by prorating the number of disabled participants (4 in 2025) provided by the Company each year. Plan membership data are summarized below.

Total Disabled Members	12.31.23	12.31.20
Number of disabled members	3	11
Number receiving continuation of Medical and Dental Benefits	1	5
Average Age	61.7	45.0
Average disability duration	15.2 years	2.1 years
Average remaining benefit period	6.7 years	4.7 years

Appendix H

Employer certification

With respect to the Actuarial Valuation Report for the fiscal year ending as at the Year End and estimated defined benefit cost for the Following Year End under International Financial Reporting Standards of the Plan, I hereby certify that, to the best of my knowledge and belief:

- Participant data supplied to the actuary provides a complete and accurate description of all persons who are entitled to benefits under the terms of the Plan for service up to the date of the valuation.
- Copies of the official plan documents and of all amendments made up to the Year End have been supplied to the actuary.
- All constructive obligations have been communicated to the actuary.
- Accounting policies as adopted by the Company are those described in this report.
- Actuarial methods used for the purposes of the valuation are those described in this report.
- Management's best estimate assumptions for purposes of the valuations and the extrapolation of the financial position of the Plan as at Year End are those described in this report.
- All events subsequent to the valuation that may have an impact on the results of the valuation or of a future valuation have been communicated to the actuary.

February 5, 2026	Karen Lyons Digitally signed by Karen Lyons Date: 2026.02.05 12:52:43 -05'00'	Karen Lyons	Director, Finance
DATE	**SIGNED**	**NAME**	**TITLE**

Appendix I
Additional information

Analysis of liability (gain) loss – Non-Pension Post Retirement Benefits

(Gains) and losses due to:	Fiscal Year Ending on the Year End
Update discount rate assumption: 4.60% to 4.80%	($102,300)
Actual benefit payments differing from expected	$98,200
Total	**($4,100)**

Defined Benefit Obligation as at Year End

	Medical	Dental	Life	Total
Current retirees	$1,479,100	$421,400	$1,740,500	$3,641,000
Other members fully eligible	629,700	$173,500	349,000	1,152,200
Other members not fully eligible	1,121,800	$303,400	215,100	1,640,300
Total	**$3,230,600**	**$898,300**	**$2,304,600**	**$6,433,500**

Analysis of liability (gain) loss – Retirement Allowance

Gains and losses due to:	Fiscal Year Ending on the Year end
Update discount rate assumption: 4.60% to 4.80%	($600)
Total	**($600)**

Analysis of liability (gain) loss – Service Awards

Gains and losses due to:	Fiscal Year Ending on the Year end
Update discount rate assumption: 4.60% to 4.80%	($1,000)
Total	**($1,000)**

Analysis of liability (gain) loss – Post-Employment Benefits

Gains and losses due to:	Fiscal Year Ending on the Year end
Update discount rate assumption: 4.60% to 4.80%	($200)
Change in disabled members	($24,900)
Total	**($25,100)**



Mercer
120 Bremner Boulevard, Suite 800
Toronto, Ontario M5J 0A8
+1 416 868 2000
www.mercer.ca

Copyright © 2026 Mercer (Canada) Limited. All rights reserved

A business of Marsh McLennan

APPENDIX 4-5:
LONDON HYDRO HOLDINGS INC.
MANAGEMENT SERVICES AGREEMENT

MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT made as of the _____, 2026,

BETWEEN:

London Hydro Holdings Inc.,
an Ontario corporation
(**"LHHI"**)

and

London Hydro Inc.,
an Ontario corporation
("**Hydro**")

WHEREAS Hydro carries on the business of distributing electricity within the City of London;

AND WHEREAS LHHI is a sister company to Hydro, both companies owned directly by The Corporation of the City of London, with LHHI serving as a holding company to invest in non-regulated services; and

AND WHEREAS Hydro agrees to provide certain corporate services to LHHI on the terms as set forth in this Agreement.

NOW THEREFORE in consideration of the mutual covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement and in the Schedules, the following terms and expressions will have the following meanings:

(a) "Agreement" means this Services Agreement together with all Schedules attached to it, as they may be amended from time to time;

(b) "Business Day" means any day other than a Saturday, Sunday, statutory or bank holiday in the Province of Ontario;

(c) "Claim" has the meaning ascribed to it in Section 4.4;

(d) "Confidential Information" means information Hydro has obtained relating to a specific consumer, retailer and/or generator in the process of providing current or prospective distribution service;

(e) "Default" has the meaning ascribed to it in Section 8.1;

(f) "Defaulting Party" has the meaning ascribed to it in Section 8.1;

(g) "Effective Date" means _____, 2026;

(h) "Event of Default" has the meaning ascribed to it in Section 8.1;

(i) "Force Majeure Event" has the meaning ascribed to it in Section 11.1;

(j) "IESO" means the Independent Electricity System Operator;

(k) "Law" means any law, rule, regulation, code, order, writ, judgement, decree or other legal or regulatory determination by a court, regulatory agency, including the IESO, or governmental authority of competent jurisdiction;

(l) "Party" means a party to this Agreement and "Parties" refers to both LHHI and Hydro collectively;

(m) "Person" means an individual, corporation, partnership, joint venture, association, trust, pension fund, union, governmental agency, official, board, tribunal, ministry, commission or department;

(n) "Personnel" means employees, agents, professional advisors, contractors and subcontractors;

(o) "Services" has the meaning ascribed to it in Section 3.1 of this Agreement;

(p) "Service Standards" has the meaning ascribed to it in Section 3.2 of this Agreement;

(q) "Term" has the meaning ascribed to it in Section 2.1 of this Agreement; and

(r) "Third Party Expenses" means all fees, costs and charges paid to third parties by Hydro on behalf of LHHI in connection with providing the Services or incurred by Hydro's employees while providing Services under this Agreement.

1.2 Construction of Agreement

In this Agreement:

(a) words denoting the singular include the plural and vice versa and words denoting any gender include all genders;

(b) all usage of the word "including" or the phrase "e.g.," in this Agreement shall mean "including, without limitation," throughout this Agreement;

(c) any reference to a statute shall mean the statute in force as at the date hereof, together with all regulations promulgated under it, as the same may be amended, re-enacted, consolidated or replaced, from time to time, and any successor statute, unless otherwise expressly provided;

(d) any reference to a specific executive position or an internal division or department of a Party shall include any successor positions, divisions or departments having substantially the same responsibilities or performing substantially the same functions;

(e) when calculating the period of time within which or following which any act is to be done or step taken, the date which is the reference day in calculating such period shall be excluded, and if the last day of such period is not a Business Day, the period shall end on the next Business Day;

(f) all dollar amounts are expressed in Canadian dollars;

(g) the division of this Agreement into separate Articles, Sections, subsections and Schedules and the insertion of headings is for convenience of reference only and shall not affect the construction or interpretation of this Agreement;

(h) words or abbreviations which have well known or trade meanings are used in accordance with their recognized meanings;

(i) the terms and conditions are the result of negotiations between the Parties and the Parties therefore agree that this Agreement shall not be construed in favour of or against any Party by reason of the extent to which any Party or its professional advisors participated in the preparation of this Agreement.

ARTICLE 2
TERM

2.1 Term

Unless terminated in accordance with Section 10.1, this Agreement shall come into force on the Effective Date and shall continue in full force and effect for a period of five (5) years. Thereafter, the term shall be automatically renewed for further successive periods of one (1) year each unless a Party gives notice in writing that the Agreement is not to be extended on a date which is at least ninety (90) days prior to the end of the initial five (5) year term, or the end of any renewal term, as the case may be.

ARTICLE 3
HYDRO SERVICES AND COVENANTS

3.1 Services

Subject to the terms, covenants and conditions contained in this Agreement, Hydro will provide, or cause to be provided, to LHHI the services set out in Schedule "A" (collectively the "Services"), as may be required by LHHI.

3.2 Service Standards

Hydro will provide the Services to LHHI, or cause them to be provided, to the standards set out in Schedule "B" (collectively the "Service Standards").

3.3 Changes

LHHI and Hydro may, from time to time, during the term of this Agreement agree to modifications to a Service or a Service Standard by negotiating appropriate changes to the description of the Service or the Service Standard, as applicable, and the necessary associated amendments to the consideration for such Service or Service Standard. As evidence of such modifications, the Parties shall initial and attach amended Schedule(s) in this Agreement.

3.4 General Hydro Covenants

(a) Hydro shall, when requested, provide LHHI with adequate evidence of its compliance with this Section 3.4.

(b) Hydro shall, while on site at any premises used by LHHI, comply with all the rules and regulations of LHHI from time to time in force, which are brought to its notice or of which it should reasonably be aware.

(c) Hydro shall pay for and maintain for the benefit of Hydro and LHHI appropriate insurance concerning the operations and liabilities of Hydro relevant to this Agreement including, without limiting the generality of the foregoing, workplace safety and employment insurance in conformity with applicable statutory requirements in respect of any remuneration payable by Hydro to any employees of Hydro and public liability and property damage insurance.

3.5 LHHI Covenants

(a) LHHI shall be responsible for obtaining all necessary licences and permits and for complying with all applicable federal, provincial and municipal laws, codes and regulations required to conduct its business and to use the property of Hydro.

(b) LHHI shall pay for and maintain for the benefit of LHHI and Hydro appropriate insurance concerning the operations and liabilities of LHHI relevant to this Agreement including, without limiting the generality of the foregoing, workplace safety and employment insurance in conformity with applicable statutory requirements in respect of any remuneration payable by LHHI to any employees of LHHI and public liability and property damage insurance.

(c) LHHI shall not, without Hydro's prior consent, make any alternations, additions or improvements to the property of Hydro and shall, while using the property of Hydro, use reasonable care and skill.

3.6 Regulatory Change

If any change of Law after the date of this Agreement renders this Agreement illegal or unenforceable, then the Parties shall be required to renegotiate in good faith for thirty (30) days with a goal of developing a substitute agreement with such amendments as are necessary to comply with such change of Law.

ARTICLE 4
MUTUAL COVENANTS

4.1 Confidentiality of Confidential Information

No Personnel of a Party shall have access to any Confidential Information in the possession of the other Party, except for purposes related to the provision of Services and in compliance with the Affiliate Relationship Code for Electricity Distributors and Transmitters prescribed by the Ontario Energy Board.

4.2 Maintain Records

The Parties will maintain such records as may be necessary in connection with this Agreement and as are agreed upon by the Parties, acting reasonably.

4.3 Notification of Changes of Circumstances

Hydro shall promptly give written notice to LHHI of any changes or prospective changes in circumstances that would materially affect the resources required for the Services provided to LHHI, including any anticipated material change in the nature or level of business of Hydro, the number of employees of Hydro, or any efforts relating to the organization of or collective bargaining by employees of Hydro, or any lease or service arrangements contemplated with any third party.

4.4 Notice of Claims, Etc.

Hydro shall promptly give written notice to LHHI, and LHHI shall promptly give written notice to Hydro, of all material claims, proceedings, notice of regulatory non-compliance from any regulatory authority, disputes (including labour disputes) or litigation (collectively, "Claims") which it reasonably believes could have a material adverse effect on the fulfillment of any of the material terms hereof by Hydro or LHHI (whether or not any such Claim is covered by insurance) in respect of its own operations of which either of them is aware. Each Party shall provide the other Party with all information reasonably requested from time to time concerning the status of such Claims and any developments relating thereto.

ARTICLE 5
FEES AND COSTS

5.1 Fees

As consideration for the Services provided, LHHI shall pay to Hydro the fees and charges set out in Schedule "C". Hydro shall render a quarterly invoice for all Services provided to LHHI during the preceding month, which invoice shall be due and payable within thirty (30) days of receipt.

5.2 Out of Pocket and Third-Party Expenses

Hydro shall be reimbursed for all out-of-pocket expenses and Third-Party Expenses actually and properly incurred by Hydro in connection with the performance of Services hereunder.

5.3 Taxes

LHHI shall pay to Hydro any and all harmonized sales taxes, sales taxes, value-added taxes and/or any other taxes (excluding income taxes) properly eligible on the supply of Services provided under this Agreement and on any other amounts payable hereunder.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of Hydro

Hydro represents and warrants to LHHI that this Agreement constitute a legal, valid and binding obligation of Hydro, and that Hydro has the necessary resources and expertise to perform the Services.

6.2 Representations and Warranties of LHHI

LHHI represents and warrants to Hydro that this Agreement constitutes a legal, valid an dbinding obligation of LHHI.

6.3 Warranty

The Services provided by Hydro will be performed in a professional and workmanlike manner in accordance with the Service Standards, however, the Services are provided without warranty.

ARTICLE 7
INDEMNIFICATION

7.1 Indemnification

(a) Each party (as an "Indemnifying Party") shall indemnify, defend and hold harmless the other party, its officers, directors, and employees (each an "Indemnified Party") from and against any and all claims, demands, suits, losses, liabilities, damages, obligations, payments, costs and expenses and accrued interest thereon (including the costs and expenses of, and accrued interest in respect of, any and all actions, suits, proceedings, assessments, judgements, awards, settlements and compromises relating thereto and reasonable lawyers' fees and reasonable disbursements in connection therewith) (each an "Indemnifiable Loss"), asserted against or suffered by any Indemnified Party relating to, or in connection with, or resulting from or arising out of:

(i) in the case of LHHI as the Indemnifying Party, any breach of this Agreement, gross negligence, or willful misconduct by LHHI in connection with its obligations hereunder; and

(ii) in the case of Hydro as the Indemnifying Party, the provision of the Services by Hydro.

ARTICLE 8
DEFAULT

8.1 Events of Default

The occurrence of any one or more of the following events shall constitute a default (a "Default") by a Party (the "Defaulting Party") under this Agreement and shall constitute an "Event of Default" if such Default is not remedied prior to the expiry of any notice period and any cure period applicable to such Default:

(a) if the Defaulting Party defaults in the payment of any amount due to the other Party under this Agreement and such default shall continue unremedied for sixty (60) days following notice in writing thereof to the Defaulting Party by the other Party; or

(b) if the Defaulting Party fails in any material respect to perform or observe any of its other material obligations under this Agreement and such failure shall continue unremedied for a period of sixty (60) days following notice in writing thereof (giving particulars of the failure in reasonable detail) from the other Party to the Defaulting Party or such longer period as may be reasonably necessary to cure such failure (if such failure is capable of being cured), provided that the Defaulting Party:

(i) proceeds with all due diligence to cure or cause to be cured such failure; and

(ii) in proceeding so, can be reasonably expected to cure or cause to be cured such failure within a reasonable time frame acceptable to the other Party acting reasonably.

ARTICLE 9
REMEDIES

9.1 Default Remedies

(a) Unless otherwise agreed to in writing, in the event of an Event of Default the non-defaulting Party may terminate this Agreement as it relates to the non-defaulting Party upon notice in writing and all amounts payable by the defaulting Party hereunder shall become due and payable forthwith.

(b) The remedies in this section are expressly in lieu of any or all of the remedies which may be available to each of Hydro and LHHI in respect of or under this Agreement resulting from the furnishing, the failure to furnish or the quality of any Services.

ARTICLE 10
TERMINATION

10.1 Termination

This Agreement shall terminate:

(a) in accordance with the provisions of Section 9.1; or

(b) upon issuance of a notice of non-renewal in accordance with Section 2.1.

10.2 Notice of Termination

Any termination hereof pursuant to Section 10.1 shall be by written notice of the terminating Party.

ARTICLE 11
GENERAL

11.1 Force Majeure

No Party shall be liable for a failure or delay in the performance of its obligations pursuant to this Agreement:

(a) provided that such failure or delay could not have been prevented by reasonable precautions;

(b) provided that such failure or delay cannot reasonably be circumvented by the non-performing Party through the use of alternate sources, work around plans or other means; and

(c) if and to the extent such failure or delay is caused, directly or indirectly, by fire, flood, earthquake, elements of nature or acts of God, acts of war, terrorism, riots, civil disorders, rebellions, strikes, lock outs or labour disruptions or revolutions in Canada, or any other similar causes beyond the reasonable control of such Party, (each a "Force Majeure Event").

11.2 Dispute Resolution

Intentionally deleted.

11.3 Assignment

Neither Party shall, without the written consent of the other Party, which may be arbitrarily withheld in the sole discretion of a Party, assign or transfer its interest in this Agreement. This Agreement shall be binding on the Parties and their respective successors and permitted assigns. Any purported assignment in contravention of this Agreement shall be void.

11.4 Notices

All notices, request, approvals, consents and other communications required or permitted under this Agreement shall be in writing and addressed as follows:

(a) if to LHHI**,**

111 Horton Street, London, ON, N6A 4H6

Attn: Corporate Secretary
Email: corporatesecretary@lhhi.com

(b) if to Hydro,

111 Horton Street, London, ON, N6A 4H6

Attn: Ysni Semsedini
Email: semsediniy@londonhydro.com

and shall be sent by email, and a notice shall be deemed to have been received as of the next Business Day following its transmission by email.

11.5 Severability

If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable or contrary to law, then the remaining provisions of this Agreement, or the application of such provisions to persons or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby, and each such provision of this Agreement shall be valid and enforceable to the extent granted by law. If any clause is deemed unenforceable or contrary to law, the parties shall alter the said clause and this agreement to produce enforceability or compliance with law such that the intent of the original clause is maintained and such change or alteration may be established through the dispute resolution clause in this agreement.

11.6 Waiver

No delay or omission by a Party to exercise any right or power it has under this Agreement or to object to the failure of any covenant of the other Party to be performed in a timely and complete manner, shall impair any such right or power or be construed as a waiver of any succeeding breach or any other covenant. All waivers must be in writing and signed by the Party waiving its rights.

11.7 Entire Agreement

This Agreement supersedes any prior agreement between Hydro and LHHI in relation to the Services provided for in this Agreement, and constitutes the entire Agreement between the Parties with respect to the Services, and there are no other representations, understandings or agreements, either oral or written, between the Parties other than as set out in this Agreement.

11.8 Amendments

No amendment to, or change, waiver or discharge of, any provision of this Agreement shall be valid unless in writing and signed by authorized representatives of each Party.

11.9 Governing Law

This Agreement shall be governed by the laws of the Province of Ontario and the laws of Canada applicable therein. The Parties hereby agree that the courts of the Province of Ontario shall have exclusive jurisdiction over disputes under this Agreement, and the Parties agree that jurisdiction and venue in such courts is appropriate and irrevocably attorn to the jurisdiction of such courts.

11.10 Survival

The terms of Article 7, Article 9 and Article 11 shall survive the expiration of this Agreement or termination of this Agreement for any reason.

11.11 Third Party Beneficiaries

Each Party intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any person or entity other than the Parties.

11.12 Covenant of Further Assurances

The Parties agree that, subsequent to the execution and delivery of this Agreement and without any additional consideration, the Parties shall execute and deliver or cause to be executed and delivered any further legal instruments and perform any acts which are or may become necessary to effectuate the purposes of this Agreement and to complete the transactions contemplated under it.

11.13 Independent Contractors

The Parties are independent contractors and neither Hydro nor any of its employees shall be considered to be an agent or employee of LHHI. Each of the Parties shall be solely responsible for each of its own employees. It is further understood and agreed that this Agreement does not constitute a partnership, joint venture or employment agreement between the Parties.

IN WITNESS WHEREOF this Agreement has been executed by the duly authorized signatories of the parties hereto as of the date first written above.

LONDON HYDRO HOLDINGS INC.

Per: NOT YET SIGNED

Name: Alex Palimaka
Title: Corporate Secretary

I have authority to bind the corporation

LONDON HYDRO INC.

Per: NOT YET SIGNED

Name: Ysni Semsedini
Title: President and C.E.O.

I have authority to bind the corporation

SCHEDULE "A"

Description of Services

1. **"Base Management Services"** will include those functions relating to the day-to-day activities normally associated with the provision of management services, but does not include administrative-type or supervisory functions which is carried out by LHHI utilizing its own staff. The types of services included in Base Management Services shall include:

   (a) Treasury services will include cash flow management, banking, accounts payable services, account receivables, taxation (PILs), GST and PST remittances and corporate VISA card.

   (b) Controllership services will include financial systems, financial processes, policies and procedures, financial controls and compliance, financial reporting and analysis, annual budgets, financial operations, billing, collecting, capitalization and depreciation, WIP and inventory, labour charging, allocations and burdens, managing external audit, risk and contract management, insurance programs, liability, D&O, fleet, facilities, OEB reporting, incentive plan reporting, billing system quality control.

   (c) Audit services include audit reports to Audit Committee and Board of Directors.

   (d) Human resources services will include programming and consulting including recruitment, compensation and benefits, employee relations, labour relations.

   (e) IT services will include personal computer systems support and communications support.

   (f) Safety services will include safety program development, monitoring, reporting, implementation and support.

   (g) General Management services relate to providing corporate direction, monitoring of progress and reporting to the Board of Directors.

   (h) New support services will include such new services as may be agreed upon by the parties from time to time with a price to be negotiated at that time.

2. **"Project Management Services"** will include any service similar in nature to the services provided under the definition of Base Management Services, where the services rendered are beyond day-to-day activities. This will include an initiative to undertake a comprehensive review of a particular business unit within an LHHI subsidiary or any effort the primary purpose of which is the assessment of a new business opportunity for an LHHI subsidiary (collectively "LHHI Initiative"). Time is docketed to Project Management Services by each person involved in an LHHI Initiative.

SCHEDULE "B"

Description of Service Standards

Service Standards

(a) Hydro will adhere to industry standards, based on standards set by the WSIB, Electric Utility Safety Association, and Occupational Health & Safety Standards as applicable and in any case shall perform the Services in a good and workmanlike manner and to a standard of performance that a competent professional and diligent independent provider of the services in the same circumstances would reasonably be expected to provide.

(b) Hydro will make all reasonable efforts to meet or exceed performance measures established by the Ontario Energy Board, Measurement Canada and by the IESO.

(c) In the performance of corporate support and administrative services, including information technology, human resources, legal, and finance and accounting services, Hydro shall ensure that all work is executed by personnel possessing the appropriate professional designations, certifications, and specialized experience required for their respective fields.

(d) Hydro shall ensure that the delivery of corporate support services complies with prevailing professional codes and industry-standard operational frameworks. Without limiting the generality of the foregoing:

1. **Affiliate Relationships Code** shall govern the relationship between the parties and, more particularly, the sharing of information;

2. **Accounting and Finance Services** shall be performed in strict accordance with International Financial Reporting Standards (IFRS) and applicable OEB accounting procedures;

3. **Information Technology Services** shall adhere to recognized cybersecurity and data governance frameworks (such as NIST or ISO/IEC 27001) to protect the utility's critical infrastructure and customer data; and

4. **Human Resources and Legal Services** shall be conducted in compliance with applicable employment standards, privacy legislation, and professional regulatory bodies.

SCHEDULE "C"

Fees & Charges

	SERVICES	FEES	PERIOD OF FEE
1.	**Base Management Services**	$23,000	Annual; (fee subject to 2% inflationary increase on January 1, 2028 and each year thereafter)
2.	**Project Management Services**	Cost	

Terms & Conditions		
1	Prices	Subject to Applicable Taxes
2	Payment	Quarterly invoice, Net 30 days
3	Cost	Shall mean Hydro's fully allocated cost to provide the Services

APPENDIX 4-6:
PURCHASING DEPARTMENT
PROCUREMENT MANUAL

Internal Staff Procurement Manual

London Hydro Inc.

Status: Draft for Executive Committee Review

Effective Date: To Be Confirmed

Procedure Number: COR-LEG-200510

Contents

Contents 2

Executive Summary 4

How to Use This Manual 4

1. Governance 5

1.1 Purpose and Scope 5

1.2 Guiding Principles 5

1.3 Roles and Accountabilities 6

1.4 Signing Authority 7

1.5 Ethics, Conflicts and Segregation of Duties 7

1.6 Key Definitions 8

2. Planning a Purchase 9

2.1 Engage Early and Do Not Pre-Commit 9

2.2 Determine Total Commitment Value 10

2.3 Budget Variances and Changes 10

2.4 Requirements and Procurement Plan 10

2.5 Requests for Information 11

3. Procurement Methods and Supplier Selection 11

3.1 Methods at a Glance 11

3.2 Best Value and Evaluation Criteria 12

3.3 Awards Other Than the Lowest Bidder 12

3.4 Sole-Source and Non-Competitive Purchases 13

3.5 Emergency and Confidential Purchases 13

4. Procurement and Supplier Risk 14

4.1 Initial Risk Screen 14

4.2 Risk Tiers 14

4.3 Risk Factors 15

4.4 Due Diligence and Specialist Review 15

4.5 Risk Treatment and Residual Risk Acceptance 16

4.6 Risk-Based Approval Escalation 16

5. Evaluation, Approval and Contract Award 17

5.1 Evaluation Governance 17

5.2 Award Recommendation 17

5.3 Approvals 17

5.4 Contracting and Commencement of Work 18

5.5 Records 19

6. Third-Party Lifecycle Management 19

6.1 Onboarding 19
6.2 Ongoing Due Diligence and Monitoring 20
6.3 Performance Management 20
6.4 Changes and Additional Work 21
6.5 Renewals and Extensions 21
6.6 Offboarding and Exit 21
6.7 High-risk Supplier Oversight 22
7. Special Purchase Channels and Other Considerations 22
7.1 Information Technology, SaaS and Technology-Enabled Services 22
7.2 Prequalified Vendors and Supplier Alliances 22
7.3 Blanket Purchase Orders and Recurring Charges 23
7.4 Corporate Credit Cards and Field Purchases 23
7.5 Inventory and Engineered Products 23
7.6 Disposal and Sale of Assets 23
7.7 Regulatory and Government Policy Considerations 23
8. Compliance, Reporting and Records 24
8.1 Exceptions and Non-Compliance 24
8.2 Reporting 24
8.3 Records Retention 24
8.4 Administration of the Manual 25
Appendix A: Procurement Policy Reference Table 26
Appendix B: Mandatory Functional Review Trigger Matrix 27

Executive Summary

This Manual explains how London Hydro employees plan, source, approve and manage purchases of goods and services. It translates the Board-approved Procurement Policy into practical requirements for internal staff. Detailed Procurement-team procedures, forms and legal clauses are maintained in three companion documents: the Procurement Procedures, Job Aids and Forms Library, and the Contract and Clause Library.

Best Value is the primary procurement objective. Competition is the default and scales with the total expected value of the commitment. Price, including lifecycle cost, must remain a material consideration; however, supplier capability, delivery, quality, risk, service continuity and other approved criteria may also affect the award decision.

The business owner/requestor (the individual accountable for a specific purchase on behalf of their business unit) remains accountable for the need, requirements, budget, benefits, risks and ongoing supplier performance. Procurement manages the sourcing process and commercial integrity. Finance, Legal, Cybersecurity, Privacy, Health and Safety, ERM and other specialists provide review within their mandates.

Procurement is part of the full third-party lifecycle. The obligations in this Manual therefore continue after award through onboarding, performance monitoring, changes, renewal and offboarding. The level of diligence and oversight is proportionate to the risk and criticality of the purchase and supplier.

Five rules for staff:

1. Engage Procurement early.
2. Never direct a supplier to start work before approval and contract execution.
3. Never split purchases to avoid thresholds.
4. Continue to manage the supplier after award.
5. Having an approved budget does not by itself authorize a purchase; you must still follow this Manual's sourcing, evaluation and approval requirements.

How to Use This Manual

1. Define the business need.
2. Estimate the total commitment value, including the full term, options, recurring charges and foreseeable change.
3. Complete the Initial Purchase and Supplier Risk Screen, included as a section of the Purchase Request Form (Job Aids and Forms Library) and identify required specialist reviews.
4. Engage Procurement to confirm the appropriate sourcing method and documentation.
5. Complete evaluation, due diligence and approvals before committing London Hydro.

6. Assign a contract owner and manage onboarding, performance, changes, renewal and offboarding.

1. Governance

1.1 Purpose and Scope

This Manual applies to all employees and representatives acquiring or arranging goods, services, technology or supplier access on behalf of London Hydro, whether paid or no-cost. It includes trials, pilots, proofs of concept, subscriptions, click-through terms and other arrangements that create obligations, system access or use of London Hydro information. It covers planning, supplier selection, approval, contract award and post-award third-party management.

This Manual does not replace the Procurement Policy, Signing Authority Policy, Codes of Conduct, records requirements or specialist policies. Where there is a conflict, the policies or applicable law prevails over this manual.

Detailed procedures used only by Procurement are maintained in the Procurement Procedures document. Current forms are in the Job Aids and Forms Library, and standard clauses and templates are in the Contract and Clause Library. This manual (COR-LEG-200510) is the corporate procedure accompanying the Procurement Policy (COR-LEG-100510). As outlined in the Procurement Policy, violation of this manual may result in discipline up to and including termination.

1.2 Guiding Principles

- **Best Value:** shall be the primary goal of procurement, defined as the lowest price for comparable products and services, with price consideration to include both entry price and consideration of life cycle costs.
- **Variation from Best Value:** is permitted within a methodology to be outlined in the Procurement Manual including, but not limited to, consideration of the following:
    - Delivery time;
    - Diversity of supply, where the incremental price is no more than the lowest price for comparable products or services, by 5%;
    - Rating Schedules to evaluate Requests for Proposal shall include consideration of price in the range of 30-50% of total consideration, depending upon criteria set out herein.
    - Other considerations from time-to-time, such as regulatory direction or “Buy Canadian” policies.
- **Managing consideration of price:** An award to a party other than the lowest bidder shall be escalated for approval one level higher than the normal approval level for that dollar value. In the case of approval at the CEO threshold, the approval shall require the approval of the CEO and the joint approval of the CFO to confirm the availability of budget and the General Counsel to confirm compliance with the process. Where the differential between the lowest bidder and

the successful bidder is greater than the signing authority of the CEO, the approval shall also include the Chair; Otherwise, the Chair shall be provided with notice of the decision where the differential in price exceeds $100,000.

- **Long-Term Asset Roadmaps:** When seeking approval for long-term relationships (such as software with maintenance fees or hardware with service fees), the initiating member of the Executive shall provide, where possible, a projected lifecycle and a replacement roadmap. Renewals may be considered pre-approved only within that defined lifecycle.
- **Professional Services Discretion:** The Executive shall possess the discretion to procure professional services based on demonstrated expertise and familiarity with the industry, or London Hydro specifically. The responsible member of the Executive must monitor performance and manage these services within budget.
- **Exercising Business Judgment:** It is recognized that rigid adherence to process can obstruct proper business judgment; Awarding of non-competitive and sole source procurement are permitted under this manual to be supported by written justification.
- **Risk Assessment of Supplier:** All potential suppliers shall be subject to risk assessment prior to award, including evaluation of their capability to deliver the requested goods or services, as well as the robustness of their cybersecurity practices.

1.3 Roles and Accountabilities

Role	Accountability
Business owner / requestor	The individual accountable for a specific purchase on behalf of their business unit. Defines the need and requirements; confirms budget; owns business, operational and supplier risks; participates in evaluation; accepts deliverables; manages performance and benefits.
Procurement Department	Advises on sourcing strategy; administers competition; protects process integrity; maintains procurement records; supports commercial negotiations and supplier management.
Finance Department	Confirms financial authority; maintains the Signing Authority Register; supports financial due diligence and payment controls.
Legal Department	Advises on legal and contracting risk; approves non-standard contracts and material deviations; supports disputes and termination.
Specialist functions	Cybersecurity, Privacy, Health and Safety, Information Technology, Regulatory, Insurance, Human Resources and other functions provide documented review or approval where triggered by this Manual, specify required controls and confirm applicable conditions before award, access, implementation or go-live.
ERM Department	Maintains or advises on risk methodology, challenges high or enterprise-significant procurement risks, and supports aggregation and reporting. ERM does not own supplier risk or routinely approve all purchases.

Contract owner	Owns the post-award relationship, including onboarding, performance, invoices, changes, renewal and offboarding.
Approving authority	The individual or individuals who hold sufficient signing authority under the Signing Authority Register for the value and risk of the purchase; where more than one approval is required, each approver applies the following at their own level. Confirms the decision is within authority and that material budget, process and residual risk matters are understood and accepted.

1.4 Signing Authority

The Signing Authority Register governs approval of all purchases and payments and must be consulted before initiating or approving any purchase. All purchases must be initiated and approved by an employee holding the appropriate signing authority. Where a purchase is being made by someone not listed on the Register, or by someone listed whose own signing authority is below the value of the purchase (for example, an Executive Assistant acting on behalf of a VP for a purchase above the EA's own $1,000 limit), written authorization from the appropriate signing authority is required beforehand.

Current signing authority limits are as follows. These limits are subject to change, so confirm them before initiating a purchase.

Level	**Limit ($)**
Executive Assistant	1,000
Supervisor	5,000
Manager	15,000
Director	50,000
Executive / VP	150,000
CFO	200,000
CEO*	250,000

**The CEO's threshold is the amount permitted to be approved without secondary sign-off.*

Finance owns and maintains the Register, with the authoritative, current version available on DocuShare. This table is provided for reference only; the DocuShare version governs in the event of a discrepancy.

1.5 Ethics, Conflicts and Segregation of Duties

Employees must comply with the Codes of Conduct and disclose actual, potential or perceived conflicts immediately. An affected employee must not participate further in the procurement process unless the conflict has been reviewed and an approved written management plan is in place.

The requesting, approving, supplier-selection, receipt-confirmation and payment responsibilities must be appropriately segregated. Where staffing makes full segregation impractical, the responsible VP and

Finance must approve documented compensating controls. Where a declared conflict has caused approval of the award to escalate to a higher authority, that same higher authority, and not the original conflicted individual, must also approve related invoices and payments for that engagement.

Supplier communications during a competitive process must be coordinated through Procurement. Evaluation information, supplier pricing and confidential information must not be shared outside the authorized evaluation team.

London Hydro employees must maintain the highest standards of business ethics and fair dealing with all suppliers, consistent with the purchasing ethics standards established by the National Institute of Supply Chain Leaders (NISCL); and more specifically as follows:

- **Protection of confidential or sensitive information:** keep confidential information secure; never use it for personal gain or to mislead others.
- **Fair business relationships:** deal with suppliers in a way that promotes fair competition and protects London Hydro's interests; do not use your position for personal advantage.
- **Compliance with legal obligations:** comply with all applicable laws and regulations, including the Competition Act; do not engage in or condone any activity that circumvents the law.

For Gifts, gratuities and hospitality; Employees must comply with *COR-HR-100020 – Conflict of Interest* policy.

1.6 Key Definitions

- **Procurement:** the party responsible for purchasing a given product or service, whether the Procurement Department or the Logistics Purchasing Agent (LPA).
- **Request for Information (RFI):** a non-binding request to the market to gather information about available solutions, suppliers, capabilities or pricing ranges. An RFI does not result in an award and does not commit London Hydro to proceed with a purchase; see Section 2.5.
- **Request for Quotation (RFQ):** a request to submit a written bid for the supply of known goods or services at a stated price, sent to the number of vendors required under Section 3.1. Used where the specifications are already defined and price is the primary determining factor, in accordance with the pricing approach set out in Section 3.2. Always used for engineered products and inventory replenishment, regardless of value. Sent directly to known suppliers from an established vendor list.
- **Request for Proposal (RFP):** a solicitation, sent to the number of vendors required under Section 3.1, used where the desired outcome is known but the method of achieving it is not, requesting vendors to propose their own approach or solution. Evaluated on multiple criteria in addition to price, in accordance with the pricing approach set out in Section 3.2, with those other criteria carrying greater weight than in an RFQ.
- **Third Party Procurement:** this is a tender process which refers to either an RFQ or an RFP issued through the third-party procurement portal, required for purchases over $75,000 (excluding engineered products and inventory replenishment). It may be Public, meaning any supplier can view

and bid on it, or Confidential (Invitational), meaning it is issued only to specific suppliers through the portal.

- **Contract:** an instrument that is either
  - executed under London Hydro's standard Terms and Conditions;
  - a supplier-form contract, Statement of Work or Master Services Agreement that has been reviewed and approved by Legal;
  - a signed quotation or Purchase Order accepted by the supplier;
  - a third-party procurement solicitation to which the successful bidder has agreed, including through acceptance of terms on the third-party procurement portal.
- **Master Services Agreement (MSA):** a framework agreement that establishes the general terms and conditions governing the relationship with a supplier but does not, on its own, authorize specific work.
- **Statement of Work (SOW):** a document defining specific scope, deliverables, pricing and timing for work performed under an active MSA or another Contract. An SOW issued without a corresponding active Contract or MSA does not satisfy this Manual's contracting requirements.
- **Prequalified Vendor:** a vendor selected through a competitive RFP or RFQ process and placed on an approved vendor list maintained by Procurement.
- **Engineered Product:** a product requiring a high degree of technical specification, such as primary cable, transformers and other electrical inventory products that require the supplier to demonstrate technical capability, performance and/or quality standards before acceptance as an approved vendor.
- **Complex Design:** purchase involving significant implementation complexity, immature or evolving requirements, material integration or data migration, elevated technical or delivery risk, or a solution set where proposals are expected to vary substantially in design or technical approach, as determined by the relevant VP.
- **Roadmap:** a forward-looking plan involving long-term vendor relationships with significant strategic risk and/or costly exit criteria, outlining the expected lifecycle of the asset or relationship, including key milestones, renewal and/or reassessment points, and anticipated replacement and/or exit considerations.

2. Planning a Purchase

2.1 Engage Early and Do Not Pre-Commit

Internal staff must engage the Procurement Department early enough to select and complete an appropriate process. A supplier must not be promised work, directed to begin, given access to systems or information, or otherwise led to believe an award has been made before required approvals and a purchase order or contract are in place.

Permitted market research, demonstrations and requests for information must be structured so they do not create an unfair advantage, reveal confidential strategy or create an implied commitment.

Although standard-risk purchases under $25,000 may use an approved self-service process, procurement involvement remains mandatory where a specialist-review trigger, elevated or high risk, non-standard terms, a technology arrangement, an exception or a non-competitive approach involving unusual risk or value applies.

2.2 Determine Total Commitment Value

Procurement thresholds and approval requirements are based on the total expected value of the commitment, excluding recoverable taxes but including:

- the full initial term and mandatory renewal periods; (where genuine business reasons dictate a right to terminate for convenience, then costs outside of the mandatory period do not need to be included)
- optional renewal periods that remain within London Hydro's sole discretion to exercise are not included in this calculation;
- implementation, licensing, subscription, maintenance, support, travel and transition costs;
- anticipated quantities or call-offs under standing or blanket arrangements; and
- related purchases that form one requirement or should reasonably be sourced together.

Purchases must not be divided, sequenced or coded separately to avoid competition, approval or reporting thresholds.

2.3 Budget Variances and Changes

A purchase that exceeds the approved amount for its budget line or work package must receive additional approval before commitment. The required approval is determined by the Signing Authority Register and any applicable Executive Committee authority.

Procurement must be informed of potential scope or value changes before the supplier is directed to perform additional work. Cumulative changes must be considered when determining whether re-competition, additional approval or contract amendment is required.

2.4 Requirements and Procurement Plan

The business owner/requestor is accountable for clear, outcome-based and non-restrictive requirements. Requirements must not be designed around a preferred supplier unless a non-competitive process is justified and approved.

For complex, high-value or elevated risk purchases, Procurement and the business owner/requestor must document a procurement plan addressing the market approach, schedule, evaluation, negotiation, due diligence, contract strategy, stakeholder reviews, transition and post-award governance.

2.5 Requests for Information

An RFI may be used before a formal solicitation to gather market information and understand available solutions and suppliers. An RFI does not create a supplier commitment or preference and must be structured so it does not give any respondent an unfair advantage in a later competition.

Where the business need or the right solution is not yet clear, the results of an RFI may be used as evidence to support the decision to proceed to a Request for Proposal, including its scope, evaluation criteria and expected market response.

3. Procurement Methods and Supplier Selection

3.1 Methods at a Glance

Total expected value	Minimum approach
Under $25,000	**Quotation.** One informal (including email) quote from a vendor, approved within signing authority limits. The quote and approval must be retained in the purchase file.
$25,000 to $75,000	**Request for Quotation / Request for Proposal** **Option 1:** At least three written quotes/proposals, or as many as reasonably available, obtained through Procurement and approved following the Approval Process. **Option 2:** The requesting department may obtain its own three quotes, or as many as reasonably available, for specialized items, provided the quote is approved following the Approval Process and written justification for the selected vendor is submitted to Procurement on the approved form.
Over $75,000	**Request for Quotation / Request for Proposal** At least three formal quotes/proposals, or as many as reasonably available, obtained through the third-party procurement portal, approved following the Approval Process. The Tender must be issued as a Public Tender unless it qualifies as Confidential (Invitational) under Section 3.4 or 3.5.
Elevated or High risk (any value)	The dollar-based method still applies, but enhanced due diligence, specialist review, contract controls and risk acceptance may be required (see Section 4).
Exceptions (sole-source, non-competitive, emergency, confidential)	● Sole-source and non-competitive purchases over $25,000 but under $75,000 require VP approval and Executive Committee approval at $75,000 and above (Section 3.4). ● Emergency purchases require post-purchase documentation of the emergency, value obtained, and follow-up actions (Section 3.5).

	• Confidential purchases require Procurement and Legal approval of the process design (Section 3.5).
Approval Process	As defined in Section 5.3

The thresholds above apply to the total commitment value determined under Section 2.2. Procurement may require a more formal process where complexity, market conditions or risk warrant.

3.2 Best Value and Evaluation Criteria

Best Value is the primary goal, and price is the paramount consideration. For stock items and for a third-party procurement seeking substantially equivalent goods or services, price is the only factor considered, except where the delivery date does not meet London Hydro's needs, or where price is within 5% and diversity of supply has a demonstrated benefit (see below). For an RFP where variation between proposals is expected, other factors such as quality, capability, approach, schedule, service or risk must be clearly identified in the procurement process and evaluated using criteria disclosed before proposals are opened. Award principles, such as selecting the lowest price among proposals that satisfy the mandatory requirements, must be disclosed to bidders before proposals are opened.

For an RFP where variation between proposals is expected, price must be weighted at least 40% of total scoring, or at least 30% where the purchase meets the definition of Complex Design (see Section 1.6) and the responsible VP approves the reduced weighting, unless the Executive Committee approves a different weighting before release. Evaluation criteria must be relevant, measurable, sufficiently differentiated and approved before the competition begins. An award to a bidder other than the lowest compliant bidder must be approved one level above the normal approval level for the purchase value (see Section 3.3).

For an RFQ where some variation between bids is permitted rather than price alone, price must be weighted at least 75% of total scoring. This does not change the price-only approach that applies to stock items and to a third-party procurement seeking substantially equivalent goods or services, as described above.

Where diversity of supply has a demonstrated operational or resilience benefit, a premium of up to 5% over the lowest comparable price may be accepted in accordance with the Procurement Policy. The rationale and calculation must be documented.

Applicable government, regulatory and trade-agreement requirements must be incorporated into the sourcing and evaluation approach.

3.3 Awards Other Than the Lowest Bidder

An award to a bidder other than the lowest compliant bidder must be supported by the evaluation methodology and escalated one approval level above the normal level for the purchase value. Where the price differential affects the level of approval required, see Section 5.3.

This section does not require selection of the lowest-price proposal where the approved RFP methodology evaluates multiple criteria. Such a selection requires adherence to the disclosed evaluation and the Procurement Policy rules governing consideration of price.

3.4 Sole-Source and Non-Competitive Purchases

Sole-source means only one capable supplier is reasonably available. Non-competitive means more than one supplier may exist, but London Hydro proposes to purchase from one supplier without competition. Both require written justification and approval before commitment.

A non-competitive approach may be considered where:

- exclusive rights, technical compatibility or an absence of viable alternatives makes competition impractical;
- an unforeseeable emergency requires immediate action;
- confidentiality or legal sensitivity would be materially compromised by open competition;
- a properly established cooperative, prequalified or supplier-alliance arrangement permits the purchase;
- the Procurement Policy permits professional-services discretion based on demonstrated expertise or familiarity; or
- a documented business case demonstrates that competition would not serve London Hydro's interests.

Under $75,000, the responsible VP approves the justification. At $75,000 and above, the Executive Committee approves. Additional, risk and specialist approvals continue to apply.

The justification must address the reason, alternatives considered, price reasonableness, duration, risks, mitigations and future sourcing or exit plan. Broad statements such as convenience, incumbent familiarity or schedule pressure are not sufficient on their own. The Non-Competitive Purchase Requisition Form is available in the Job Aids and Forms Library.

3.5 Emergency and Confidential Purchases

An emergency purchase is limited to action needed to address an imminent threat to life, health, safety, service continuity, material property damage or another urgent circumstance that could not reasonably be addressed through the normal process. Signing authority still applies. The business owner/requestor must document the emergency, value obtained and follow-up actions promptly after the purchase.

Confidential procurements may limit advertising or competitive participation where disclosure would create material legal, financial, security, stakeholder-relations, labour-relations or operational risk. Procurement and Legal must approve the confidential process design. Confidentiality does not eliminate the need for competition where a controlled competitive process is practicable.

4. Procurement and Supplier Risk

4.1 Initial Risk Screen

Every purchase must receive a proportionate initial risk screen before supplier selection. The screen assesses both:

- purchase or initiative risk: the consequences of selecting, implementing or relying on the proposed good, service or commercial model; and
- supplier risk: the capability, integrity, resilience and control environment of the proposed third party and material subcontractors.

The Initial Purchase and Supplier Risk Screen, completed by the requestor as a section of the Purchase Request Form (Job Aids and Forms Library), initiates risk screening and determines whether additional risk assessment is required; it represents the minimum screen. Procurement may rely on approved supplier information already on file where it is current, relevant to the proposed scope and confirmed before award.

4.2 Risk Tiers

In practice: most purchases are Standard risk and only need basic review. Elevated risk means added scrutiny and VP sign-off. High risk means the Executive Committee must be involved regardless of dollar value. The sections below explain how to tell which tier applies and who determines it (Section 4.3).

Tier	Characteristics	Minimum response
Standard (no change to approval level)	Routine and readily replaceable; limited operational or financial impact; no sensitive system, data, safety or regulatory exposure.	Basic supplier validation.
Elevated (VP approval required)	Material service dependency, sensitive information, specialized or new supplier, meaningful safety/regulatory exposure, significant implementation or financial risk.	Documented due diligence (including a completed Supplier Risk Questionnaire), relevant specialist review, mitigation and contract controls; named contract owner and monitoring plan.
High (EC approval required)	Essential service or grid dependency; privileged IT/OT access; major customer, safety, regulatory or reputation exposure; high concentration or difficult exit.	Cross-functional review, a completed Supplier Risk Questionnaire, executive acceptance of material residual risk, continuity and exit planning, enhanced contract rights, implementation/readiness evidence and ongoing oversight.

Risk tier is based on the nature and severity of exposure, not the number of checkboxes selected. A single critical exposure may require greater oversight than several low-level factors.

4.3 Risk Factors

The business owner/requestor completes this assessment as the Initial Purchase and Supplier Risk Screen section of the Purchase Request Form. Procurement, with support from Enterprise Risk Management where necessary, confirms, validates or challenges this initial assessment before the procurement method and risk tier are finalized.

- Operational criticality, service continuity and ability to substitute or exit;
- Access to customer, employee, confidential or regulated information;
- Access to information technology, operational technology, cloud environments or privileged accounts;
- Employee, contractor, public or grid safety;
- Regulatory, legal, environmental, financial-reporting or records obligations;
- Supplier financial condition, ownership, reputation, capacity and past performance;
- Use of subcontractors, offshore delivery, concentration and fourth-party dependencies;
- Implementation complexity, requirements maturity, integration, data migration and acceptance risk;
- Total financial exposure, lifecycle cost, termination cost and potential stranded investment; and
- Public, customer, shareholder or stakeholder consequences of failure.

4.4 Due Diligence and Specialist Review

Due diligence must be tailored to the risk tier and may include financial review, references, technical capability, litigation and sanctions screening, insurance, safety performance, privacy and cybersecurity assessment, business continuity, subcontractors, regulatory status and conflicts of interest.

For Elevated and High risk-tier suppliers, due diligence must include a completed Supplier Risk Questionnaire. The questionnaire is tailored to the type of procurement (for example, information technology suppliers receive a different questionnaire than general goods suppliers) and is maintained in the Job Aids and Forms Library.

The business owner/requestor and Procurement must identify required specialist reviews before the solicitation is released. The Mandatory Functional Review Trigger Matrix in Appendix B identifies which purchases require which specialist review, the minimum review triggers and evidence, and the point at which review must occur to influence requirements and precede award, supplier access, implementation or go-live. Where more than one trigger applies, all relevant reviews apply. Specialist approval does not transfer ownership of the business decision or supplier risk.

A supplier must not receive access to London Hydro systems, operational technology, facilities or sensitive information until required security, privacy, safety, insurance, confidentiality and onboarding controls are complete.

4.5 Risk Treatment and Residual Risk Acceptance

Once a material risk is identified, it must be addressed, for example by changing the scope, choosing a different supplier, testing, adding controls, buying insurance, adding contract protections, planning for contingencies, or planning the transition. For each significant mitigation, the purchase file must name who is responsible and set a deadline.

“Residual risk” is whatever risk is left over after these controls are applied. If that leftover risk is Elevated, the accountable business executive must accept it, within their normal authority. If it is High, or significant enough to affect the enterprise as a whole, it must be presented to the Executive Committee.

Whoever approves the purchase should also state any conditions that must be met before the contract is signed, the supplier gets access, or the solution goes live. Approving the purchase does not replace actually completing those conditions.

If the business wants to proceed without a specialist review or approval that would normally be required, that decision and the leftover risk must be written down and agreed to by both the accountable business executive and the executive responsible for that specialist function. If the risk is High or enterprise-significant, the Executive Committee must approve it too.

4.6 Risk-Based Approval Escalation

The following factors must be considered when assigning the risk tier and may require approval above the dollar-value authority:

- single-source dependency, where no viable alternate supplier exists or switching suppliers would be costly or disruptive;
- access to London Hydro’s information systems, operational technology, or customer or employee data;
- exposure to Ontario Energy Board or other regulatory compliance requirements;
- a new or unproven supplier with a limited track record with London Hydro; or
- financial or reputational exposure that would be material beyond the dollar value of the purchase itself.

The risk tier decides who must approve the purchase.

- **Standard:** normal dollar-value signing authority applies.
- **Elevated:** the accountable VP must approve, all required specialist reviews must be complete, and the mitigation plan for any outstanding conditions or risks must be documented.
- **High:** Executive Committee must approve, regardless of dollar value; an executive must own the risk, a continuity and exit plan must be in place, and conditions for implementation and ongoing oversight must be documented.

Enterprise-significant matters must also be reported or escalated to the Board, as required by the enterprise-risk and Board governance frameworks.

This risk-based approval works alongside normal signing authority; whichever requirement is higher applies. The risk tier must be checked at the start of the purchase, confirmed again before award, and reassessed before implementation or go-live if anything about the risk has changed. Record the tier in the purchase file or the award recommendation required by Section 5.2.

5. Evaluation, Approval and Contract Award

5.1 Evaluation Governance

Evaluation criteria, scoring methodology, mandatory requirements, evaluator roles and conflict declarations must be approved before proposals are opened, and must be clearly identified in the procurement process, consistent with the award principles required by Section 3.2. Procurement controls access to submissions and coordinates clarifications to ensure all bidders are treated fairly.

Evaluators must score independently before consensus, retain sufficient rationale and assess only the information permitted by the solicitation. Material deviations from the approved process require Procurement and Legal review and may require Executive Committee approval.

5.2 Award Recommendation

The award recommendation must be proportionate to the value and risk and include:

- the business need, scope, timing and total commitment value;
- procurement method, market response and evaluation result;
- budget, including any approved variance;
- supplier due diligence, risk tier, material risks and mitigation commitments;
- reason for selecting the supplier and, where applicable, not selecting the lowest bidder;
- proposed contract term, options, commercial model and key protections;
- where available, the draft contract or summary of key commercial and legal terms; and
- required approvals, conditions and post-award contract owner.

The Proposal Recommendation Template is available in the Job Aids and Forms Library.

5.3 Approvals

Purchases must be approved under the current Signing Authority Register (Section 1.4). The highest required approval governs. A purchase is not fully approved until every required approver has agreed, or agreed with conditions that are documented and satisfied.

Where the normal approval is at the CEO threshold, the CEO's approval must be accompanied by CFO confirmation of budget availability and General Counsel confirmation of process compliance. Where the price differential between the lowest compliant bidder and the successful bidder exceeds the CEO's

signing authority, Chair approval is also required. Where the differential exceeds $100,000 but does not require Chair approval, the Chair must be provided with notice of the decision.

For an RFQ or RFP awarded to the lowest compliant bidder, above the responsible VP's approval authority, approval is given by the CFO or CEO up to their respective signing authority, or by Executive Committee where the value is above the CEO's signing authority. For an RFQ or RFP not awarded to the lowest compliant bidder, approval is escalated one level above the normal approval level for that purchase value under the Signing Authority Register (see Section 1.4): a purchase that would normally be approved at the VP level is approved by the CFO; a purchase that would normally be approved at the CFO level is approved by the CEO; and a purchase that would normally require CEO approval follows the CEO-threshold escalation set out above. Where the value itself is above the CEO's signing authority, Executive Committee approval already applies and no further escalation is required.

Where there is uncertainty about the required approval level, the Executive Committee determines the approval route.

Items requiring Executive Committee (EC) authorization are submitted with a standard package (Proposal Recommendation Template or equivalent, budget status confirmation, and any risk factors per Section 4), reviewed and confirmed by the responsible VP before submission.

Where a purchase submitted for Executive Committee approval involves a long-term relationship (such as software with maintenance fees or hardware with service fees), part of the approval decision is determining whether a lifecycle and replacement roadmap (see Section 1.6) should be required. How an approved roadmap affects a later renewal is addressed in Section 6.5.

Consent Agenda. Procurements that are within budget, awarded to the lowest compliant bidder, and comply with this Manual are placed on the Consent Agenda and may be approved without active discussion unless a member requests otherwise.

Active discussion required. An item is removed from the Consent Agenda and requires active EC discussion if: the purchase is not in the approved budget; the award is not going to the lowest compliant bidder; or the procurement deviates from this Manual in any respect.

All EC approvals, whether through the Consent Agenda or otherwise, must be recorded in meeting minutes. The purchase file must reflect the required approval before the contract is executed.

5.4 Contracting and Commencement of Work

The contract instrument must reflect the value, complexity and risk of the engagement. A London Hydro purchase order may be appropriate for straightforward purchases. A formal agreement is required where material scope, liability, data, cybersecurity, intellectual property, service level, implementation, change, termination or transition terms are needed.

Service contracts and supplier alliance contracts are normally limited to a term of two to three years, based on the estimated volume of goods or services to be purchased on an as-required basis; these contracts must be awarded through the procurement method that corresponds to their estimated total

value under Section 3.1. In limited circumstances a longer term, up to five years, may benefit London Hydro; Executive Committee approval is required for a contract term exceeding three years. Such approval should be accompanied by a Road Map prepared by the responsible VP. An evaluated renewal option may be exercised without a new competition only after continued need, performance, budget, risk, required specialist approvals and current signing authority are reconfirmed under Section 6.5.

Legal must review third-party agreements and material deviations from approved London Hydro terms (see the Contract and Clause Library). Employees must not accept click-through, online or supplier terms on behalf of London Hydro unless authorized through the applicable Procurement and Legal process. Privacy, cybersecurity, data-use and location, access-control, vulnerability and patching, audit and assurance, incident-notification and cooperation, business-continuity and disaster-recovery, subcontracting, records, insurance, safety, regulatory, termination, transition and secure-deletion provisions must be incorporated as appropriate to risk.

No work may begin, no access may be granted, and no solution may be installed, connected, used with London Hydro information or placed into service until the contract or purchase order is executed, required insurance and WSIB evidence are received, onboarding and specialist conditions are completed and the supplier has been authorized to proceed.

Supplier creation and changes to banking or payment instructions require independent verification using a trusted contact method and segregation from invoice and payment approval. Finance will not process a supplier invoice without an approved purchase order or contract and documented receipt or acceptance, except for an approved emergency or documented exception.

5.5 Records

The purchase file must provide a clear record of the need, competition or exception, evaluation, due diligence, approvals, contract, changes and material supplier-management decisions. Before work begins, the approved repository or contract register must record the contract or purchase order, named owner, total value or ceiling, risk tier, term, renewal and notice dates, required specialist approvals and outstanding conditions. Procurement is the official custodian of competitive-process records; the business owner and contract owner are responsible for providing required records promptly.

6. Third-Party Lifecycle Management

Supplier risk does not end at award. Every engagement must have a named contract owner, and oversight must be proportionate to the supplier's risk tier, criticality, value and performance.

6.1 Onboarding

No supplier may begin work without an executed Contract in place, as defined in Section 1.6; an SOW alone, without another executed Contract, is not sufficient.

Before the supplier begins work, the contract owner must confirm completion of applicable onboarding requirements, including:

- executed contract or purchase order and notice to proceed;
- scope, deliverables, schedule, acceptance criteria, pricing and invoice instructions;
- insurance, WSIB, safety orientation and site-access requirements;
- confidentiality, privacy and cybersecurity requirements; account provisioning, multi-factor authentication where applicable, least-privilege access and an inventory of supplier accounts;
- for technology arrangements, named internal service ownership, architecture and operability approval, testing, data migration, rollback, backup and recovery, and readiness evidence;
- business continuity, incident escalation and key contact information;
- subcontractor approvals and flow-down obligations;
- governance meetings, reporting, service levels and performance measures; and
- internal ownership for deliverables, invoices, risks, changes and benefits.

6.2 Ongoing Due Diligence and Monitoring

Standard suppliers are reviewed when issues arise and before material renewal. Elevated and high-risk suppliers require scheduled and event-driven monitoring appropriate to the exposure. Monitoring may include financial condition, insurance, cybersecurity and privacy assurance, incidents, vulnerabilities and patching, supplier access, data location, backup and recovery, business continuity, regulatory status, ownership, subcontractors, product or support lifecycle and concentration risk. For Elevated and High-risk suppliers, the Supplier Risk Questionnaire should be reissued and reviewed on a periodic basis as part of this monitoring.

A reassessment must be considered after a material incident, control failure, service deterioration, ownership change, significant subcontracting change, adverse financial information, regulatory action or material scope expansion.

6.3 Performance Management

The contract owner must verify deliverables and invoices against the contract and maintain evidence of acceptance. Material or recurring suppliers must be assessed using relevant measures such as service levels, quality, schedule, cost, safety, customer impact, responsiveness, compliance and continuous improvement.

Performance concerns must be documented, communicated and escalated in accordance with the contract. Corrective action plans must identify the issue, owner, action, due date and consequence of non-completion. Procurement and Legal must be involved before material remedies, withholding, dispute, suspension or termination actions are taken.

6.4 Changes and Additional Work

The contract owner must not authorize out-of-scope work without documented scope, pricing, funding, risk assessment and approval. Procurement must assess whether a proposed change is within the original competitive scope or creates a new or materially different requirement.

Cumulative changes, schedule extensions and consumption against ceilings must be monitored. Material amendments require the same level of diligence and approval that would apply to the revised total commitment and risk.

6.5 Renewals and Extensions

Renewal is a business and risk decision, not an administrative default. The contract owner must begin review early enough to allow competition, transition or exit. The review must consider continued need, performance, market conditions, lifecycle roadmap, price, remaining risk, future strategy and available alternatives.

An option included and evaluated in the original competition may be exercised within its approved terms only after continued need, performance, budget, risk tier, required specialist approvals and current signing authority are reconfirmed. An extension, material scope increase or renewal not contemplated in the original competition is a new non-competitive commitment and must be justified and approved accordingly.

Where a multi-year service or product contract already has a lifecycle and replacement roadmap approved by Executive Committee under Section 5.3, a renewal that is consistent with that roadmap, and supported by positive performance management results, does not require a fresh Executive Committee approval; it is approved administratively and follows normal signing authority. A sample lifecycle roadmap is available in the Job Aids and Forms Library.

6.6 Offboarding and Exit

At expiry, termination or replacement, the contract owner must coordinate an orderly exit. Applicable actions usually include:

- confirming final deliverables, acceptance, invoices, credits and unresolved claims;
- revoking physical, system and data access promptly;
- returning or securely deleting London Hydro information and obtaining evidence where required;
- recovering assets, credentials, records, source materials and intellectual property;
- transitioning services, knowledge and data to London Hydro or a replacement supplier;
- retaining required records and documenting lessons learned and final supplier performance; and
- closing residual obligations, warranties, holdbacks, audit rights and post-termination assistance.

6.7 High-risk Supplier Oversight

High-risk suppliers must have documented governance, executive ownership, performance and risk reporting, continuity and exit arrangements, and periodic cross-functional review. Material issues must be escalated through project, operational and enterprise-risk reporting as applicable. Critical technology suppliers must participate in cyber incident-response, continuity or recovery exercises where required by Cybersecurity or the CIO and address identified deficiencies promptly.

7. Special Purchase Channels and Other Considerations

7.1 Information Technology, SaaS and Technology-Enabled Services

Any arrangement, regardless of value or payment channel, involving software, SaaS, cloud, artificial intelligence, hardware or firmware, connected equipment, integration or application programming interfaces, data processing, cybersecurity or operational technology requires documented CIO or delegate approval before commitment. This includes free tools, trials, pilots, proofs of concept, click-through subscriptions and technology embedded in goods or services. Privacy and Cybersecurity reviews are required where the solution stores, processes, transmits or can access London Hydro information, systems or operational technology, or could affect security, customer, regulatory or critical operational processes.

Technology and cyber due diligence, contracting, implementation, monitoring and offboarding must follow London Hydro's cybersecurity and privacy policies and standards, including controls established to support compliance with the Ontario Cyber Security Framework, the Ontario Cyber Security Standard and section 6.8 of the Distribution System Code. Supplier obligations must enable London Hydro to meet applicable cyber incident notification, cooperation, evidence-preservation and regulatory reporting timelines.

The business owner/requestor must not install or connect a solution, create a production account, upload London Hydro information, accept online terms or permit supplier access before required reviews and conditions are complete. Technology reviews must address, proportionate to risk, architecture and interoperability; internal service ownership and support; identity and access; logging; vulnerability and patch management; secure configuration and development assurance; encryption and data location and retention; backups, recovery and continuity; incident notification and cooperation; subcontractors; testing, migration and rollback; audit evidence; licensing; portability and exit. Detailed minimum controls are maintained in the Job Aids and Forms Library and Contract and Clause Library. An RFI or structured market engagement may be used before competition without creating supplier preference or commitment.

7.2 Prequalified Vendors and Supplier Alliances

Work may be awarded under a valid prequalification, cooperative arrangement or supplier alliance only where the proposed work is within the competed scope, term, pricing structure and financial ceiling. The file must identify the arrangement and the basis for selecting the supplier. Where multiple prequalified or alliance suppliers are capable of performing substantially equivalent work, the work must be awarded

to the lowest-priced qualified supplier, subject to the professional-services discretion described in Section 1.2 and to delivery-time or continuity considerations consistent with Section 3.2.

Procurement conducted through an established co-operative purchasing organization or buying group requires Executive Committee authorization. The strategic benefit of each supplier alliance must be reviewed at least every three years.

The owner of the arrangement must periodically confirm market value, supplier performance, strategic benefit, available capacity and continued compliance. A prequalification or alliance is not an indefinite exemption from competition.

7.3 Blanket Purchase Orders and Recurring Charges

Blanket purchase orders may be used for recurring requirements where the scope, term, ceiling and authorized users are defined. The competitive process is based on the expected total value. The contract owner must monitor consumption and prevent orders beyond scope, term or ceiling.

Automatically renewing subscriptions and recurring charges must have a named owner, current business purpose, budget and renewal date. Technology subscriptions remain subject to Section 7.1. Automatic renewal should be disabled where practical; every renewal must be reviewed and unnecessary subscriptions cancelled.

7.4 Corporate Credit Cards and Field Purchases

Corporate credit cards and field purchase orders are payment or purchase channels, not exceptions to signing authority, competition, risk screening or documentation requirements. They may be used only by authorized employees and within established limits. Field purchase orders are limited to $1,000 per transaction and are issued only to employees on the Signing Authority Register. Detailed issue, receipt and reconciliation procedures are maintained in the Procurement Procedures document.

7.5 Inventory and Engineered Products

Inventory replenishment and engineered products may use approved supplier alliances, prequalified lists or formal quotation processes appropriate to the technical market. Materials Management and Procurement maintain the detailed replenishment, SKU and alliance procedures in the Procurement Procedures document. Technical acceptance and supplier-performance evidence must be retained.

7.6 Disposal and Sale of Assets

The disposal, sale, lending and rental of London Hydro assets are governed by the applicable asset-management and disposal requirements. Procurement supports competitive sale or disposal where required. These activities are not detailed in this Manual.

7.7 Regulatory and Government Policy Considerations

Regulatory requirements or government policy may, on occasion, affect procurement at London Hydro. For example, the federal Buy Canada Policy, introduced in December 2025, directs federal departments,

agencies and related programs to prioritize Canadian suppliers and Canadian content, with thresholds and scope that continue to be phased in through 2026. Where such requirements apply to London Hydro, whether directly or through funding, program or Crown corporation flow-through obligations, they must be taken into account when sourcing and evaluating a purchase, and may take precedence over the procurement guidelines or methods otherwise set out in this manual. Procurement is subject to change based on new or evolving government or regulatory direction (see also Section 5.3). Procurement will monitor for applicable requirements and confirm how they are to be incorporated into the sourcing and evaluation approach. Specific application of Canadian-content and Buy Canadian pricing preferences, including applicable premium percentages, is set out in the Buy Canadian Purchase Preference Memo maintained by Procurement in the Procurement Procedures document.

8. Compliance, Reporting and Records

8.1 Exceptions and Non-Compliance

An exception must be approved before the commitment unless an emergency makes prior approval impossible. The request must identify the rule, reason, value, duration, alternatives, risks, mitigation and proposed approver. Approval of an exception does not waive applicable law or Board policy. Where the exception involves an emergency purchase under Section 3.5, the emergency documentation required by that Section satisfies this requirement; a separate exception request is not needed. Inventory replenishment and engineered products procured under the standing method in Section 7.5 are not exceptions and do not require approval under this Section.

Suspected non-compliance, including unauthorized technology acquisition, data upload or supplier access, as well as conflicts, bid manipulation, fraud or supplier misconduct, must be reported promptly to the appropriate manager, Procurement, Legal, ERM, or through the Whistleblowing process. Corrective action may include training, access removal, enhanced approval, recovery of funds, supplier remedies or employee discipline.

8.2 Reporting

Procurement will report material procurement activity and exceptions as requested by the Executive Committee. Reporting should support oversight of non-competitive purchasing, contract concentration, high-risk suppliers, performance issues, renewals, exceptions and emerging third-party risk.

Business owners and contract owners (the business owner is accountable for the purchase and its outcomes; the contract owner is accountable for the post-award relationship) must provide accurate and timely information for this reporting and escalate material supplier issues without waiting for the regular reporting cycle.

8.3 Records Retention

Procurement and supplier records must be retained in the approved corporate repository and in accordance with the corporate records-retention schedule. The authoritative schedule, forms and file-

naming requirements are maintained in the Job Aids and Forms Library so they can be updated without revising this Manual.

8.4 Administration of the Manual

The Executive responsible for Procurement owns this Manual. Procurement coordinates review with Finance, Legal, ERM and relevant specialist functions. Material changes require Executive Committee approval. The Procurement Procedures, Job Aids and Forms Library, and Contract and Clause Library companion documents may be updated by the responsible function provided they remain consistent with this Manual and governing policies.

Appendix A: Procurement Policy Reference Table

Policy principle	How this Manual implements it
Best Value	Sections 1.2, 3.1 and 3.2 define competition, comparable solutions and lifecycle cost. Low-value purchases require price-reasonableness checks where one quote is insufficient.
Variation from Best Value	Section 3.2 implements price as the paramount consideration: price only for stock items and RFPs/RFQs seeking equivalent goods or services (subject to the delivery-date and diversity-of-supply exceptions), a minimum 40% price weighting for RFPs where variation is expected (30% for Complex Design with VP approval), and a minimum 75% price weighting for RFQs where some variation is permitted; diversity-of-supply premium is set at 5%.
Managing consideration of price	Section 3.3 applies one-level escalation and preserves CFO, General Counsel and Chair involvement required by the Policy.
Long-Term Asset Roadmaps	Section 5.3 requires the Executive Committee to determine whether a lifecycle and replacement roadmap is required as part of its approval decision; Section 6.5 governs how an approved roadmap supports later renewal and transition planning. A roadmap informs but does not automatically approve a future commitment.
Professional Services Discretion	Section 3.4 permits expertise and familiarity as a non-competitive basis where justified, approved and supported by price and performance oversight.
Exercising Business Judgment	Sections 3.4, 3.5 and 8.1 provide controlled exception processes, written rationale, price reasonableness, risk treatment and approval.
Risk Assessment of Supplier	Section 4 requires an initial screen for every purchase and supplier, proportionate due diligence and residual-risk acceptance; Section 6 extends risk management throughout the lifecycle.

Control objective: The reference table is intended to prevent future revisions from preserving the Policy wording but unintentionally changing how the principles operate in practice.

Appendix B: Mandatory Functional Review Trigger Matrix

These triggers apply regardless of purchase value or payment channel. Review must occur early enough to influence requirements and must be completed before the applicable commitment, supplier access, implementation or go-live decision.

Function	Mandatory trigger	Minimum documented review / approval
Information Technology / CIO	Software, SaaS, cloud, AI, hardware or firmware, connected equipment, integration, APIs, data processing, cybersecurity or OT - including free tools, trials, pilots, click-through services and technology embedded in another purchase.	CIO or delegate approval before commitment; architecture, interoperability, service ownership, support model, implementation approach and operational-readiness conditions. Completed IT/technology Supplier Risk Questionnaire where the supplier is Elevated or High risk-tier.
Cybersecurity	The solution stores, processes, transmits or can access London Hydro information, systems or OT, or may affect security, customers, regulatory processes or critical operations.	Cyber risk assessment and required controls before award; contract, identity/access, logging, vulnerability/patching, assurance, incident-notification/cooperation, continuity/recovery and secure-exit requirements; residual-risk and go-live approval where applicable. Completed Supplier Risk Questionnaire (cyber-tailored version) where the supplier is Elevated or High risk-tier.
Privacy	Customer, employee or other personal information is collected, used, disclosed, stored, processed, transferred or deleted.	Privacy review addressing authority and purpose, minimization, consent/notice where applicable, data location, retention, sub processors, access, incident response and return or secure deletion.
Legal / Insurance	Third-party or non-standard terms; click-through terms; material liability, indemnity, intellectual property, confidentiality, regulatory, dispute, termination or insurance exposure.	Approved contract form or documented Legal approval; Insurance approval where coverage, risk transfer or requested exceptions are material.

Function	Mandatory trigger	Minimum documented review / approval
Finance	New supplier; recurring or multi-year charges; material financial exposure; supplier banking or payment-instruction changes; unusual commercial or payment terms.	Budget and authority confirmation; financial due diligence where risk warrants; independent supplier-master/banking verification; purchase-order, receipt/acceptance and payment controls.
Health, Safety / Environment	Field, construction, electrical, environmental or safety-critical work, products or services.	Applicable safety/environmental requirements, competency and performance review, WSIB and insurance evidence, site onboarding and pre-work conditions.
Regulatory / Process Owner	Billing, metering, market rules, customer communications, service-quality obligations, regulatory reporting or another regulated business process may be affected.	Documented regulatory and business-process requirements, testing and acceptance criteria, implementation readiness and accountable operational ownership.
People and Culture	Temporary labour, recruiting, background checks, HR services or systems, worker classification, or supplier access to employee information.	HR approval and, as applicable, Privacy and Legal review; classification, confidentiality, system/access, supervision and offboarding requirements.
ERM / Executive	High or enterprise-significant risk, material concentration or dependency, difficult exit, or cross-functional residual risk outside normal appetite.	Risk-tier challenge, documented treatment and ownership, continuity and exit planning, and acceptance or escalation under Sections 4.5 and 4.6.

The business owner/requestor remains accountable for the purchase and supplier risk. Specialist approval confirms requirements within the specialist function's mandate and does not transfer ownership of the business decision.